

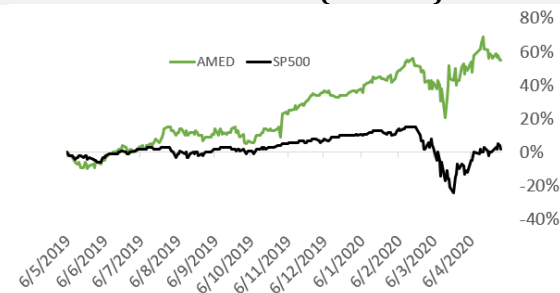
Analysts
Lee Wei Ren - Lead Analyst

wei.ren.lee@u.nus.edu
Chia Han Seng Jonathan - Analyst

jonathan.chia@u.yale-nus.edu.sg
Charlotte Lim - Analyst

charlottelim@u.nus.edu
Basic Information

Last Closed Price	US\$183.83
12M Target Price	US\$257.99
+/- Potential	+40.3%
Bloomberg Ticker	AMED
GICS Sector	Healthcare
GICS Subsector	Healthcare Services

1Y Price v Relative Index (S&P 500)

Company Description

Amedisys is a leading home healthcare provider with the goal of becoming the premier solution for patients across the United States. AMED's services range from home health to hospice to personal care. The company prides itself on quality treatment in clinically distinctive care to hundreds of thousands of patients every year. AMED is well positioned in the United States.

Key Financials

Market Cap	6,595.1M			
Basic Shares O/S	32.4M			
Free Float	98.5%			
52-Wk High-Low	US\$106.65 - US\$218.44			
Fiscal Year End	31-Dec-2019			
(US\$ million)	FY18A	FY19A	FY20E	FY21E
Revenue	1,663	1,955	2,264	2,615
Gr Rate (%)	10.0	17.6	15.8	15.5
EBITDA	168.4	195.9	246.4	313.1
Margin (%)	10.1	10.0	11.7	12.4
Net profit	120.1	127.9	177.1	223.4
Margin (%)	7.2	6.5	8.0	8.8

Key Executives

Paul Kusserow	Chief Executive Officer
Scott Ginn	Chief Financial Officer
Chris Gerard	Chief Operating Officer

We are initiating coverage of Amedisys, Inc. ("AMED" or the "Company") with a BUY rating and a US\$257.99 12m price target.

1Q20 Earnings Highlights

- Net service revenue increased by 5.2% YoY from US\$467 million to US\$492 million.
- Cost of services (excluding depreciation and amortisation) increased 3.8% YoY from US\$275 million in FY19 to US\$286 million in FY20.
- EBITDA grew 4.2% YoY from US\$47.2 million in FY19 to US\$49.2 million in FY20.
- Hospice admissions grew by 16.5% YoY from FY19 to FY20 through both organic and inorganic growth.

Investment Thesis

- AMED presents strong potential for growth in the hospice segment of the American markets due to under-penetration. This coupled with demographic shifts in the population provides a prime opportunity in this untapped market segment.
- Steady top-line growth in the home health segment offers sustainable improvements to AMED's financials.
- Profit margin expansion resulting from the leveraging of recently employed cost-efficient operating platforms along with value-accretive acquisitions that enhance economies of scale.

Catalysts

- The 2020 US Presidential Elections shows most candidates making use of an increased Medicare fund to win over voters. We thus see more avenues for reimbursement for AMED's services. Additionally, many in the United States are lobbying for a greater fund in light of the Covid-19 crisis.
- Recent major acquisitions such as Compassionate Care Hospice (CCH) in 2019 are projected to show returns in the coming FY20.

Valuations

Our 12M price target from the date of coverage is **US\$257.99**, representing an upside of 40.3%. Valuation was determined through a DCF model, with the blended average of the target prices derived from the EV/EBITDA exit multiple and the perpetuity growth method.

- **Regulatory changes:** Unfavourable changes to the Medicare regulations of use could hinder AMED's future business performance. Reimbursement from Medicare currently accounts for over 70% of the company's revenues.
- **Failure to integrate new acquisitions:** A lot of effort is spent on having AMED facilities adhere to the high standards that the management sets. Poor integration of newly acquired facilities could directly affect AMED's revenue streams due to a loss of confidence in the services provided. Cost synergies from acquisitions may not be as high as expected due to the difficulty in assimilating new facilities into the business.



HOME HEALTH • HOSPICE • PERSONAL CARE

Figure 1. Amedisys Properties and Locations

State	Home Health	Hospice	Personal Care
Alabama	30	7	—
Arkansas	5	—	—
Arizona	3	1	—
California	4	2	—
Connecticut	4	1	—
Delaware	2	2	—
Florida	18	5	1
Georgia	60	10	—
Illinois	3	1	—
Indiana	5	1	—
Kansas	1	2	—
Kentucky	17	—	—
Louisiana	10	5	—
Massachusetts	5	10	10
Maine	2	4	—
Maryland	9	3	—
Michigan	—	1	—
Minnesota	—	1	—
Mississippi	9	—	—
Missouri	6	1	—
New Jersey	2	7	—
Nebraska	—	2	—
New York	4	—	—
New Hampshire	3	4	—
North Carolina	8	6	—
Ohio	1	3	—
Oklahoma	6	1	—
Oregon	3	1	—
Pennsylvania	7	14	—
Rhode Island	1	2	—
South Carolina	21	8	—
South Dakota	—	1	—
Tennessee	44	11	1
Texas	1	10	—
Virginia	13	4	—
Washington	1	—	—
West Virginia	11	6	—
Wisconsin	1	1	—
Washington, D.C	1	—	—
Total	321	138	12

Source: Amedisys 10-K Filing

Company Overview

Amedisys is a specialty healthcare provider based in the United States of America. AMED's operations include serving patients across three operating divisions: home health, hospice and personal care. AMED delivers clinically distinct care that best suits the patients.

- Home health consists of compassionate healthcare to help patients recover from surgery or illness, live with chronic diseases, and prevent avoidable hospital readmissions. AMED operates 321 home health centres located in 34 states. The teams include skilled nurses, rehabilitation therapists and social workers.
- Hospice care is designed to provide comfort and support for those dealing with terminal illnesses. It is a benevolent form of care that affirms quality of life for the patient. Such illnesses include heart disease, pulmonary disease, Alzheimer's or cancer with life expectancy of six months or less. Operations are carried out in 138 care centres across 33 states.
- Personal care provides assistance with essential activities of daily living. AMED currently operates 12 personal-care centres in 3 states.

AMED is amongst the largest pure play providers of home health and hospice care in the United States, with 479 care centres in 38 states within the United States and District of Columbia. AMED boasts over 21,000 employees who tend to more than 12.3 million visits to more than 415,000 patients annually. The company has strong partnerships with American hospitals, having over 2,600 hospitals and 67,000 physicians across the country who have chosen AMED as their partner-of-choice in post-acute care.

The company's services are primarily paid for by Medicare which represented over 70% of net service revenues for the company over the last three years. The Company is continuously working with payors to structure innovative contracts that provide sustainable revenues in exchange for quality care for patients.

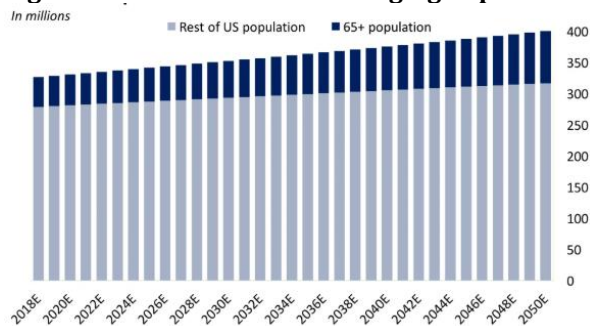
AMED is primed for exponential growth in the market following demographic trends that favour their business. We expect to see strong earnings to propel the company forward coupled with synergistic acquisitions that create economies of scale.

1Q20 Earnings Review

- Net service revenue increased by 5.2% YoY from US\$467 million to US\$492 million, largely driven by growth in Medicare revenue from the Hospice segment.
- Cost of services (excluding depreciation and amortisation) increased 3.8% YoY from US\$275 million in FY19 to US\$286 million in FY20. Gross margin expanded YoY from 41.1% in FY19 to 41.9% in FY20.
- EBITDA grew 4.2% YoY from US\$47.2 million in FY19 to US\$49.2 million in FY20.
- Hospice admissions grew by 16.5% YoY from FY19 to FY20 through both organic and inorganic growth, with Medicare revenue increasing by 5% YoY and average daily census increasing by 4% YoY.
- Finalised and integrated acquisitions of Compassionate Care Hospice, RoseRock Hospice and Asana Hospice.

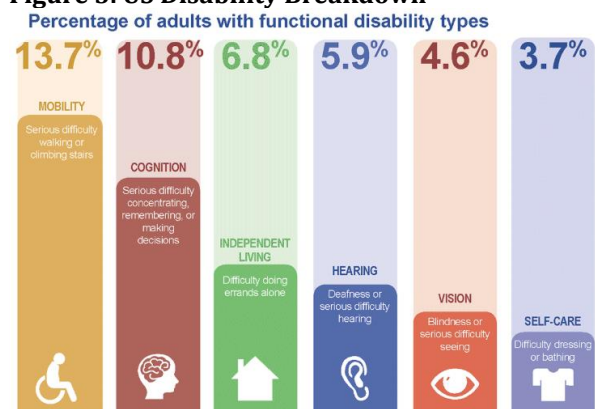
Industry Outlook

Figure 2. Growth of America's Aging Population



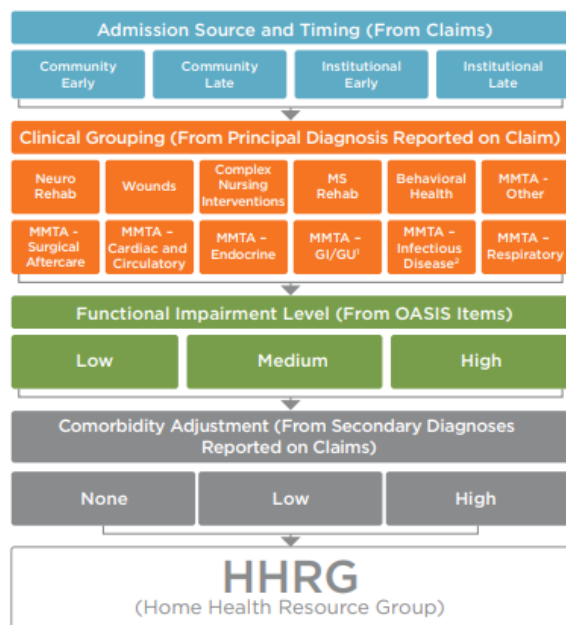
Source: US Census Bureau

Figure 3. US Disability Breakdown



Source: Centers for Disease Control and Prevention (CDC)

Figure 4. Patient-Driven Groupings Model Framework



Under the Patient-Driven Groupings Model, a 30-day period is grouped into one (and only one) subcategory under each colored category. A 30-day period's combination of subcategories places the 30-day period into one of 432 different payment groups.

Source: Centers for Medicare & Medicaid Services (CMS)

Aging population and rising disability rates place increased focus on home health

America, like most countries, has seen a fall in fertility rate since the post-war baby boom. The population is beginning to age rapidly, especially with most baby boomers reaching the age of increased dependency on healthcare. The fertility rate was 1,729.5 births per 1,000 women in 2018, down 2% from 2017, and also significantly lower than the replacement rate of 21,000 births per 1,000 women. The number of Americans aged 65 and older in 2018 sat at 52 million, and is expected to nearly double to 92 million by 2060, resulting in a rise of their total share of the population from 16% to 23%.

Along with an aging population, we also see that average U.S. life expectancy has increased from 68 years in 1950 to 79 years in 2017. We can expect to see an upward trend in this area as medicine becomes more advanced. As people live longer, they would also have a dependence on home health for a longer period of time.

The market for home health was valued at US\$103 billion in 2018 and is expected to register a CAGR of roughly 7% from 2020-2026, representing a final value of US\$173 billion in 2026. This growth outpaces the rate in all other care types, including hospital care and physician services.

Disability rates have also been increasing in the United States, from 12.1% in 2008 to 12.8% in 2016. 2020 statistics show that 61 million adults in America live with a disability. These disabilities range from mobility issues to even having problems with bathing and dressing oneself. Persons with disabilities are likely to employ home health and personal care services.

Greater demand for hospice care due to increasing prevalence of chronic diseases

6 in 10 adults in the US have a chronic disease, and 4 in 10 having two or more. These diseases include: heart disease, cancer, chronic lung disease, stroke, Alzheimer's disease, diabetes and chronic kidney disease. Many of these individuals sought out hospice care in 2019, contributing to an increased demand for end-of-life healthcare.

