UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended September 30, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file numbers: 001-42188

CONCENTRA GROUP HOLDINGS PARENT, INC.
(Exact name of Registrant as specified in its Charter)

Delaware	**30-1006613**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

4714 Gettysburg Road, P.O. Box 2034
Mechanicsburg, PA 17055
(Address of Principal Executive Offices and Zip code)
(717) 972-1100
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	CON	New York Stock Exchange (NYSE)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods as such Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 31, 2024, Concentra Group Holdings Parent, Inc. had outstanding 127,343,503 shares of common stock.

Unless the context indicates otherwise, any reference in this report to "Concentra" refers to Concentra Group Holdings Parent, Inc. and its subsidiaries. References to the "Company," "we," "us," and "our" refer collectively to Concentra and its subsidiaries.

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Concentra Group Holdings Parent, Inc.
Condensed Consolidated Balance Sheets
(unaudited)
(in thousands, except per share amounts)

	September 30, 2024	December 31, 2023
ASSETS		
Current Assets:		
Cash	$ 136,822	$ 31,374
Accounts receivable	232,202	216,194
Prepaid income taxes	10,139	7,979
Other current assets	30,794	38,871
Total Current Assets	409,957	294,418
Operating lease right-of-use assets	430,133	397,852
Property and equipment, net	191,099	178,370
Goodwill	1,234,707	1,229,745
Customer relationships	101,812	117,259
Other identifiable intangible assets, net	107,359	107,510
Other assets	5,975	8,406
Total Assets	$ 2,481,042	$ 2,333,560
LIABILITIES AND EQUITY		
Current Liabilities:		
Current operating lease liabilities	$ 74,411	$ 72,946
Current portion of long-term debt and notes payable	9,737	1,455
Accounts payable	21,030	20,413
Due to related party	7,753	3,354
Accrued and other liabilities	156,590	176,466
Total Current Liabilities	269,521	274,634
Non-current operating lease liabilities	391,037	357,310
Long-term debt, net of current portion	1,472,610	3,291
Long-term debt with related party	—	470,000
Non-current deferred tax liability	22,454	23,364
Other non-current liabilities	24,188	27,522
Total Liabilities	2,179,810	1,156,121
Commitments and contingencies (Note 12)		
Redeemable non-controlling interests	18,122	16,477
Members' contributed capital	—	470,303
Common stock, $0.01 par value, 700,000,000 shares authorized, 127,343,503 shares issued and outstanding at September 30, 2024	1,273	—
Capital in excess of par	276,507	—
Retained earnings	—	685,293
Total Stockholders' Equity (Members' Equity at December 31, 2023)	277,780	1,155,596
Non-controlling interests	5,330	5,366
Total Equity	283,110	1,160,962
Total Liabilities and Equity	$ 2,481,042	$ 2,333,560

The accompanying notes are an integral part of these condensed consolidated financial statements.

Concentra Group Holdings Parent, Inc.
Condensed Consolidated Statements of Operations
(unaudited)
(in thousands, except per share amounts)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue	$ 489,638	$ 473,964	$ 1,435,151	$ 1,397,341
Costs and expenses:				
Cost of services, exclusive of depreciation and amortization	351,103	336,812	1,027,366	994,726
General and administrative, exclusive of depreciation and amortization (1)	37,088	38,245	110,825	109,898
Depreciation and amortization	15,213	17,959	51,568	54,552
Total costs and expenses	403,404	393,016	1,189,759	1,159,176
Other operating income	—	—	284	151
Income from operations	86,234	80,948	245,676	238,316
Other income and expense:				
Equity in losses of unconsolidated subsidiaries	—	—	(3,676)	(526)
Interest expense on related party debt	(2,691)	(11,255)	(21,980)	(33,831)
Interest expense	(21,369)	(64)	(21,275)	(108)
Income before income taxes	62,174	69,629	198,745	203,851
Income tax expense	16,415	15,205	49,648	47,964
Net income	45,759	54,424	149,097	155,887
Less: Net income attributable to non-controlling interests	1,421	1,318	4,066	3,775
Net income attributable to the Company	$ 44,338	$ 53,106	$ 145,031	$ 152,112
Earnings per common share (Note 10):				
Basic and diluted	$ 0.37	$ 0.51	$ 1.32	$ 1.46

(1) Includes the shared service fee from related party of $3.8 million and $3.6 million for the three months ended September 30, 2024 and 2023, respectively, and $11.5 million and $11.0 million for the nine months ended September 30, 2024 and 2023, respectively. See Note 11, *Related Party Transactions*, for additional information.

The accompanying notes are an integral part of these condensed consolidated financial statements.

Concentra Group Holdings Parent, Inc.
Condensed Consolidated Statements of Changes in Stockholders'/Members' Equity
(unaudited)
(in thousands)

	For the Nine Months Ended September 30, 2024								
	Total Members' Units	Members' Contributed Capital	Common Stock Issued	Common Stock Par Value	Capital in excess of par	Retained Earnings	Total Stockholders' Equity	Non-controlling Interests	Total Equity
Balance at December 31, 2023	447,081	$ 470,303	—	$ —	$ —	$ 685,293	$ 1,155,596	$ 5,366	$ 1,160,962
Net income attributable to the Company						48,956	48,956		48,956
Net income attributable to non-controlling interests							—	270	270
Distribution to Parent		(6,891)					(6,891)		(6,891)
Distributions to and purchases of non-controlling interests							—	(369)	(369)
Redemption value adjustment on non-controlling interests						(1,901)	(1,901)		(1,901)
Conversion of LLC to Corporation and Impact of Reverse Stock Split	(447,081)	(463,412)	104,094	1,041	462,371		—		—
Balance at March 31, 2024	—	$ —	104,094	$ 1,041	$ 462,371	$ 732,348	$ 1,195,760	$ 5,267	$ 1,201,027
Net income attributable to the Company						51,737	51,737		51,737
Net income attributable to non-controlling interests							—	244	244
Distribution to Parent					(851)		(851)		(851)
Distributions to and purchases of non-controlling interests							—	(307)	(307)
Redemption value adjustment on non-controlling interests						132	132		132
Balance at June 30, 2024	—	$ —	104,094	$ 1,041	$ 461,520	$ 784,217	$ 1,246,778	$ 5,204	$ 1,251,982
Net income attributable to the Company						44,338	44,338		44,338
Net income attributable to non-controlling interests							—	312	312
Contribution from Parent					11,149		11,149		11,149
Distributions to and purchases of non-controlling interests							—	(186)	(186)
Initial Public Offering			23,250	232	510,966		511,198		511,198
Dividend to Parent					(707,128)	(828,555)	(1,535,683)		(1,535,683)
Balance at September 30, 2024	—	$ —	127,344	$ 1,273	$ 276,507	$ —	$ 277,780	$ 5,330	$ 283,110

The accompanying notes are an integral part of these condensed consolidated financial statements.

	For the Nine Months Ended September 30, 2023							
	Members' Units							
	Class A Units Voting	Class B Units Non-Voting	Class C Units Non-Voting	Members' Contributed Capital	Retained Earnings	Total Members' Equity	Non-controlling Interests	Total Equity
Balance at December 31, 2022	435,000	8,498	2,770	$ 464,725	$ 508,592	$ 973,317	$ 6,026	$ 979,343
Net income attributable to the Company					46,264	46,264		46,264
Net income attributable to non-controlling interests						—	253	253
Contribution from Parent				2,797		2,797		2,797
Vesting of restricted interests			248	178		178		178
Distributions to and purchases of non-controlling interests						—	(221)	(221)
Redemption value adjustment on non-controlling interests					(435)	(435)		(435)
Balance at March 31, 2023	435,000	8,498	3,018	$ 467,700	$ 554,421	$ 1,022,121	$ 6,058	$ 1,028,179
Net income attributable to the Company					52,742	52,742		52,742
Net income attributable to non-controlling interests						—	297	297
Distribution to Parent				(3,352)		(3,352)		(3,352)
Repurchase of common shares				195		195	(495)	(300)
Distributions to and purchases of non-controlling interests						—	(343)	(343)
Redemption value adjustment on non-controlling interests					(3)	(3)		(3)
Balance at June 30, 2023	435,000	8,498	3,018	$ 464,543	$ 607,160	$ 1,071,703	$ 5,517	$ 1,077,220
Net income attributable to the Company					53,106	53,106		53,106
Net income attributable to non-controlling interests						—	298	298
Contribution from Parent				2,380		2,380		2,380
Exercise of stock options			1,256	3,340		3,340		3,340
Repurchase of common shares			(691)	(2,650)	(2,672)	(5,322)		(5,322)
Distributions to and purchases of non-controlling interests						—	(319)	(319)
Redemption value adjustment on non-controlling interests					(189)	(189)		(189)
Balance at September 30, 2023	435,000	8,498	3,583	$ 467,613	$ 657,405	$ 1,125,018	$ 5,496	$ 1,130,514

The accompanying notes are an integral part of these condensed consolidated financial statements.

