



U.S. *PHYSICAL* THERAPY, INC.

**CONTACT:**

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## **U.S. Physical Therapy Reports Third Quarter and Nine Months Results**

### Revenues and Earnings Rise

**Houston, TX, November 8, 2007** – U.S. Physical Therapy, Inc. (NASDAQ: USPH), a national operator of physical and occupational therapy outpatient clinics, today reported results for the third quarter and nine months ended September 30, 2007.

U.S. Physical Therapy's net income for the third quarter of 2007 was \$2.1 million or \$.18 per share as compared to \$552 thousand or \$.05 per share in the third quarter of 2006. Net income from continuing operations rose approximately 14% in the recent quarter to \$2.1 million or \$.18 per share from \$1.9 million or \$.16 per share a year earlier.

#### **Third Quarter 2007 compared to Third Quarter 2006**

- Net revenue from continuing operations increased 13.1% from \$33,125,000 to \$37,453,000 due to a 12.1% increase in patient visits from 340,000 to 381,000 and an increase in average net patient revenue per visit of .4% from \$96.39 to \$96.75. The recent quarter's figures include one month of results for the STAR clinics acquired in September 2007.
- Clinic salaries and related costs as a percentage of net revenue were 52.3% for the recent quarter and 51.8% for the 2006 third quarter. Rent, clinic supplies, contract labor and other costs from continuing operations as a percentage of revenue were 21.8% in the third quarter of 2007 as compared to 20.9% in the third quarter of 2006. The provision for doubtful accounts was 1.8% of revenues in both the recent quarter and in the comparable period in 2006.
- Corporate office costs were \$4,209,000 in the third quarter of 2007, or 11.2% of net revenue, versus \$4,136,000, or 12.5% of revenue, in the third quarter of 2006.
- Net income from continuing operations rose 13.8% to \$2,132,000 from \$1,874,000.
- Net income, after discontinued operations, increased 284% to \$2,120,000 from \$552,000. Earnings per diluted share rose to \$.18 from \$.05. These figures are net of losses from discontinued operations of \$12,000 in the recent period as compared to \$1,322,000 in the third quarter of 2006, when the Company made the decision to close 28 underperforming clinics.

- Same store revenues, for de novo and acquired clinics open for one year or more, increased slightly. Same store visits increased by 1.4% while the average net rate per visit decreased by .6%.

### **First Nine Months 2007 compared to First Nine Months 2006**

- Net revenue from continuing operations increased 6.2% to \$107,532,000 from \$101,257,000 due to a 7.7% increase in patient visits from 1,029,000 to 1,108,000 partially offset by a 1.0% decrease in average net patient revenue per visit from \$96.93 to \$95.97. This year's figures include one month of results for the STAR clinics acquired in September 2007.
- Clinic salaries and related costs as a percentage of net revenue were 51.0% for both periods. Rent, clinic supplies, contract labor and other costs from continuing operations as a percentage of net revenue were 21.6% in the first nine months of 2007 as compared to 20.4% in the comparable 2006 period. The provision for doubtful accounts was 1.6% of net revenue in the first nine months of 2007 versus 1.5% in the comparable period in 2006.
- Corporate office costs were reduced to \$12,702,000 in the first nine months of 2007, or 11.8% of net revenue, versus \$13,138,000, or 13.0% of net revenue in the comparable 2006 period.
- Net income from continuing operations rose 3.7% to \$6,333,000 from \$6,107,000.
- Net income, after discontinued operations, increased 49.1% to \$6,252,000 from \$4,192,000. Earnings per diluted share rose to \$.54 from \$.35. These figures are net of losses from discontinued operations of \$81,000 in the first nine months of 2007 as compared to \$1,915,000 in the first nine months of 2006.
- Same store revenues, for de novo and acquired clinics open for one year or more, increased 1.4%. Same store visits increased by 3.0% while the average net rate per visit decreased by 1.5%.

Chris Reading, Chief Executive Officer, said "This was a busy and productive quarter for our Company. We are making strides in a number of key areas. Clinical initiatives begun earlier this year have made a positive contribution to our net revenue rate. In Michigan, the national FORD contract coupled with focused local efforts, have resulted in improved patient volume and profitability. As we work to further grow visit levels, we strengthened our team with the recent addition of a national director of sales. The STAR Physical Therapy acquisition adds a very capable, committed and enthusiastic group to USPH. Our third quarter results demonstrate the continued progress being made to profitably grow our business."

Larry McAfee, Chief Financial Officer, noted "Despite using \$19.2 million of cash in the acquisition in September, U.S. Physical Therapy ended the quarter with just \$4.3 million in net debt." As of September 30, 2007, the Company had \$9.6 million in cash and \$13.9 million of borrowings. The borrowings include \$12.0 million under the Company's bank credit facility and \$1.9 million of acquired clinics seller notes.