The U.S. hospice market size was estimated at around US\$28 billion in 2018 and is expected to expand at a CAGR of 9% over 2019 to 2026. A rising elderly population coupled with increasing prevalence of chronic as well as age-related diseases is forecasted to boost growth. An increasing need for quality healthcare services at home along with increasing Medicare reimbursement for hospice care is expected to fuel the market over the forecast period.

New Patient-Driven Groupings Model (PDGM)

Set to go into effect on 1st January 2020, the PDGM is a nationwide initiative that uses 30-day periods as a basis for payment. This comes under the Centers for Medicare & Medicaid Services (CMS). There are 432 case-mix groups for the purposes of adjusting payment in the PDGM. This new groupings model affects Home Healthcare Agencies (HHAs) and are supposed to capture the most common types of care that HHAs provide.

This requires a lot of adjustment and shifts in the methods used with billing in HHAs, needing professionals who are familiar with the code list of the clinical groupings. There will generally be an increase in billing volumes in these HHAs, therefore requiring considerable preparation for the implementation of PDGM. HHAs may have their traditional revenue streams and charges affected due to the changes in billing and coverage of Medicare and Medicaid services.

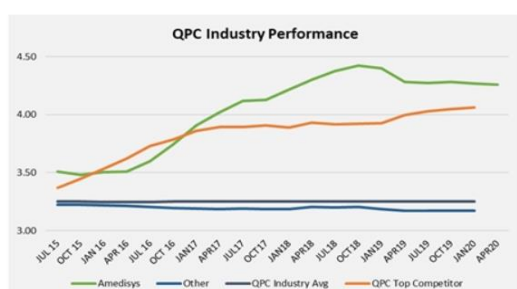
Figure 5. Growth in US wages by hour



Source: Statista

Figure 6. Amedisys' QPC Score Comparison
Quality of Patient Care (QPC)

Metric	JUL 19 Release	OCT 19 Release	JAN 20 Release	APR 20 PREVIEW
Quality of Patient Care	4.27	4.28	4.27	4.26
Entities at 4+ Stars	85%	88%	86%	86%



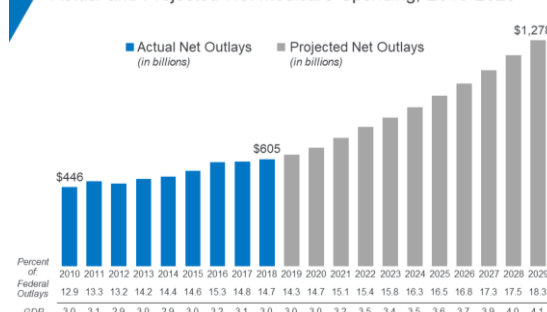
Source: Amedisys 8-K Filing

Figure 7. Amedisys' Patient Care Score Comparison



Source: Amedisys 8-K Filing

Figure 8. Medicare spending projections
Actual and Projected Net Medicare Spending, 2010-2029



Source: Kaiser Family Foundation

Generally rising wages and demand for healthcare professionals

Wages and demand for qualified healthcare personnel has grown recently in the United States. Hence, HHAs have to compete with each other to attract and retain clinicians, depending on factors such as the ability to provide attractive assignments for them and competitive salaries and benefits.

Furthermore, there already exist shortages of these personnel in some markets in America. This poses the possibility of rising costs of attracting clinicians and providing them with compensation that could have negative implications on HHAs business costs.

SWOT Analysis

1. Strengths

AMED boasts superior quality of clinical care, with an average Quality of Patient Care Star QPC score of 4.26/5. 13% of its care centres are rated 5 stars, and more than 90% of the entire portfolio are rated 4 stars or better. Even with a near perfect score, AMED still strives to improve and maintain excellent clinical care, supported by their continual rise in ratings. Its patient satisfaction rate of 3.96 outperformed the industry average of 3.70, illustrating how its superior quality of clinical care is paying off with consumers.

AMED balances its organic and inorganic growth well, strategically acquiring only businesses that complement their business model and its existing businesses. Notably, the acquisition of RoseRock and CCH contributed significantly to Amedisys' top line growth in 2019. With an expansion of its portfolio and number of care centres, AMED is well positioned to increase its scale of business to capture larger market share. Coupled with its best-in-class quality, AMED will certainly not have a hard time in obtaining referrals for its hospice division and capturing a loyal consumer market for its home health and personal care divisions.

2. Weaknesses

AMED may find difficulty in expanding its hospice segment. By definition, its hospice segment is limited to patients with terminal illnesses and/or elderly patients, meaning there is little opportunity to secure a recurring revenue source which confines AMED to expansion through referrals and marketing. In fact, hospice patients tend to be discharged in 3 months. However, with aging population in the US, this weakness may be mitigated by an increasing pool of elderly patients.

3. Opportunities

The aging population poses a great opportunity for AMED to secure higher top line growth. 10,000 people are retiring in the United States every day. This equates to about 3.65 million new retirees every year, indicating an aging population. As these baby boomers age, there will be higher demand for medical services, increasing the sizable market for hospice and home health services.

There is also a shift towards the care for elderlies at home from hospitals and nursing centres due to the lower cost associated with at-home-care and higher Medicare spending by the government. Medicare accounted for 15% of federal spending in 2018 and is projected to rise to 18% by 2029. Given that Medicare revenue accounted for 74% of AMED's total revenue, this trend presents opportunity for top line growth. Furthermore, with lower fixed costs borne by AMED in its Home Health and Personal Care segments, their relatively affordable services will give them excellent opportunity to capture the large baby boomer market.

4. Threats

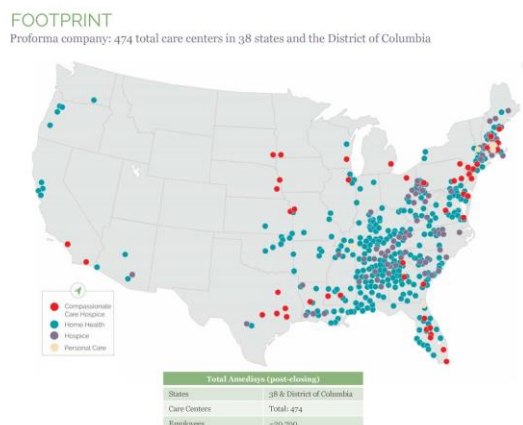
AMED's competitors have been undergoing a slew of mergers; the merger between LHC Group and Almost Family, the acquisition of

Figure 9. Market Breakdown of American Hospice Care Industry

National Rank	Agency Owner	Market Share
1	VITAS HEALTHCARE	4.50%
2	KINDRED HEALTHCARE	3.13%
3	HCR MANORCARE	2.32%
4	AMEDISYS, INC	1.97%
5	SEASONS HOSPICE & PALLIATIVE CARE	1.51%
6	CURO HEALTH SERVICES	1.29%
7	COMPASSIONATE CARE HOSPICE	0.96%
8	COMPASSUS	0.88%
9	HOSPICE OF THE VALLEY	0.78%
10	CROSSROADS HOSPICE AND PALLIATIVE CARE	0.66%

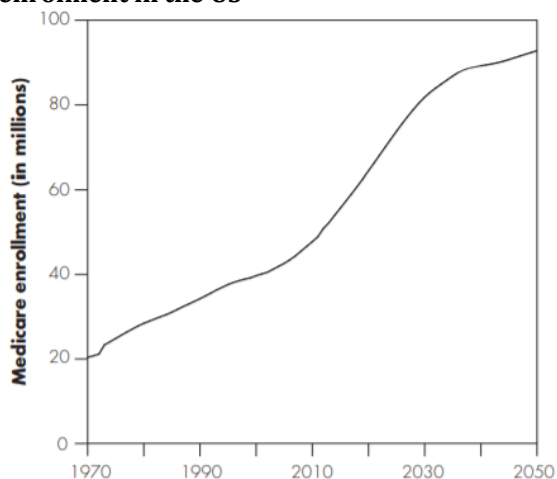
Source: LexisNexis Risk Solutions

Figure 10. Amedisys' Geographical Footprint



Source: Amedisys Investor Presentation

Figure 11. Projected Rise in Medicare enrolment in the US



Source: MedPac

Kindred at Home, a home health company, by insurance giant Humana presents a threat to AMED with their growth in size. Revenue and cost synergies between the merging companies are strong - AMED's market share may be threatened with the mergers and acquisitions occurring between its top competitors.

Investment Thesis

1. Amedisys shows strong growth potential in the United States hospice market due to under-penetration by the company.

Top 5 in the United States

Currently, AMED sits as the 4th largest hospice provider in the United States with a national market share of 1.97%. For comparison, the largest company, Vitas Healthcare, sits at 4.50%. As can be seen, the market is highly fragmented and competitive in nature. This is due to the large size of the United States of America where consumers favour hospices that are physically nearby. Amedisys has addressed this issue with synergistic acquisitions into areas where they previously did not have coverage. Such states include California, Delaware, Florida, Illinois, Minnesota, Michigan, Nebraska, Oklahoma. The aforementioned states only include those where Amedisys had no prior penetration.

Additionally, the hospice care segment has 100% coverage by Medicare, signalling strong growth potential for the untapped market segment. Medicare enrolment is projected to increase by more than 50% over the next 15 years from 54 million beneficiaries today to more than 80 million in 2030. We believe AMED is well-primed to capture market share from competitors due to its focus on quality healthcare for its consumers at reasonable cost (most of which is eligible for Medicare funding).

Expanding market

The rapidly aging population of the United States brings along an increased number of patients facing terminal illnesses. This will result in a greater potential demand for hospice services on top of the already under-penetrated market.

With a greater proportion of working adults in the US as well as the predominant culture of independence associated with young working adults living without their parents in Western countries, our team expects greater actual demand for hospice care as the elderly will have less reliance on family members for home-care assistance. Other than being physically unavailable, the general population also lacks the expertise to care for the elderly and attend to end-of-life management of pain and symptoms.

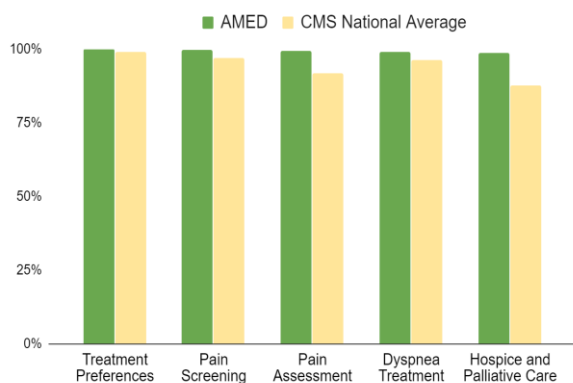
Furthermore, according to the National Hospice and Palliative Care Organisation, hospice care is the most underutilised of all Medicare benefits, with many people not accessing the care that they are entitled to. Moreover, those who access the hospice often do not make use of the full 6-month benefit with many families wishing they had known about hospice care sooner. Stronger marketing efforts by the government and AMED can bring in a slew of clients previously unaware of the benefits hospice care, spurring revenue growth.

Best-in-class hospice care

AMED boasts higher satisfaction rates for treatment preferences, pain screenings, pain assessments, dyspnoea screening and treatment, and other metrics when compared to the national average published by the Centers for Medicare and Medicaid Services (CMS). Overall, the hospice quality is outperforming industry average in all hospice item set categories.

When approaching end-of-life care, consumers are most concerned with the quality of care, especially since it is covered under Medicare.

Figure 12. Amedisys Hospice Care compared to National Average



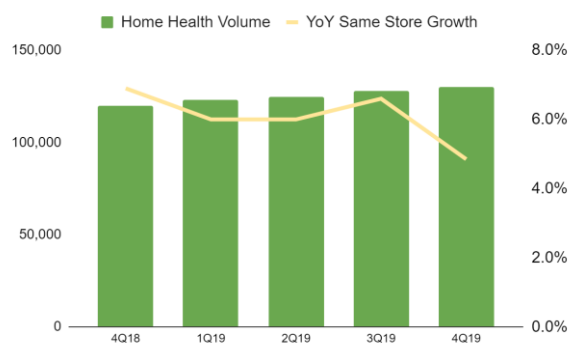
Source: Amedisys Investor Presentation

Figure 13. Market Breakdown of American Home Health Industry

National Rank	Agency Owner	Market Share
1	KINDRED HEALTHCARE	5.90%
2	AMEDISYS, INC	4.80%
3	LHC GROUP, INC	4.27%
4	ENCOMPASS HOME HEALTH & HOSPICE	3.70%
5	ACCENTCARE	1.63%
6	BROOKDALE SENIOR LIVING SOLUTIONS	1.42%
7	BAYADA HOME HEALTH CARE	1.27%
8	TRINITY HEALTH AT HOME	1.13%
9	ELARA CARING	1.13%
10	INTERIM HEALTHCARE	0.96%

Source: LexisNexis Risk Solutions

Figure 14. Amedisys' Organic Growth in Home Health Segment



Source: Amedisys Investor Presentation

Figure 15. Amedisys Hospice Care Facilities



Source: Amedisys Hospice Care

AMED, being amongst the best-in-class for quality, is definitely well-positioned to increase its market share in the segment. Ongoing efforts to further optimise staff competencies and care centre ratings will boost consumer confidence in the services provided.