Concentra Group Holdings Parent, Inc.
Condensed Consolidated Statements of Cash Flows
(unaudited)
(in thousands)

	For the Nine Months Ended September 30,	
	2024	2023
Operating activities		
Net income	$ 149,097	$ 155,887
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	51,568	54,552
Provision for expected credit losses	70	276
Equity in losses of unconsolidated subsidiaries	3,676	526
Loss on sale or disposal of assets	41	3
Stock compensation expense	500	178
Amortization of debt discount and issuance costs	750	—
Deferred income taxes	(1,159)	(6,579)
Changes in operating assets and liabilities, net of effects of business combinations:		
Accounts receivable	(16,079)	(35,652)
Other current assets	12,500	(8,536)
Other assets	3,149	2,436
Accounts payable and accrued liabilities	(23,150)	(4,953)
Net cash provided by operating activities	180,963	158,138
Investing activities		
Business combinations, net of cash acquired	(6,965)	(1,446)
Purchase of customer relationships	—	(4,382)
Purchases of property and equipment	(47,639)	(41,320)
Proceeds from sale of assets	25	23
Net cash used in investing activities	(54,579)	(47,125)
Financing activities		
Borrowings from related party revolving promissory note	10,000	—
Payments on related party revolving promissory note	(480,000)	(120,000)
Proceeds from term loans, net of issuance costs	836,697	—
Proceeds from 6.875% senior notes, net of issuance costs	637,337	—
Borrowings of other debt	8,222	5,471
Principal payments on other debt	(7,888)	(5,782)
Exercise of stock options	—	3,340
Repurchase of common shares	—	(5,322)
Distributions to and purchases of non-controlling interests	(4,226)	(4,522)
Proceeds from Initial Public Offering	511,198	—
Dividend to Parent	(1,535,683)	—
Contributions from Parent	3,407	1,825
Net cash used in financing activities	(20,936)	(124,990)
Net increase (decrease) in cash	105,448	(13,977)
Cash at beginning of period	31,374	37,657
Cash at end of period	$ 136,822	$ 23,680
Supplemental information		
Cash paid for interest	$ 34,221	$ 33,988
Cash paid for taxes	$ 49,337	$ 50,044

The accompanying notes are an integral part of these condensed consolidated financial statements.

Concentra Group Holdings Parent, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Organization

Concentra Group Holdings Parent, LLC ("Concentra Group Holdings Parent" or "Concentra") was formed in October 2017 and converted to a Delaware corporation, Concentra Group Holdings Parent, Inc., on March 4, 2024. At the time of formation, Concentra Group Holdings Parent elected to be taxed as a corporation. The Company conducts substantially all of its business through Concentra Inc. and its subsidiaries. Concentra Group Holdings Parent and its subsidiaries are collectively referred to as the "Company."

The Company is the largest provider of occupational health services in the United States based on number of facilities. As of September 30, 2024, the Company operated 549 occupational health centers and 156 onsite health clinics at employer worksites in 42 states. The Company provides a diverse and comprehensive array of occupational health services, including workers' compensation and employers services, and consumer health services.

The Company currently operates as an operating segment of Select Medical Corporation ("Select" or the "Parent"). As of September 30, 2024, Select owns 81.74% of the outstanding common shares of the Company on a fully diluted basis.

On January 3, 2024, Select announced its intention to separate the Company into a new, publicly traded company through a spin-off distribution in 2024. On February 27, 2024, Select received a private letter ruling from the U.S. Internal Revenue Service to the effect that the distribution of the Company's common stock to Select and its stockholders will be tax-free for U.S. federal income tax purposes. On March 4, 2024, the member interests of the Company converted to common shares on a one-for-one basis. On June 24, 2024, the Company's Board of Directors approved a reverse stock split at a ratio of one share of common stock for every 4.295 shares of common stock, which was effectuated on June 25, 2024. In accordance with ASC 260, *Earnings Per Share*, the recapitalization of the Company into a stock corporation and the reverse stock split have been retrospectively reflected in the Company's earnings per unit calculation for all periods presented, see Note 10, *Earning per Share*.

On July 26, 2024, the Company completed an initial public offering ("IPO") of 22,500,000 shares of its common stock, par value $0.01 per share, at an initial public offering price of $23.50 per share for the net proceeds of $499.7 million after deducting underwriting discounts and commission of $29.1 million. In addition, the underwriters exercised the option to purchase an additional 750,000 shares of the Company's common stock for net proceeds of $16.7 million after deducting underwriting discounts and commission of $1.0 million. See Note 6, *Long-Term Debt and Notes Payable* for information on the related debt transactions. The net proceeds of the IPO and the debt financing transactions, except for $34.7 million, were paid to Select through the issuance of a dividend, the repayment in full of the $420.0 million revolving promissory note outstanding, and the repayment in full of a new promissory note issued.

2. Accounting Policies

Basis of Presentation and Consolidation

The Company has historically operated as part of Select. The unaudited condensed consolidated financial statements of the Company have been prepared from Select's historical accounting records and are derived from the condensed consolidated financial statements of Select to present the Company as if it had been operating on a standalone basis. The unaudited condensed consolidated financial statements of the Company as of September 30, 2024, and for the three and nine month periods ended September 30, 2024 and 2023, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") for interim reporting and the accounting principles generally accepted in the United States of America ("U.S. GAAP"). Accordingly, certain information and disclosures required by GAAP, which are normally included in the notes to the consolidated financial statements, have been condensed or omitted pursuant to those rules and regulations, although the Company believes the disclosure is adequate to make the information presented not misleading. In the opinion of management, such information contains all adjustments, which are normal and recurring in nature, necessary for a fair statement of the financial position, results of operations and cash flow for such periods.

The results of operations for the three and nine months ended September 30, 2024 are not necessarily indicative of the results to be expected for the full fiscal year ended December 31, 2024. These unaudited condensed consolidated financial statements and related notes should be read in conjunction with the audited consolidated financial statements and related notes as contained in the Company's registration statement on Form S-1, as amended (File No. 333-280242) (the "Registration Statement").

The condensed consolidated financial statements include the assets, liabilities, revenue, and expenses based on our legal entity structure as well as direct and indirect costs that are attributable to our operations. Indirect costs are the costs of support functions that are partially provided on a centralized basis by Select and its affiliates, which include finance, human resources, benefits administration, procurement support, information technology, legal, corporate governance and other professional services. Indirect costs have been allocated to us for the purposes of preparing the condensed consolidated financial statements based on a specific identification basis or, when specific identification is not practicable, a proportional cost allocation method, primarily based on headcount or other allocation methodologies that are considered to be a reasonable reflection of the utilization of services provided or the benefit received by us during the periods presented, depending on the nature of the services received.

The income tax amounts in these condensed consolidated financial statements have been calculated based on a separate return methodology and are presented as if our income gave rise to separate federal and state consolidated income tax return filing obligations in the respective jurisdictions in which we operate. Adjustments to income tax expense resulting from the application of the separate return methodology, as compared to tax obligations determined by the Company's inclusion in the Parent's consolidated income tax provision, were assumed to be immediately settled with the Parent through Contributed Capital/Capital in Excess of Par as reflected on the Condensed Consolidated Balance Sheets, and reflected as a (Distribution)/Contribution to Parent on the Condensed Consolidated Statements of Changes in Stockholders'/Members' Equity and the Condensed Consolidated Statements of Cash Flows within financing activities.

The condensed consolidated financial statements include the accounts of the Company and the subsidiaries and variable interest entities in which the Company has a controlling financial interest. All intercompany balances and transactions within the Company are eliminated in consolidation. Transactions between the Company and Select have been included in these consolidated financial statements. The transfers with Select are expected to be settled in cash, other than the assumed income tax settlement noted above, and are reflected within the consolidated statement of cash flows as an operating or financing activity determined by the nature of the transaction. Select's third-party debt and related interest expense have not been attributed to the Company because the Company is not the primary legal obligor of the debt and the borrowings are not specifically identifiable to the Company. However, the Company was a guarantor for Select's senior notes and credit facilities until the guarantee was released at the closing of the IPO. The Company maintains its own cash management system and does not participate in a centralized cash management arrangement with Select.

Recent Accounting Guidance Not Yet Adopted

Segment Reporting

In November 2023, FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which is intended to improve disclosure of segment information so that investors can better understand an entity's overall performance. The ASU requires entities to quantitatively disclose significant segment expenses that are regularly provided to the chief operating decision maker for each reportable segment, as well as the amount of other segment items for each reportable segment and a description of what the other segment items are comprised. Disclosure of multiple measures of profit or loss will be permitted by the ASU.

The Company will adopt ASU 2023-07 beginning with our annual reporting period ending December 31, 2024. The ASU is required to be applied retrospectively to all periods presented in the financial statements. The Company is currently reviewing ASU 2023-07, but does not expect it to have a significant impact on the disclosures in our consolidated financial statements.

Income Taxes

In December 2023, FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which is intended to improve the transparency and decision usefulness of income tax disclosures. The ASU includes enhanced requirements on the rate reconciliation, including specific categories that must be disclosed, and provides a threshold over which reconciling items must be disclosed. The amendments in the update also require annual disclosure of income taxes paid, disaggregated by federal, state, and foreign taxes, as well as any individual jurisdictions in which income taxes paid is greater than 5% of total income taxes paid.

The ASU is effective for annual periods beginning after December 15, 2024; however early adoption is permitted. The ASU can be applied either prospectively or retrospectively. The Company is currently reviewing the impact that ASU 2023-09 will have on the disclosures in our consolidated financial statements.

Expense Disaggregation

In November 2024, FASB issued ASU 2024-03, *Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40)*, which is intended to improve the disclosures of expenses by providing more detailed information about the types of expenses in commonly presented expense captions. The ASU requires entities to disclose the amounts of purchases of inventory, employee compensation, depreciation and intangible asset amortization included in each relevant expense caption; as well as a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively. The amendment also requires disclosure of the total amount of selling expense and, in annual reporting periods, an entity's definition of selling expenses.

