# J.P. MORGAN GLOBAL HIGH YIELD & LEVERAGED FINANCE CONFERENCE

## FEBRUARY 24 - 26, 2020

Select MEDICAL
Improving Quality of Life

# Forward-Looking Statements

This presentation may contain forward-looking statements based on current management expectations. Numerous factors, including those related to market conditions and those detailed from time-to-time in the Company's filings with the Securities and Exchange Commission, may cause results to differ materially from those anticipated in the forward-looking statements. Many of the factors that will determine the Company's future results are beyond the ability of the Company to control or predict. These statements are subject to risks and uncertainties and, therefore, actual results may differ materially. Readers should not place undue reliance on forward-looking statements, which reflect management's views only as of the date hereof. The Company undertakes no obligation to revise or update any forward-looking statements, or to make any other forward-looking statements, whether as a result of new information, future events or otherwise. All references to "Select" used throughout this presentation refer to Select Medical Holdings Corporation and its subsidiaries.

# Select Medical Overview

## Founded in 1996

**$5.5 Billion** Net Revenue 2019
**$710.9 Million** Adjusted EBITDA 2019 (1)
**13.0%** Adjusted EBITDA Margins

## SCALE AND EXPERTISE

Leading provider of post-acute services with operations in 47 states and D.C.

Headquartered in Mechanicsburg, Pennsylvania, Select Medical employs approximately 49,900 staff in the United States as of 12/31/2019.

*Note: (1) See Slide 34 for non-GAAP reconciliation*

# Leading Post Acute Care Provider

**Largest operator of Critical Illness Recovery Hospitals (formerly referred to as LTACH)**
- 101 Critical Illness Recovery Hospitals operating in 28 states.

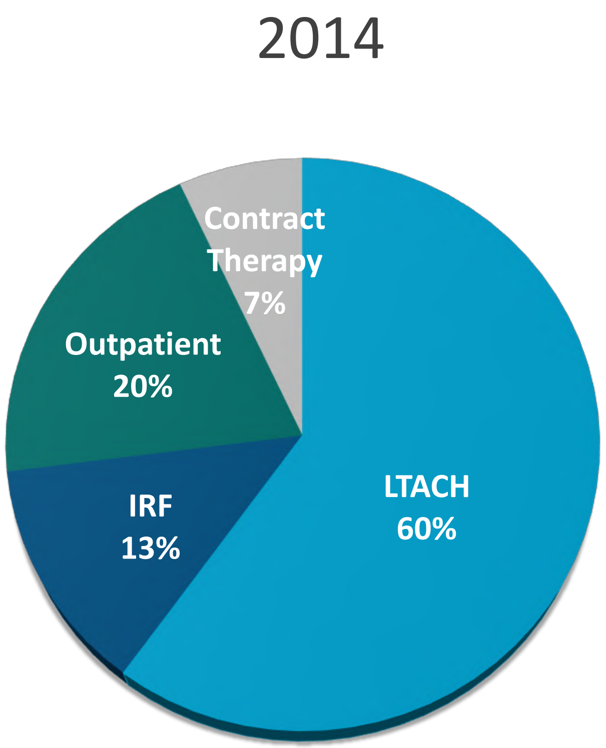
**Second largest operator of Rehabilitation Hospitals (IRF)**
- 29 IRF’s operating in 12 states.

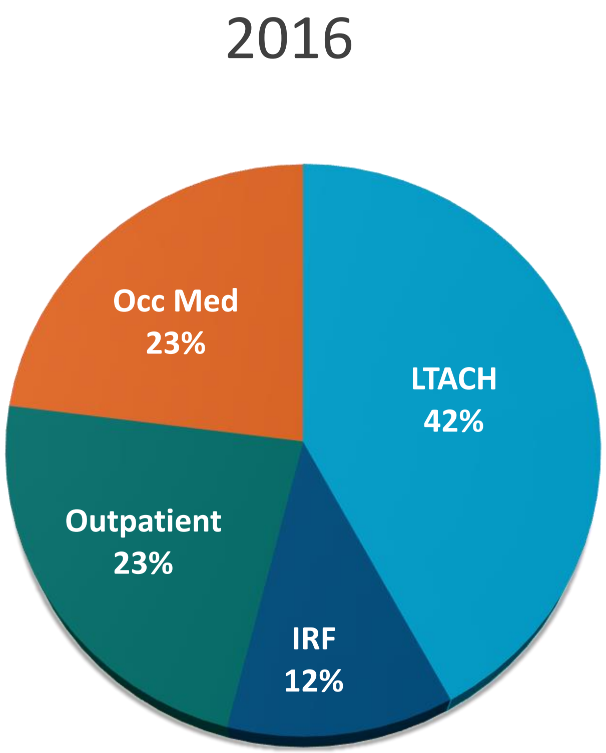
**Largest operator of Outpatient Rehabilitation Clinics**
- 1,740 clinics in 37 states and D.C.

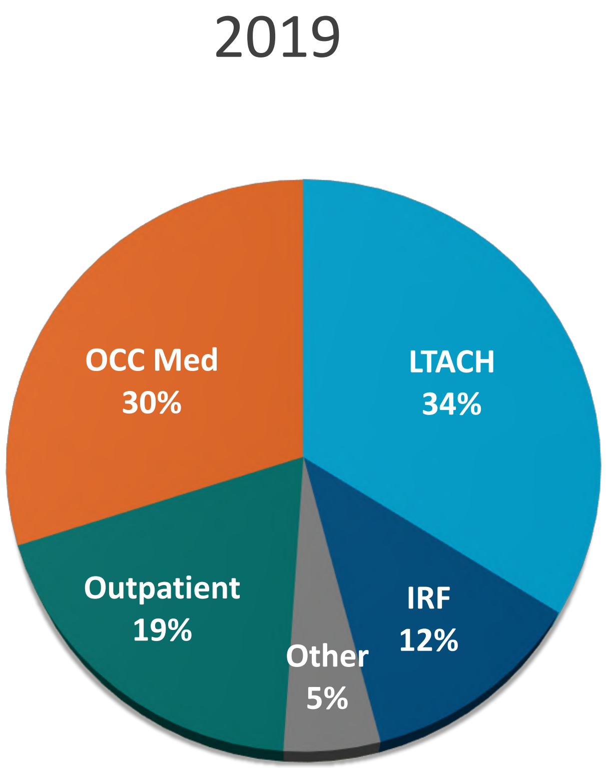
**Largest operator of Occupational Medicine Centers**
- 521 centers in 41 states.

