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— CAPITAL —

# Home Healthcare & Hospice Monthly Newsletter

March 2023

PRIVATE AND CONFIDENTIAL



# Home Healthcare & Hospice– Monthly News

March 2023

## Public Market Overview

Company	Share	52-Week	% Change in Share Price			Market	Enterprise	EV / Sales		EV / EBITDA			
	Price (\$)	High (\$)	Low (\$)	1 Week	1 Month	Cap (\$mm)	Value (\$mm)	LTM	CY23E	LTM	CY23E		
Chemed Corporation	537.8	539.1	430.2	2.9%	3.1%	6.2%	8,038.0	8,211.3	3.85x	3.64x	20.4x	17.5x	
Encompass Health Corporation	54.1	74.6	44.3	3.3%	(4.3%)	(23.9%)	5,395.0	8,885.8	1.82x	1.88x	9.5x	10.0x	
Amedisys, Inc.	73.6	176.4	69.4	3.6%	(20.0%)	(57.3%)	2,394.0	2,925.3	1.32x	1.29x	14.0x	12.5x	
Addus HomeCare Corporation	106.8	115.0	73.7	3.7%	(1.7%)	14.4%	1,722.0	1,819.9	1.91x	1.8x	19.1x	16.4x	
National HealthCare Corporation	58.1	75.4	51.6	0.8%	4.2%	(17.3%)	891.7	784.6	0.74x	NA	15.4x	NA	
Pennant Group Inc	14.3	20.3	8.7	5.4%	(4.9%)	(23.3%)	424.2	753.3	1.59x	1.47x	29.8x	18.8x	
Genesis Healthcare Inc Class A	0.0	0.2	0.0	(95.6%)	(45.5%)	(17.3%)	2.0	2,323.5	0.92x	NA	26.4x	NA	
									Low	0.74x	1.29x	9.5x	10.0x
									Mean	1.74x	2.01x	19.2x	15.0x
									Median	1.59x	1.76x	19.1x	16.4x
									High	3.85x	3.64x	29.8x	18.8x

NM implies outlier multiples; NA implies Not Available

EV/Sales 0.0x – 5.0x; EV/EBITDA: 0.0x – 30.0x

As of 31/03/2023

Source: FactSet

## M&A News

### • Mar 27, 2023: CVS Health To Close On Its \$8B Purchase Of Signify Health

CVS Health announced it expects to complete its acquisition of Signify Health on or around March 29, 2023, subject to the satisfaction or waiver of the remaining customary closing conditions set forth in the merger agreement. With the Signify addition, CVS Health has gained significant at-home care capabilities. Its retailer peers have also sought to do the same of late, the most notable examples being UnitedHealth Group's acquisition of LHC Group and Walgreens Boots Alliance's acquisition of the post-acute care convener CareCentrix.

Source: [Link](#)

### • Mar 22, 2023: PurposeCare Emerges As Budding, Regional Home-Based Care Provider After Latest Acquisition

PurposeCare, a relatively new and quickly growing home-based care provider – has acquired the St. Joseph Michigan-based Home Sweet Home In-Home Care. Backed by Lorient Capital, PurposeCare is a provider of both clinical and non-clinical home-based care. Since it launched in 2021, the company has grown through the acquisitions of other home-based care providers across the Midwest.

Source: [Link](#)

### • Mar 14, 2023: Legacy Hospice Acquires Safe Harbor

Legacy Hospice has expanded in Missouri by acquiring Safe Harbor Hospice for an undisclosed sum. Safe Harbor's 13-county service region builds on Legacy's footprint in southeastern Missouri. Legacy now operates 19 locations in seven states, predominantly in rural areas. The company is backed by the Chicago-based private equity firm Prairie Capital. The Safe Harbor asset, which currently has an average daily census of 55 patients, represents a substantial growth opportunity for Legacy.

Source: [Link](#)

### • Mar 01, 2023: Citing Rising Staffing Costs, Stillwater Hospice and Kosciusko Home Care & Hospice Merge

Kosciusko Home Care & Hospice has merged with Stillwater Hospice amid mounting financial pressures. The two Indiana-based nonprofit hospices joined forces to ensure continued access to end-of-life care in the Kosciusko County area. High staffing costs were among the forces straining KHCH's ability to sustain services in that region. The merger was necessary as the price to retain and recruit staff continues to rise. KHCH has felt the financial brunt of competing for scarce resources during prolific workforce shortages.

Source: [Link](#)

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## Industry News

- **Mar 28, 2023: How Staffing Shortages Are Affecting PE Dealmaking In Home Health Care**

The home health care workforce shortage is restricting PE dealmaking, experts suggest. In recent years, the decreasing pool of workers has touched nearly every aspect of health care services. Home health agencies, however, were among those hit the hardest, according to Pitchbook’s PE-focused Healthcare Services Report. Staffing pressures have forced many home health and behavioral health businesses to “slow their growth considerably despite seemingly limitless demand.”