2. Steady top-line growth in home health segments with continued expansion into the US market in line with demographic trends.

Market leader in home health

AMED is the 2nd largest home healthcare provider in the United States, having a 4.80% national market share. This reporting segment makes up the greatest proportion of AMED's revenues at 65.0% of total revenue. 67.7% of home health revenues draw their reimbursement from the Medicare programme. With the projected increase in elderly citizens and persons with disability in the United States, AMED is well positioned to increase top-line growth in the home health segment.

At the CME reports for January 2020, AMED proved their commitment to clinical distinction in their clinical quality measures. The Quality of Patient Care star average across all Amedisys providers is 4.27 (out of a maximum 5), with 86% of providers at 4+ stars and 43 care centres hitting 5+ stars. Patient satisfaction average outperformed the industry average by 6%.

AMED's dedication to quality care in home health puts the company in an advantageous position to capture the increasing demand from demographic trends in the industry. In the market for home health, companies differentiate themselves by their quality of care, and AMED has proved itself to be a cut above the rest in this aspect.

Same store and overall volume expansion

Amedisys' market share in the home health industry grew from 4.60% in 2015 to 4.80% in 2019, and 1.53% 2015 to 1.97% in 2019.

Management has guided for admissions growth of 7% in the home health segment, with a focus on business development strategies along with Quality of Care enhancements. In line with management guidance, we project a marked increase in same store expansion due to the increasing average household income in America. As average income increases, the general population grows less sensitive to prices especially in the market for healthcare, where consumers are more willing to place a focus on the quality of service.

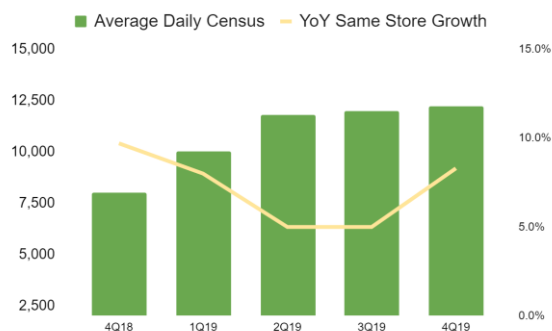
3. Thickening profit margins by leveraging on cost-efficient operating platforms and making value-accretive acquisitions that enhance economies of scale.

Inorganic growth strategies

AMED has recently been acquiring hospice care providers around America. These acquisitions include Compassionate Care Hospice (CCH) in 2019, RoseRock Healthcare in 2019, and Asana Hospice in 2020. Beyond immediately growing AMED's patient base and brand presence, these acquisitions allow AMED to improve operational efficiencies by leveraging on economies of scale in the longer run, such as reducing administrative expenses, cost of disposal medical supplies and cost of other medical equipment. By tapping into its hospice portfolio, AMED can improve efficiency in the delivery of supplies, minimise shortages and backorders for supplies, while boosting their overall bargaining power against suppliers. We expect these benefits to be realised in FY20, following their integration into the family of Amedisys hospice centers.

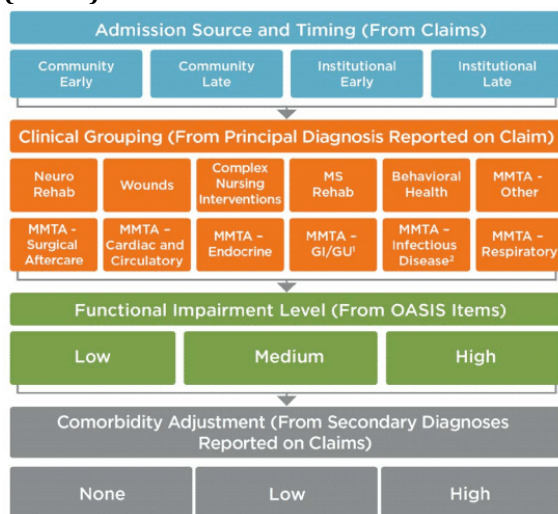
Management has guided for CCH to deliver US\$34 million to US\$36 million in EBITDA in FY20. This saw AMED's exposure to the hospice market increase from 22 states to 33 states, bringing in about 3,500 patients. We believe the street has undervalued the onset of these gains

Figure 16. Amedisys' Increased Focus on Hospice Care



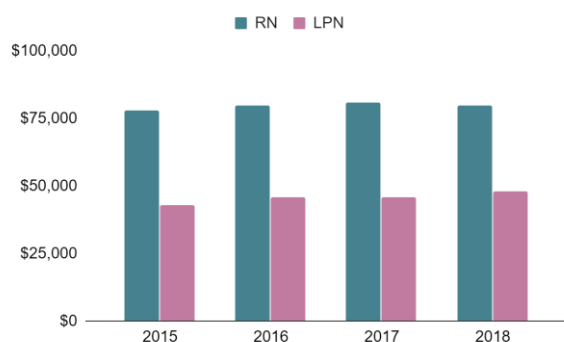
Source: Amedisys Investor Presentation

Figure 17. Patient Driven Grouping Model (PDGM) Criteria



Source: Home Health Solutions

Figure 18. Compensation Comparison between LPNs and RNs



Source: Medscape 2019

Figure 19. Dupont Analysis of AMED and Peer Group

Company	Operating Margin	Asset Turnover	Equity Multiplier
Home Health & Hospice Markets			
Amedisys Inc (AMED US)	9.46	1.98	1.76
Chemed Corp (CHE US)	13.73	1.73	1.70
Addus HomeCare Corp (ADUS US)	5.19	1.65	1.39
LHC Group Inc (LHCG US)	7.29	1.02	1.49
Home Health & Hospice Markets Mean	8.74	1.47	1.53
Home Health & Hospice Markets Median	7.29	1.65	1.49

Source: Bloomberg

as 4Q19 already saw some of the efforts come to fruition, indicating a faster-than-expected integration of CCH into the Amedisys family. Hence, we expect to see a greater contribution to FY20 earnings by the recent acquisitions.

Cost-saving policies

The recent introduction of PDGM poses a potential increase in expenses due to the increased strain on billing procedures and different methods of claiming reimbursement. However, in 4Q19, AMED proved to have weathered the storm well, having adapted to the PDGM transition by expanding their relationship with Medalogix (a home health data science company) to increase their care centres on the Touch and Care products from 10% to 50%. The Touch and Care programme focuses on hospitalisation reduction and providing individualised care plans to optimise both patient outcomes and utilisation. This helps to smooth the transition to the newly introduced PDGM, reducing strain on cash flow while helping AMED to hit the ground running in FY20.

AMED also increased usage of licensed practical nurses (LPNs) and physical therapist assistants (PTAs) which reduces dependency on more costly clinical professionals such as registered nurses (RNs) and licensed physical therapists (PTs). This leads to a greater margin expansion, cutting down on costs while being able to retain similar revenues along with rate increments across all payers. This comes without negative impacts on the quality of service as AMED ensures that any treatment provided is well-within the capabilities of the licensed professional. LPNs are paid up to 40% less than RNs and the same goes for PTAs against PTs. Efficient allocation of clinical professionals according to the needs of the patients by Amedisys allows for the company's margin expansions. We expect the utilisations of LPNs and PTAs to hit the target 50% before the expected date in 4Q20 as Amedisys focuses on competitive reimbursement packages and benefits for their employees in filling full-time positions.

Catalysts

- The race for presidency in 2020 shows most candidates making use of an increased Medicare fund to as a campaign promise to win over voters. With this increase, we see more avenues for reimbursement for AMED's services. Additionally, many in the United States are lobbying for a greater fund in light of the Covid-19 crisis.
- Early realisation of acquisition gains from CCH, Asana hospice, and RoseRock healthcare from swift integration of new facilities will add a more than proportional increase in Average Daily Census (ADC) numbers to the hospice segment.
- The ability to attract more LPNs and PTAs as employee confidence increases in AMED from a network effect amongst the healthcare professionals community.
- Stronger margin expansion from quicker adaptation to the new PDGM system that was introduced. AMED has proven to be well-prepared and has anticipated the challenges of changing systems well. If services become streamlined quickly, we can expect to see greater margin expansions in the near future.

Dupont Analysis

Overview

A Dupont analysis of Amedisys Inc compares the company against its peer group in the home health and hospice markets. The key metrics analysed are operating margin, asset turnover and equity multiplier, most of which are indicative of AMED's strong financial performance, supporting the overall BUY recommendation.

Operating Margin

AMED has higher operating margins than both the peer group mean and median, which is indicative of its cost-efficient operations. While it

has a lower operating margin compared to Chemed Corp, it is important to note that Chemed Group has also diversified into other significant revenue sources beyond home health, and thus may not be the best comparable in this aspect.

AMED has also been undertaking an inorganic growth strategy through acquisitions, and integration of its acquisitions would have led to temporarily lower operating margins. AMED is also actively undertaking cost-saving measures to further improve its margins, which will lead to stronger future financial performance. However, as these acquisitions scale and mature, we expect to see operating margin expansion.

Asset Turnover

AMED has higher asset turnover than its entire peer group, which is indicative of the efficiency of the use of its assets compared to its competitors. This represents AMED's ability to generate revenue more effectively to drive stronger financial performance in future.

Equity Multiplier

AMED's equity multiplier is somewhat higher than the peer group mean and median, meaning it holds relatively more debt compared to its peers. However, it is important to note that Amedisys has recently undertaken a couple of large-scale acquisitions to fuel inorganic growth, which explains its temporarily higher debt holdings. It is also a larger company with stronger cash flows, hence permitting higher levels of debt. Chemed Corp, which is similar in size, has a comparable equity multiplier of 1.70 against Amedisys' 1.76. Hence, Amedisys' slightly higher debt holdings may not be a cause for concern.

Financial Analysis

Historical Financial Ratios

	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E
FINANCIAL RATIOS								
Profitability								
Gross Margin	40.2%	40.3%	41.2%	42.4%	43.2%	43.8%	44.2%	44.5%
EBITDA Margin	4.1%	8.5%	8.1%	9.9%	11.2%	11.8%	11.1%	9.7%
EBIT Margin	5.2%	9.3%	9.1%	10.7%	11.6%	11.9%	11.3%	9.9%
Net Profit Margin	2.0%	7.2%	6.5%	7.8%	8.5%	8.8%	8.4%	7.5%
Return on Equity	5.9%	24.9%	19.9%	21.2%	20.7%	19.5%	17.1%	14.4%
Return on Assets	3.8%	16.8%	10.1%	11.7%	12.6%	12.7%	12.2%	11.2%
Return on Invested Capital	4.9%	23.9%	13.8%	15.8%	16.2%	15.8%	14.2%	12.0%
Liquidity								
Current Ratio	1.45	1.01	1.07	1.61	2.37	3.12	3.59	3.86
Quick Ratio	1.34	0.94	1.02	1.55	2.31	3.07	3.55	3.82
Cash Ratio	0.40	0.09	0.30	0.68	1.39	2.08	2.50	2.70
Shareholder Returns								
Earnings per Share	0.95	3.71	3.95	5.46	6.90	8.16	8.78	8.68

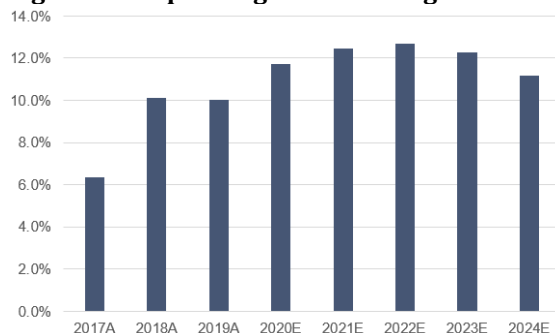
The table above details several key financial metrics. As a whole, AMED appears to have done well historically, with EPS increasing from 2017A to 2018A, and maintaining through 2019A. EPS is projected to continue increasing steadily from 2020E to 2024E, highlighting its strong potential growth.

Profitability Ratios

AMED shows stability in its gross margin from 2017 to 2019, but experienced an increase in EBITDA and EBIT margins across the same period. This can be attributed to a more than proportionate increase in gross profit compared to its operating expenses arising from the effectiveness of its cost-saving policies kicking in. This has also resulted in net income increasing from 2017 to 2019, leading to a sharp increase in ROE, ROA and ROIC.

