

AMN Healthcare

Q4 guide below consensus, cutting ests

Reiterate Rating: NEUTRAL | PO: 80.00 USD | Price: 72.75 USD

Q3 beat but Q4 guide worse

AMN Healthcare (AMN) beat consensus ests but the company guided Q4 revs and adj EBITDA well below the Street. Q4 Nurse & Allied revs expected to be down 34% y/y and down 5% q/q at the midpoint (vs the prior expectation for revs to be grow modestly q/q). It remains unclear when demand will bottom as larger clients may continue to reduce their contract labor utilization. Bill rates were down 7% q/q in Q3, and AMN expects rates to fall 4% in Q4 and potentially another LSD in 2024. Given the worse Q4 guide, we reduce our ests and PO to \$80 (from \$100), 8.3x 2024E adj EBITDA vs 10.2x 2024E prior. We reiterate our Neutral rating on AMN given the solid long-term growth outlook but low visibility into near-term demand.

Q4 EBITDA guide 14% below on lower revs, margins

4Q23 rev guide midpoint is 6% below consensus. Adj EBITDA guide midpoint is 12% below our est/14% below consensus. Margins to be 12.5-13.0%, 110bps below consensus despite \$5m 1x G&A benefit. AMN expects bill rates to be down 4% sequentially in Q4. The company noted that most clients are seeing higher contract labor utilization sequentially in Q4; however, some larger clients are continuing to reduce utilization.

Headwinds and tailwinds in 2024

It is still unclear when Nurse & Allied demand would bottom. Mgmt noted that Q1 could be flat or down modestly q/q as larger clients may continue to reduce utilization. Other headwinds in 2024: bill rates could decline another low single digits (LSD), international biz revs will be down roughly \$70m y/y (a negative 30-40bps Nurse & Allied gross margin impact) due to visa retrogression, and higher SG&A due to an additional \$5-6m incentive comp/quarter vs Q4. Meanwhile, the tailwinds include: client wins (would be skewed towards 2H), improving capture rate (still a couple hundred bps below normal), growth in the language services biz, and the Medical Search International and DRW Healthcare Staffing (MSDR) acquisition.

Estimates(Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	8.03	11.85	8.09	5.99	6.39
GAAP EPS	6.82	9.84	5.79	4.63	5.06
EPS Change (YoY)	133.4%	47.6%	-31.7%	-26.0%	6.7%
Consensus EPS (Bloomberg)	7.69	11.44	8.08	6.87	7.94
Valuation (Dec)					
P/E	9.1x	6.1x	9.0x	12.1x	11.4x
GAAP P/E	10.7x	7.4x	12.6x	15.7x	14.4x

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03 November 2023

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	100.00	80.00
2023E Rev (m)	3,818.8	3,771.0
2024E Rev (m)	3,402.6	3,352.6
2025E Rev (m)	3,572.7	3,521.6
2023E EPS	7.81	8.09
2024E EPS	6.08	5.99
2025E EPS	6.52	6.39
2023E EBITDA (m)	580.5	577.1
2024E EBITDA (m)	486.6	476.2
2025E EBITDA (m)	514.5	504.0

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Stock Data

Price	72.75 USD
Price Objective	80.00 USD
Date Established	3-Nov-2023
Investment Opinion	B-2-9
52-Week Range	70.33 USD - 127.90 USD
Mrkt Val (mn) / Shares Out (mn)	2,764 USD / 38.0
Average Daily Value (mn)	39.15 USD
BofA Ticker / Exchange	AMN / NYS
Bloomberg / Reuters	AMN US / AMN.N
ROE (2023E)	32.7%
Net Dbt to Eqty (Dec-2022A)	74.6%
ESGMeter™	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

iQprofileSM AMN Healthcare

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Total Earned Premiums	NA	NA	NA	NA	NA
Net Investment Income	NA	NA	NA	NA	NA
Total Revenue	3,984	5,243	3,771	3,353	3,522
Total Cost of Benefits and Claims	(2,675)	(3,527)	(2,517)	(2,249)	(2,359)
S,G & A (Including Commissions)	(702)	(904)	(724)	(655)	(688)
Total Operating Expenses	(3,478)	(4,564)	(3,394)	(3,061)	(3,205)
Pre-Tax Operating Earnings	507	680	377	291	317
Income Tax Expense	(117)	(163)	(85)	(66)	(72)
Operating Earnings After Tax	386	534	321	229	244
Net Income (Reported)	386	534	321	229	244
Diluted Shares	48	45	39	38	38
Operating Earnings Per Share	8.03	11.85	8.09	5.99	6.39
Net Income (Reported) Per Share	6.82	9.84	5.79	4.63	5.06