*As of 12/31/19*

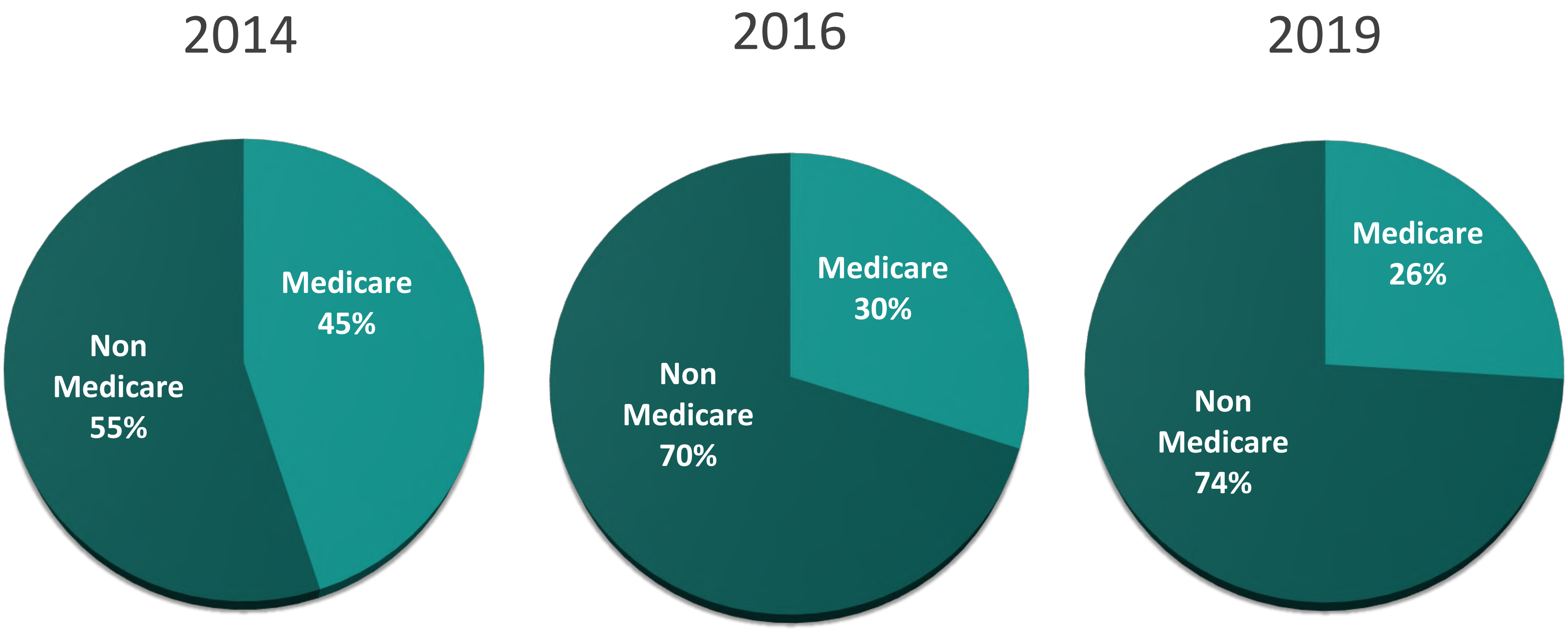
# Revenue Mix


2014
Contract Therapy 7%
Outpatient 20%
IRF 13%
LTACH 60%


2016
Occ Med 23%
LTACH 42%
Outpatient 23%
IRF 12%


2019
OCC Med 30%
LTACH 34%
Outpatient 19%
IRF 12%
Other 5%

# Payor Mix


2014
Medicare 45%
Non Medicare 55%
2016
Medicare 30%
Non Medicare 70%
2019
Medicare 26%
Non Medicare 74%

CRITICAL ILLNESS RECOVERY HOSPITALS

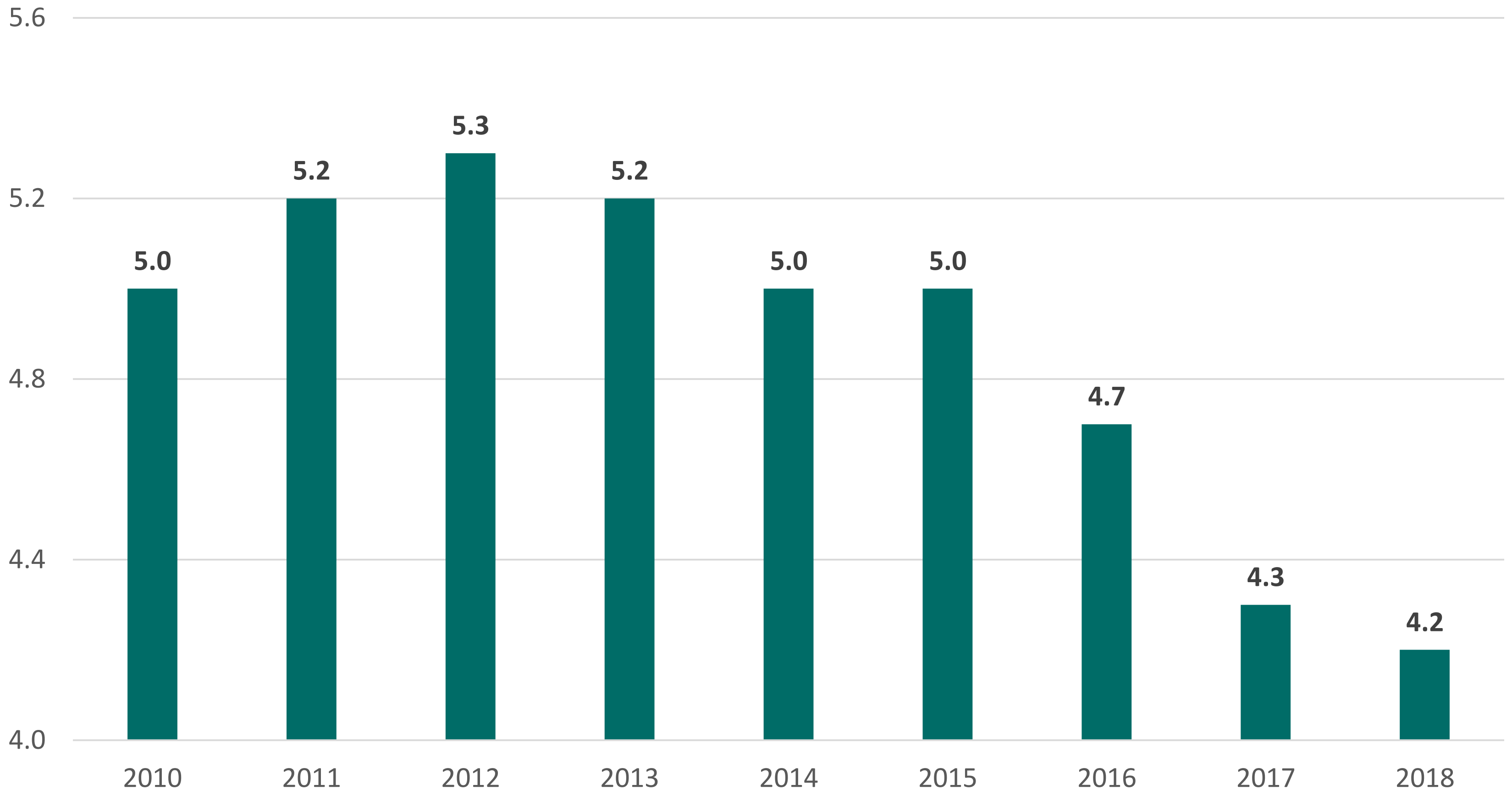
# LTCH Legislation

LTCH Patient Criteria passed in late December 2013 as part of Budget bill and SGR - effective beginning Q4 2015

- All LTCH's under criteria as of September 2016.

- **LTCH Rates for patients with;**
  - 3 day prior short term acute hospital ICU/CCU stay or
  - Ventilation patients for > 96 hours in the LTCH
- **Other patients receive "site neutral" rate.**
  - Bipartisan Budget Act of 2018 extended blended site neutral payment rates for additional 2 years through September 2019.