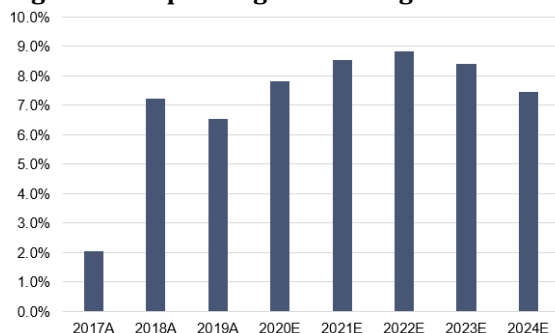
Gross margins, EBITDA margins and EBIT margins are expected to continue increasing steadily from 2020E to 2024E as cost-saving policies take effect and larger-scale acquisitions are gradually integrated. This will in turn increase net income and fuel a steady increase in ROE, ROA and ROIC across the period, indicating greater profitability over the 5-year horizon.

Figure 20. Expanding EBITDA Margins



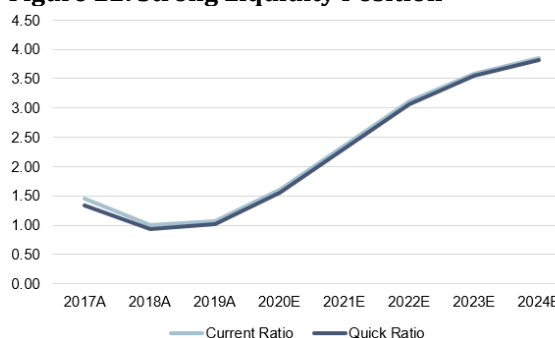
Source: Bloomberg, NUS Investment Society Estimates

Figure 21. Expanding Profit Margins



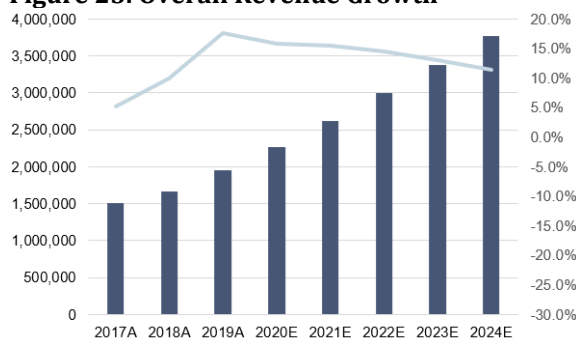
Source: Bloomberg, NUS Investment Society Estimates

Figure 22. Strong Liquidity Position



Source: Bloomberg, NUS Investment Society Estimates

Figure 23. Overall Revenue Growth



Source: NUS Investment Society Estimates

Figure 24. WACC Calculations

WACC Calculations (CAPM Model)	
Cost of equity	5.02%
Risk-free rate	0.64%
Market risk premium	6.96%
Beta	0.63
Cost of debt	4.37%
Interest expense (2019)	(14,515)
Book value of debt (2019)	331,985
Weight of debt	0.05
Tax rate	0.25
Weight of equity	0.95
Market value of equity	5,956,092
Discount factor	4.93%

Source: Bloomberg, NUS Investment Society Estimates

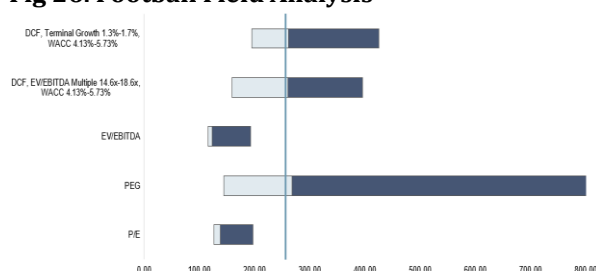
Figure 25. Sensitivity Analysis (Exit Multiple and Terminal Growth Rate)

Exit Multiple	WACC					
	\$237.47	4.13%	4.53%	4.93%	5.33%	5.73%
	18	\$246.29	\$242.04	\$237.89	\$233.82	\$229.84
	19	\$258.18	\$253.72	\$249.36	\$245.09	\$240.91
	20	\$270.07	\$265.40	\$260.83	\$256.36	\$251.98
	21	\$281.95	\$277.08	\$272.31	\$267.63	\$263.06
	22	\$293.84	\$288.76	\$283.78	\$278.90	\$274.13

Terminal growth	WACC					
	\$278.51	4.13%	4.53%	4.93%	5.33%	5.73%
	0.013	\$374.05	\$326.03	\$288.59	\$258.58	\$233.99
	0.014	\$386.89	\$335.71	\$296.12	\$264.59	\$238.89
	0.015	\$400.72	\$346.04	\$304.10	\$270.92	\$244.02
	0.016	\$415.63	\$357.06	\$312.56	\$277.59	\$249.40
	0.017	\$431.76	\$368.87	\$321.53	\$284.63	\$255.05

Source: NUS Investment Society Estimates

Fig 26. Football Field Analysis



Source: Bloomberg, NUS Investment Society Estimates

Liquidity Ratios

AMED current ratio and quick ratio dipped from 2017 to 2018 and remained relatively stable from 2018 to 2019. This is likely due to the acquisitions that were undertaken during the period which resulted in higher payroll and employee benefits while simultaneously drawing down cash holdings. However, these ratios still remain in a healthy range. Additionally, cash ratio also dipped from 2017 to 2018 while increasing from 2018 to 2019, reflecting the cash drawdown from funding the acquisitions and the subsequent increase in revenue (from inorganic growth) driving up cash holdings again.

In 2020E to 2024E projections, AMED's cash holdings are expected to continue rising significantly due to its increasing revenue and net income from the realisation of the benefits of its acquisitions and cost-saving policies. This will result in current ratio, quick ratio and cash ratio increasing steadily across the period, indicating AMED's steady financials over the 5-year horizon.

Valuation

Valuation Price Target: **US\$257.99**

DCF Model

A Discounted Cash Flow model (with a 5-year forecast period) was used to estimate the intrinsic value of AMED's share price. Despite the trend of AMED's acquisitions, we assumed no new major acquisitions and divestments for the periods forecasted.

We modelled revenue based on growth projections of AMED's home health, hospice and personal care segments. On expenses and costs, AMED's strong cost-saving policies and expected successful integration of its major acquisitions are expected to improve profit margins.

The DCF model was built following guidance from historical performance, annual reports and industry outlooks. Both the exit multiple method and the perpetuity growth method were used (and weighted equally) to obtain a blended target price of US\$204.59.

Revenue Growth

Our revenue growth is based on the outlook that Amedisys will be able to tap into the under-penetrated hospice segment while maintaining steady growth in its home health segment from its market leadership. Its personal care segment is projected to grow in tandem with both the hospice and home health segments in a synergistic fashion.

We expect growth in home health admissions of patients utilising Medicare to grow with the expected CAGR of Medicare spending in home health of 6.7% in 2020. Non-medicare admissions are projected to have rising growth rates with AMED's increasing focus on non-medicare admissions. Overall, revenue growth is assumed to be slightly above the forecasted industry CAGR of 7.9% from 2020-2027.

In the hospice segment, we expect the average daily census to grow at a decreasing rate as AMED inches closer to its ceiling of patient growth.

In all segments, growth in revenue per hour or revenue per patient day is expected to taper off, either when an individual patient has reached a maximum usage of Amedisys' services, or when the Medicare reimbursement cap is reached.

Weighted Average Cost of Capital (WACC)

The CAPM model was used to estimate cost of equity. Risk-free rate of 0.64% used which is in line with current yields on 10-year US treasury yields. Beta was regressed to produce a value of 0.63. An equity market risk premium of 6.96% was used. Incorporating these values into the CAPM model, we arrived at our cost of equity of 5.02%. Cost of debt was

found to be 4.37% based on AMED's 2019 interest expense and interest-bearing debt.

Relative Valuation

A relative valuation was conducted to provide a sanity check to our DCF valuations. Using a football field chart, AMED was benchmarked against industry peers providing home health, hospice, and personal care services on similar scales. The primary comparable metrics used were forward P/E, PEG and EV/EBITDA multiples.

When using P/E and EV/EBITDA, AMED generally trades at a premium. We believe that this premium is justified due to AMED's strong projected growth, as well as its position as a market leader in the 3 segments it operates in. To take expected growth into account, PEG ratio was used for valuation instead, where AMED was found to trade at a discount to its peers.

The intrinsic value of US\$257.99 represents a 40.3% upside. We remain confident that this valuation reaffirms our BUY recommendation.

Investment Risks

1. Regulatory Changes Affecting Reimbursements

Regulatory changes relating to criteria for reimbursement of Medicare could affect Amedisys' business performance, especially since its net service revenue is mainly derived from Medicare, accounting for 75.7%, 73.4% and 73.6% of revenue from 2017 to 2019 respectively.

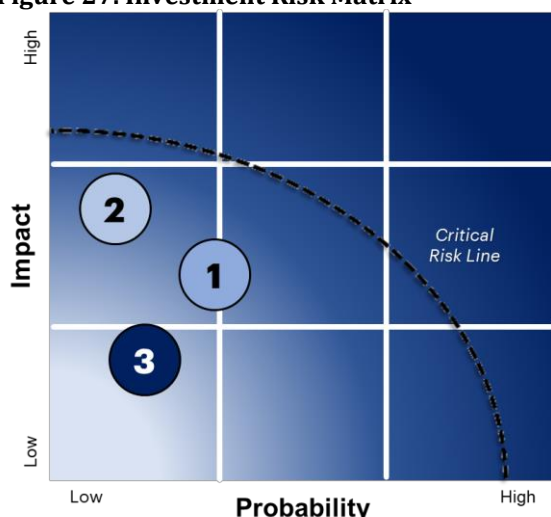
Trump's 2021 budget proposes a reduction of US\$500 billion in Medicare spending across 10 years. Notably, this proposal allows seniors to opt out of Medicare Plan A more easily and potentially reduces Medicare funding for post-acute care (relevant to the home health segment) and hospice care.

Such changes in regulations could be potentially driven by economic downturns, where the US government may face budget pressures, and redirect funds out of Medicare to pay off debt or to revitalise the economy through capital injections. For example, the failure of the 2011 Joint Select Committee to meet its Deficit Reduction goal resulted in an automatic reduction in Medicare home health and hospice payments of 2% in 2013, causing a 14% and 9% decrease in revenue in the home health and hospice segments respectively. With an impending recession due to the COVID-19 pandemic, funds may be redirected out of Medicare.

However, it is unlikely that funds will be withdrawn from Medicare, especially since healthcare spending would be even more crucial during the pandemic. Trump's proposed reforms also require changes in law and regulation, and many of such reforms are vague and lack concrete implementation timelines. Hence, we do not expect to see imminent or significant reductions in Medicare spending on this front. Additionally, it is probable that any withdrawal of funds from Medicare would not be too excessive since healthcare spending is considered to be essential. The effects of the COVID-19 pandemic can be said to have hit the home health sector less significantly than to the overall market, due to the expansion of the home health classification. This new classification enables patients infected with COVID-19 and suspected cases to be eligible for home health benefits, being homebound. This expands AMED's addressable market to treat these patients, also serving as excess capacity for acute providers who seek to transfer patients to less acute care. AMED's admission numbers have been steadily recovering from its trough on the first week of April, showing signs of stability. Thus, the negative effects from the COVID-19 pandemic are likely to be minimal on AMED.

2. Poor Integration of Acquisitions

Figure 27. Investment Risk Matrix



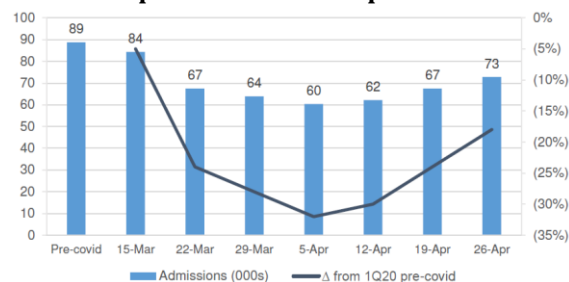
Source: NUS Investment Society Estimates

Figure 28. Medicare Proposals in US Budget 2021

Medicare Proposals in the 2021 Budget	
Savings, 2021-2030 (in billions of dollars)	
Proposal	Billions
Pay hospital outpatient departments and hospital-owned physician offices at physician office rates (move toward site neutrality)	-164
Reduce post-acute care payments	-101
Promote site neutrality in payments for long-term care hospitals	-9
Reduce Medicare coverage of bad debts	-34
Modify payments to hospitals for uncompensated care	-88
Reform graduate medical education payments	-47
Expand durable medical equipment competitive bidding	-8
Expand prior authorization in traditional Medicare	-14
Reform medical liability	-27
Extend mandatory sequestration	-12
Interactions between proposals and other	3
Net Medicare savings	-501
Less: General revenue payments for uncompensated care and graduate medical education	255
Gross Medicare savings	-756

Source: US Office of Management and Budget

Figure 29. Comparison of Admissions between the weeks pre-COVID-19 and post-COVID-19



Source: Deutsche Bank

Given that AMED has taken on an inorganic growth strategy through acquisitions of home care agencies, poor integration of such acquisitions could directly affect AMED's upcoming business performance.