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Fixed Income Securities	NA	NA	NA	NA	NA
Total Cash and Investments	181	65	29	29	29
Total Assets	3,132	2,888	2,866	2,953	2,953
Reserves	NA	NA	NA	NA	NA
LT Debt	842	844	780	558	558
Total Liabilities	1,970	1,845	1,946	1,782	1,782
Total Equity	1,162	1,044	920	1,171	1,171
Total Equity (Ex FAS 115)	1,162	1,044	920	1,171	1,171
Book Value per Share (Reported)	NA	NA	NA	NA	NA
Book Value per Share (Ex FAS 115)	NA	NA	NA	NA	NA

Ratios (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Expense Ratio	17.6%	17.2%	19.2%	19.5%	19.5%
Loss Ratio	NA	NA	NA	NA	NA
Combined Ratio	17.6%	17.2%	19.2%	19.5%	19.5%
Avg Assets / Avg Eq (Ex FAS 115) Ratio	2.8x	2.7x	2.9x	2.8x	2.5x

Growth Rates (YoY) (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Total Earned Premium	NA	NA	NA	NA	NA
Net Investment Income	NA	NA	NA	NA	NA
Total Revenue	66.4%	31.6%	-28.1%	-11.1%	5.0%
Operating Earnings per Share	133.4%	47.6%	-31.7%	-26.0%	6.7%
Asset	33.1%	-7.8%	-0.8%	3.0%	0%
Reported Book Value per Share	NA	NA	NA	NA	NA

Performance Metrics (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Operating ROE	38.9%	48.4%	32.7%	21.9%	20.9%
Operating ROE (Ex FAS 115)	38.9%	48.4%	32.7%	21.9%	20.9%
Operating Return on Average Assets	14.1%	17.7%	11.1%	7.9%	8.3%
Operating Margin	9.7%	10.2%	8.5%	6.8%	6.9%
Long Term Debt to Cap Ratio (Ex FAS 115)	42.0%	44.7%	45.9%	32.3%	32.3%
Net Income % Operating Income	84.9%	83.2%	71.8%	77.3%	79.2%
Amtz of DAC % Pretax Profit bef Amtz of DAC	0%	0%	0%	0%	0%

Company Sector

Outsourcing Services

Company Description

AMN Healthcare provides staffing services to health care facilities across the US. In addition to recruiting and staffing health care professionals, AMN offers consulting, scheduling, and other workforce management services.

Investment Rationale

AMN's scale, Managed Served Provider (MSP) opportunity and exposure to higher growth segments warrant premium multiple to peers. The long-term structural supply/demand imbalance on labor appears likely to continue. However, with providers increasingly focused on improving labor, we have low visibility into near-term demand which leaves us Neutral.

Stock Data

Average Daily Volume

538,129

Quarterly Earnings Estimates

	2022	2023
Q1	3.49A	2.49A
Q2	3.31A	2.38A
Q3	2.57A	1.97A
Q4	2.48A	1.25E

Price objective basis & risk

AMN Healthcare (AMN)

Our \$80 PO is based on 8.3x our 2024E EBITDA, near the low end of its historical 8-11x multiple range, which we think is justified given low visibility into near-term demand. This is partially offset by AMN's diversification into higher growth services, the company's ability to cross-sell with the Managed Serviced Provider (MSP) focus, and the opportunity for growth off a more normalized base.

Risks to the downside are that demand slows as providers focus on reducing contract labor further, bill rates decline faster than expected, and a recession could put more pressure on demand for temp staffing than expected (it took seven years for temp staffing revenues to reach pre-recession levels following 08/09).