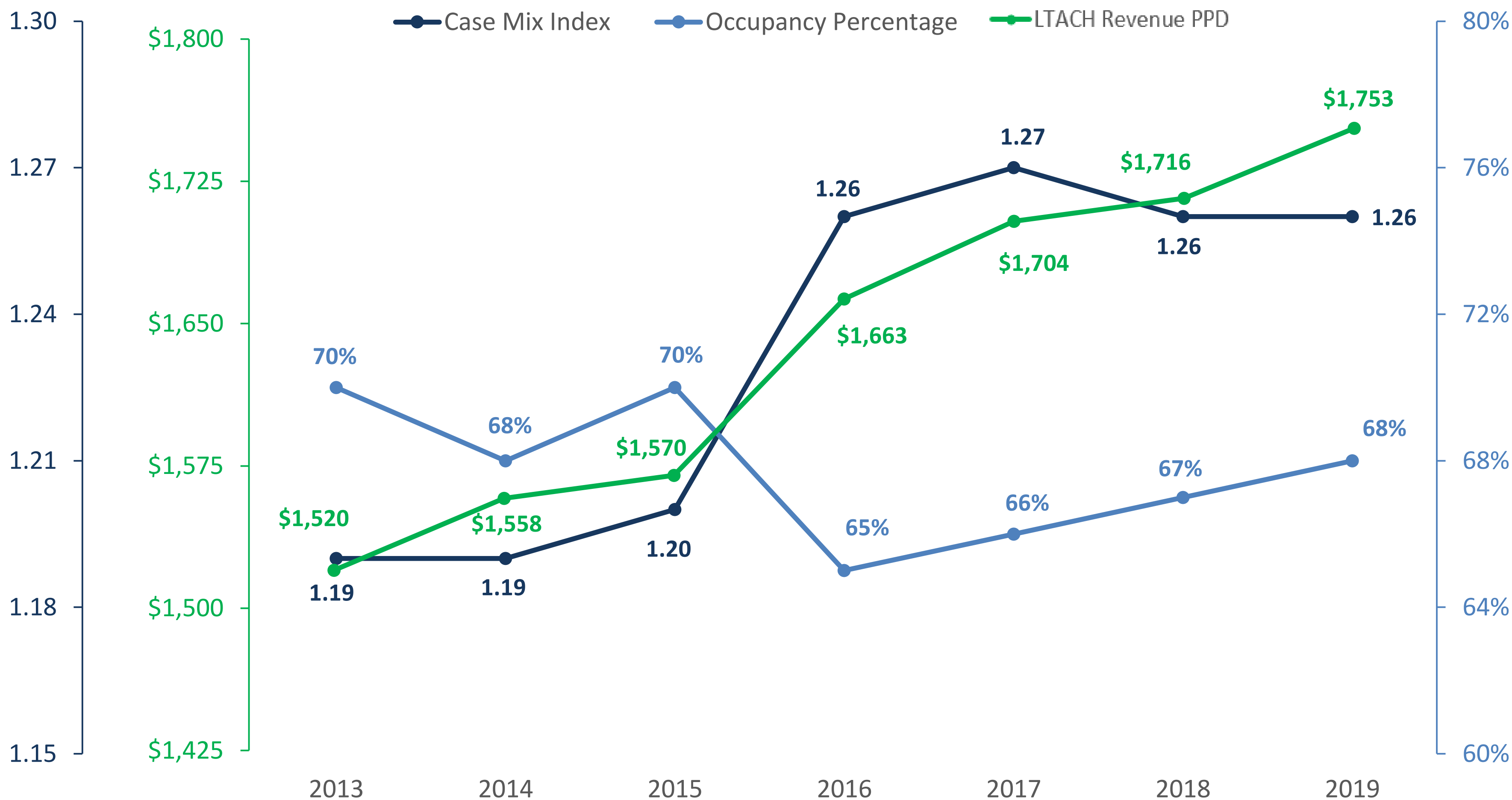
# LTCH Medicare Annual Spending




*($ in billions)*

Source: MedPAC Data (2018 Figures estimated by MedPac)

# LTCH Criteria Impact




*Revenue PPD has been adjusted for revenue recognition change.*

# INPATIENT REHABILITATION HOSPITALS

# Our Rehabilitation "Model"

- **Partner with leading health systems through joint venture relationships**
  - Inpatient rehab is the basis of "model" but can include other post acute network of services.
    - Outpatient Rehab
    - Critical Illness Recovery Hospitals (LTCH)
    - Day Rehab
    - Occupational Medicine

# Current Rehabilitation Operations

Select MEDICAL

TriHealth Rehabilitation Hospital

OhioHealth Rehabilitation Hospital

Cleveland Clinic Rehabilitation Hospital

Helen M. Simpson REHABILITATION HOSPITAL

SSMHealth Rehabilitation Hospital

Dignity Health Rehabilitation Hospital

California Rehabilitation INSTITUTE A Cedars/UCLA Health Partnership

HONORHEALTH Rehabilitation Hospital

PennState Health Rehabilitation Hospital

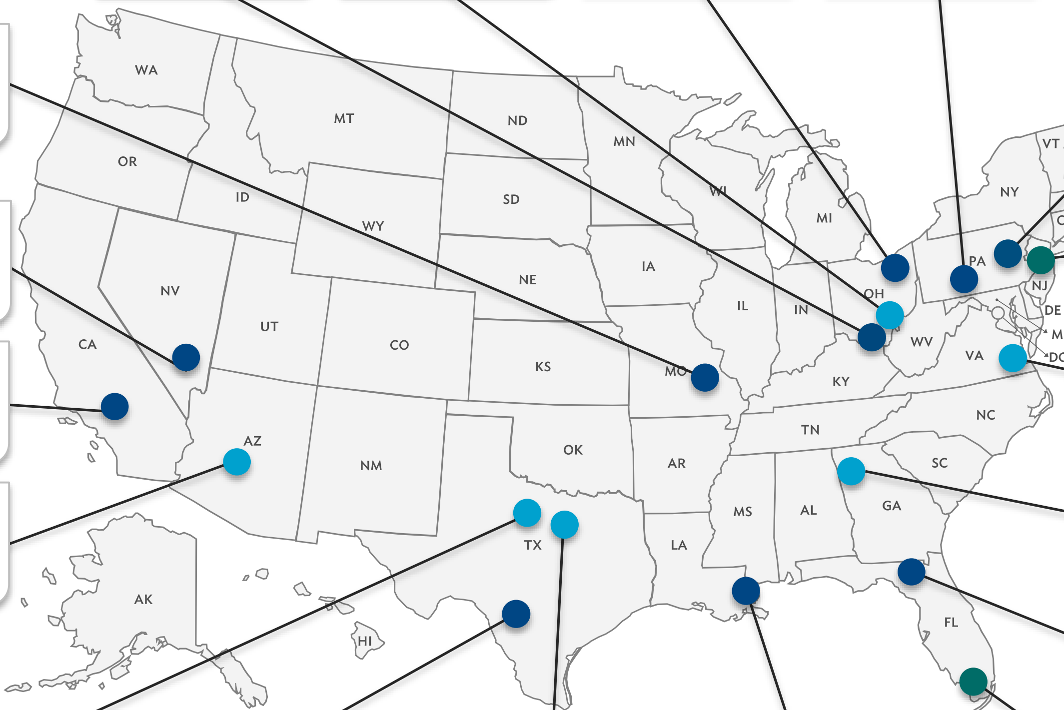
Kessler INSTITUTE FOR REHABILITATION

RIVERSIDE Rehabilitation Hospital

EMORY REHABILITATION HOSPITAL

UFHealth REHAB HOSPITAL

West Gables REHABILITATION HOSPITAL




Select REHABILITATION HOSPITAL of Denton

Select REHABILITATION HOSPITAL of San Antonio

BaylorScott&White INSTITUTE FOR REHABILITATION

Ochsner Rehabilitation Hospital

● Wholly Owned ● Consolidated Joint Venture ● Non-Consolidated Joint Venture

# Rehabilitation Network Growth

*New JV Partnerships:*

**2019 Openings**

- UF Health – Gainesville, FL – 60 bed IRF
  - Opened March 2019
- Dignity Las Vegas, NV – 60 bed IRF
  - Opened May 2019
- Riverside Health – Newport News, VA
  - New 50 bed IRF (replaced existing hospital)
  - Opened August 2019
- Ochsner Northshore – New Orleans, LA
  - 30 bed IRF
  - Opened September 2019

**Under Construction**

- Banner Health – Phoenix, AZ
  - JV began May 2018 with outpatient rehab services
  - Construction of two rehabilitation hospitals underway
- UC San Diego Health and Vibra Healthcare
  - 42 bed IRF
  - 88 bed Critical Illness Recovery Hospital (opened Q1 '19)

# Our Post Acute Partners

Select MEDICAL

| | | |
|---|---|---|
| BaylorScott&White HEALTH | | Multi-billion dollar health system with 52 acute care hospitals and over 4,800 staffed acute beds. Net patient revenues of approximately $7 billion |
| BaylorScott&White INSTITUTE FOR REHABILITATION *(Joint Venture)* | 2011 | Four IRFs with 214 beds and two managed rehab units, 91 outpatient clinics and home health services |
| Cleveland Clinic | | Multi-billion dollar health system with 18 acute care hospitals, over 400 ICU beds, and over 3,900 staffed acute beds. Net patient revenues of over $7 billion |
| Cleveland Clinic Rehabilitation Hospital, In affiliation with Select Medical *(Joint Venture)* | 2015 | Three 60 bed IRFs and one managed rehab unit |
| Select Specialty Hospital *(Joint Venture)* | 2016 | Four LTAC hospitals with 230 beds and one managed 40 bed skilled nursing facility |
| SSMHealth. | | Multi-billion dollar health system with 32 acute care hospitals with over 3,900 staffed acute care beds. Net patient revenue of over $4 billion |
| SSMHealth. Rehabilitation Network *(Joint Venture)* | 2009 | Three IRFs with 125 beds, 72 outpatient clinics and other contract therapy and staffing services |