AMED may not be able to completely integrate operations of its acquired businesses with their existing business structure in a cost-effective manner. This could result in receding profit margins and higher costs relating to operations, which could majorly affect bottom-line growth since variable cost ratio is high for AMED.

Additionally, the home health industry is subject to extensive stringent regulations. If the acquired agencies are not able to hold themselves to such high standards as Amedisys has consistently done, adverse findings by auditors may negatively impact our Amedisys' business and brand reputation.

However, it is important to note that no impairment loss has been recorded for any acquisitions made by Amedisys, showing Amedisys' track record of value-accretive acquisitions that can deliver quality home care services. Thus, this risk is fairly unlikely to occur.

3. Reputational Risks

As a provider of home health, hospice and personal care, maintaining a stellar reputation is of paramount importance to Amedisys. With Amedisys' wide range of operations, it may be challenging for it to uphold the high standards of care across all its locations. If adverse events such as ethical or safety violations were to occur, Amedisys could lose its loyal consumer base, which will affect revenue. It may also cause increased regulatory costs, affecting Amedisys' bottom-line growth as well. These factors result in destruction of shareholder value. If violations are severe enough, Amedisys could even lose its operating licenses.

While the risk of negative publicity and loss of confidence may affect Amedisys greatly, the company's current success as the market leader was built on years outstanding performance. Based on historical performance alone, this risk is quite unlikely to occur. Even if violations do occur, brand loyalty will not be easily destroyed by minor one-off incidents. Thus, the impact of this risk is also limited.

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BALANCE SHEET
Assets
Current Assets

Cash and cash equivalents	86,363	20,229	30,294	210,852	457,513	733,692	942,848	1,101,349
Restricted cash	0	0	66,196	0	0	0	0	0
Patients accounts receivable	201,196	188,972	237,596	266,764	299,512	336,281	377,563	423,914
Prepaid expenses	7,329	7,568	8,243	8,280	8,318	8,356	8,394	8,432
Other current assets	16,268	7,349	8,225	8,278	8,332	8,386	8,440	8,494
Total current assets	311,156	224,118	350,554	494,174	773,674	1,086,714	1,337,244	1,542,189

Non-Current Assets

Property and equipment, net	31,122	29,449	28,113	16,958	13,472	19,034	24,409	29,429
Operating lease right of use assets	0	0	84,791	170,022	182,034	193,964	205,856	211,760
Goodwill	319,949	329,480	658,500	658,500	658,500	658,500	658,500	658,500
Intangible assets, net	46,061	44,132	64,748	64,748	64,748	64,748	64,748	64,748
Deferred income taxes	56,064	35,794	21,427	56,064	35,794	21,427	24,907	28,775
Other assets	49,130	54,145	54,612	55,418	56,157	56,784	57,433	58,195
Total non-current assets	502,326	493,000	912,191	1,021,710	1,010,706	1,014,458	1,035,853	1,051,407

Total Assets	813,482	717,118	1,262,745	1,515,884	1,784,380	2,101,172	2,373,097	2,593,596
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Liabilities and Shareholder's Equity
Current Liabilities

Accounts Payable	25,384	28,531	31,259	31,779	32,308	32,846	33,393	33,949
Payroll and employee benefits	89,936	92,858	120,877	128,016	135,576	143,583	152,062	161,043
Accrued expenses	89,104	99,475	137,111	145,745	154,922	164,677	175,046	186,068
ST-debt (current portion of LT obligations and operating lease liabilities)	10,638	1,612	37,696	0	0	0	0	0
Current portion of long-term obligations	10,638	1,612	9,927					
Current portion of operating lease liabilities	0	0	27,769					
Total current liabilities	215,062	222,476	326,943	305,540	322,806	341,106	360,501	381,060

Non-Current Liabilities

LT-debt (all LT obligations and operating lease liabilities, less current portion)	81,994	12,009	294,289	284,289	274,189	265,189	183,189	48,589
Long-term obligations, less current portion	78,203	5,775	232,256					
Operating lease liabilities, less current portion	0	0	56,128	86,328	99,428	112,528	125,628	132,728
Other long-term obligations	3,791	6,234	5,905					
Total non-current liabilities	81,994	12,009	294,289	370,617	373,617	377,717	308,817	181,317

Total Liabilities	297,056	234,485	621,232	676,157	696,423	718,823	669,318	562,377
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Common stock	35	36	37	37	37	37	37	37
Additional paid-in capital	568,780	603,666	645,256	664,997	684,737	704,478	724,219	743,959
Treasury stock	(53,713)	(241,685)	(251,241)	(251,241)	(251,241)	(251,241)	(251,241)	(251,241)
Accumulated other comprehensive income	15	15	15	15	15	15	15	15
Retained earnings	204	119,550	246,383	424,857	653,346	927,997	1,229,686	1,537,386
Total Amedisys Inc. shareholder's equity	515,321	481,582	640,450	838,665	1,086,894	1,381,286	1,702,716	2,030,156
Non-controlling interests	1,105	1,051	1,063	1,063	1,063	1,063	1,063	1,063
Total Shareholder's Equity	516,426	482,633	641,513	839,728	1,087,957	1,382,349	1,703,779	2,031,219

Total Liabilities and Shareholder's equity	813,482	717,118	1,262,745	1,515,884	1,784,380	2,101,172	2,373,097	2,593,596
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Balance Check (Yes / No)	YES	YES	YES	YES	YES	YES	YES	YES
Difference (A (L + E))	0	0	0	0	0	0	0	0

BALANCE SHEET**Assets**

Current Assets

Cash and cash equivalents	86,363	20,229	30,294	207,821	447,362	710,990	900,452	1,029,960
Restricted cash	0	0	66,196	0	0	0	0	0
Patients accounts receivable	201,196	188,972	237,596	266,764	299,512	336,281	377,563	423,914
Prepaid expenses	7,329	7,568	8,243	8,280	8,318	8,356	8,394	8,432
Other current assets	16,268	7,349	8,225	8,278	8,332	8,386	8,440	8,494
Total current assets	311,156	224,118	350,554	491,143	763,524	1,064,012	1,294,849	1,470,800

Non-Current Assets

Property and equipment, net	31,122	29,449	28,113	16,958	13,472	19,034	24,409	29,429
Operating lease right of use assets	0	0	84,791	170,022	182,034	193,964	205,856	211,760
Goodwill	319,949	329,480	658,500	658,500	658,500	658,500	658,500	658,500
Intangible assets, net	46,061	44,132	64,748	64,748	64,748	64,748	64,748	64,748
Deferred income taxes	56,064	35,794	21,427	56,064	35,794	21,427	24,907	28,775
Other assets	49,130	54,145	54,612	55,418	56,157	56,784	57,433	58,195
Total non-current assets	502,326	493,000	912,191	1,021,710	1,010,706	1,014,458	1,035,853	1,051,407

Total Assets	813,482	717,118	1,262,745	1,512,853	1,774,230	2,078,469	2,330,702	2,522,207
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Liabilities and Shareholder's Equity

Current Liabilities

Accounts Payable	25,384	28,531	31,259	31,779	32,308	32,846	33,393	33,949
Payroll and employee benefits	89,936	92,858	120,877	128,016	135,576	143,583	152,062	161,043
Accrued expenses	89,104	99,475	137,111	145,745	154,922	164,677	175,046	186,068
ST-debt (current portion of LT obligations and operating lease liabilities)	10,638	1,612	37,696	0	0	0	0	0
Current portion of long-term obligations	10,638	1,612	9,927					
Current portion of operating lease liabilities	0	0	27,769					
Total current liabilities	215,062	222,476	326,943	305,540	322,806	341,106	360,501	381,060

Non-Current Liabilities

LT-debt (all LT obligations and operating lease liabilities, less current portion)	81,994	12,009	294,289	284,289	274,189	265,189	183,189	48,589
Long-term obligations, less current portion	78,203	5,775	232,256					
Operating lease liabilities, less current portion	0	0	56,128	86,328	99,428	112,528	125,628	132,728
Other long-term obligations	3,791	6,234	5,905					
Total non-current liabilities	81,994	12,009	294,289	370,617	373,617	377,717	308,817	181,317

Total Liabilities	297,056	234,485	621,232	676,157	696,423	718,823	669,318	562,377
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Common stock	35	36	37	37	37	37	37	37
Additional paid-in capital	568,780	603,666	645,256	664,997	684,737	704,478	724,219	743,959
Treasury stock	(53,713)	(241,685)	(251,241)	(251,241)	(251,241)	(251,241)	(251,241)	(251,241)
Accumulated other comprehensive income	15	15	15	15	15	15	15	15
Retained earnings	204	119,550	246,383	421,825	643,195	905,295	1,187,291	1,465,997
Total Amedisys Inc. shareholder's equity	515,321	481,582	640,450	835,633	1,076,744	1,358,584	1,660,321	1,958,767
Non-controlling interests	1,105	1,051	1,063	1,063	1,063	1,063	1,063	1,063
Total Shareholder's Equity	516,426	482,633	641,513	836,696	1,077,807	1,359,647	1,661,384	1,959,830

Total Liabilities and Shareholder's equity	813,482	717,118	1,262,745	1,512,853	1,774,230	2,078,469	2,330,702	2,522,207
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INCOME STATEMENT								
Net service revenue	1,511,272	1,662,578	1,955,633	2,264,237	2,615,903	2,994,329	3,384,799	3,771,715
Cost of service, net of depreciation and amortisation	(903,377)	(992,863)	(1,150,337)	(1,303,977)	(1,486,428)	(1,683,224)	(1,887,956)	(2,093,959)
Gross Profit	607,895	669,715	805,296	960,260	1,129,475	1,311,105	1,496,843	1,677,756
General and administrative expenses								
Salaries and benefits	(305,938)	(316,522)	(394,452)	(469,398)	(558,583)	(664,714)	(791,010)	(941,302)
Non-cash compensation	(16,295)	(17,887)	(25,040)	(19,741)	(19,741)	(19,741)	(19,741)	(19,741)
Other	(159,980)	(166,897)	(188,434)	(206,214)	(225,671)	(246,964)	(270,266)	(295,767)
Depreciation and amortisation	(17,123)	(13,261)	(18,428)	(18,155)	(11,573)	(3,695)	(5,090)	(6,640)
Asset impairment charge	(1,323)	0	(1,470)	0	0	0	0	0
Securities Class Action Lawsuit settlement, net	(28,712)	0	0	0	0	0	0	0
Operating Income	78,524	155,148	177,472	246,753	313,908	375,991	410,737	414,307
Other Income (Expense)								
Interest income	158	278	78	0	0	0	0	0
Interest expense	(5,031)	(7,370)	(14,515)	(13,936)	(13,452)	(12,992)	(10,800)	(5,583)
Equity in earnings from equity method investments	3,381	7,692	5,338	5,355	5,372	5,389	5,407	5,424
Miscellaneous, net	3,769	3,240	2,037	2,041	2,044	2,048	2,052	2,056
Income before income tax	80,801	158,988	170,410	239,836	307,047	369,081	405,415	413,491
Income tax expense	(50,118)	(38,859)	(42,503)	(59,719)	(76,455)	(91,901)	(100,948)	(102,959)
Net Income	30,683	120,129	127,907	180,117	230,592	277,180	304,466	310,532
Net income attributable to noncontrolling interests	(382)	(783)	(1,074)	(1,643)	(2,103)	(2,528)	(2,777)	(2,833)
Net income attributable to Amedisys Inc	30,301	119,346	126,833	178,474	228,489	274,651	301,689	307,700
INCOME STATEMENT								
Net service revenue	1,511,272	1,662,578	1,955,633	2,264,237	2,615,903	2,994,329	3,384,799	3,771,715
Cost of service, net of depreciation and amortisation	(903,377)	(992,863)	(1,150,337)	(1,303,977)	(1,486,428)	(1,683,224)	(1,887,956)	(2,093,959)
Gross Profit	607,895	669,715	805,296	960,260	1,129,475	1,311,105	1,496,843	1,677,756
General and administrative expenses								
Salaries and benefits	(305,938)	(316,522)	(394,452)	(472,622)	(566,282)	(678,504)	(812,965)	(974,072)
Non-cash compensation	(16,295)	(17,887)	(25,040)	(19,741)	(19,741)	(19,741)	(19,741)	(19,741)
Other	(159,980)	(166,897)	(188,434)	(207,441)	(228,364)	(251,398)	(276,756)	(304,671)
Depreciation and amortisation	(17,123)	(13,261)	(18,428)	(18,155)	(11,573)	(3,695)	(5,090)	(6,640)
Asset impairment charge	(1,323)	0	(1,470)	0	0	0	0	0
Securities Class Action Lawsuit settlement, net	(28,712)	0	0	0	0	0	0	0
Operating Income	78,524	155,148	177,472	242,302	303,515	357,767	382,292	372,633
Other Income (Expense)								
Interest income	158	278	78	0	0	0	0	0
Interest expense	(5,031)	(7,370)	(14,515)	(13,936)	(13,452)	(12,992)	(10,800)	(5,583)
Equity in earnings from equity method investments	3,381	7,692	5,338	5,355	5,372	5,389	5,407	5,424
Miscellaneous, net	3,769	3,240	2,037	2,041	2,044	2,048	2,052	2,056
Income before income tax	80,801	158,988	170,410	235,762	297,480	352,213	378,951	374,530
Income tax expense	(50,118)	(38,859)	(42,503)	(58,705)	(74,073)	(87,701)	(94,359)	(93,258)
Net Income	30,683	120,129	127,907	177,057	223,408	264,512	284,592	281,272
Net income attributable to noncontrolling interests	(382)	(783)	(1,074)	(1,615)	(2,038)	(2,413)	(2,596)	(2,566)
Net income attributable to Amedisys Inc	30,301	119,346	126,833	175,442	221,370	262,099	281,996	278,706