The ASU is effective for annual periods beginning after December 15, 2026, and interim periods beginning after December 15, 2027; however early adoption is permitted. The ASU can be applied either prospectively or retrospectively. The Company is currently reviewing the impact that ASU 2024-03 will have on the disclosures in our consolidated financial statements.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

3. Redeemable Non-Controlling Interests

The Company's redeemable non-controlling interests are comprised of membership interests held by equity holders other than the Company in five less than wholly-owned subsidiaries. These interests are subject to redemption rights. The changes in redeemable non-controlling interests are as follows:

	2024	2023
	(in thousands)	
Balance as of January 1	$ 16,477	$ 16,772
Net income attributable to redeemable non-controlling interests	1,053	914
Distributions to and purchases of redeemable non-controlling interests	(1,174)	(1,656)
Redemption value adjustment on redeemable non-controlling interests	1,901	436
Balance as of March 31	$ 18,257	$ 16,466
Net income attributable to redeemable non-controlling interests	1,078	993
Distributions to and purchases of redeemable non-controlling interests	(793)	(610)
Redemption value adjustment on redeemable non-controlling interests	(132)	3
Balance as of June 30	$ 18,410	$ 16,852
Net income attributable to redeemable non-controlling interests	1,109	1,020
Distributions to and purchases of redeemable non-controlling interests	(1,397)	(1,073)
Redemption value adjustment on redeemable non-controlling interests	—	188
Balance as of September 30	$ 18,122	$ 16,987

4. Variable Interest Entities

Certain states prohibit the "corporate practice of medicine," which restricts the Company from owning medical practices that directly employ physicians and from exercising control over medical decisions by physicians. In these states, the Company enters into long-term management agreements with affiliated professional medical groups (referred to as "Managed PCs") that are owned by licensed physicians which, in turn, employ or contract with physicians who provide professional medical services in its occupational health centers. The Company also enters into a stock transfer restriction agreement with the respective equity holders, which provide for the Company to direct the transfer of ownership of the Managed PCs to other licensed physicians at any time. The long-term management agreements provide for various administrative and management services to be provided by the Company to the Managed PCs, including, but not limited to, billing and collections, accounting, non-physician personnel, supplies, security and maintenance, and insurance. The Company has the right to receive income as an ongoing management fee, and effectively absorbs all of the residual interests of the Managed PCs. Based on the provisions of the management and stock transfer agreements, the Managed PCs are variable interest entities for which the Company is the primary beneficiary and consolidates the Managed PCs under the variable interest entity model. There are no restrictions on the use of the assets of the Managed PCs or on the settlement of its liabilities. Additionally, the Company fully indemnifies the licensed physician owners from all claims, demands, costs, damages, losses, liabilities, and other amounts arising from the ownership and operation of the medical practices, excluding gross negligence.

As of September 30, 2024, and December 31, 2023, the total assets of the Company's variable interest entities were $228.2 million and $212.3 million, respectively, and are principally comprised of accounts receivable. As of September 30, 2024, and December 31, 2023, the total liabilities of the Company's variable interest entities were $49.3 million and $56.4 million, respectively, and are principally comprised of accounts payable and accrued expenses. These variable interest entities have obligations payable for services received under their management agreements with the Company of $179.6 million and $156.2 million as of September 30, 2024, and December 31, 2023, respectively. These intercompany balances are eliminated in consolidation.

5. Leases

The Company's total lease cost is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
Operating lease cost	$ 25,585	$ 24,545	$ 75,452	$ 72,969
Finance lease cost:				
Amortization of right-of-use assets	90	244	410	756
Interest on lease liabilities	54	96	186	299
Variable lease cost	5,167	5,005	15,716	15,039
Total lease cost	$ 30,896	$ 29,890	$ 91,764	$ 89,063

6. Long-Term Debt

As of September 30, 2024, the Company's long-term debt is as follows:

	Principal Outstanding	Unamortized Premium (Discount)	Unamortized Issuance Costs	Carrying Value	Fair Value
	(in thousands)				
6.875% senior notes	$ 650,000	$ —	$ (12,316)	$ 637,684	$ 681,493
Credit facilities:					
Term loan	850,000	(1,034)	(11,918)	837,048	847,875
Other debt[1]	7,615	—	—	7,615	7,615
Total debt	$ 1,507,615	$ (1,034)	$ (24,234)	$ 1,482,347	$ 1,536,983

(1) Other debt is primarily comprised of insurance financing arrangements, promissory notes executed in connection with business combinations, and finance leases.

As of September 30, 2024, principal maturities of the Company's long-term debt is as follows:

	2024	2025	2026	2027	2028	Thereafter	Total
	(in thousands)						
6.875% senior notes	$ —	$ —	$ —	$ —	$ —	$ 650,000	$ 650,000
Credit facilities:							
Term loan	2,125	8,500	8,500	8,500	8,500	813,875	850,000
Other debt, including finance leases	1,874	1,570	672	718	768	2,013	7,615
Total debt	$ 3,999	$ 10,070	$ 9,172	$ 9,218	$ 9,268	$ 1,465,888	$ 1,507,615

As of December 31, 2023, the Company's long-term debt and notes payable are as follows:

	December 31, 2023
	(in thousands)
Long-term revolving promissory note with related party	$ 470,000
Other debt[1]	4,746
Total debt	$ 474,746

(1) Other debt is primarily comprised of insurance financing arrangements, promissory notes executed in connection with business combinations, and finance leases.

Credit Facilities

On July 26, 2024, Concentra Health Services, Inc. (“CHSI”), a wholly-owned subsidiary of Concentra, entered into a senior secured credit agreement (the “Concentra credit agreement”) that provides for an $850.0 million term loan (the “Concentra term loan”), and a $400.0 million revolving credit facility, including a $75.0 million sublimit for the issuance of standby letters of credit (the “Concentra revolving credit facility” and, together with the Concentra term loan, the “Concentra credit facilities”).

Borrowings under the Concentra credit facilities are guaranteed by the Company and substantially all of the Company’s current domestic subsidiaries and will be guaranteed by CHSI’s future domestic subsidiaries and secured by substantially all of the Company’s existing and future property and assets and by a pledge of the Company’s capital stock, the capital stock of CHSI’s domestic subsidiaries and up to 65% of the capital stock of CHSI’s foreign subsidiaries held directly by CHSI or a domestic subsidiary.

Borrowings under the Concentra credit agreement bear interest at a rate equal to: (i) in the case of the Concentra term loan, Term SOFR plus a percentage ranging from 2.00% to 2.25%, or Alternate Base Rate plus a percentage ranging from 1.00% to 1.25%, in each case based on CHSI’s leverage ratio; and (ii) in the case of the Concentra revolving credit facility, Term SOFR plus a percentage ranging from 2.25% to 2.75%, or Alternate Base Rate plus a percentage ranging from 1.25% to 1.75%, in each case based on CHSI’s leverage ratio, as defined in the Concentra credit agreement. As of September 30, 2024, the term loan borrowings bear interest at 7.10%. The Company did not have any outstanding borrowings under its revolving credit facility. At September 30, 2024, the Company had $386.4 million of availability under its revolving credit facility after giving effect to $13.6 million of outstanding letters of credit.

The Concentra term loan amortizes in equal quarterly installments in amounts equal to 0.25% of the aggregate original principal amount of the Concentra term loan commencing on December 31, 2024. The balance of the Concentra term loan will be payable on July 26, 2031. The Concentra revolving credit facility will mature on July 26, 2029.

The Concentra credit facilities require CHSI to maintain a leverage ratio (as defined in the Concentra credit agreement), which is tested quarterly and currently must not be greater than 6.50 to 1.00. Failure to comply with this covenant would result in an event of default under the revolving credit facility and, absent a waiver or an amendment from the revolving lenders, preclude CHSI from making further borrowings under the Concentra revolving credit facility and permit the revolving lenders to accelerate all outstanding borrowings under the Concentra revolving credit facility. Upon termination of the commitments for the Concentra revolving credit facility and acceleration of all outstanding borrowings thereunder, failure to comply with the covenant also would constitute an event of default with respect to the Concentra term loan.

The Concentra credit facilities also contain a number of other affirmative and restrictive covenants, including limitations on mergers, consolidations and dissolutions; sales of assets; investments and acquisitions; indebtedness; liens; affiliate transactions; and dividends and restricted payments. The Concentra credit facilities contain events of default for non-payment of principal and interest when due, cross-default and cross-acceleration provisions and an event of default that would be triggered by a change of control. As of September 30, 2024, the Company was in compliance with all debt covenants.

Prepayment of borrowings

CHSI will be required to prepay borrowings under the Concentra credit facilities with (i) 100% of the net cash proceeds received from non-ordinary course asset sales or other dispositions, or as a result of a casualty or condemnation, subject to reinvestment provisions and other customary carveouts and, to the extent required, the payment of certain indebtedness secured by liens subject to a first lien intercreditor agreement if CHSI’s total net leverage ratio is greater than 4.50 to 1.00 and 50% of such net cash proceeds if our total net leverage ratio is less than or equal to 4.50 to 1.00 and greater than 4.00 to 1.00, (ii) 100% of the net cash proceeds received from the issuance of debt obligations other than certain permitted debt obligations, and (iii) 50% of excess cash flow (as defined in the Credit Agreement) if CHSI’s leverage ratio is greater than 4.50 to 1.00 and 25% of excess cash flow if CHSI’s leverage ratio is less than or equal to 4.50 to 1.00 and greater than 4.00 to 1.00, in each case, reduced by the aggregate amount of term loans, revolving loans and certain other debt optionally prepaid (and, in the case of revolving loans, accompanied by a reduction in the related commitment) during the applicable fiscal year. CHSI will not be required to prepay borrowings with excess cash flow or the net cash proceeds of asset sales if CHSI’s leverage ratio is less than or equal to 4.00 to 1.00.

6.875% Senior Notes

On July 11, 2024, the Company completed a private offering by its wholly-owned subsidiary, Concentra Escrow Issuer Corporation (the “Escrow Issuer”), of $650.0 million aggregate principal amount of 6.875% senior notes due July 15, 2032 (the “Concentra senior notes”). On July 26, 2024, the Escrow Issuer merged with and into CHSI, with CHSI continuing as the surviving entity, and CHSI assumed all of the Escrow Issuer’s obligations under the Concentra senior notes. The Concentra senior notes are unconditionally guaranteed, jointly and severally, on a senior unsecured basis by the Company and certain of its wholly-owned subsidiaries. Interest on the Concentra senior notes accrues at a rate of 6.875% per annum and is payable semi-annually in cash in arrears on January 15 and July 15 of each year, commencing on January 15, 2025.

Long-term revolving promissory note with related party

A portion of the net proceeds of the IPO, further discussed in Note 1, *Organization*, was used to repay in full the long-term revolving promissory note with Select.