PHYSICAL THERAPY OUTPATIENT CLINICS

# Outpatient Rehabilitation

- **Largest operator of outpatient rehab clinics in U.S.**
- **March 2016 acquired Physiotherapy Associates (second largest at time of acquisition)**
- **Growth through denovo clinics and tuck-in acquisitions**
- **Bipartisan Budget Act of 2018 repealed annual limits on outpatient therapy services for Medicare beneficiaries. (Medicare represents approximately 15% of our outpatient payor mix)**

# Outpatient Rehabilitation - Industry

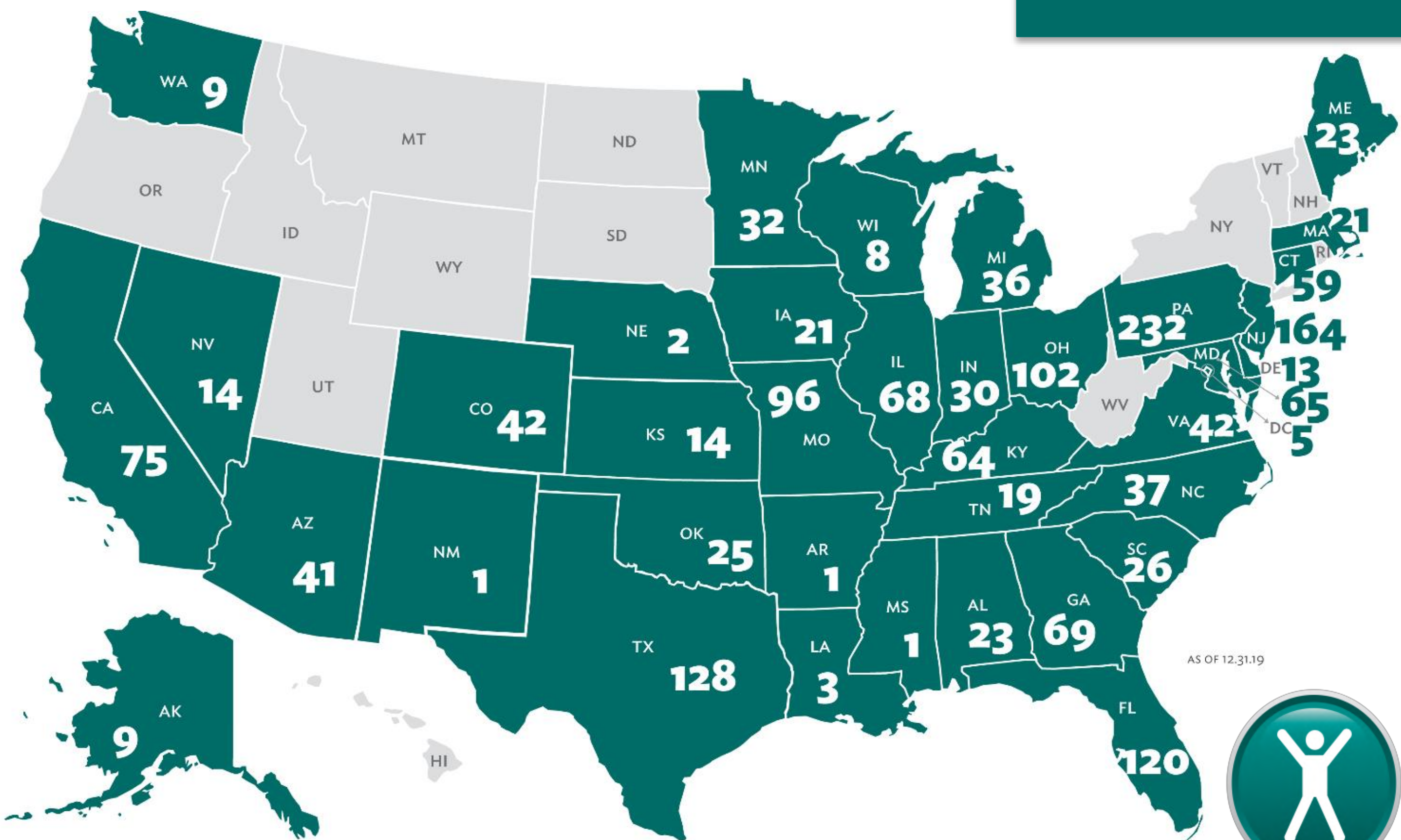
Select (1,740)

ATI (≈900)

USPH (≈580)

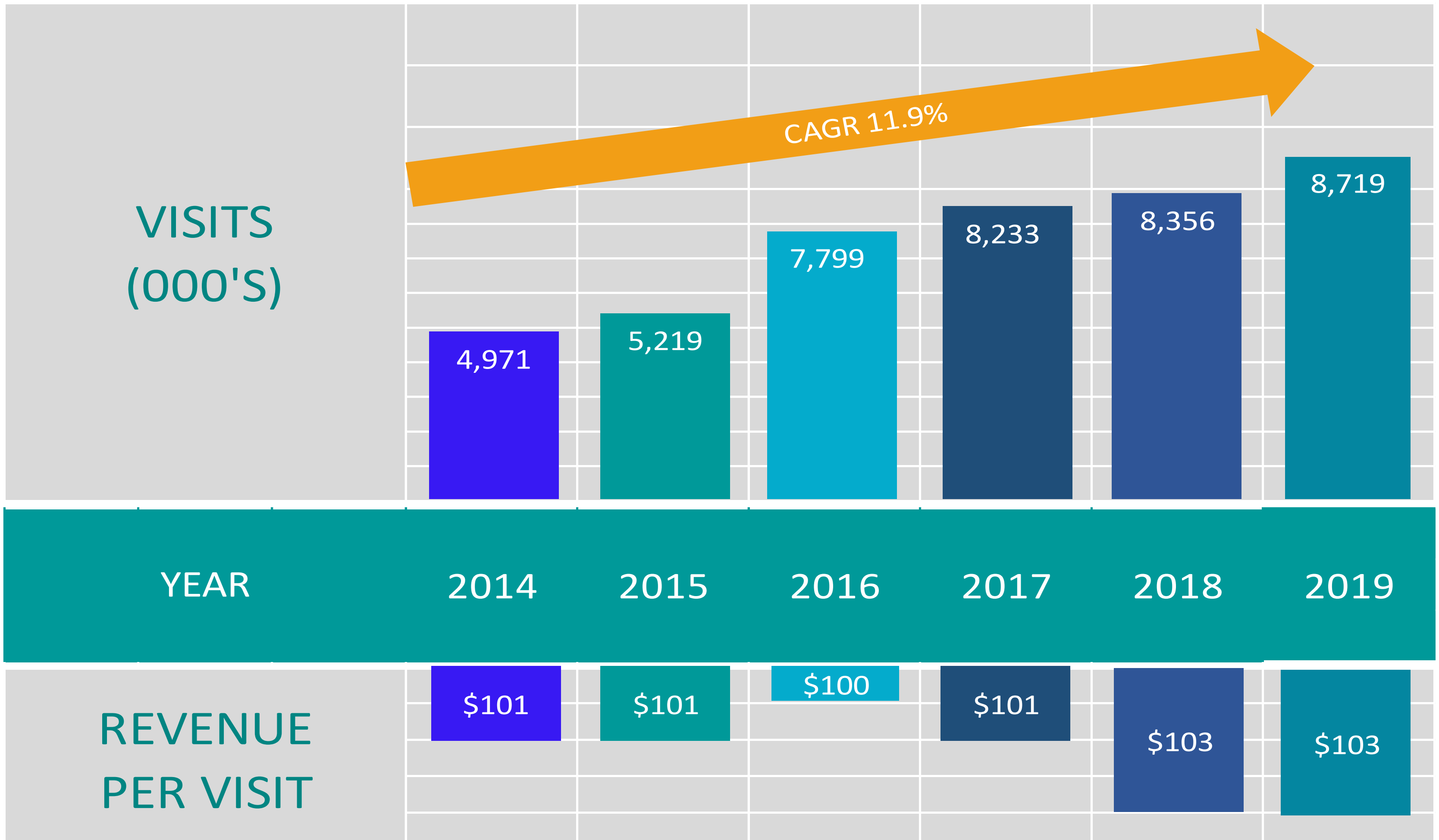
ATHLETICO (≈500)