CASH FLOW STATEMENT
Cash flows from operating activities

Net Income	30,683	120,129	127,907	180,117	230,592	277,180	304,466	310,532
Adjustments to reconcile net income to net cash provided by operating activities:								
Depreciation and amortisation	17,123	13,261	18,428	18,155	11,573	3,695	5,090	6,640
Non-cash compensation	16,295	17,887	25,040	19,741	19,741	19,741	19,741	19,741
401(k) employer match	8,754	8,976	10,509	7,139	7,560	8,007	8,480	8,980
Amortisation and impairment of operating lease right of use assets	0	0	35,905	0	0	0	0	0
Loss on disposal of property and equipment	0	714	141	0	0	0	0	0
Deferred income taxes	52,178	20,271	13,466	(34,637)	20,270	14,367	(3,480)	(3,868)
Equity in earnings from equity method investments	(3,381)	(7,692)	(5,338)	(5,355)	(5,372)	(5,389)	(5,407)	(5,424)
Amortisation of deferred debt issuance costs/ debt discount	735	797	873	0	0	0	0	0
Return on equity investment	5,321	6,158	4,955	5,123	5,237	5,385	5,400	5,324
Asset impairment charge	1,323	0	1,470	0	0	0	0	0
Changes in operating assets and liabilities, net of impact of acquisitions:								
Patient accounts receivable	(34,672)	12,224	(24,146)	(29,168)	(32,748)	(36,769)	(41,282)	(46,350)
Other current assets	(4,940)	8,679	(2,682)	(91)	(91)	(92)	(92)	(93)
Other assets	(12,749)	2,947	832	(574)	(604)	(623)	(642)	(662)
Accounts payable	(2,843)	3,165	(11,329)	520	529	538	547	556
Accrued expenses	31,843	13,524	42,096	8,634	9,177	9,755	10,369	11,022
Other long-term obligations	61	2,443	(329)	1,097	1,088	1,170	1,208	1,197
Operating lease liabilities	0	0	(32,295)	0	0	0	0	0
Operating lease right of use assets	0	0	(3,503)	0	0	0	0	0

Net cash provided by operating activities **105,731** **223,483** **202,000** **170,701** **266,951** **296,965** **304,397** **307,595**

Cash flows from investing activities

Proceeds from sale of deferred compensation plan assets	622	715	448	0	0	0	0	0
Proceeds from the sale of property and equipment	249	54	162	0	0	0	0	0
Purchases of property and equipment	(10,707)	(6,558)	(7,888)	(7,000)	(8,087)	(9,257)	(10,464)	(11,660)
Investments in equity method investees	(476)	(7,144)	(210)	0	0	0	0	0
Acquisitions of business, net of cash acquired	(33,715)	(9,260)	(345,460)	0	0	0	0	0

Net cash used in investing activities **(44,027)** **(22,193)** **(352,948)** **(7,000)** **(8,087)** **(9,257)** **(10,464)** **(11,660)**

Cash flows from financing activities

Proceeds from issuance of stock upon exercise of stock options	4,554	5,953	3,611	0	0	0	0	0
Proceeds from issuance of stock to employee stock purchase plan	2,382	2,429	3,187	0	0	0	0	0
Shares withheld upon stock vesting	(6,939)	(6,570)	(9,556)	0	0	0	0	0
Non-controlling interest distribution	(216)	(1,090)	(1,062)	(1,643)	(2,103)	(2,528)	(2,777)	(2,833)
Proceeds from borrowings under term loan	0	0	175,000	0	0	0	0	0
Repayments of borrowings under term loan	0	0	0	(10,000)	(10,100)	(9,000)	(82,000)	(134,600)
Proceeds from borrowings under revolving line of credit	0	138,000	262,500	0	0	0	0	0
Repayments of borrowings under revolving line of credit	0	(130,500)	(200,000)	(37,696)	0	0	0	0
Principal payments of long-term obligations	(5,319)	(91,450)	(5,624)	0	0	0	0	0
Debt issuance costs	0	(2,433)	(847)	0	0	0	0	0
Purchase of company stock	0	(181,402)	0	0	0	0	0	0
Repurchase of noncontrolling interest	0	(361)	0	0	0	0	0	0

Net cash provided by (used in) financing activities **(5,538)** **(267,424)** **227,209** **(49,339)** **(12,203)** **(11,528)** **(84,777)** **(137,433)**

Cash, cash equivalents and restricted cash at beginning of period	30,197	86,363	20,229	96,490	210,852	457,513	733,692	942,848
Net increase (decrease) in cash, cash equivalents and restricted cash	56,166	(66,134)	76,261	114,362	246,660	276,179	209,156	158,502
Cash, cash equivalents and restricted cash at end of period	86,363	20,229	96,490	210,852	457,513	733,692	942,848	1,101,349

CASH FLOW STATEMENT
Cash flows from operating activities

Net Income	30,683	120,129	127,907	177,057	223,408	264,512	284,592	281,272
Adjustments to reconcile net income to net cash provided by operating activities:								
Depreciation and amortisation	17,123	13,261	18,428	18,155	11,573	3,695	5,090	6,640
Non-cash compensation	16,295	17,887	25,040	19,741	19,741	19,741	19,741	19,741
401(k) employer match	8,754	8,976	10,509	7,139	7,560	8,007	8,480	8,980
Amortisation and impairment of operating lease right of use assets	0	0	35,905	0	0	0	0	0
Loss on disposal of property and equipment	0	714	141	0	0	0	0	0
Deferred income taxes	52,178	20,271	13,466	(34,637)	20,270	14,367	(3,480)	(3,868)
Equity in earnings from equity method investments	(3,381)	(7,692)	(5,338)	(5,355)	(5,372)	(5,389)	(5,407)	(5,424)
Amortisation of deferred debt issuance costs/ debt discount	735	797	873	0	0	0	0	0
Return on equity investment	5,321	6,158	4,955	5,123	5,237	5,385	5,400	5,324
Asset impairment charge	1,323	0	1,470	0	0	0	0	0

Changes in operating assets and liabilities, net of impact of acquisitions:

Patient accounts receivable	(34,672)	12,224	(24,146)	(29,168)	(32,748)	(36,769)	(41,282)	(46,350)
Other current assets	(4,940)	8,679	(2,682)	(91)	(91)	(92)	(92)	(93)
Other assets	(12,749)	2,947	832	(574)	(604)	(623)	(642)	(662)
Accounts payable	(2,843)	3,165	(11,329)	520	529	538	547	556
Accrued expenses	31,843	13,524	42,096	8,634	9,177	9,755	10,369	11,022
Other long-term obligations	61	2,443	(329)	1,097	1,088	1,170	1,208	1,197
Operating lease liabilities	0	0	(32,295)	0	0	0	0	0
Operating lease right of use assets	0	0	(3,503)	0	0	0	0	0

Net cash provided by operating activities
Cash flows from investing activities

Proceeds from sale of deferred compensation plan assets	622	715	448	0	0	0	0	0
Proceeds from the sale of property and equipment	249	54	162	0	0	0	0	0
Purchases of property and equipment	(10,707)	(6,558)	(7,888)	(7,000)	(8,087)	(9,257)	(10,464)	(11,660)
Investments in equity method investees	(476)	(7,144)	(210)	0	0	0	0	0
Acquisitions of business, net of cash acquired	(33,715)	(9,260)	(345,460)	0	0	0	0	0

Net cash used in investing activities
Cash flows from financing activities

Proceeds from issuance of stock upon exercise of stock options	4,554	5,953	3,611	0	0	0	0	0
Proceeds from issuance of stock to employee stock purchase plan	2,382	2,429	3,187	0	0	0	0	0
Shares withheld upon stock vesting	(6,939)	(6,570)	(9,556)	0	0	0	0	0
Non-controlling interest distribution	(216)	(1,090)	(1,062)	(1,615)	(2,038)	(2,413)	(2,596)	(2,566)
Proceeds from borrowings under term loan	0	0	175,000	0	0	0	0	0
Repayments of borrowings under term loan	0	0	0	(10,000)	(10,100)	(9,000)	(82,000)	(134,600)
Proceeds from borrowings under revolving line of credit	0	138,000	262,500	0	0	0	0	0
Repayments of borrowings under revolving line of credit	0	(130,500)	(200,000)	(37,696)	0	0	0	0
Principal payments of long-term obligations	(5,319)	(91,450)	(5,624)	0	0	0	0	0
Debt issuance costs	0	(2,433)	(847)	0	0	0	0	0
Purchase of company stock	0	(181,402)	0	0	0	0	0	0
Repurchase of noncontrolling interest	0	(361)	0	0	0	0	0	0

Net cash provided by (used in) financing activities

Cash, cash equivalents and restricted cash at beginning of period	30,197	86,363	20,229	96,490	207,821	447,362	710,990	900,452
Net increase (decrease) in cash, cash equivalents and restricted cash	56,166	(66,134)	76,261	111,331	239,541	263,628	189,463	129,508
Cash, cash equivalents and restricted cash at end of period	86,363	20,229	96,490	207,821	447,362	710,990	900,452	1,029,960

Revenue Model

FYE 31 Dec, all numbers are in USD thousands	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E
REVENUE SUMMARY								
Net service income	1,511,272	1,662,578	1,955,633	2,264,237	2,615,903	2,994,329	3,384,799	3,771,715
% Growth	5.1%	10.0%	17.6%	15.8%	15.5%	14.5%	13.0%	11.4%
Segmentation								
Home Health	1,083,900	1,174,500	1,256,400	1,379,932	1,522,998	1,676,183	1,834,662	1,995,651
% Growth	1.1%	8.4%	7.0%	9.8%	10.4%	10.1%	9.5%	8.8%
Hospice	367,800	410,900	617,200	785,064	973,553	1,176,352	1,384,076	1,584,655
% Growth	17.9%	11.7%	50.2%	27.2%	24.0%	20.8%	17.7%	14.5%
Personal Care	59,600	77,200	82,000	99,241	119,353	141,794	166,061	191,410
% Growth	66.9%	29.5%	6.2%	21.0%	20.3%	18.8%	17.1%	15.3%
Segmentation by % contribution								
Home Health	71.7%	70.6%	64.2%	60.9%	58.2%	56.0%	54.2%	52.9%
Hospice	24.3%	24.7%	31.6%	34.7%	37.2%	39.3%	40.9%	42.0%
Personal Care	3.9%	4.6%	4.2%	4.4%	4.6%	4.7%	4.9%	5.1%
SEGMENT SUMMARY								
HOME HEALTH								
Medicare:								
Medicare Revenue	793,300	830,800	853,200	917,709	984,803	1,055,488	1,129,945	1,208,381
% Growth	-3.5%	4.7%	2.7%	7.6%	7.3%	7.2%	7.1%	6.9%
Admissions	190,132	190,748	195,513	210,959	227,624	245,607	265,009	285,945
% Growth	-2.3%	0.3%	2.5%	7.9%	7.9%	7.9%	7.9%	7.9%
Recertifications	106,774	112,773	110,460	113,051	115,364	117,378	119,075	120,440
% Growth	3.5%	5.6%	-2.1%	2.3%	2.0%	1.7%	1.4%	1.1%
Total Volume	296,906	303,521	305,973	324,010	342,988	362,985	384,085	406,385
Average revenue per patient	2.67	2.74	2.79	2.83	2.87	2.91	2.94	2.97
% Growth		2.4%	1.9%	1.6%	1.4%	1.3%	1.2%	1.1%
Non-Medicare:								
Non-Medicare Revenue	290,600	343,700	397,200	462,223	538,195	620,696	704,717	787,269
% Growth	16.6%	18.3%	15.6%	16.4%	16.4%	15.3%	13.5%	11.7%
Admissions	107,665	118,577	133,180	152,485	176,250	201,798	226,650	249,621
% Growth	9.4%	10.1%	12.3%	14.5%	15.6%	14.5%	12.3%	10.1%
Recertifications	46,364	55,736	62,108	68,898	76,086	83,643	91,532	99,709
% Growth	20.1%	20.2%	11.4%	10.9%	10.4%	9.9%	9.4%	8.9%
Total Volume	154,029	174,313	195,288	221,383	252,336	285,441	318,182	349,330
Average revenue per patient	1.89	1.97	2.03	2.09	2.13	2.17	2.21	2.25
% Growth		4.5%	3.2%	2.7%	2.2%	2.0%	1.9%	1.8%
HOSPICE								
Medicare Revenue	350,700	390,200	586,600	745,811	924,875	1,117,534	1,314,872	1,505,422
% Contribution	95.4%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
Non-Medicare Revenue	17,100	20,700	30,600	39,253	48,678	58,818	69,204	79,233
% Contribution	4.6%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Total Revenue	367,794	410,901	617,219	785,064	973,553	1,176,352	1,384,076	1,584,655
Average daily census	6,820	7,588	11,164	13,908	16,910	20,052	23,177	26,093
% Growth	15.4%	11.3%	47.1%	24.6%	21.6%	18.6%	15.6%	12.6%
Revenue per patient day	0.148	0.148	0.151	0.155	0.158	0.161	0.164	0.166
% Growth	2.5%	0.4%	2.1%	2.1%	2.0%	1.9%	1.8%	1.7%
PERSONAL CARE								
Revenue (non-medicare)	59,600	77,200	82,000	99,241	119,353	141,794	166,061	191,410
Billable hours	2,604,794	3,248,304	3,308,338	3,841,947	4,444,646	5,089,149	5,749,840	6,399,872
% Growth	69.2%	24.7%	1.8%	16.1%	15.7%	14.5%	13.0%	11.3%
Revenue per hour	0.023	0.024	0.025	0.026	0.027	0.028	0.029	0.030
% Growth	-1.6%	3.9%	4.4%	4.2%	4.0%	3.8%	3.7%	3.6%