Analyst Certification

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US - Facilities, Hospitals and Managed Healthcare Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Acadia Healthcare	ACHC	ACHC US	Kevin Fischbeck, CFA
	Addus HomeCare	ADUS	ADUS US	Joanna Gajuk
	Agilon Health	AGL	AGL US	Adam Ron
	Chemed Corporation	CHE	CHE US	Joanna Gajuk
	Elevance Health Inc	ELV	ELV US	Kevin Fischbeck, CFA
	Encompass Health	EHC	EHC US	Kevin Fischbeck, CFA
	HCA	HCA	HCA US	Kevin Fischbeck, CFA
	Humana Inc	HUM	HUM US	Kevin Fischbeck, CFA
	Option Care Health	OPCH	OPCH US	Joanna Gajuk
	Oscar Health	OSCR	OSCR US	Adam Ron
	Privia Health	PRVA	PRVA US	Adam Ron
	Select Medical Corp.	SEM	SEM US	Kevin Fischbeck, CFA
	Service Corp.	SCI	SCI US	Joanna Gajuk
	Surgery Partners, Inc	SGRY	SGRY US	Kevin Fischbeck, CFA
	Tenet Healthcare	THC	THC US	Kevin Fischbeck, CFA
	The Cigna Group	CI	CI US	Kevin Fischbeck, CFA
	UnitedHealth Group	UNH	UNH US	Kevin Fischbeck, CFA
	Universal Health Services	UHS	UHS US	Kevin Fischbeck, CFA
	US Physical Therapy	USPH	USPH US	Joanna Gajuk
NEUTRAL				
	AdaptHealth Corp.	AHCO	AHCO US	Joanna Gajuk
	Alignment Healthcare	ALHC	ALHC US	Adam Ron
	AMN Healthcare	AMN	AMN US	Kevin Fischbeck, CFA
	Apollo Medical	AMEH	AMEH US	Adam Ron
	Centene Corporation	CNC	CNC US	Kevin Fischbeck, CFA
	Molina Healthcare, Inc.	MOH	MOH US	Kevin Fischbeck, CFA
UNDERPERFORM				
	Agility Health Inc	AGTI	AGTI US	Kevin Fischbeck, CFA
	Brookdale	BKD	BKD US	Joanna Gajuk
	Cross Country Healthcare	CCRN	CCRN US	Kevin Fischbeck, CFA



US - Facilities, Hospitals and Managed Healthcare Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	DaVita Inc	DVA	DVA US	Kevin Fischbeck, CFA
	Enhabit Home Health & Hospice	EHAB	EHAB US	Joanna Gajuk
	Pediatrix Medical Group, Inc.	MD	MD US	Kevin Fischbeck, CFA

IQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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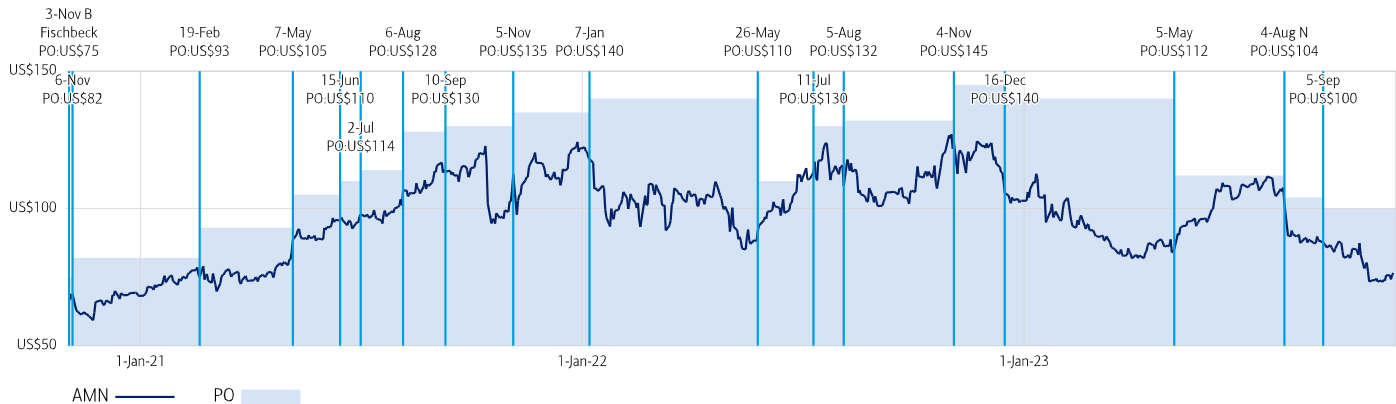
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AMN Healthcare (AMN) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Services Group (as of 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	5	41.67%	Buy	3	60.00%
Hold	2	16.67%	Hold	1	50.00%
Sell	5	41.67%	Sell	2	40.00%

Equity Investment Rating Distribution: Global Group (as of 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1869	53.48%	Buy	1046	55.97%
Hold	828	23.69%	Hold	461	55.68%
Sell	798	22.83%	Sell	370	46.37%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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