*Source: Company public filings and websites as of December 31, 2019*




**1,740 Outpatient Rehabilitation Clinics**
(37 States and D.C.)

# Outpatient Rehab Clinics



CONCENTRA

# Concentra/US HealthWorks

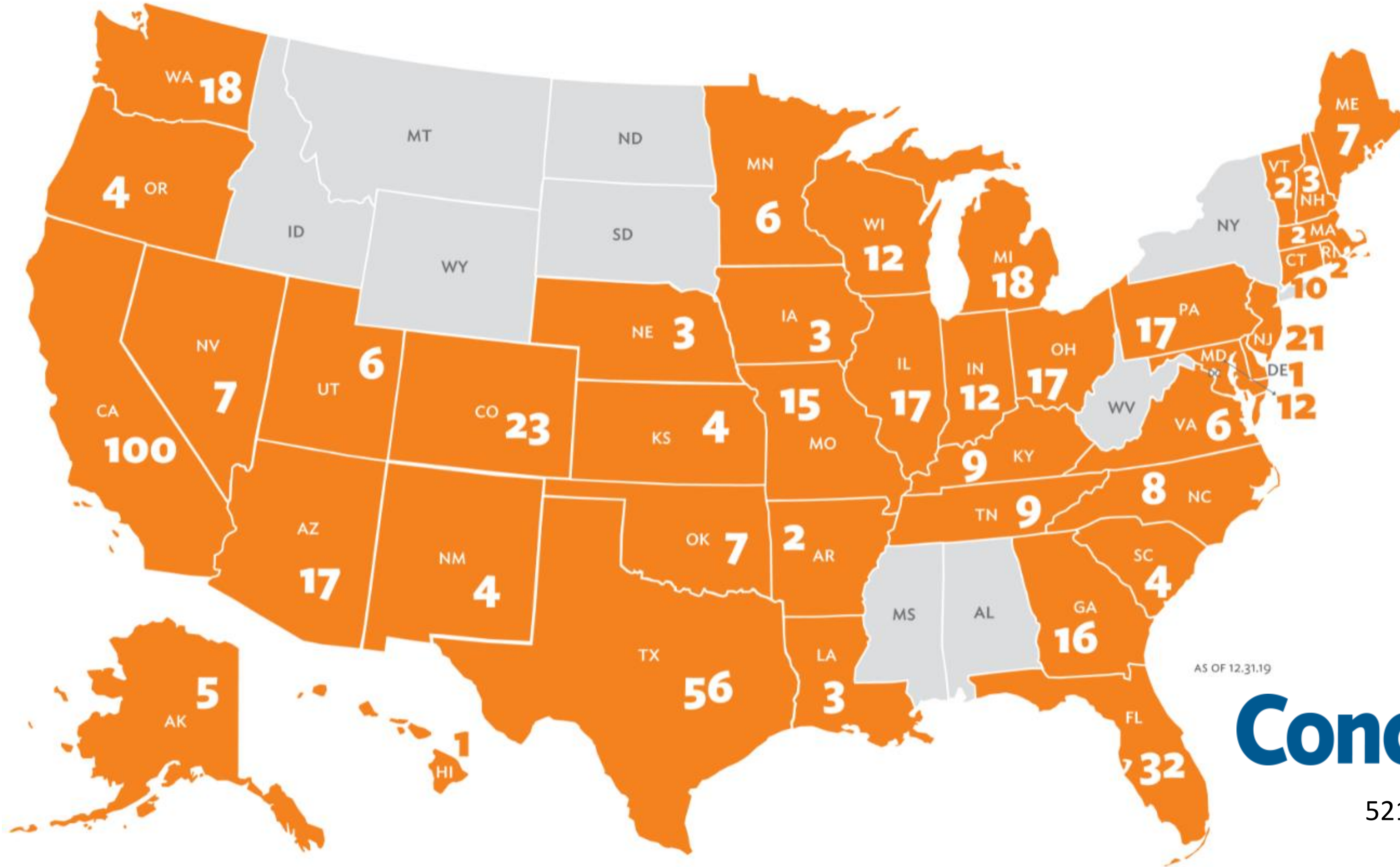
**The largest provider of occupational health services in the U.S.**

- 684 locations across 43 states and D.C.

- **Service Lines:**
  - 521 occupational health centers
  - 131 onsite clinics at employer locations
  - 34 Community Based Outpatient Clinics (CBOC) serving Veterans Health Administration patients
- **Treat 21% of workplace injuries in the U.S.**

Note: Data as of December 31, 2019 and includes operations of US HealthWorks acquired February 1, 2018.

# Concentra/US HealthWorks Centers




Concentra®

521 Centers

# Concentra Stand Alone
# Post-Acquisition from Humana

- **Financial Information 2015 (acquired June 2015)**
  - Revenue = $997 million
  - Adjusted EBITDA = $90 million
  - Adjusted EBITDA Margin = 9.0%
- **Financial Information 2017**
  - Revenue = $1.0 billion
  - Adjusted EBITDA  = $157.6 million
  - Adjusted EBITDA Margin = 15.6%
- **Implemented $44 million of cost saving synergies.**

# US HealthWorks Acquisition

**US HealthWorks was the second largest provider of occupational health with 220 centers in the United States.**

- **Transaction closed February 1, 2018. Select retains its 50.1% voting ownership in combined company.**
- **US HealthWorks Financial Performance 2017**
  - Revenue = $552 million
  - Adjusted EBITDA = $63 million
  - Adjusted EBITDA margin = 11.4%
- **Identified $38 million of cost savings synergies.**

# Concentra/USHW Combined

## 2019 Financial Performance

- Revenue = $1,629 million
- Adjusted EBITDA = $276.5 million
- Adjusted EBITDA Margin = 17.0%

# Concentra Put / Call Mechanics

**Put Option**

- Beginning on the 2nd, 3rd and 4th anniversary of the USHW acquisition, both Dignity and WCAS have annual rights to put up to 33.33% of their respective Class A equity interest to SEM based on an agreed upon investment bank valuation conducted 60 days after an annual Company audit
- If there is Qualifying SEM Change of Control, defined to be one that has not been approved by Dignity and WCAS in writing prior to the consummation thereof, both Dignity and WCAS can put 100%, but not less than all of remaining equity ownership to SEM utilizing same valuation mechanics described above

**Call Option**

- Beginning after the 4th anniversary of the USHW acquisition, SEM has annual right to call up to 100% of remaining WCAS and Dignity equity interest to SEM based on agreed upon investment bank valuation conducted 60 days after an annual Company audit