Expenses Model

EXPENSES

Revenue	1,511,272	1,662,578	1,955,633	2,264,237	2,615,903	2,994,329	3,384,799	3,771,715
Cost of Service	(903,377)	(992,863)	(1,150,337)	(1,303,977)	(1,486,428)	(1,683,224)	(1,887,956)	(2,093,959)
Gross Margin	40.2%	40.3%	41.2%	42.4%	43.2%	43.8%	44.2%	44.5%
General and administrative expenses								
Salaries and benefits	(305,938)	(316,522)	(394,452)	(469,398)	(558,583)	(664,714)	(791,010)	(941,302)
% Revenue	20.2%	19.0%	20.2%	19.0%	19.0%	19.0%	19.0%	19.0%
Non-cash compensation	(16,295)	(17,887)	(25,040)	(25,327)	(25,617)	(25,910)	(26,207)	(26,507)
% Revenue	1.1%	1.1%	1.3%	1.1%	1.1%	1.1%	1.1%	1.1%
G&A inclusive of non-cash compensation	(322,233)	(334,409)	(419,492)	(494,725)	(584,200)	(690,624)	(817,217)	(967,808)
Other	(159,980)	(166,897)	(188,434)	(206,214)	(225,671)	(246,964)	(270,266)	(295,767)
% Revenue	10.6%	10.0%	9.6%	9.4%	9.4%	9.4%	9.4%	9.4%
Depreciation and amortisation	(17,123)	(13,261)	(18,428)	(18,155)	(11,573)	(3,695)	(5,090)	(6,640)
Other Income (Expense)								
Interest income	158	278	78	0	0	0	0	0
Interest expense	(5,031)	(7,370)	(14,515)	(14,588)	(14,662)	(14,737)	(14,811)	(14,886)
% Revenue	0.3%	0.4%	0.7%	0.5%	0.5%	0.5%	0.5%	0.5%
Equity in earnings from equity method investments	3,381	7,692	5,338	5,355	5,372	5,389	5,407	5,424
% Revenue	0.2%	0.5%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Miscellaneous, net	3,769	3,240	2,037	2,041	2,044	2,048	2,052	2,056
% Revenue	0.2%	0.2%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%
Income tax expense	(50,118)	(38,859)	(42,503)	(59,719)	(76,455)	(91,901)	(100,948)	(102,959)
Income before income tax	80,801	158,988	170,410	239,836	307,047	369,081	405,415	413,491
Tax Rate	62%	24%	25%	25%	25%	25%	25%	25%
Net income attributable to noncontrolling interests	(382)	(783)	(1,074)	(1,643)	(2,103)	(2,528)	(2,777)	(2,833)
% Net Income	1.2%	0.7%	0.8%	0.9%	0.9%	0.9%	0.9%	0.9%

COST OF SERVICE SUMMARY

HOME HEALTH

Revenue	1,083,900	1,174,500	1,250,400	1,379,932	1,522,998	1,676,183	1,834,662	1,995,651
Cost of service	(670,900)	(722,100)	(754,100)	(816,035)	(893,024)	(976,141)	(1,062,928)	(1,152,207)
% Revenue	61.9%	61.5%	60.3%	59.1%	58.6%	58.2%	57.9%	57.7%

HOSPICE

Revenue	367,794	410,901	617,219	785,064	973,553	1,176,352	1,384,076	1,584,655
Cost of service	(187,500)	(212,000)	(335,100)	(415,636)	(507,639)	(606,326)	(707,857)	(807,270)
% Revenue	51.0%	51.6%	54.3%	52.9%	52.1%	51.5%	51.1%	50.9%

PERSONAL CARE

Revenue	59,600	77,200	82,000	99,241	119,353	141,794	166,061	191,410
Cost of service	(45,000)	(58,800)	(61,100)	(72,306)	(85,765)	(100,757)	(117,170)	(134,482)
% Revenue	75.5%	76.2%	74.5%	72.9%	71.9%	71.1%	70.6%	70.3%

FYE 31 Dec, all numbers are in USD thousands								
	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E
EXPENSES								
Revenue	1,511,272	1,662,578	1,955,633	2,264,237	2,615,903	2,994,329	3,384,799	3,771,715
Cost of Service	(903,377)	(992,863)	(1,150,337)	(1,303,977)	(1,486,428)	(1,683,224)	(1,887,956)	(2,093,959)
Gross Margin	40.2%	40.3%	41.2%	42.4%	43.2%	43.8%	44.2%	44.5%
General and administrative expenses								
Salaries and benefits	(305,938)	(316,522)	(394,452)	(472,622)	(566,282)	(678,504)	(812,965)	(974,072)
% Revenue	20.2%	19.0%	20.2%	19.8%	19.8%	19.8%	19.8%	19.8%
Non-cash compensation	(16,295)	(17,887)	(25,040)	(25,327)	(25,617)	(25,910)	(26,207)	(26,507)
% Revenue	1.1%	1.1%	1.3%	1.1%	1.1%	1.1%	1.1%	1.1%
G&A inclusive of non-cash compensation	(322,233)	(334,409)	(419,492)	(497,948)	(591,899)	(704,414)	(839,171)	(1,000,579)
Other	(159,980)	(166,897)	(188,434)	(207,441)	(228,364)	(251,398)	(276,756)	(304,671)
% Revenue	10.6%	10.0%	9.6%	10.1%	10.1%	10.1%	10.1%	10.1%
Depreciation and amortisation	(17,123)	(13,261)	(18,428)	(18,155)	(11,573)	(3,695)	(5,090)	(6,640)
Other Income (Expense)								
Interest income	158	278	78	0	0	0	0	0
Interest expense	(5,031)	(7,370)	(14,515)	(14,588)	(14,662)	(14,737)	(14,811)	(14,886)
% Revenue	0.3%	0.4%	0.7%	0.5%	0.5%	0.5%	0.5%	0.5%
Equity in earnings from equity method investments	3,381	7,692	5,338	5,355	5,372	5,389	5,407	5,424
% Revenue	0.2%	0.5%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Miscellaneous, net	3,769	3,240	2,037	2,041	2,044	2,048	2,052	2,056
% Revenue	0.2%	0.2%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%
Income tax expense	(50,118)	(38,859)	(42,503)	(58,705)	(74,073)	(87,701)	(94,359)	(93,258)
Income before income tax	80,801	158,988	170,410	235,762	297,480	352,213	378,951	374,530
Tax Rate	62%	24%	25%	25%	25%	25%	25%	25%
Net income attributable to noncontrolling interests	(382)	(783)	(1,074)	(1,615)	(2,038)	(2,413)	(2,596)	(2,566)
% Net Income	1.2%	0.7%	0.8%	0.9%	0.9%	0.9%	0.9%	0.9%
COST OF SERVICE SUMMARY								
HOME HEALTH								
Revenue	1,083,900	1,174,500	1,250,400	1,379,932	1,522,998	1,676,183	1,834,662	1,995,651
Cost of service	(670,900)	(722,100)	(754,100)	(816,035)	(893,024)	(976,141)	(1,062,928)	(1,152,207)
% Revenue	61.9%	61.5%	60.3%	59.1%	58.6%	58.2%	57.9%	57.7%
HOSPICE								
Revenue	367,794	410,901	617,219	785,064	973,553	1,176,352	1,384,076	1,584,655
Cost of service	(187,500)	(212,000)	(335,100)	(415,636)	(507,639)	(606,326)	(707,857)	(807,270)
% Revenue	51.0%	51.6%	54.3%	52.9%	52.1%	51.5%	51.1%	50.9%
PERSONAL CARE								
Revenue	59,600	77,200	82,000	99,241	119,353	141,794	166,061	191,410
Cost of service	(45,000)	(58,800)	(61,100)	(72,306)	(85,765)	(100,757)	(117,170)	(134,482)
% Revenue	75.5%	76.2%	74.5%	72.9%	71.9%	71.1%	70.6%	70.3%

Working Capital & PPE

WORKING CAPITAL

Revenue	1,511,272	1,662,578	1,955,633	2,264,237	2,615,903	2,994,329	3,384,799	3,771,715
Cost of service	(903,377)	(992,863)	(1,150,337)	(1,303,977)	(1,486,428)	(1,683,224)	(1,887,956)	(2,093,959)

CURRENT ASSETS

Patients accounts receivable	201,196	188,972	237,596	266,764	299,512	336,281	377,563	423,914
% Revenue	13.3%	11.4%	12.1%	12.3%	12.3%	12.3%	12.3%	12.3%
Prepaid expenses	7,329	7,568	8,243	8,280	8,318	8,356	8,394	8,432
% Revenue	0.5%	0.5%	0.4%	0.5%	0.5%	0.5%	0.5%	0.5%
Other current assets	16,268	7,349	8,225	8,278	8,332	8,386	8,440	8,494
% Revenue	1.1%	0.4%	0.4%	0.6%	0.6%	0.6%	0.6%	0.6%

CURRENT LIABILITIES

Accounts Payable	25,384	28,531	31,259	31,779	32,308	32,846	33,393	33,949
% Revenue	1.7%	1.7%	1.6%	1.7%	1.7%	1.7%	1.7%	1.7%
Payroll and employee benefits	89,936	92,858	120,877	128,016	135,576	143,583	152,062	161,043
% Revenue	6.0%	5.6%	6.2%	5.9%	5.9%	5.9%	5.9%	5.9%
Accrued expenses	89,104	99,475	137,111	145,745	154,922	164,677	175,046	186,068
% Revenue	5.9%	6.0%	7.0%	6.3%	6.3%	6.3%	6.3%	6.3%

CHANGE IN NET OPERATING WORKING CAPITAL (NOWC)

Patients accounts receivable	(34,672)	12,224	(24,146)	(29,168)	(32,748)	(36,769)	(41,282)	(46,350)
Other current assets	(4,940)	8,679	(2,682)	(91)	(91)	(92)	(92)	(93)
Change in current operating assets	(39,612)	20,903	(26,828)	(29,258)	(32,839)	(36,860)	(41,375)	(46,443)
Accounts Payable	(2,843)	3,165	(11,329)	520	529	538	547	556
Accrued expenses	31,843	13,524	42,096	8,634	9,177	9,755	10,369	11,022
Change in current operating liabilities	29,000	16,689	30,767	9,154	9,706	10,293	10,916	11,578
Total change in NOWC	(10,612)	37,592	3,939	(20,104)	(23,133)	(26,567)	(30,459)	(34,865)

SUMMARY

Property and Equipment, net	31,122	29,449	28,113	16,958	13,472	19,034	24,409	29,429
Intangibles Assets, net	46,061	44,132	64,748	64,748	64,748	64,748	64,748	64,748
Depreciation and Amortisation	17,123	13,261	18,428	18,155	11,573	3,695	5,090	6,640