7. Accrued and Other Liabilities

The following table sets forth the components of accrued and other liabilities:

	September 30, 2024	December 31, 2023
	(in thousands)	
Accrued payroll	$ 47,558	$ 62,824
Accrued vacation	42,949	41,488
Accrued other	65,461	71,755
Income taxes payable	622	399
Accrued and other liabilities	$ 156,590	$ 176,466

8. Fair Value of Financial Instruments

Financial instruments which are measured at fair value, or for which a fair value is disclosed, are classified in the fair value hierarchy, as outlined below, on the basis of the observability of the inputs used in the fair value measurement:

- Level 1 – inputs are based upon quoted prices for identical instruments in active markets.
- Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant inputs are observable in the market or can be corroborated by observable market data.
- Level 3 – inputs are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the instrument.

The Company does not measure its indebtedness at fair value in its condensed consolidated balance sheets. The fair value of the Concentra credit facilities is based on quoted market prices for this debt in the syndicated loan market. The fair value of the Concentra senior notes is based on quoted market prices. The carrying value of the Company’s other debt, as disclosed in Note 6 – Long-Term Debt, approximates fair value. There are no quoted market prices for the Company’s related party debt, and it is not practicable to estimate its fair value.

		September 30, 2024	
Financial Instrument	Level	Carrying Value	Fair Value
		(in thousands)	
6.875% senior notes	Level 2	$ 637,684	$ 681,493
Credit facilities:			
Term loan	Level 2	$ 837,048	$ 847,875

The Company’s other financial instruments, which primarily consist of cash and cash equivalents, accounts receivable, and accounts payable, approximate fair value because of the short-term maturities of these instruments.

9. Revenue

The following table disaggregates the Company's revenue for the three and nine months ended September 30, 2024 and 2023:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
Occupational health centers:				
Workers' compensation	$ 298,681	$ 285,939	$ 866,952	$ 832,833
Employer services	154,809	153,473	458,849	458,810
Consumer health	7,332	7,162	23,327	23,150
Other occupational health center revenue	2,239	1,866	6,245	6,538
Total occupational health center revenue	463,061	448,440	1,355,373	1,321,331
Onsite health clinics	15,593	15,005	46,989	44,255
Other	10,984	10,519	32,789	31,755
Total revenue	$ 489,638	$ 473,964	$ 1,435,151	$ 1,397,341

10. Earnings per Share

At September 30, 2024, the Company's capital structure consists of common stock. There were no participating shares or securities outstanding during the three and nine months ended September 30, 2024.

The following table sets forth the computation of earnings per share ("EPS") in 2024:

	Three Months Ended September 30, 2024			Nine Months Ended September 30, 2024		
	Net Income Attributable to the Company	Shares(1)	Basic and Diluted EPS	Net Income Attributable to the Company	Shares(1)	Basic and Diluted EPS
	(in thousands, except for per share amounts)					
Common shares	$ 44,338	120,765	$ 0.37	$ 145,031	109,691	$ 1.32

At September 30, 2023, the Company's capital structure included Class A, B, and C units outstanding and unvested restricted interests and outstanding options. To calculate EPS for the three and nine months ended September 30, 2023, the Company applied the two-class method because its unvested restricted interests and outstanding options were participating securities.

The following table sets forth the net income attributable to the Company, its units outstanding, and its participating units outstanding:

	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023
	(in thousands)	
Net income	$ 54,424	$ 155,887
Less: Net income attributable to non-controlling interests	1,318	3,775
Net income attributable to the Company	53,106	152,112
Less: Distributed and undistributed income attributable to participating shares	66	356
Distributed and undistributed income attributable to outstanding shares	$ 53,040	$ 151,756

The following table sets forth the computation of EPS in 2023, under the two-class method:

	Three Months Ended September 30, 2023			Nine Months Ended September 30, 2023		
	Net Income Allocation	Shares[(1)(2)]	Basic and Diluted EPS	Net Income Allocation	Shares[(1)(2)]	Basic and Diluted EPS
	(in thousands, except for per share amounts)					
Outstanding Class A, Class B, and Class C shares	$ 53,040	104,035	$ 0.51	$ 151,756	103,980	$ 1.46
Participating shares	66	130	$ 0.51	356	244	$ 1.46
Total Company	$ 53,106			$ 152,112		

(1) The recapitalization of the members units into common shares has been treated as such for earnings per share purposes and has been reflected retrospectively for all periods, along with the one for 4.295 reverse stock split, as described in Note 1, *Organization.*

(2) Represents the weighted average units outstanding during the period.

11. Related Party Transactions

Separation Agreements

In connection with the IPO, and described in the Registration Statement, Select and Concentra entered into a separation agreement, a transition services agreement, a tax matters agreement, and an employee matters agreement on July 26, 2024, which effects the separation of the Company's business from Select and provides a framework for the Company's relationship with Select after the separation.

Shared Services Agreement - cost allocations from Select

The Company pays Select a fee for the shared support functions provided on a centralized basis by Select and its affiliates. Prior to the IPO, the shared services fee was reassessed and adjusted annually. The transition services agreement, which became effective concurrently with the IPO, provides the framework for the services provided and the fee incurred. For the three months ended September 30, 2024 and 2023, the shared service fees were $3.8 million and $3.6 million, respectively. For the nine months ended September 30, 2024 and 2023, the shared service fees were $11.5 million and $11.0 million, respectively. These cost allocations reasonably reflect the services and the benefits derived for the periods presented. These allocations may not be indicative of the actual expenses that would have been incurred as a stand-alone entity.

12. Commitments and Contingencies

Litigation

The Company is a party to various legal actions, proceedings, and claims, and regulatory and other governmental audits and investigations in the ordinary course of its business, including, but not limited to, legal actions and claims alleging professional malpractice, general liability for property damage, personal and bodily injury, violations of federal and state employment laws, often in the form of wage and hour class action lawsuits, and liability for data breaches. Many of these actions involve large claims and significant defense costs and sometimes, as in the case of wage and hour class actions, are not covered by insurance. The Company cannot predict the ultimate outcome of pending litigation, proceedings, and regulatory and other governmental audits and investigations. These matters could potentially subject the Company to sanctions, damages, recoupments, fines, and other penalties.

To address claims arising out of the Company's operations, the Company maintains professional malpractice liability insurance and general liability insurance coverages through a number of different programs that are dependent upon such factors as the state where the Company is operating. The Company currently maintains insurance coverages under a combination of policies with a total annual aggregate limit of up to $29.0 million for professional malpractice liability insurance and $29.0 million for general liability insurance. The Company's insurance for the professional liability coverage is written on a "claims-made" basis, and its commercial general liability coverage is maintained on an "occurrence" basis. These coverages apply after a self-insured retention limit is exceeded. Each of these programs has either a deductible or self-insured retention limit. The Company also maintains additional types of liability insurance covering claims which, due to their nature or amount, are not covered by or not fully covered by the applicable professional malpractice and general liability insurance policies, including workers compensation, property and casualty, directors and officers, cyber liability, and employment practices liability insurance coverages. Our insurance policies generally are silent with respect to punitive damages so coverage is available to the extent insurable under the law of any applicable jurisdiction, and are subject to various deductibles and policy limits. The Company reviews its insurance program annually and may make adjustments to the amount of insurance coverage and self-insured retentions in future years. Significant legal actions, as well as the cost and possible lack of available insurance, could subject the Company to substantial uninsured liabilities.

Physical Therapy Billing. On October 7, 2021, Select received a letter from a Trial Attorney at the U.S. Department of Justice, Civil Division, Commercial Litigation Branch, Fraud Section ("DOJ") stating that the DOJ, in conjunction with the U.S. Department of Health and Human Services ("HHS"), is investigating Select in connection with potential violations of the False Claims Act, 31 U.S.C. § 3729, *et seq*. The letter specified that the investigation relates to Select's billing for physical therapy services, and indicated that the DOJ would be requesting certain records from Select. In October and December 2021, the DOJ requested, and Select furnished, records relating to six of Select's outpatient therapy clinics in Florida. In 2022 and 2023, the DOJ requested certain data relating to all of Select's outpatient therapy clinics nationwide, and sought information about the Company's ability to produce additional data relating to the physical therapy services furnished by Select's outpatient therapy clinics and the Company. The Company has produced data and other documents requested by the DOJ and is fully cooperating on this investigation. In May 2024, by order of the U.S. District Court for the Middle District of Florida, a qui tam lawsuit that is related to the DOJ's investigation was unsealed after the U.S. filed a notice declining to intervene in the case, but stating that its investigation is continuing and reserving its right to intervene at a later date. The lawsuit, filed in May 2021 and amended in October 2021 and July 2024, was brought by Kathleen Kane, a physical therapist formerly employed in Select's outpatient division, against Select Medical Corporation, Select Physical Therapy Holdings, Inc. and Select Employment Services, Inc. The amended complaint alleges that the defendants billed federally funded health programs for one-on-one therapy services when group therapy was performed or overbilled for one-on-one therapy services, and billed for unreimbursable unskilled physical therapy services. In September 2024, the Company filed a motion to dismiss the amended complaint on multiple grounds. At this time, the Company is unable to predict the timing and outcome of this matter.

California Department of Insurance Investigation. On February 5, 2024, the Company received a subpoena from the California Department of Insurance relating to an investigation under the California Insurance Frauds Prevention Act, Cal. Ins. Code § 1871.7 et seq., which allows a whistleblower to file a false claims lawsuit based on the submission of false or fraudulent claims to insurance companies. The subpoena seeks documentation relating mainly to the Company's billing and coding for physical therapy claims submitted to commercial insurers and workers' compensation carriers located or doing business in California. The Company has produced data and other documents requested by the California Department of Insurance and intends to fully cooperate with this investigation. At this time, the Company is unable to predict the timing and outcome of this matter.