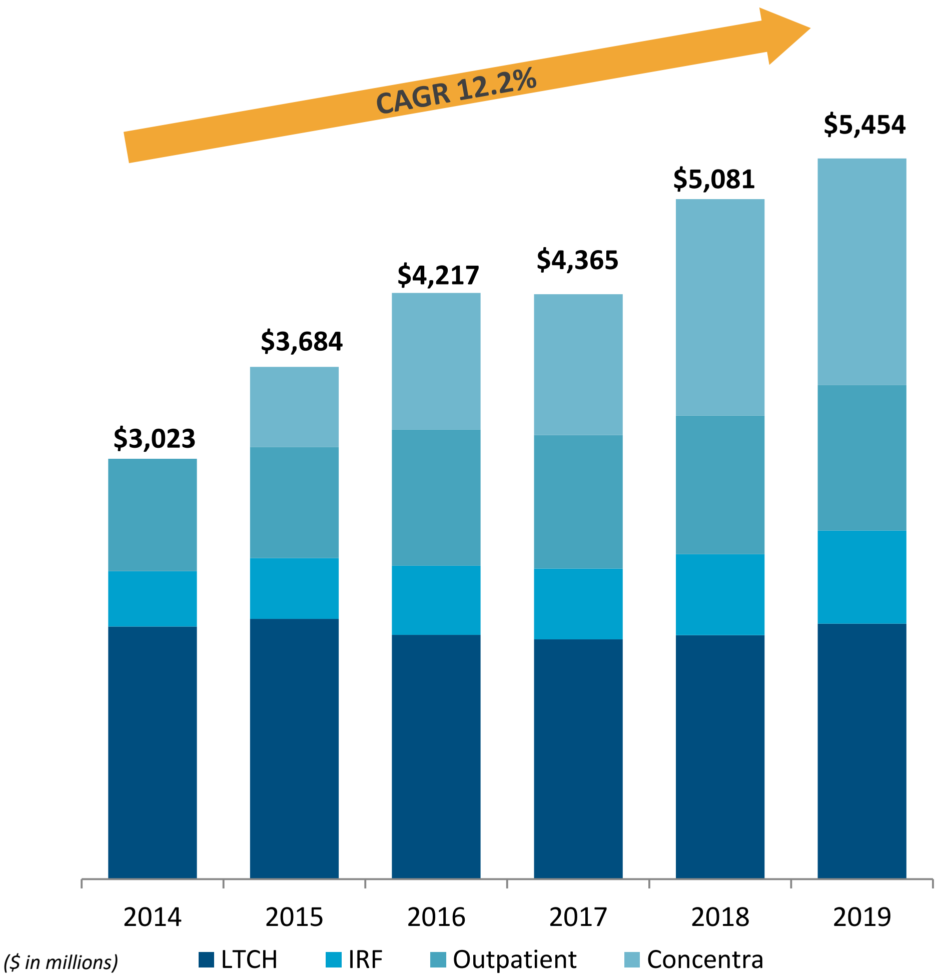
**Valuation Methodology and Consideration**

- EBITDA for valuation is to be calculated in a manner consistent with the calculation of EBITDA used to value the Class A equity interest issued to Dignity in connection with the transaction
- Consideration is payable in cash, SEM common equity, or combination upon SEM's sole discretion