PPE SCHEDULE

Beginning Property and Equipment	31,122	29,449	28,113	16,958	13,472	19,034	24,409	
CAPEX	10,707	6,558	7,888	7,000	8,087	9,257	10,464	11,660
% of Revenue	0.7%	0.4%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%
Depreciation				(18,155)	(11,573)	(3,695)	(5,090)	(6,640)
Ending Property and Equipment	31,122	29,449	28,113	16,958	13,472	19,034	24,409	29,429

DEPRECIATION SCHEDULE

EXISTING PPE

PPE Breakdown	Gross			Net (2019)	% PPE	Life
Buildings and leasehold improvements	7,800	8,700	8,700	1,968	7.0%	39
Equipment and furniture	72,900	53,400	55,600	12,579	44.8%	7
Finance Leases		2,900	5,200	1,176	4.2%	3
Computer Software	97,200	59,900	54,700	12,376	44.0%	7
Gross PPE	177,900	124,900	124,200	28,100		
Accumulated Depreciation	(146,800)	(95,500)	(96,100)			
Net PPE	31,100	29,400	28,100			

Buildings and leasehold improvements	223	223	223	223	223
Equipment and furniture	7,943	4,637			
Finance Leases	1,176				
Computer Software	7,814	4,561			
Depreciation of existing PPE	17,157	9,421	223	223	223

NEW PPE

Buildings and leasehold improvements						
FY	CAPEX	2020	2021	2022	2023	2024
2020	490	13	13	13	13	13
2021	566		15	15	15	15
2022	648			17	17	17
2023	733				19	19
2024	817					21
Depreciation		13	27	44	63	83

Equipment and furniture						
FY	CAPEX	2020	2021	2022	2023	2024
2020	3,134	448	448	448	448	448
2021	3,620		517	517	517	517
2022	4,144			592	592	592
2023	4,684				669	669
2024	5,220					746
Depreciation		448	965	1,557	2,226	2,972

Finance leases						
FY	CAPEX	2020	2021	2022	2023	2024
2020	293	98	98	98		
2021	339		113	113	113	
2022	388			129	129	129
2023	438				146	146
2024	488					163
Depreciation		98	211	340	388	438

Computer software						
FY	CAPEX	2020	2021	2022	2023	2024
2020	3,083	440	440	440	440	440
2021	3,562		509	509	509	509
2022	4,077			582	582	582
2023	4,609				658	658
2024	5,135					734
Depreciation		440	949	1,532	2,190	2,924

Depreciation of new PPE	998	2,152	3,472	4,867	6,417
Depreciation of old PPE	17,157	9,421	223	223	223
Total depreciation	18,155	11,573	3,695	5,090	6,640

Other Assumptions

OTHER ASSUMPTIONS

Revenue	1,511,272	1,662,578	1,955,633	2,264,237	2,615,903	2,994,329	3,384,799	3,771,715
Cost of service	(903,377)	(992,863)	(1,150,337)	(1,303,977)	(1,486,428)	(1,683,224)	(1,887,956)	(2,093,959)
Net income	607,895	669,715	805,296	960,260	1,129,475	1,311,105	1,496,843	1,677,756

ASSETS

Deferred income taxes	56,064	35,794	21,427	24,907	28,775	32,938	37,233	41,489
<i>% of revenue</i>	3.7%	2.2%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%
Other assets	49,130	54,145	54,612	55,418	56,157	56,784	57,433	58,195
Workers' compensation deposits	400	400	200	206	213	219	226	233
Health insurance deposits	500	500	500	516	531	548	565	582
Other miscellaneous deposits	900	800	1,000	1,031	1,063	1,096	1,130	1,165
Indemnity receivable	17,000	14,200	13,600	14,022	14,456	14,904	15,366	15,843
Other	3,900	3,100	3,600	3,712	3,827	3,945	4,068	4,194
Equity method investments	26,400	35,100	35,700	35,932	36,067	36,072	36,078	36,178
Equity in earnings from equity method investments	3,381	7,692	5,338	5,355	5,372	5,389	5,407	5,424
Return on equity investment	5,321	6,158	4,955	5,123	5,237	5,385	5,400	5,324
Investments in equity method investees	476	7,144	210	0	0	0	0	0
<i>% of revenue</i>	3.3%	3.3%	2.8%	3.1%	3.1%	3.1%	3.1%	3.1%

LIABILITIES

Other long-term obligations	3,791	6,234	5,905	7,002	8,090	9,260	10,468	11,664
<i>% of revenue</i>	0.3%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%

EQUITY

Beginning Common stock and Additional paid-in capital	537,507	568,815	603,702	645,293	665,034	684,774	704,515	724,256
Non Cash Compensation	16,295	17,887	25,040	25,327	25,617	25,910	26,207	26,507
401(k) employer match	8,754	8,976	10,509	7,139	7,560	8,007	8,480	8,980
Proceeds from issuance of stock upon exercise of stock options	4,554	5,953	3,611					
Proceeds from issuance of stock to employee stock purchase plan	2,382	2,429	3,187					
Ending Common stock and Additional paid-in capital	568,815	603,702	645,293	665,034	684,774	704,515	724,256	743,996
Treasury stock	(53,713)	(241,685)	(251,241)	(251,241)	(251,241)	(251,241)	(251,241)	(251,241)
Shares withheld upon stock vesting	(6,939)	(6,570)	(9,556)	0	0	0	0	0
Accumulated other comprehensive income	15	15	15	15	15	15	15	15
Retained earnings	204	119,550	246,383	425,137	654,241	929,901	1,233,065	1,542,783

Debt Schedule

SHORT-TERM & LONG-TERM DEBT

(minimum target cash method)

SHORT-TERM DEBT

Beginning balance				37,696	0	0	0	0
Current portion of long-term obligations	10,638	1,612	9,927					
Current portion of operating lease liabilities	0	0	27,769					
Additions				0	0	0	0	0
Repayment				(37,696)	0	0	0	0
Ending balance			37,696	0	0	0	0	0

Interest rate on short-term debt

				3.0%	3.0%	3.0%	3.0%	3.0%
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Interest paid

LONG-TERM DEBT

Beginning balance				294,289	284,289	274,189	265,189	183,189
Long-term obligations, less current portion	78,203	5,775	232,256					
Operating lease liabilities, less current portion	0	0	56,128					
Other long-term obligations	3,791	6,234	5,905					
Additions				0	0	0	0	0
Repayment				10,000	10,100	9,000	82,000	134,600
Ending balance			294,289	284,289	274,189	265,189	183,189	48,589

Interest rate on long-term debt

				4.8%	4.8%	4.8%	4.8%	4.8%
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Interest paid

TARGET CASH

Revenue	1,511,272	1,662,578	1,955,633	2,264,237	2,615,903	2,994,329	3,384,799	3,771,715
Cash	86,363	20,229	30,294					
Cash (as % of revenue)	5.71%	1.22%	1.55%					
Minimum target cash balance				129,392	149,488	171,114	193,427	215,538
Minimum target cash balance (as % of revenue)				5.7%	5.7%	5.7%	5.7%	5.7%
Cash needed from revolver								
Cash available at beginning of period				211,133	458,407	735,596	946,226	1,106,746
Cash generated during current year				152,339	247,275	277,189	210,630	160,520
Minimum cash desired				129,392	149,488	171,114	193,427	215,538
Cash surplus/ (deficit)				234,079	556,194	841,672	963,429	1,051,728

CASH FLOWS

Cash generated				114,643	247,275	277,189	210,630	160,520
Net cash provided by operating activities				170,984	267,571	297,984	305,885	309,632
Net cash used for investing activities				(7,000)	(8,087)	(9,257)	(10,464)	(11,660)
Net cash used for financing activities				(49,342)	(12,209)	(11,538)	(84,791)	(137,451)
Beginning cash balance				30,294	211,133	458,407	735,596	946,226
Minimum target cash balance				129,392	149,488	171,114	193,427	215,538
Cash surplus (deficit)				(14,749)	97,787	106,075	17,202	(55,018)

DEBT SCHEDULE

Loans	Interest	Repayment Schedule					
\$175.0 million Term Loan due 4 Feb 2024	3.30%	Long-term obligations	10,000	10,100	9,000	82,000	134,600
\$550.0 million Revolving Credit Facility; i/r only payments, due 4 Feb :	5.30%	Total repayments (principal only)	10,000	10,100	9,000	82,000	134,600
Weighted Loan Interest	4.82%						

Lease Payments

Operating lease liabilities	30,200	13,100	13,100	13,100	7,100
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Long-term debt consists of the following for the periods indicated (amounts in millions):

Discounted Cash Flow Model

DATE OF REVIEW

Date of review	3-May-20
Current fiscal year end	31-Dec-20
Portion of FY already over	0.34
Portion of FY remaining	0.66

UNLEVERED FREE CASH FLOW CALCULATIONS

<i>FYE 31 Dec, all numbers are in USD thousands</i>	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E
EBITDA	95,647	168,409	195,900	264,908	325,480	379,686	415,827	420,947
EBIT	78,524	155,148	177,472	246,753	313,908	375,991	410,737	414,307
less: Income Tax Expense	(48,706)	(37,920)	(44,264)	(61,441)	(78,163)	(93,622)	(102,273)	(103,162)
EBIAT	29,818	117,228	133,208	185,311	235,745	282,369	308,463	311,145
plus: D&A	17,123	13,261	18,428	18,155	11,573	3,695	5,090	6,640
less: CAPEX	(10,707)	(6,558)	(7,888)	(7,000)	(8,087)	(9,257)	(10,464)	(11,660)
less: changes in NOWC	(10,612)	37,592	3,939	(20,104)	(23,133)	(26,567)	(30,459)	(34,865)
FCFF	46,846	86,339	139,809	216,571	262,364	303,375	333,547	340,989
Discount period				0.66	1.66	2.66	3.66	4.66
Discount factor				4.93%	4.93%	4.93%	4.93%	4.93%
FCFF to be discounted				216,571	262,364	303,375	333,547	340,989
PV of FCFF				209,767	242,176	266,868	279,618	272,419

WACC Calculations (CAPM Model)	
Cost of equity	5.02%
Risk-free rate	0.64%
Market risk premium	6.96%
Beta	0.63
Cost of debt	4.37%
Interest expense (2019)	(14,515)
Book value of debt (2019)	331,985
Weight of debt	0.05
Tax rate	0.25
Weight of equity	0.95
Market value of equity	5,956,092
Discount factor	4.93%

Target Price (Exit Multiple)	
PV of all projected FCFFs	1,270,847
PV of TV	6,725,971
Ending EBITDA	420,947
Exit multiple (EV/EBITDA)	20
Enterprise Value (EV)	7,996,818
plus: Cash (MRQ)	30,294
less: Non-controlling interest	1,063
less: Debt	331,985
less: Preferred stock	0
Equity Value	7,694,064
NOSH (MRQ)	32,400
Implied fair value/share	\$237.47

Target Price (Perpetual Growth)	
PV of all projected FCFFs	1,270,847
Terminal growth	0.015
PV of TV	8,055,665
Enterprise Value (EV)	9,326,512
plus: Cash (MRQ)	30,294
less: Non-controlling interest	1,063
less: Debt	331,985
less: Preferred stock	0
Equity Value	9,023,758
NOSH (MRQ)	32,400
Implied fair value/share	\$278.51

Final Target Price Derivation	
TP (Exit Multiple)	\$237.47
TP (Perpetual Growth)	\$278.51
Weight (Exit Multiple)	0.5
Weight (Perpetual Growth)	0.5
Blended TP	\$257.99
Last close	\$183.83
Implied upside	40.3%

Sensitivity Analysis (TP for Exit Multiple)

Exit Multiple	WACC					
	\$237.47	4.13%	4.53%	4.93%	5.33%	5.73%
	18	\$246.29	\$242.04	\$237.89	\$233.82	\$229.84
	19	\$258.18	\$253.72	\$249.36	\$245.09	\$240.91
	20	\$270.07	\$265.40	\$260.83	\$256.36	\$251.98
	21	\$281.95	\$277.08	\$272.31	\$267.63	\$263.06
	22	\$293.84	\$288.76	\$283.78	\$278.90	\$274.13

Sensitivity Analysis (TP for Perpetuity Growth)

Terminal growth	WACC					
	\$278.51	4.13%	4.53%	4.93%	5.33%	5.73%
	0.013	\$374.05	\$326.03	\$288.59	\$258.58	\$233.99
	0.014	\$386.89	\$335.71	\$296.12	\$264.59	\$238.89
	0.015	\$400.72	\$346.04	\$304.10	\$270.92	\$244.02
	0.016	\$415.63	\$357.06	\$312.56	\$277.59	\$249.40
	0.017	\$431.76	\$368.87	\$321.53	\$284.63	\$255.05