Perry Johnson & Associates, Inc. Data Breach. On November 10, 2023, Perry Johnson & Associates, Inc., a third-party vendor of health information technology solutions that provides medical transcription services ("PJ&A"), notified Concentra Health Services, Inc. ("Concentra") that certain information related to particular Concentra patients was potentially affected by a cybersecurity event. In February 2024, Concentra sent notices to almost four million patients who may have been impacted by the data breach. During the first quarter of 2024, Concentra became aware of six putative class action lawsuits filed against PJ&A and Concentra related to the data breach. Five of the putative class action lawsuits have been transferred to the U.S. District Court for the Eastern District of New York and consolidated with the one class action lawsuit pending there. Plaintiffs filed a Consolidated Class Action Complaint on August 19, 2024 against PJ&A, Concentra, Select Medical Holdings Corporation and other unrelated defendants under the caption *In re Perry Johnson & Associates Medical Transcription Data Security Breach Litigation* ("Consolidated Complaint"). The Consolidated Complaint alleges that the plaintiffs have suffered injuries and damages under theories of negligence, breach of contract, and failure to comply with statutory duties, including duties under HIPAA, FTC guidelines and industry standards, and various state consumer protection and deceptive trade practice laws. The Company is working with its cybersecurity risk insurance policy carrier and does not believe that the data breach or the lawsuits will have a material impact on its operations or financial performance. However, at this time, the Company is unable to predict the timing and outcome of these matters.

13. Subsequent Events

On October 28, 2024, the Company's Board of Directors declared a cash dividend of $0.0625 per share. The dividend will be payable November 22, 2024, to stockholders of record as of the close of business on November 13, 2024.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read this discussion together with our unaudited condensed consolidated financial statements and accompanying notes.

Forward-Looking Statements

This report on Form 10-Q contains forward-looking statements, which do not relate strictly to historical or current facts and which reflect management's assumptions, views, plans, objectives and projections about the future. Forward-looking statements may be identified by the use of words such as "plans," "expects," "will," "anticipates," "estimates" and other words of similar meaning in conjunction with, among other things: discussions of future operations; expected operating results and financial performance; impact of planned acquisitions and dispositions; our strategy for growth; product development activities; regulatory approvals; market position; market size and opportunity; expenditures; and the effects of the separation and the distribution, if pursued, on our business.

Because forward-looking statements are based on current beliefs, expectations and assumptions regarding future events, they are subject to risks, uncertainties and changes that are difficult to predict and many of which are outside of our control. You should realize that if underlying assumptions prove inaccurate, or known or unknown risks or uncertainties materialize, our actual results and financial condition could vary materially from expectations and projections expressed or implied in our forward-looking statements. You are therefore cautioned not to rely on these forward-looking statements. Risks and uncertainties include:

- The frequency of work-related injuries and illnesses;
- The adverse changes to our relationships with employer customers, third-party payors, workers' compensation provider networks or employer services networks;
- Changes to regulations, new interpretations of existing regulations, or violations of regulations;
- State fee schedule changes undertaken by state workers' compensation boards or commissions and other third-party payors;
- Our ability to realize reimbursement increases at rates sufficient to keep pace with the inflation of our costs;
- Labor shortages, increased employee turnover or costs, and union activity could significantly increase our operating costs;
- Our ability to compete effectively with other occupational health centers, onsite health clinics at employer worksites, and healthcare providers;
- A security breach of our, or our third-party vendors', information technology systems which may cause a violation of HIPAA and subject us to potential legal and reputational harm;
- Negative publicity which can result in increased governmental and regulatory scrutiny and possibly adverse regulatory changes;
- Litigation and other legal and regulatory proceedings in the course of our business that could adversely affect our business and financial statements and the effects of claims asserted against us could subject us to substantial uninsured liabilities;
- Acquisitions may use significant resources, may be unsuccessful, and could expose us to unforeseen liabilities;
- Our exposure to additional risk due to our reliance on third parties in many aspects of our business;
- Compliance with applicable laws regarding the corporate practice of medicine and therapy and fee-splitting;
- Our facilities are subject to extensive federal and state laws and regulations relating to the privacy of individually identifiable information;
- Compliance with applicable data interoperability and information blocking rule;
- Facility licensure requirements in some states are costly and time-consuming, limiting or delaying our operations;
- Our ability to adequately protect and enforce our intellectual property and other proprietary rights;
- Adverse economic conditions in the U.S. or globally;
- Any negative impact on the global economy and capital markets resulting from other geopolitical tensions;

- Our ability to maintain satisfactory credit ratings;
- The inability to execute on the separation from Select Medical;
- The risk of disruption or unanticipated costs in connection with the separation;
- Our ability to succeed as a standalone publicly traded entity;
- Restrictions on our business, potential tax and indemnification liabilities and substantial charges in connection with the separation, the distribution and related transactions;
- The negative impact of public threats such as a global pandemic or widespread outbreak of an infectious disease similar to the COVID-19 pandemic;
- The loss of key members of our management team and our ability to attract and retain talented, highly skilled employees and a diverse workforce, and on the succession of our senior management; and
- Changes in tax laws or exposures to additional tax liabilities.

You should also carefully read the risk factors and assumptions underlying forward-looking statements described in sections of our Registration Statement, entitled “Risk Factors” and “Cautionary Note Regarding Forward-Looking Statements” for a description of certain risks that could, among other things, cause our actual results to differ materially from those expressed or implied in our forward-looking statements. You should understand that it is not possible to predict or identify all such factors and you should not consider the risks described above to be a complete statement of all potential risks and uncertainties. We do not undertake to publicly update any forward-looking statement that may be made from time to time, whether as a result of new information or future events or developments, except as required by law.

Overview

We were founded in 1979 and have grown to be the largest provider of occupational health services in the United States by number of locations. Our national presence enables us to provide access to high-quality care that supports our mission to improve the health of America’s workforce. As of September 30, 2024, we operated 549 stand-alone occupational health centers in 41 states and 156 onsite health clinics at employer worksites in 36 states. We also have expanded our reach via our telemedicine program serving 43 states and the District of Columbia. In total, we deliver services across 45 states and the District of Columbia. Our patients are generally employed by our main customers — employers across the United States.

Our business is organized into three operating segments based primarily on the type or location of occupational health services provided:

- Occupational Health Centers: Our Occupational Health Centers operating segment encompasses the occupational health services we deliver at our 549 health center facilities across the United States. In this operating segment, we serve all types of employers, from Fortune 500 to small businesses. The occupational health services provided in this operating segment include Workers’ Compensation and Employer Services and we also provide Consumer Health services.

- Onsite Health Clinics: Our Onsite Health Clinics operating segment delivers occupational health services and/or employer-sponsored primary care services at an employer’s workplace, including mobile health services and episodic specialty testing services. We deliver our services at 156 on-site locations. In this operating segment, we serve medium to large-sized employers.

- Other Businesses: Our Other Businesses operating segment is comprised of several complementary services to our core occupational health services offering and includes Concentra Telemed, Concentra Pharmacy, and Concentra Medical Compliance Administration. In this operating segment, we serve all types of employers.

All three operating segments are aggregated into a single reportable segment in our condensed consolidated financial statements based on similar services provided, service delivery process involved, target customers, and similar economic characteristics. The percentage of revenue for each of the three and nine months ended September 30, 2024 and 2023, of our Occupational Health Centers, Onsite Health Clinics and Other Businesses segments are represented as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Occupational Health Centers	95 %	95 %	95 %	95 %
Onsite Health Clinics	3 %	3 %	3 %	3 %
Other Businesses	2 %	2 %	2 %	2 %

Across our operating segments, we offer a diverse and comprehensive array of occupational health services, including workers' compensation and employer services, and consumer health services:

- Workers' compensation services include the support of workers' compensation injury, physical rehabilitation, and specialist care.
- Employer services consist of drug and alcohol screenings, physical examinations and evaluations, clinical testing, and preventive care, as well as direct-to-employer services that include the services described above and advanced primary care at our onsite health clinics.
- Consumer health services consist of the support of patient-directed urgent care treatment of injuries and illnesses.

The following table sets forth the percentage of our overall visits per day ("VPD") volume in our Occupational Health Center operating segment by service offering, for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Workers' compensation services	45 %	44 %	45 %	44 %
Employer services	53 %	54 %	53 %	54 %
Consumer health services	2 %	2 %	2 %	2 %

The following table sets forth the percentage of visit-related revenue in our Occupational Health Center operating segment by service offering, for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Workers' compensation services	65 %	64 %	64 %	63 %
Employer services	33 %	34 %	34 %	35 %
Consumer health services	2 %	2 %	2 %	2 %

Initial Public Offering and Debt Transactions

On July 26, 2024, the Company completed an IPO of 22,500,000 shares of its common stock, par value $0.01 per share, at an initial public offering price of $23.50 per share for net proceeds of $499.7 million after deducting underwriting discounts and commission of $29.1 million. In addition, the underwriters exercised the option to purchase an additional 750,000 shares of the Company's common stock for net proceeds of $16.7 million after deducting underwriting discounts and commission of $1.0 million. The Company's shares began trading on the New York Stock Exchange under the symbol "CON" on July 25, 2024. In connection with the IPO, Concentra Health Services, Inc. ("CHSI"), entered into certain financing arrangements which include the Concentra credit facilities of $1,250.0 million and a private offering of $650.0 million aggregate principal amount of 6.875% Senior Notes due 2032. The Notes are unconditionally guaranteed, jointly and severally, on a senior unsecured basis by Concentra and certain of its wholly-owned subsidiaries. The Concentra credit facilities consist of the Concentra term loan of $850.0 million and the Concentra revolving credit facility of $400.0 million. The Concentra revolving credit facility was undrawn at the closing of the IPO. The Concentra term loan matures on July 26, 2031, and has an interest rate of Term SOFR plus 2.25%, subject to a leverage-based pricing grid. The Concentra revolving credit facility matures on July 26, 2029, and has an interest rate of Term SOFR plus 2.50%, subject to a leverage-based pricing grid.

The net proceeds of the IPO and the debt financing transactions, except for $34.7 million, were paid to Select Medical Corporation ("Select") through the issuance of a dividend, the repayment in full of the $420.0 million revolving promissory note outstanding, and the repayment in full of a new promissory note issued subsequent in contemplation of the IPO.

Regulatory Changes

Our Registration Statement contains a detailed discussion of the regulations that affect our business in the “Government Regulations” section.

Operating Metrics

Management utilizes specific key operating metrics to monitor trends and performance in our business and therefore may be important to investors because management may assess our performance based in part on such metrics. Other healthcare providers may present similar measures; however, these measures are susceptible to varying definitions and our key metrics may not be comparable to other similarly titled measures of other companies.