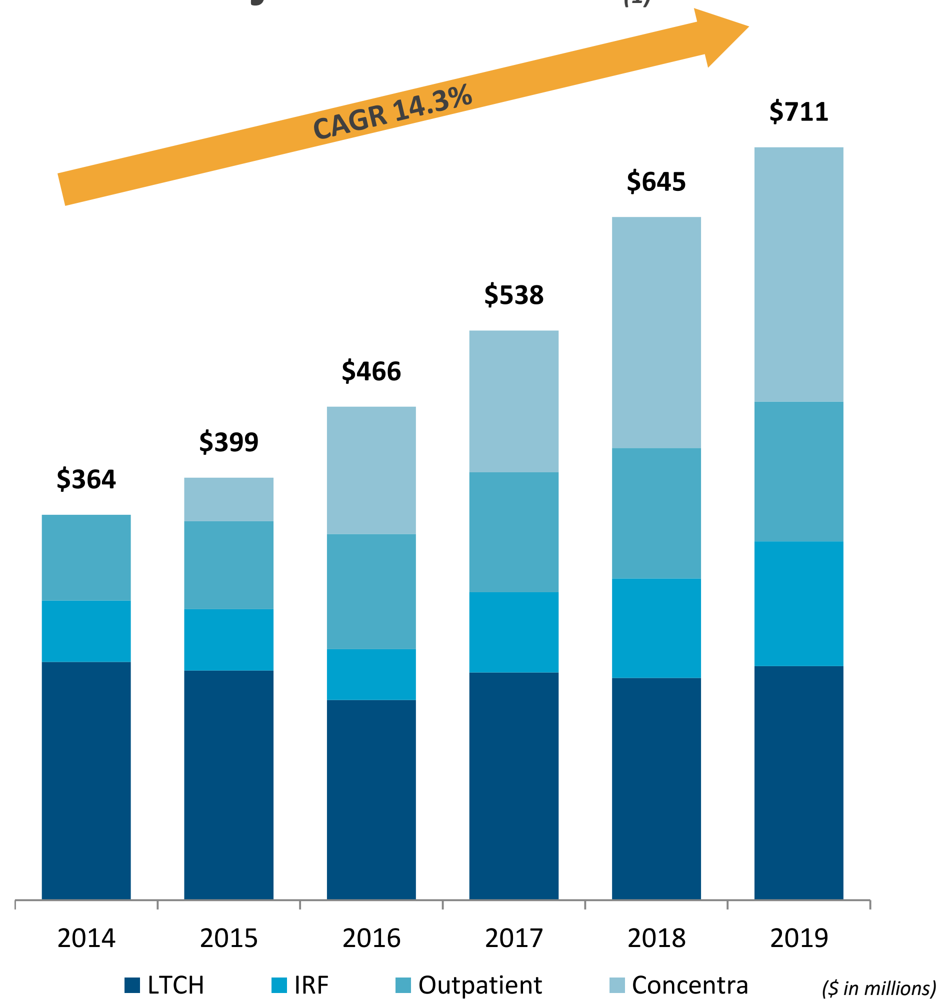
# FINANCE OVERVIEW

# Financial Metric Trends

## Net Revenue

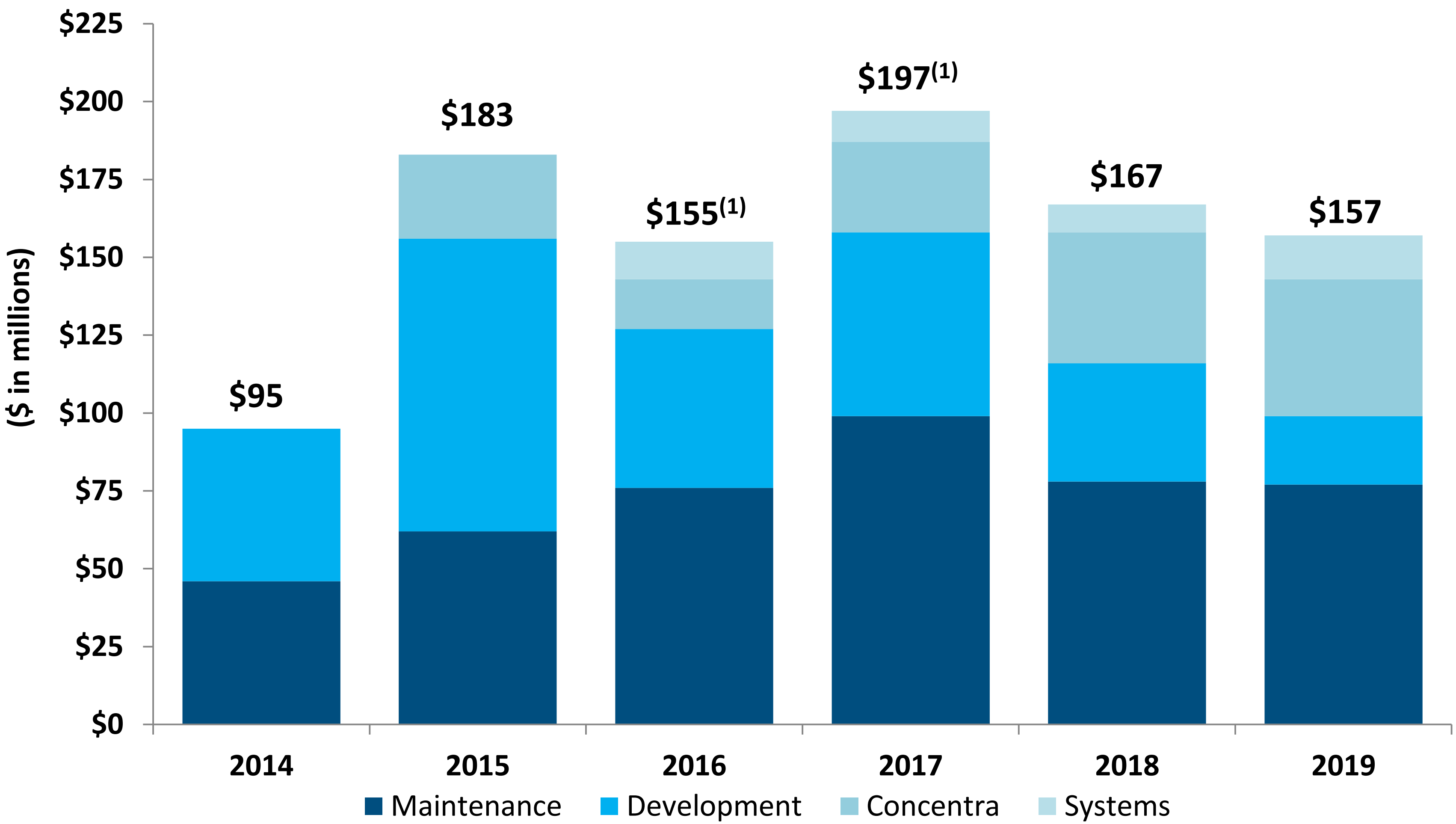



## Adjusted EBITDA(1)



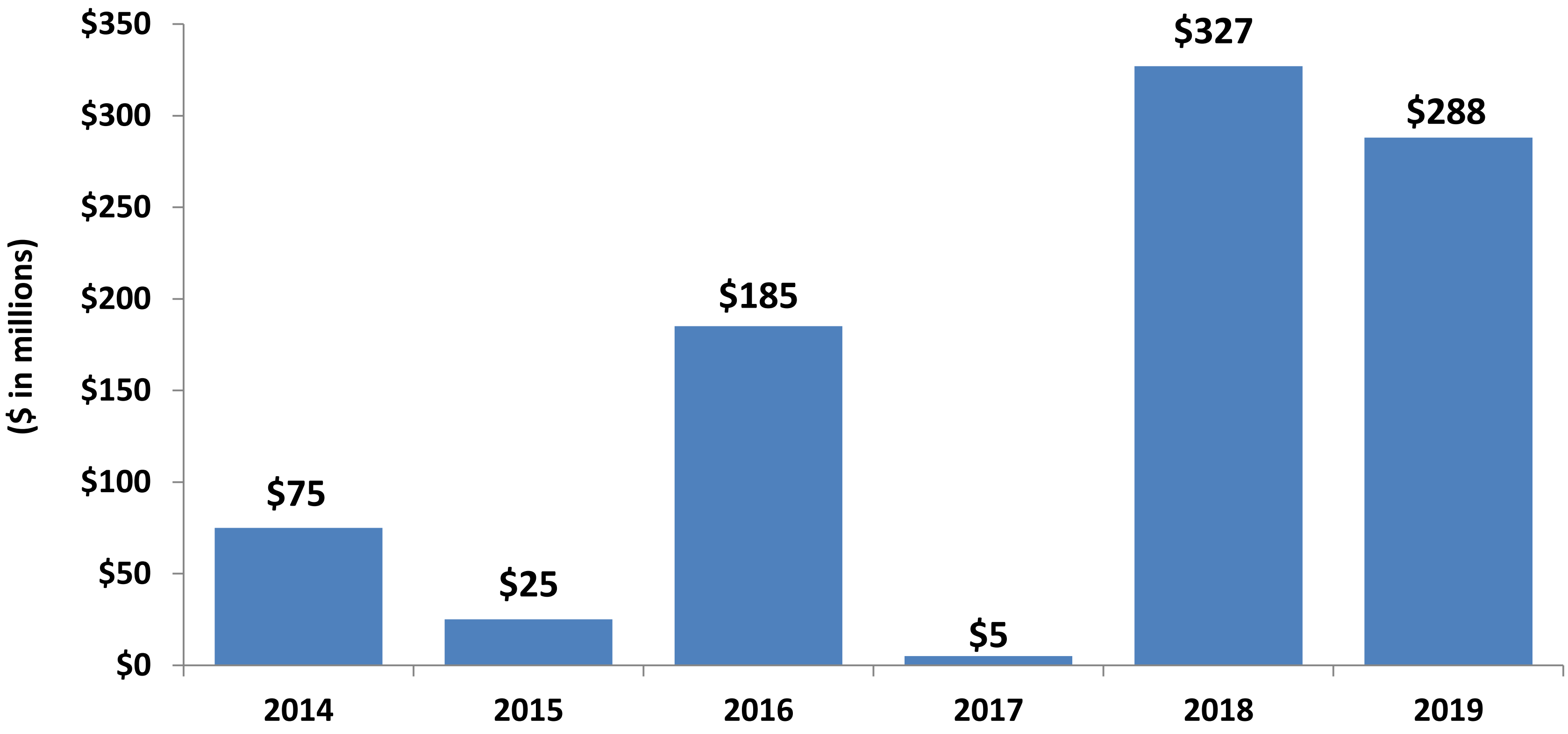

*Note: [1] See Slide 35 for non-GAAP reconciliation*

# Capital Expenditures



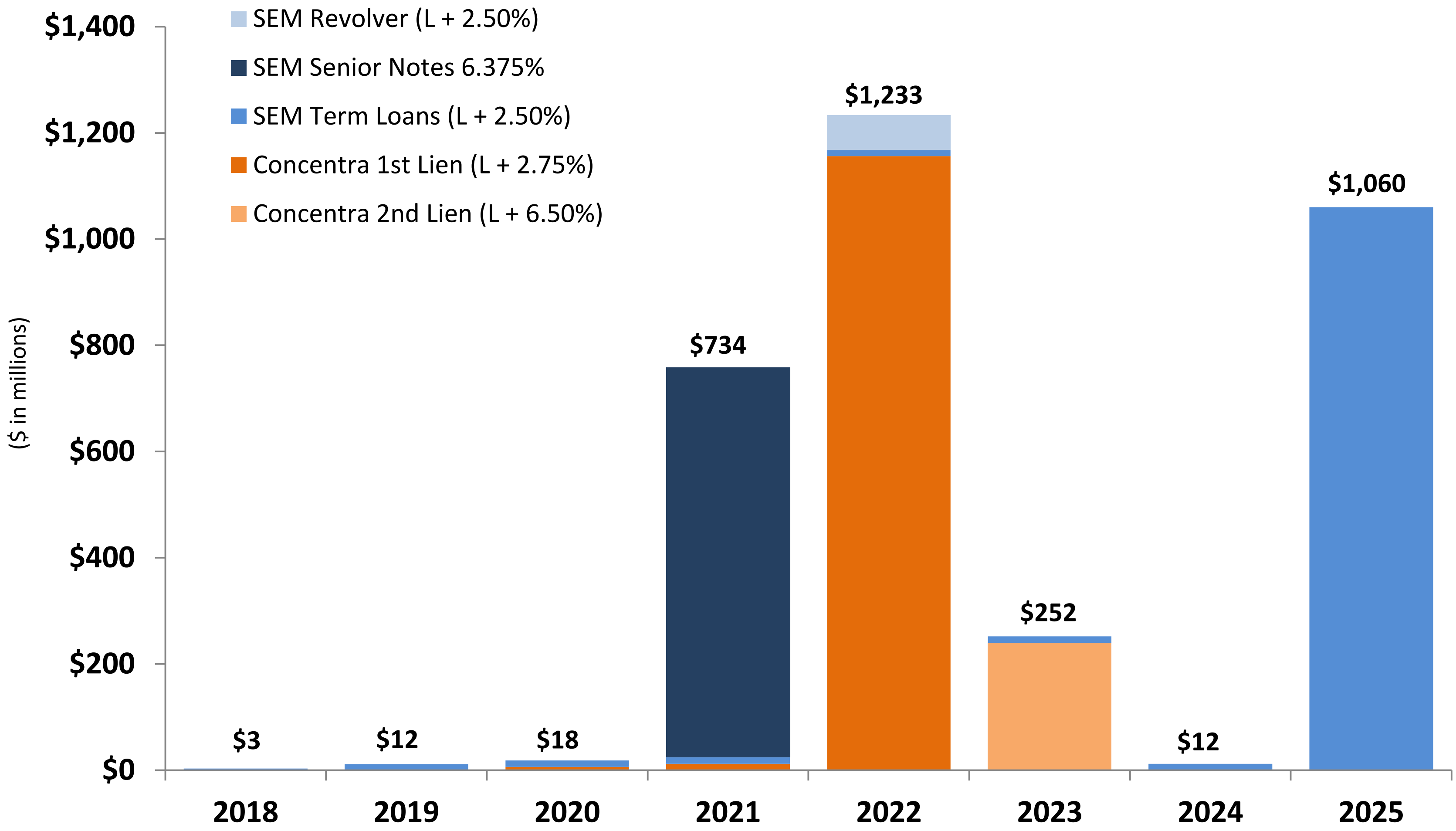

(1) Excludes development capital related to the recapture of capital expenditures of $7M from 2016 and $36M from 2017 that Select funded on an interim basis, which we were reimbursed in 2017.

# Free Cash Flow



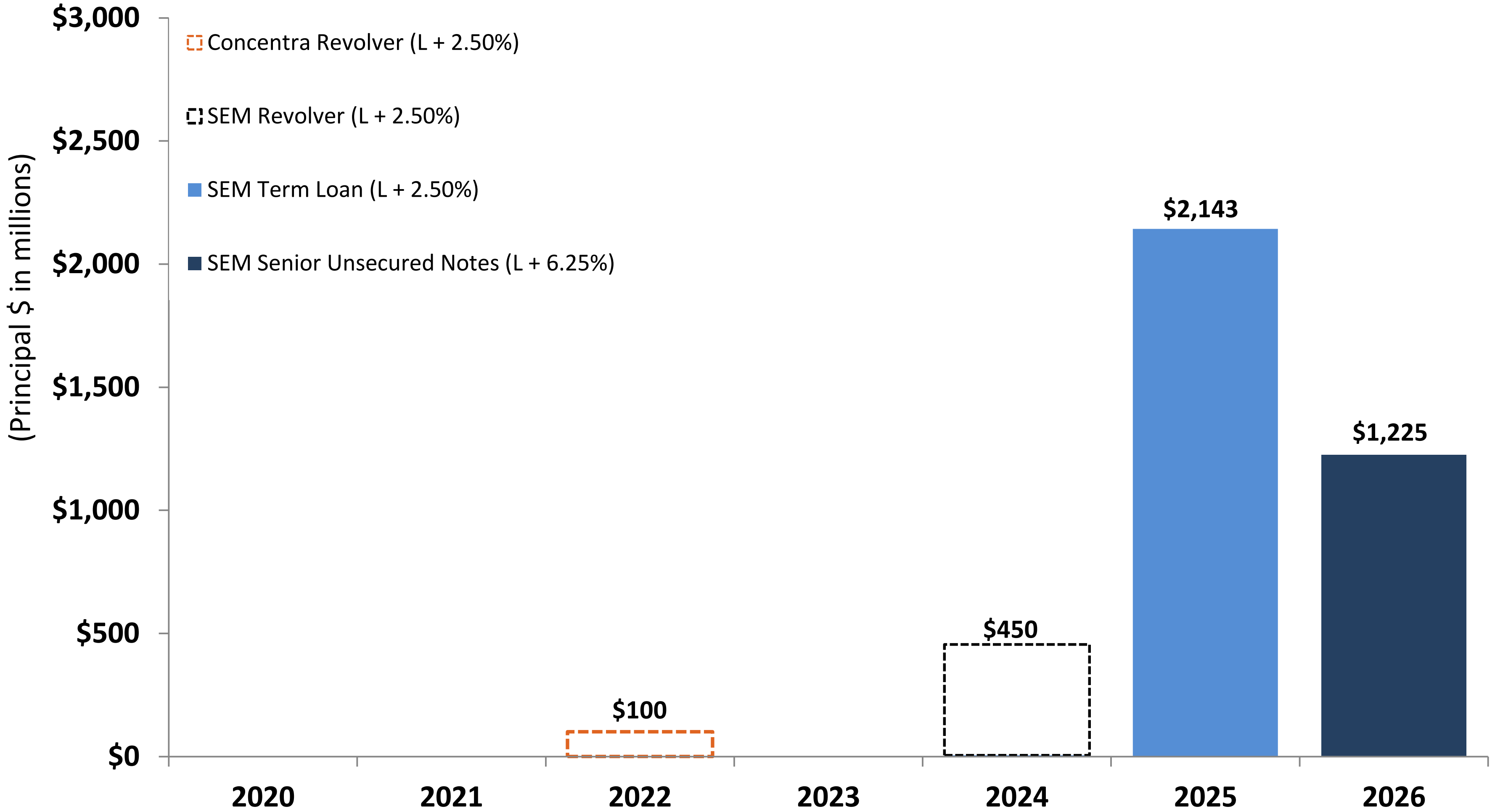

Note: Free cash flow is operating cash flow less all capital expenditures. See slide 35 for non-GAAP reconciliation.

# Debt Maturities as of 12/31/2018




Note: New SEM Revolver and Term loans have springing maturity feature and become due in early 2021 unless SEM Senior Notes are refinanced prior to.

# Debt Maturities as of 12/31/19




*No borrowings outstanding under Concentra's $100mm Revolver or SEM's $450mm Revolver*

# Financial Guidance 2020

| | |
|---|---|
| Net Revenue | $5,575M - $5,675M |
| Adjusted EBITDA | $725M - $760M |
| EPS | $1.27 - $1.46 |

*Note: See Slide 36 for Financial Guidance 2020 non-GAAP reconciliation*

# Appendix: Additional Materials

# Non-GAAP Reconciliation

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|
| Net Income | $128 | $136 | $125 | $220 | $177 | $201 |
| Income tax expense (benefit) | 76 | 72 | 56 | (18) | 59 | 64 |