U.S. Physical Therapy's management will host a conference call at 10:30 am Eastern Time, 9:30 am Central Time on Thursday, November 8, 2007 to discuss the Company's third quarter and first nine months 2007 results. Interested parties may participate in the call by dialing 1-888-335-5539 or 973-582-2857 and enter reservation number 9338075 approximately 10 minutes before the call is scheduled to begin. To listen to the live call via web-cast, go to the Company's website at [www.usph.com](http://www.usph.com) at least 15 minutes early to register, download and install any necessary audio software. The conference call will be archived and can be accessed for approximately 120 days at this website.

### **Forward-Looking Statements**

This press release contains statements that are considered to be forward-looking within the meaning under Section 21E of the Securities Exchange Act of 1934. These statements contain forward-looking information relating to the financial condition, results of operations, plans, objectives, future performance and business of our Company. These statements (often using words such as "believes", "expects", "intends", "plans", "appear", "should" and similar words) involve risks and uncertainties that could cause actual results to differ materially from those we project. Included among such statements are those relating to opening new clinics, availability of personnel and the reimbursement environment. The forward-looking statements are based on our current views and assumptions and actual results could differ materially from those anticipated in such forward-looking statements as a result of certain risks, uncertainties, and factors, which include, but are not limited to:

- revenue and earnings expectations;
- general economic, business, and regulatory conditions including federal and state regulations;
- availability and cost of qualified physical and occupational therapists;
- personnel productivity;
- changes in Medicare guidelines and reimbursement or failure of our clinics to maintain their Medicare certification status;
- competitive and/or economic conditions in our markets which may require us to close certain clinics and thereby incur closure costs and losses including the possible write-down or write-off of goodwill;
- changes in reimbursement rates or payment methods from third party payors including government agencies and deductibles and co-pays owed by patients;
- maintaining adequate internal controls;
- availability, terms, and use of capital;
- acquisitions and the successful integration of the operations of the acquired businesses; and
- weather and other seasonal factors.

Many factors are beyond our control. Given these uncertainties, you should not place undue reliance on our forward-looking statements. Please see periodic reports filed with the Securities and Exchange Commission (the "SEC") for more information on these factors. Our forward-looking statements represent our estimates and assumptions only as of the date of this report. Except as required by law, we are under no obligation to update any forward-looking statement, regardless of the reason the statement is no longer accurate.

**About U.S. Physical Therapy, Inc.**

Founded in 1990, U.S. Physical Therapy, Inc. operates 346 outpatient physical and/or occupational therapy clinics in 42 states. The Company's clinics provide preventative and post-operative care for a variety of orthopedic-related disorders and sports-related injuries, treatment for neurologically-related injuries and rehabilitation of injured workers. In addition to owning and operating clinics, the Company manages physical therapy facilities for third parties, including hospitals and physician groups.

More information about U.S. Physical Therapy, Inc. is available at [www.usph.com](http://www.usph.com). The information included on that website is not incorporated into this press release.

(See Attached Financials)

U. S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF NET INCOME  
(IN THOUSANDS, EXCEPT PER SHARE DATA)  
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Net patient revenues.....	\$ 36,906	\$ 32,806	\$ 106,353	\$ 99,764
Management contract revenues.....	488	319	1,090	1,458
Other revenues.....	59	-	89	35
Net revenues.....	<u>37,453</u>	<u>33,125</u>	<u>107,532</u>	<u>101,257</u>
Clinic operating costs:				
Salaries and related costs.....	19,579	17,155	55,567	51,934
Rent, clinic supplies, contract labor and other.....	8,179	6,935	23,237	20,617
Provision for doubtful accounts.....	691	591	1,728	1,562
	<u>28,449</u>	<u>24,681</u>	<u>80,532</u>	<u>74,113</u>
Corporate office costs.....	<u>4,209</u>	<u>4,136</u>	<u>12,702</u>	<u>13,138</u>
Operating income from continuing operations.....	4,795	4,308	14,298	14,006
Interest and investment income.....	87	111	252	301
Interest expense.....	(84)	(9)	(135)	(32)
Loss in unconsolidated joint venture.....	-	-	-	(31)
Minority interests in subsidiary limited partnerships.....	<u>(1,369)</u>	<u>(1,377)</u>	<u>(4,151)</u>	<u>(4,355)</u>
Income before income taxes from continuing operations.....	3,429	3,033	10,264	9,889
Provision for income taxes.....	<u>1,297</u>	<u>1,159</u>	<u>3,931</u>	<u>3,782</u>
Net income from continuing operations.....	2,132	1,874	6,333	6,107
Discontinued operations:				
(Loss) income from discontinued operations.....	(17)	(2,089)	(127)	(3,013)
Tax benefit (expense) from discontinued operations.....	5	767	46	1,098
	<u>(12)</u>	<u>(1,322)</u>	<u>(81)</u>	<u>(1,915)</u>
Net income.....	<u>\$ 2,120</u>	<u>\$ 552</u>	<u>\$ 6,252</u>	<u>\$ 4,192</u>
Earnings per share:				
Basic - income from continuing operations.....	\$ 0.18	\$ 0.16	\$ 0.55	\$ 0.52
Basic - (loss) income from discontinued operations.....	-	(0.11)	(0.01)	(0.16)
Total basic earnings per common share.....	<u>\$ 0.18</u>	<u>\$ 0.05</u>	<u>\$ 0.54</u>	<u>\$ 0.36</u>
Diluted - income from continuing operations.....	\$ 0.18	\$ 0.16	\$ 0.54	\$ 0.51
Diluted - (loss) income from discontinued operations.....	-	(0.11)	-	(0.16)
Total diluted earnings per common share.....	<u>\$ 0.18</u>	<u>\$ 0.05</u>	<u>\$ 0.54</u>	<u>\$ 0.35</u>
Shares used in computation:				
Basic earnings per common share.....	<u>11,673</u>	<u>11,675</u>	<u>11,578</u>	<u>11,750</u>
Diluted earnings per common share.....	<u>11,738</u>	<u>11,801</u>	<u>11,657</u>	<u>11,901</u>