Patient Visits and Visits Per Day Volume

We monitor the number of patient visits per day (“VPD”) volume for each of our major service lines in our Occupational Health Center operating segment — workers’ compensation services, employer services, and consumer health. Management believes that the number of patient visits is a critical indicator of the volume of services being provided in our centers. VPD volume, which is calculated as total patient visits in a given period divided by total business days for such period, allows for comparability between time periods with different number of business days. Patient visits and VPD volume include only the patients seen in our Occupational Health Centers operating segment and does not include our Onsite Health Clinics or Other Businesses operating segments.

Revenue Per Visit

Management also measures reimbursement rates utilizing patient revenue per visit which is calculated as total patient revenue divided by total patient visits. Revenue per visit as reported includes only the revenue and patient visits in our Occupational Health Centers operating segment and does not include our Onsite Health Clinics or Other Businesses operating segments.

The following table sets forth operating statistics for our Occupational Health Centers operating segment for the periods presented:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	% Change	2024	2023	% Change
Number of patient visits						
Workers’ Compensation	1,476,486	1,451,115	1.7%	4,364,824	4,276,717	2.1%
Employer Services	1,728,720	1,775,181	(2.6)%	5,090,410	5,316,724	(4.3)%
Consumer Health	53,399	54,746	(2.5)%	173,281	173,440	(0.1)%
Total	3,258,605	3,281,042	(0.7)%	9,628,515	9,766,881	(1.4)%
VPD Volume						
Workers’ Compensation	23,070	23,034	0.2%	22,733	22,391	1.5%
Employer Services	27,011	28,177	(4.1)%	26,513	27,836	(4.8)%
Consumer Health	834	869	(4.0)%	903	908	(0.6)%
Total	50,916 (a)	52,080	(2.2)%	50,149	51,136 (a)	(1.9)%
Revenue per visit						
Workers’ Compensation	$ 202.29	$ 197.05	2.7%	$ 198.62	$ 194.74	2.0%
Employer Services	89.55	86.45	3.6%	90.14	86.30	4.4%
Consumer Health	137.30	130.82	5.0%	134.62	133.47	0.9%
Total	$ 141.42	$ 136.11	3.9%	$ 140.12	$ 134.62	4.1%
Business Days	64	63		192	191	

(a) Does not total due to rounding.

Facility Counts

The following table sets forth facility counts for our Occupational Health Centers and Onsite Health Clinics operating segments for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Number of occupational health centers—start of period	547	540	544	540
Number of occupational health centers acquired	1	—	3	1
Number of occupational health centers de novos	1	—	3	—
Number of occupational health centers closed/sold	—	(1)	(1)	(2)
Number of occupational health centers—end of period	549	539	549	539
Number of onsite health clinics operated—end of period	156	145	156	145

Results of Operations

The following table sets forth our consolidated results of operations, including as a percentage of revenue, for the periods indicated (in thousands):

	Three Months Ended September 30,			
	2024		2023	
	Amount	Percent	Amount	Percent
Revenue	$ 489,638	100.0 %	$ 473,964	100.0 %
Costs and expenses:				
Cost of services, exclusive of depreciation and amortization	351,103	71.7	336,812	71.1
General and administrative, exclusive of depreciation and amortization	37,088	7.6	38,245	8.1
Depreciation and amortization	15,213	3.1	17,959	3.7
Total costs and expenses	403,404	82.4	393,016	82.9
Income from operations	86,234	17.6	80,948	17.1
Other income and expense:				
Interest expense on related party debt	(2,691)	(0.5)	(11,255)	(2.4)
Interest expense	(21,369)	(4.4)	(64)	(0.0)
Income before income taxes	62,174	12.7	69,629	14.7
Income tax expense	16,415	3.4	15,205	3.2
Net income	45,759	9.3	54,424	11.5
Less: Net income attributable to non-controlling interests	1,421	0.3	1,318	0.3
Net income attributable to the Company	44,338	9.1 %	53,106	11.2 %

	Nine Months Ended September 30,			
	2024		2023	
	Amount	Percent	Amount	Percent
Revenue	$ 1,435,151	100.0 %	$ 1,397,341	100.0 %
Costs and expenses:				
Cost of services, exclusive of depreciation and amortization	1,027,366	71.6	994,726	71.2
General and administrative, exclusive of depreciation and amortization	110,825	7.7	109,898	7.9
Depreciation and amortization	51,568	3.6	54,552	3.8
Total costs and expenses	1,189,759	82.9	1,159,176	82.9
Other operating income	284	0.0	151	0.0
Income from operations	245,676	17.1	238,316	17.1
Other income and expense:				
Equity in losses of unconsolidated subsidiaries	(3,676)	(0.3)	(526)	(0.0)
Interest expense on related party debt	(21,980)	(1.5)	(33,831)	(2.5)
Interest expense	(21,275)	(1.5)	(108)	(0.0)
Income before income taxes	198,745	13.8	203,851	14.6
Income tax expense	49,648	3.4	47,964	3.4
Net income	149,097	10.4	155,887	11.2
Less: Net income attributable to non-controlling interests	4,066	0.3	3,775	0.3
Net income attributable to the Company	145,031	10.1 %	152,112	10.9 %

Three Months Ended September 30, 2024, Compared to Three Months Ended September 30, 2023

Revenue

Revenue increased 3.3% to $489.6 million for the three months ended September 30, 2024, compared to $474.0 million for the three months ended September 30, 2023, driven primarily by the increase in revenue per visit, as described below.

Our patient visits were 3,258,605 for the three months ended September 30, 2024, compared to 3,281,042 visits for the three months ended September 30, 2023. Total VPD volume was 50,916 for the three months ended September 30, 2024, compared to 52,080 for the three months ended September 30, 2023. Workers' compensation VPD volume increased 0.2% to 23,070 from 23,034, employer services VPD volume decreased 4.1% to 27,011 from 28,177, and consumer health VPD volume decreased 4.0% to 834 from 869, for the three months ended September 30, 2024, compared to the three months ended September 30, 2023.

Revenue per visit increased 3.9% to $141.42 for the three months ended September 30, 2024, compared to $136.11 for the three months ended September 30, 2023. We experienced a higher revenue per visit principally due to increases in the reimbursement rates payable pursuant to certain state fee schedules for workers' compensation visits, increases in our employer services rates, and a favorable mix of visit types by service line for the three months ended September 30, 2024. Revenue per visit for workers' compensation visits increased 2.7% to $202.29 from $197.05, revenue per visit for employer services visits increased 3.6% to $89.55 from $86.45 and revenue per visit for consumer health visits increased by 5.0% to $137.30 from $130.82, for the three months ended September 30, 2024, compared to the three months ended September 30, 2023.

Cost of Services, Exclusive of Depreciation and Amortization

Our cost of services expense includes all direct and indirect support costs related to providing services to our customers. Cost of services was $351.1 million, or 71.7% of revenue, for the three months ended September 30, 2024, compared to $336.8 million, or 71.1% of revenue, for the three months ended September 30, 2023.

General and Administrative, Exclusive of Depreciation and Amortization

General and administrative expense includes corporate overhead such as finance, legal, human resources, marketing, facilities, and other administrative areas as well as executive compensation. Our general and administrative expenses were $37.1 million, or 7.6% of revenue, for the three months ended September 30, 2024, compared to $38.2 million, or 8.1% of revenue, for the three months ended September 30, 2023.

Depreciation and Amortization

Depreciation and amortization expense was $15.2 million for the three months ended September 30, 2024, compared to $18.0 million for the three months ended September 30, 2023.

Interest Expense on Related Party Debt

For the three months ended September 30, 2024, we had interest expense on our related party debt with Select of $2.7 million, compared to $11.3 million for the three months ended September 30, 2023. The decrease in interest expense is due to the payoff of the revolving promissory note with Select during the three months ended September 30, 2024, as discussed further in Note 1, *Organization.*

Interest Expense

For the three months ended September 30, 2024, we had interest expense of $21.4 million, compared to $0.1 million for the three months ended September 30, 2023. The increase in interest expense was due to the issuance of an $850.0 million term loan and $650.0 million senior notes in July 2024, as described in Note 6, *Long-Term Debt*.

Income Taxes

We recorded income tax expense of $16.4 million for the three months ended September 30, 2024, which represented an effective tax rate of 26.4%. We recorded income tax expense of $15.2 million for the three months ended September 30, 2023, which represented an effective tax rate of 21.8%. Our income tax expense is computed based on annual estimates which we allocate throughout the year based on our income. This intra-period tax allocation may cause our effective tax rate to reflect variances when compared to the prior year as estimates of our annual income and the components of our income tax expense change throughout the year.

Nine Months Ended September 30, 2024, Compared to Nine Months Ended September 30, 2023

Revenue

Revenue increased 2.7% to $1,435.2 million for the nine months ended September 30, 2024, compared to $1,397.3 million for the nine months ended September 30, 2023, driven primarily by the increase in revenue per visit, as described below.

Our patient visits were 9,628,515 for the nine months ended September 30, 2024, compared to 9,766,881 visits for the nine months ended September 30, 2023. Total VPD volume was 50,149 for the nine months ended September 30, 2024, compared to 51,136 for the nine months ended September 30, 2023. Workers' compensation VPD volume increased 1.5% to 22,733 from 22,391, employer services VPD volume decreased 4.8% to 26,513 from 27,836, and consumer health VPD volume decreased 0.6% to 903 from 908, for the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023.

Revenue per visit increased 4.1% to $140.12 for the nine months ended September 30, 2024, compared to $134.62 for the nine months ended September 30, 2023. We experienced a higher revenue per visit principally due to increases in the reimbursement rates payable pursuant to certain state fee schedules for workers' compensation visits, increases in our employer services rates, and a favorable mix of visit types by service line for the nine months ended September 30, 2024. Revenue per visit for workers' compensation visits increased 2.0% to $198.62 from $194.74, revenue per visit for employer services visits increased 4.4% to $90.14 from $86.30 and revenue per visit for consumer health visits increased by 0.9% to $134.62 from $133.47, for the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023.