| Equity in losses/(earnings) of unconsolidated subsidiaries | (7) | (17) | (20) | (21) | (22) | (25) |
| Interest expense, net | 86 | 113 | 170 | 155 | 198 | 201 |
| Loss on debt retirement | 2 | - | 12 | 20 | 14 | 38 |
| Other (Gains) / Losses | - | (30) | (42) | - | (9) | (7) |
| Concentra/Physio/US HealthWorks acquisition costs | | 5 | 3 | 3 | 3 | - |
| Depreciation and Amortization | 68 | 105 | 145 | 160 | 202 | 213 |
| Stock Based Compensation | 11 | 15 | 17 | 19 | 23 | 26 |
| **Adjusted EBITDA** | **$364** | **$399** | **$466** | **$538** | **$645** | **$711** |
| | | | | | | |
| Net Cash Provided by Operating Activities | $170 | $208 | $347 | $238 | $494 | $445 |
| Purchases of Property and Equipment | (95) | (183) | (162) | (233) | (167) | (157) |
| **Free Cash Flow** | **$75** | **$25** | **$185** | **$5** | **$327** | **$288** |

*($ in millions)*

# Financial Guidance 2020
# Non-GAAP Reconciliation

| | Range | |
|---|---|---|
| | Low | High |
| Net income attributable to Select Medical | $ 171 | $ 197 |
| Net income attributable to non-controlling interests | 72 | 72 |
| Net income | 243 | 269 |
| Income tax expense | 81 | 90 |
| Interest expense | 188 | 188 |
| Equity in earnings of unconsolidated subsidiaries | (29) | (29) |
| Income from operations | 483 | 518 |
| Stock compensation expense | 30 | 30 |
| Depreciation and amortization | 212 | 212 |
| Adjusted EBITDA | $ 725 | $ 760 |

*($ in millions)*

Select MEDICAL

Improving Quality of Life

selectmedical.com/investor-relations/for-investors