U. S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES  
CONSOLIDATED EARNINGS PER SHARE  
(IN THOUSANDS, EXCEPT PER SHARE DATA)  
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
<b>Numerator:</b>				
Net income from continuing operations.....	\$ 2,132	\$ 1,874	\$ 6,333	\$ 6,107
Net loss from discontinued operations.....	(12)	(1,322)	(81)	(1,915)
Net income.....	<u>\$ 2,120</u>	<u>\$ 552</u>	<u>\$ 6,252</u>	<u>\$ 4,192</u>
<b>Denominator:</b>				
Denominator for basic earnings per share - weighted-average shares.....	11,673	11,675	11,578	11,750
Effect of dilutive securities - Stock options.....	65	126	79	151
Denominator for diluted earnings per share - adjusted weighted-average shares and assumed conversions.....	<u>11,738</u>	<u>11,801</u>	<u>11,657</u>	<u>11,901</u>
<b>Earnings per share:</b>				
Basic - income from continuing operations.....	\$ 0.18	\$ 0.16	\$ 0.55	\$ 0.52
Basic - loss from discontinued operations.....	-	(0.11)	(0.01)	(0.16)
Total basic earnings per share.....	<u>\$ 0.18</u>	<u>\$ 0.05</u>	<u>\$ 0.54</u>	<u>\$ 0.36</u>
Diluted - income from continuing operations.....	\$ 0.18	\$ 0.16	\$ 0.54	\$ 0.51
Diluted - loss from discontinued operations.....	-	(0.11)	-	(0.16)
Total diluted earnings per share.....	<u>\$ 0.18</u>	<u>\$ 0.05</u>	<u>\$ 0.54</u>	<u>\$ 0.35</u>

U. S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
(IN THOUSANDS, EXCEPT SHARE DATA)

	September 30, 2007 <u>(unaudited)</u>	December 31, 2006 <u></u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents.....	\$ 9,566	\$ 10,952
Marketable securities - available for sale.....	-	500
Patient accounts receivable, less allowance for doubtful accounts of \$1,950 and \$1,567, respectively.....	25,976	21,503
Accounts receivable - other.....	1,075	775
Other current assets.....	2,173	2,251
Total current assets.....	<u>38,790</u>	<u>35,981</u>
Fixed assets:		
Furniture and equipment.....	28,124	23,718
Leasehold improvements.....	17,325	15,226
	<u>45,449</u>	<u>38,944</u>
Less accumulated depreciation and amortization.....	28,373	25,573
	<u>17,076</u>	<u>13,371</u>
Goodwill.....	39,759	20,997
Other assets.....	2,777	1,108
	<u>\$ 98,402</u>	<u>\$ 71,457</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable - trade.....	\$ 1,212	\$ 1,601
Accrued expenses.....	9,535	7,007
Current portion of notes payable.....	854	562
Total current liabilities.....	<u>11,601</u>	<u>9,170</u>
Notes payable.....	1,084	797
Revolving line of credit.....	12,000	-
Deferred rent.....	1,171	1,273
Other long-term liabilities.....	615	829
Total liabilities.....	<u>26,471</u>	<u>12,069</u>
Minority interests in subsidiary limited partnerships.....	5,484	3,871
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, \$.01 par value, 500,000 shares authorized, no shares issued and outstanding.....	-	-
Common stock, \$.01 par value, 20,000,000 shares authorized, 14,043,192 and 13,681,849, shares issued, respectively.....	140	137
Additional paid-in capital.....	40,979	36,304
Retained earnings.....	56,956	50,704
Treasury stock at cost, 2,214,737 shares.....	(31,628)	(31,628)
Total shareholders' equity.....	<u>66,447</u>	<u>55,517</u>
	<u>\$ 98,402</u>	<u>\$ 71,457</u>