Cost of Services, Exclusive of Depreciation and Amortization

Our cost of services expense includes all direct and indirect support costs related to providing services to our customers. Cost of services was $1,027.4 million, or 71.6% of revenue, for the nine months ended September 30, 2024, compared to $994.7 million, or 71.2% of revenue, for the nine months ended September 30, 2023.

General and Administrative, Exclusive of Depreciation and Amortization

General and administrative expense includes corporate overhead such as finance, legal, human resources, marketing, facilities, and other administrative areas as well as executive compensation. Our general and administrative expenses were $110.8 million, or 7.7% of revenue, for the nine months ended September 30, 2024, compared to $109.9 million, or 7.9% of revenue, for the nine months ended September 30, 2023.

Depreciation and Amortization

Depreciation and amortization expense was $51.6 million for the nine months ended September 30, 2024, compared to $54.6 million for the nine months ended September 30, 2023.

Other Operating Income

For the nine months ended September 30, 2024, we had other operating income of $0.3 million, compared to $0.2 million for the nine months ended September 30, 2023.

Equity in Losses of Unconsolidated Subsidiaries

For the nine months ended September 30, 2024, we had equity in losses of unconsolidated subsidiaries of $3.7 million, compared to $0.5 million for the nine months ended September 30, 2023. The increase in equity in losses is attributable to the impairment of an investment during the nine months ended September 30, 2024.

Interest Expense on Related Party Debt

For the nine months ended September 30, 2024, we had interest expense on our related party debt with Select of $22.0 million, compared to $33.8 million for the nine months ended September 30, 2023. The decrease in interest expense is due to the payoff of the revolving promissory note with Select during the nine months ended September 30, 2024, as discussed further in Note 1, *Organization.*

Interest Expense

For the nine months ended September 30, 2024, we had interest expense of $21.3 million, compared to $0.1 million for the nine months ended September 30, 2023. The increase in interest expense was due to the issuance of an $850.0 million term loan and $650.0 million senior notes in July 2024, as described in Note 6, *Long-Term Debt*.

Income Taxes

We recorded income tax expense of $49.6 million for the nine months ended September 30, 2024, which represented an effective tax rate of 25.0%. We recorded income tax expense of $48.0 million for the nine months ended September 30, 2023, which represented an effective tax rate of 23.5%.

Non-GAAP Information

We believe that the presentation of Adjusted EBITDA and Adjusted EBITDA margin, as defined below, are important to investors because Adjusted EBITDA and Adjusted EBITDA margin are commonly used as an analytical indicator of performance by investors within the healthcare industry. Adjusted EBITDA and Adjusted EBITDA margin are used by management to evaluate financial performance of, and determine resource allocation for, each of our operating segments. However, Adjusted EBITDA and Adjusted EBITDA margin are not measures of financial performance under U.S. GAAP. Items excluded from Adjusted EBITDA and Adjusted EBITDA margin are significant components in understanding and assessing financial performance. Adjusted EBITDA and Adjusted EBITDA margin should not be considered in isolation, or as an alternative to, or substitute for, net income, net income margin, income from operations, cash flows generated by operations, investing or financing activities, or other financial statement data presented in the consolidated financial statements as indicators of financial performance or liquidity. Because Adjusted EBITDA and Adjusted EBITDA margin are not measurements determined in accordance with U.S. GAAP and are thus susceptible to varying definitions, Adjusted EBITDA and Adjusted EBITDA margin as presented may not be comparable to other similarly titled measures of other companies.

We define Adjusted EBITDA as earnings excluding interest, income taxes, depreciation and amortization, gain (loss) on early retirement of debt, stock compensation expense, separation transaction costs, gain (loss) on sale of businesses, and equity in earnings (losses) of unconsolidated subsidiaries. We define Adjusted EBITDA margin as Adjusted EBITDA divided by revenue. We will refer to Adjusted EBITDA and Adjusted EBITDA margin throughout the remainder of Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following table reconciles net income to Adjusted EBITDA and net income margin to Adjusted EBITDA margin and should be referenced when we discuss Adjusted EBITDA and Adjusted EBITDA margin.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(in thousands, except for percentages)			
Reconciliation of Adjusted EBITDA				
Net income	$ 45,759	$ 54,424	$ 149,097	$ 155,887
Income tax expense	16,415	15,205	49,648	47,964
Interest expense	21,369	64	21,275	108
Interest expense on related party debt	2,691	11,255	21,980	33,831
Equity in losses of unconsolidated subsidiaries	—	—	3,676	526
Stock compensation expense	168	—	500	178
Depreciation and amortization	15,213	17,959	51,568	54,552
Separation transaction costs [(a)]	(44)	—	1,569	—
Adjusted EBITDA	$ 101,571	$ 98,907	$ 299,313	$ 293,046
Adjusted EBITDA margin	20.7 %	20.9 %	20.9 %	21.0 %
Net income margin	9.3 %	11.5 %	10.4 %	11.2 %

(a) Separation transaction costs represent incremental consulting, legal, and audit-related fees incurred in connection with the Company's planned separation into a new, publicly traded company and are included within general and administrative expenses on the Condensed Consolidated Statements of Operations.

Liquidity and Capital Resources

Cash Flows for the Nine Months Ended September 30, 2024 and Nine Months Ended September 30, 2023

In the following table and analysis, we discuss cash flows from operating activities, investing activities, and financing activities for the periods indicated:

	Nine Months Ended September 30,	
	2024	2023
	(in thousands)	
Net cash provided by operating activities	$ 180,963	$ 158,138
Net cash used in investing activities	(54,579)	(47,125)
Net cash used in financing activities	(20,936)	(124,990)
Net increase (decrease) in cash	105,448	(13,977)
Cash at beginning of period	31,374	37,657
Cash at end of period	$ 136,822	$ 23,680

Operating activities provided $181.0 million and $158.1 million of cash flows during the nine months ended September 30, 2024 and 2023, respectively. The increase in cash flows from operating activities for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023, resulted from increased collections on our accounts receivable.

Investing activities used $54.6 million and $47.1 million of cash flows for the nine months ended September 30, 2024 and 2023, respectively. For the nine months ended September 30, 2024, the principal uses of cash were $47.6 million for purchases of property and equipment and $7.0 million for acquisitions of businesses. For the nine months ended September 30, 2023, the principal uses of cash were $41.3 million for purchases of property and equipment and $4.4 million for purchases of customer relationships.

Financing activities used $20.9 million and $125.0 million of cash flows for the nine months ended September 30, 2024 and 2023, respectively. For the nine months ended September 30, 2024, the principal uses of cash were a $1,535.7 million dividend payment to Select and $470.0 million of net repayments on our related party revolving promissory note. The principal sources of cash were net proceeds from our term loans of $836.7 million, net proceeds from the issuance of our 6.875% senior notes of $637.3 million, and net proceeds from our initial public offering of $511.2 million. For the nine months ended September 30, 2023, the principal uses of cash were $120.0 million in payments on the related party revolving promissory note, principal payments on other debt of $5.8 million, and distributions to and purchases of non-controlling interests of $4.5 million, partially offset by $5.5 million in borrowings of other debt.

Capital Resources

We had net working capital of $140.4 million at September 30, 2024, compared to net working capital of $19.8 million at December 31, 2023. The increase in the net working capital surplus was principally due to increases in our cash and accounts receivable.

A significant component of our net working capital is our accounts receivable. Collection of these accounts receivable is our primary source of cash and is critical to our liquidity and capital resources. Because our accounts receivable is primarily paid for by highly-solvent, creditworthy payors, such as workers' compensation programs, employer programs, third party administrators, commercial insurance companies, and federal and state governmental authorities, our credit losses have historically been infrequent and insignificant in nature, and we believe the possibility of credit default is remote.

Credit Facilities

On July 26, 2024, CHSI entered into the Concentra credit agreement that provides for an $850.0 million term loan, and a $400.0 million revolving credit facility, including a $75.0 million sublimit for the issuance of standby letters of credit.

Borrowings under the Concentra credit agreement bear interest at a rate equal to: (i) in the case of the Concentra term loan, Term SOFR plus a percentage ranging from 2.00% to 2.25%, or Alternate Base Rate plus a percentage ranging from 1.00% to 1.25%, in each case based on CHSI's leverage ratio; and (ii) in the case of the Concentra revolving credit facility, Term SOFR plus a percentage ranging from 2.25% to 2.75%, or Alternate Base Rate plus a percentage ranging from 1.25% to 1.75%, in each case on CHSI's leverage ratio, as defined in the Concentra credit agreement.

The Concentra term loan amortizes in equal quarterly installments in amounts equal to 0.25% of the aggregate original principal amount of the Concentra term loan commencing on December 31, 2024. The balance of the Concentra term loan will be payable on July 26, 2031. The Concentra revolving credit facility will mature on July 26, 2029.

The Concentra credit facilities require CHSI to maintain a leverage ratio (as defined in the Concentra credit agreement), which is tested quarterly and currently must not be greater than 6.50 to 1.00. Failure to comply with this covenant would result in an event of default under the Concentra revolving credit facility, absent a waiver or amendment from the lenders. CHSI will be required to prepay borrowings under the Concentra credit facilities upon cash proceeds from asset sales or dispositions, issuance of additional debt obligations, and excess cash flows, further outlined in the credit agreement.

At September 30, 2024, the Company had outstanding borrowings under its term loan of $850.0 million (excluding unamortized original issue discounts and debt issuance costs of $13.0 million). The Company did not have any outstanding borrowings under its revolving facility. At September 30, 2024, the Company had $386.4 million of availability under its revolving credit facility after giving effect to $13.6 million of outstanding letters of credit.