Source: [Link](#)

- **Mar 26, 2023: Hospice Providers Weigh Labor Gains Against Rising Costs**

When it comes to labor, hospice providers are walking a balance beam between the need to increase capacity and the long-term sustainability of offering bonuses, tech investments and larger benefits packages. Publicly traded hospice providers have reported improvements on turnover and workforce shortages. But the strides have come at a cost. While the public companies do not represent the entire industry, their obligation to keep investors informed regarding their financial performance can provide insights into larger trends at a time when providers of all sizes are reporting astronomical labor expenses.

Source: [Link](#)

- **Mar 23, 2023: CMS Extends Hospice VBID Through 2030**

The U.S. Centers for Medicare & Medicaid Services (CMS) is extending the value-based insurance design demonstration for calendar years 2025 to 2030, including the hospice component. The Medicare Advantage (MA) Value-Based Insurance Design (VBID) Model will be extended for calendar years 2025 through 2030 and will introduce changes intended to more fully address the health-related social needs of patients, advance health equity, and improve care coordination for patients with serious illness.

Source: [Link](#)

- **Mar 16, 2023: MedPAC Calls for Hospice Payment Cap Wage Adjustment, 20.0% Cut**

The Medicare Payment Advisory Commission (MedPAC) has once again recommended a 20.0% cut to the aggregate cap for hospice payments. The commission also called on Congress to wage adjust the cap. MedPAC has called for similar cuts annually since 2018, but to date, Congress has not implemented these reductions. The U.S. Centers for Medicare and Medicaid Services (CMS) set the 2023 cap at \$32,486.9, up from nearly \$31,300.0 per patient for Fiscal Year 2022.

Source: [Link](#)

- **Mar 07, 2023: Interest Rates Likely to Rise, Impact PE Hospice Buyers**

U.S. Federal Reserve Chair Jerome Powell has indicated that interest rates may rise faster than expected, which could have a significant impact on hospice M&A trends. The trend has widespread implications for the hospice mergers and acquisitions market, particularly when it comes to private equity investments. The impact was already apparent in 2022. No large private equity platform deals took place last year, compared to eight in 2021.

Source: [Link](#)

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## Company-Specific News

- **Mar 31, 2023: How Amedisys Lowered Staffing Costs Through Gig Work**

When Amedisys Inc. participated in the connectRN's \$76.0 million funding round at the end of 2021, it was because it believed in what the company was doing. The connectRN platform was originally built to find nurses and other health care professionals work, particularly in skilled nursing facilities (SNFs). But since then, the company has aggressively expanded into home health care. Amedisys has learned from connectRN's approach to staffing. Likewise, connectRN has been able to glean insights about the home health industry from one of its biggest providers.

Source: [Link](#)

- **Mar 20, 2023: Pennant Group Acquires Senior Living Operations in Wisconsin**

The Pennant Group, Inc. announced that it has completed the acquisition of operations of Robins Landing at New Berlin, a 44-bed memory care and assisted living facility located in New Berlin, Wisconsin, and Robins Landing at Brookfield, a 52-bed memory care and assisted living facility located in Brookfield, Wisconsin. The acquisition was effective March 16, 2023 and will be subject to a long-term, triple-net lease.

Source: [Link](#)

- **Mar 14, 2023: How Addus Is Using ARPA Funds To Retain Talent**

Addus HomeCare Corporation leaders revealed that the company still has roughly half of its American Rescue Plan Act (ARPA) funds in its treasure chest. It has been leveraging these funds as a retention lifeline. Its turnover rate is now below 55.0%, far better than the industry average. The company still has another \$12.0 or \$13.0 million left to spend, its leaders said during the Oppenheimer Healthcare Conference.

Source: [Link](#)

- **Mar 13, 2023: Amedisys Board Appoints Richard Ashworth as New President and Chief Executive Officer**

Amedisys, Inc. the leading provider of quality home health, hospice, and high-acuity care services, announced that its Board of Directors has named Richard Ashworth as President, Chief Executive Officer, and member of the Board of Directors. Ashworth will assume the role on April 10, 2023, from Chief Executive Officer Paul Kusserow. Kusserow will remain Chairman of the Board for Amedisys and will provide support through the transition, with a continued strategic focus on Contessa Health.

Source: [Link](#)

- **Mar 08, 2023: High Price Tags Pushing Addus Away from Hospice Acquisitions**

High valuations have led Addus HomeCare to pivot towards personal care and home health deals rather than hospice acquisitions. Hospice multiples broke records in 2020, 2021 and 2022, reaching as high as 29.0x. And though last year's numbers were somewhat skewed by massive deals, price tags remain high overall. The last major hospice transaction for Addus came early last year with its \$85.0 million purchase of the Illinois-based nonprofit hospice provider JourneyCare Inc.