U. S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(IN THOUSANDS)  
(unaudited)

	Nine Months Ended September 30,	
	2007	2006
<b>OPERATING ACTIVITIES</b>		
Net income.....	\$ 6,252	\$ 4,192
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	3,530	3,374
Minority interests in earnings of subsidiary limited partnerships.....	4,151	4,267
Provision for doubtful accounts.....	1,823	1,649
Equity-based awards compensation expense.....	936	737
Loss on sale or abandonment of assets.....	36	472
Tax benefit from exercise of stock options.....	(177)	(73)
Recognition of deferred rent subsidies.....	(351)	(306)
Deferred income taxes.....	(40)	(71)
Closure costs - write-off of goodwill.....	-	192
Changes in operating assets and liabilities:		
Increase in patient account receivable.....	(3,132)	(2,631)
(Increase) decrease in accounts receivable - other.....	(12)	287
(Increase) decrease in other assets.....	(368)	103
(Decrease) increase in accounts payable and accrued expenses.....	(430)	1,963
Increase in other liabilities.....	212	481
Net cash provided by operating activities.....	<u>12,430</u>	<u>14,636</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of fixed assets.....	(2,847)	(3,920)
Purchase of business, net of cash acquired.....	(18,928)	(54)
Acquisitions of minority interest, included in goodwill.....	(512)	(1,207)
Purchase of marketable securities - available for sale.....	(2,040)	(100)
Proceeds on sale of marketable securities - available for sale.....	2,540	1,200
Proceeds on sale of fixed assets.....	37	38
Net cash used in investing activities.....	<u>(21,750)</u>	<u>(4,043)</u>
<b>FINANCING ACTIVITIES</b>		
Distributions to minority investors in subsidiary limited partnerships.....	(4,264)	(4,213)
Repurchase of common stock.....	-	(4,347)
Proceeds from revolving line of credit.....	12,000	
Payment of notes payable.....	(421)	(203)
Excess tax benefit from stock options exercised.....	177	73
Proceeds from exercise of stock options.....	442	84
Net cash used in financing activities.....	<u>7,934</u>	<u>(8,606)</u>
Net increase (decrease) in cash and cash equivalents.....	(1,386)	1,987
Cash and cash equivalents - beginning of period.....	10,952	12,352
Cash and cash equivalents - end of period.....	<u>\$ 9,566</u>	<u>\$ 14,339</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the period for :		
Income taxes.....	\$ 4,076	\$ 3,143
Interest.....	\$ 66	\$ 30
Purchase of business - seller financing portion.....	\$ 1,000	\$ -

**U.S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES  
RECAP OF CLINIC DEVELOPMENT ACTIVITY**

	<u>Opened</u>	<u>Closed</u>	<u>Sold</u>	<u>Acquired</u>	<u>Number of Clinics</u>
As of December 31, 2004					264
First Quarter 2005, March 31, 2005	6	--	(1)	--	269
Second Quarter 2005, June 30, 2005	7	(1)	(1)	3	277
Third Quarter 2005, September 30, 2005	5	--	--	--	282
Fourth Quarter 2005, December 31, 2005	<u>10</u>	<u>(8)</u>	<u>--</u>	<u>2</u>	<u>286</u>
Year 2005, December 31, 2005	<u>28</u>	<u>(9)</u>	<u>(2)</u>	<u>5</u>	<u>286</u>
First Quarter 2006, March 31, 2006	12	--	--	--	298
Second Quarter 2006, June 30, 2006	8	(3)	--	--	303
Third Quarter 2006, September 30, 2006	7	(28)	--	--	282
Fourth Quarter 2006, December 31, 2006	<u>3</u>	<u>--</u>	<u>(1)</u>	<u>8</u>	<u>292</u>
Year Ended, December 31, 2006	<u>30</u>	<u>(31)</u>	<u>(1)</u>	<u>8</u>	<u>292</u>
First Quarter 2007, March 31, 2007	3	(2)	--	--	293
Second Quarter 2007, June 30, 2007	6	(1)	--	--	298
Third Quarter 2007, September 30, 2007	<u>2</u>	<u>(6)</u>	<u>--</u>	<u>52</u>	<u>346</u>
Nine Months Ended, September 30, 2007	<u>11</u>	<u>(9)</u>	<u>--</u>	<u>52</u>	<u>346</u>