6.875% Senior Notes

On July 11, 2024, the Company completed a private offering by its wholly-owned subsidiary, the Escrow Issuer, of $650.0 million aggregate principal amount of 6.875% senior notes due July 15, 2032. On July 26, 2024, Escrow Issuer merged with and into CHSI, with CHSI continuing as the surviving entity, and CHSI assumed all of the Escrow Issuer's obligations under the senior notes. The Concentra senior notes are unconditionally guaranteed, jointly and severally, on a senior unsecured basis by the Company and certain of its wholly-owned subsidiaries. Interest on the Concentra senior notes accrues at a rate of 6.875% per annum and is payable semi-annually in cash in arrears on January 15 and July 15 of each year, commencing on January 15, 2025.

Use of Capital Resources

From time to time we intend to pursue continued organic growth within our existing occupational health centers and onsite health clinics at employer worksites and to take advantage of opportunities to continue to grow our footprint and base of customers via strategic acquisitions and the opening of new centers in key areas. Such strategic acquisitions may be funded from operating cash flows, borrowing capacity under our revolving credit facility or other sources.

Liquidity

We believe our internally generated cash flows and borrowing capacity under our revolving facility will allow us to finance our operations in both the short and long term. As of September 30, 2024, we had cash of $136.8 million and $386.4 million of availability under the revolving facility after giving effect to $13.6 million of outstanding letters of credit.

During the third quarter of 2024, the net proceeds of the IPO and the debt financing transactions, except for $34.7 million, were paid to Select through the issuance of a dividend and the repayment of promissory notes.

We may from time to time seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for equity securities, in open market purchases, privately negotiated transactions, tender offers or otherwise. Such repurchases or exchanges, if any, may be funded from operating cash flows or other sources and will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Dividend

On October 28, 2024, the Company's Board of Directors declared a cash dividend of $0.0625 per share. The dividend will be payable November 22, 2024, to stockholders of record as of the close of business on November 13, 2024.

There is no assurance that future dividends will be declared. The declaration and payment of dividends in the future are at the discretion of the Company's Board of Directors after taking into account various factors, including, but not limited to, the Company's financial condition, operating results, available cash and current and anticipated cash needs, the terms of the Company's indebtedness, and other factors the Company's Board of Directors may deem to be relevant.

Recent Accounting Pronouncements

Refer to Note 2 – Accounting Policies of the notes to our condensed consolidated financial statements included herein for information regarding recent accounting pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Inflation Risk

The healthcare industry is labor intensive, and our largest expenses are labor related costs. Wage and other expenses increase during periods of inflation and when labor shortages occur in the marketplace. We have recently experienced higher labor costs related to the current inflationary environment and competitive labor market. In addition, suppliers have passed along rising costs to us in the form of higher prices. To help mitigate the inflationary pressures on our business, we have implemented compensation strategies, selective price increases in certain markets, supply chain optimization initiatives and carefully monitor labor costs in our day-to-day operations. However, if our costs continue to be subject to significant inflationary pressures, we may not be able to offset such higher costs through price increases, which could adversely affect our business, results of operations, or financial condition.

Interest Rate Risk

We are subject to interest rate risk in connection with our variable rate long-term indebtedness. Our principal interest rate exposure relates to the loans outstanding under our credit facilities, which bear interest rates that are indexed against Term SOFR. At September 30, 2024, we had outstanding borrowings under our credit facilities consisting of an $850.0 million term loan (excluding unamortized original issue discounts and debt issuance costs of $13.0 million). We had no outstanding borrowings under our revolving facility.

At September 30, 2024, each 0.25% increase in market interest rates will impact the annual interest expense on our variable rate debt by $2.1 million per year.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934) as of the end of the period covered in this report. Based on this evaluation, as of September 30, 2024, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures, including the accumulation and communication of disclosure to our principal executive officer and principal financial officer as appropriate to allow timely decisions regarding disclosure, are effective to provide reasonable assurance that material information required to be included in our periodic SEC reports is recorded, processed, summarized, and reported within the time periods specified in the relevant SEC rules and forms.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934) identified in connection with the evaluation required by Rule 13a-15(d) of the Securities Exchange Act of 1934 that occurred during the third quarter ended September 30, 2024, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Refer to the "*Litigation*" section contained within Note 12 – Commitments and Contingencies of the notes to our condensed consolidated financial statements included herein.

ITEM 1A. RISK FACTORS

There have been no material changes from our risk factors set forth in our Registration Statement.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Unregistered Sales of Equity Securities

None.

Use of Proceeds

On July 26, 2024, the Company completed the IPO, resulting in the issuance of 22,500,000 shares of its common stock at a price of $23.50 per share. In addition, the underwriters exercised the option to purchase an additional 750,000 shares of the Company's common stock. The 23,250,000 shares of common stock sold in the IPO represent approximately 18.26% of the Company's outstanding shares, of which Select owns 81.74%.

The shares sold in the offering were registered under the Securities Act pursuant to a registration statement on Form S-1 File No. 333-280242, which was declared effective by the SEC as of July 24, 2024. The aggregate offering price of common stock registered and sold under the registration statement was approximately $546.4 million (including shares issued pursuant to the underwriters' option to purchase additional shares). Net proceeds from the IPO were approximately $516.3 million, after deducting underwriting discounts and commissions of $30.1 million. As contemplated by the Registration Statement, the Company used the net proceeds to repay in full the outstanding revolving promissory note with Select, as well as repay in full the promissory note issued to Select in contemplation of the IPO.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Rule 10b5-1 Trading Plans

During the three months ended September 30, 2024, none of our directors or executive officers adopted or terminated any contract, instruction, or written plan for the purchase or sale of our securities to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any non-Rule 10b5-1 trading arrangement.

ITEM 6. EXHIBITS

Number	Description
3.1	Amended and Restated Certificate of Incorporation of Concentra Group Holdings Parent, Inc., effective as of July 26, 2024, filed as Exhibit 3.1 to the Current Report on Form 8-K filed by Concentra Group Holdings Parent, Inc. with the Commission on August 1, 2024, and incorporated herein by reference.
3.2	Amended and Restated Bylaws of Concentra Group Holdings Parent, Inc., effective as of July 26, 2024, filed as Exhibit 3.2 to the Current Report on Form 8-K filed by Concentra Group Holdings Parent, Inc. with the Commission on August 1, 2024, and incorporated herein by reference.
4.1	Indenture, dated July 11, 2024, by and among the Concentra Escrow Issuer Corporation, Concentra Health Services, Inc. and U.S. Bank Trust Company, National Association, filed as Exhibit 4.1 to the Current Report on Form 8-K filed by Concentra Group Holdings Parent, Inc. with the Commission on August 1, 2024, and incorporated herein by reference.
4.2	Supplemental Indenture, dated July 26, 2024, by and among Concentra Health Services, Inc., the guarantors party thereto and U.S. Bank Trust Company, National Association., filed as Exhibit 4.3 to the Current Report on Form 8-K filed by Concentra Group Holdings Parent, Inc. with the Commission on August 1, 2024, and incorporated herein by reference.
10.1	Separation Agreement, dated July 26, 2024, by and between Select Medical Corporation and Concentra Group Holdings Parent, Inc., filed as Exhibit 10.1 to the Current Report on Form 8-K filed by Concentra Group Holdings Parent, Inc. with the Commission on August 1, 2024, and incorporated herein by reference.
10.2	Tax Matters Agreement, dated July 26, 2024, by and between Select Medical Holdings Corporation and Concentra Group Holdings Parent, Inc., filed as Exhibit 10.2 to the Current Report on Form 8-K filed by Concentra Group Holdings Parent, Inc. with the Commission on August 1, 2024, and incorporated herein by reference.
10.3	Employee Matters Agreement, dated July 26, 2024, by and between Select Medical Corporation and Concentra Group Holdings Parent, Inc., filed as Exhibit 10.3 to the Current Report on Form 8-K filed by Concentra Group Holdings Parent, Inc. with the Commission on August 1, 2024, and incorporated herein by reference.
10.4	Transition Services Agreement, dated July 26, 2024, by and between Select Medical Corporation and Concentra Group Holdings Parent, Inc., filed as Exhibit 10.4 to the Current Report on Form 8-K filed by Concentra Group Holdings Parent, Inc. with the Commission on August 1, 2024, and incorporated herein by reference.
10.5	Credit Agreement, dated July 26, 2024, among Concentra Group Holdings Parent, Inc., Concentra Health Services, Inc., JPMorgan Chase Bank, N.A., as Administrative and Collateral Agent, and the other lenders and issuing banks party thereto, filed as Exhibit 10.5 to the Current Report on Form 8-K filed by Concentra Group Holdings Parent, Inc. with the Commission on August 1, 2024, and incorporated herein by reference.
10.6	Equity Incentive Plan, effective July 24, 2024, filed as Exhibit 10.6 to Amendment No. 1 to Registration Statement on Form S-1 (Registration No. 333-280242) filed by Concentra Group Holdings Parent, Inc. with the Commission on July 15, 2024, and incorporated herein by reference.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Executive Vice President and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer, and Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Concentra Group Holdings Parent, Inc.

By: /s/ Matthew T. DiCanio
Matthew T. DiCanio
President and Principal Financial Officer
(Duly Authorized Officer)

By: /s/ Su Zan Nelson
Su Zan Nelson
Executive Vice President, Chief Accounting Officer
(Principal Accounting Officer)

Dated: November 6, 2024

EXHIBIT 31.1

CONCENTRA GROUP HOLDINGS PARENT
CERTIFICATIONS PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002
CERTIFICATION

I, William K. Newton, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Concentra Group Holdings Parent;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2024

/s/ William K. Newton
William K. Newton
President and Chief Executive Officer

EXHIBIT 31.2

CONCENTRA GROUP HOLDINGS PARENT
CERTIFICATIONS PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002
CERTIFICATION

I, Matthew T. DiCanio, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Concentra Group Holdings Parent;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2024

/s/ Matthew T. DiCanio
Matthew T. DiCanio
President and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Concentra Group Holdings Parent (the “Company”) for the period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, William K.. Newton and Matthew T. DiCanio, Chief Executive Officer and Chief Financial Officer, respectively, of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to our knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

November 6, 2024

/s/ William K. Newton

William K. Newton
President and Chief Executive Officer

/s/ Matthew T. DiCanio

Matthew T. DiCanio
President and Chief Financial Officer