Source: [Link](#)

- **Mar 08, 2023: Prospero Health to Merge with Landmark within UnitedHealth Group's Optum**

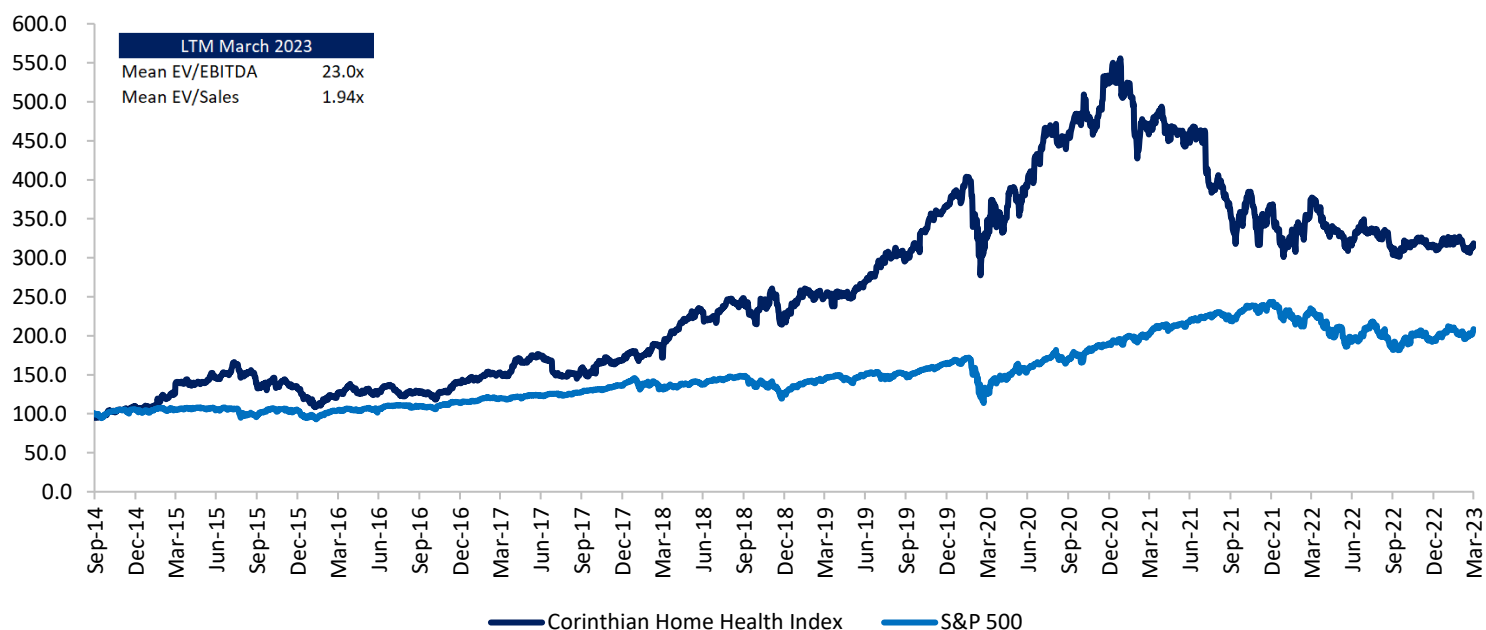
After quietly being acquired by Optum toward the beginning of last year, home-based care provider Prospero Health is merging with Landmark Health. The two companies are under the ownership of UnitedHealth Group subsidiary Optum. Landmark reportedly joined Optum at the beginning of 2021. The Prospero-Landmark merger comes on the heels of UnitedHealth Group's \$5.4 billion purchase of the home health and hospice giant LHC Group.

Source: [Link](#)

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## Corinthian Home Health Index Stocks vs. S&P 500



Note: Corinthian Home Health Index is comprised of 9 stocks of publicly traded companies that provide home health and hospice services. The companies included in the index include Genesis Healthcare, Inc., LHC Group, Inc., Amedisys, Inc., National Healthcare Corporation, Chemed Corporation, Addus Homecare Corporation and Pennant Group. The index includes Almost Family Inc. till April 1, 2018 after which the company was acquired by LHC Group and Kindred Healthcar, Inc. till July 1, 2018 after which it was completely acquired by Humana, Inc. and ceased to trade publicly. Pennant Group started trading from October 1, 2019 and has been included in the Corinthian Home Health Index (going forward from July 2020).

Source: FactSet; Corinthian Analysis

## Private Transaction Comps Summary

Year	Mean EV/Sales	Mean EV/EBITDA	Mean EBITDA (\$ mn)	Median EBITDA (\$ mn)
2023	NA	NA	NA	NA
2022	2.98x	15.5x	55.8	55.8
2021	1.01x	14.0x	26.8	26.8
2020	1.76x	12.2x	74.2	115.0
2019	2.36x	9.3x	11.1	11.1
2018	0.57x	12.3x	26.9	26.9
2017	0.91x	12.8x	237.6	237.6
2016	0.94x	7.3x	11.1	9.0
2015	0.96x	8.9x	14.4	9.6
2012- Present	1.03x	9.0x	40.5	13.4

Note: Mean calculated on multiples ranging EV/Sales 0.0x – 5.0x, EV/EBITDA: 0.0x – 30.0x

Source: FactSet

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## DISCLOSURE

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**For questions about this newsletter, to submit investment opportunities, or to discuss the home health and hospice space, please contact:**



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