

## AMN Healthcare

## Q1 guide below consensus, cutting estimates

Reiterate Rating: NEUTRAL | PO: 79.00 USD | Price: 77.63 USD

## Q1 guide worse, demand still normalizing

AMN Healthcare (AMN)'s Q4 was mostly in line on revs and margins were slightly better vs consensus. However, the company guided Q1 revs 2% below the Street and adj EBITDA 7% below. This is a negative read-through to peer CCRN. Q1 Nurse & Allied revs expected to be down 37% y/y and down 3% q/q at the midpoint. Bill rates were down 3% q/q in Q4 and AMN expects rates to be flat in Q1. It is still unclear when nurse demand will bottom as Q2 is expected to be down more than normal seasonality, but sequential declines appear to be moderating. Given the worse Q1 guide, we are reducing our adj EBITDA estimates. We are also rolling out 2026 estimates. We are cutting our PO from \$82 to \$79, which is now based on 10.4x 2025E adj EBITDA vs 10.0x 2024E prior on higher net debt in the quarter. We reiterate our Neutral rating on AMN given the solid long-term growth outlook but low visibility into near-term demand.

## Q1 EBITDA guide 7% below on lower revs, margins

1Q24 rev guide midpoint is 2% below consensus. Adj EBITDA guide midpoint is 8% below our est/7% below consensus. Margins to be 11.2-11.7%, down 450bps y/y and 60bps below consensus. AMN expects Q1 bill rates to be flat q/q, with the ~3% sequential rev decline expected for Nurse & Allied driven by vols. Q2 Nurse & Allied revs are expected to be down high single digits (HSD) q/q, worse than -6% historically, driven more by volumes (2/3rds) than rate (1/3rd).

## Q4 revs in line ex acquisition, tech and physician better

Excluding \$13m from the MSDR acquisition, total revs were 0.3% above consensus (0.7% above the guide midpoint). Tech & Workforce revs were 1.2% better than consensus, Physician & Leadership ex MSDR revs were 0.9% better, while Nurse & Allied revs were in line. Adj EBITDA was 2.5% above consensus on 30bps better margins.

## Color on rest of 2024

AMN continues to expect organic growth in locums driven by both volume and rate. MSDR Q1 contribution will be in line with the \$13m Q4 run rate (the acquisition closed on November 30), implying \$39m in Q1, and is expected to grow sequentially. The company signed its largest managed service provider client win since 2019 but Managed Serviced Provider (MSPs) take a few quarters to ramp up. AMN expects capex to be down \$20m y/y, implying \$84m. Net leverage was 2.2x vs the company's 2.0-2.5x target, but as EBITDA declines y/y AMN will deploy FCF towards debt paydown to keep leverage in the target range.

Estimates(Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	11.84	8.16	4.22	4.88	5.34
GAAP EPS	9.84	5.29	2.41	3.10	3.59
EPS Change (YoY)	47.4%	-31.1%	-48.3%	15.6%	9.4%
Consensus EPS (Bloomberg)	11.44	8.13	5.07	5.93	7.54
Valuation (Dec)					
P/E	6.6x	9.5x	18.4x	15.9x	14.5x
GAAP P/E	7.9x	14.7x	32.2x	25.0x	21.6x

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Refer to important disclosures on page 6 to 8. Analyst Certification on page 4. Price Objective Basis/Risk on page 4.

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Timestamp: 16 February 2024 12:05AM EST

16 February 2024

## Equity

## Key Changes

(US\$)	Previous	Current
Price Obj.	82.00	79.00
2026E Rev (m)	NA	3,532.2
2024E EPS	4.65	4.22
2025E EPS	4.95	4.88
2026E EPS	NA	5.34
2024E EBITDA (m)	406.2	381.2
2025E EBITDA (m)	428.8	413.8
2026E EBITDA (m)	NA	439.3

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## Stock Data

Price	77.63 USD
Price Objective	79.00 USD
Date Established	16-Feb-2024
Investment Opinion	B-2-9
52-Week Range	57.80 USD - 112.44 USD
Mkt Val (mn) / Shares Out (mn)	2,934 USD / 37.8
Free Float	99.5%
Average Daily Value (mn)	39.37 USD
BofA Ticker / Exchange	AMN / NYS
Bloomberg / Reuters	AMN US / AMN.N
ROE (2024E)	17.5%
Net Dbt to Eqty (Dec-2023A)	97.7%
ESGMeter™	Medium

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MSDR = Medical Search International and DRW Healthcare Staffing

CCRN = Cross Country Healthcare

# iQprofile<sup>SM</sup> AMN Healthcare

## Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Total Earned Premiums	NA	NA	NA	NA	NA
Net Investment Income	NA	NA	NA	NA	NA
<b>Total Revenue</b>	<b>5,243</b>	<b>3,789</b>	<b>3,203</b>	<b>3,363</b>	<b>3,532</b>
Total Cost of Benefits and Claims	(3,527)	(2,540)	(2,180)	(2,274)	(2,382)
S,G & A (Including Commissions)	(904)	(715)	(659)	(688)	(724)
<b>Total Operating Expenses</b>	<b>(4,564)</b>	<b>(3,410)</b>	<b>(3,017)</b>	<b>(3,140)</b>	<b>(3,285)</b>
<b>Pre-Tax Operating Earnings</b>	<b>680</b>	<b>379</b>	<b>186</b>	<b>222</b>	<b>247</b>
Income Tax Expense	(163)	(74)	(27)	(34)	(39)
<b>Operating Earnings After Tax</b>	<b>533</b>	<b>323</b>	<b>161</b>	<b>186</b>	<b>204</b>
<b>Net Income (Reported)</b>	<b>533</b>	<b>323</b>	<b>161</b>	<b>186</b>	<b>204</b>
Diluted Shares	45	39	38	38	38
Operating Earnings Per Share	11.84	8.16	4.22	4.88	5.34
Net Income (Reported) Per Share	9.84	5.29	2.41	3.10	3.59

## Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Fixed Income Securities	NA	NA	NA	NA	NA
Total Cash and Investments	65	33	33	33	33
<b>Total Assets</b>	<b>2,888</b>	<b>2,924</b>	<b>4,058</b>	<b>5,190</b>	<b>6,378</b>
Reserves	NA	NA	NA	NA	NA
LT Debt	844	845	1,912	2,951	3,954
<b>Total Liabilities</b>	<b>1,845</b>	<b>2,093</b>	<b>3,054</b>	<b>4,039</b>	<b>5,011</b>
<b>Total Equity</b>	<b>1,044</b>	<b>831</b>	<b>1,004</b>	<b>1,150</b>	<b>1,367</b>
<b>Total Equity (Ex FAS 115)</b>	<b>1,044</b>	<b>831</b>	<b>1,004</b>	<b>1,150</b>	<b>1,367</b>
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)	2022A	2023A	2024E	2025E	2026E
Expense Ratio	17.2%	18.9%	20.6%	20.5%	20.5%
Loss Ratio	NA	NA	NA	NA	NA
<b>Combined Ratio</b>	<b>17.2%</b>	<b>18.9%</b>	<b>20.6%</b>	<b>20.5%</b>	<b>20.5%</b>
Avg Assets / Avg Eq (Ex FAS 115) Ratio	2.7x	3.1x	3.8x	4.3x	4.6x

## Growth Rates (YoY) (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Total Earned Premium	NA	NA	NA	NA	NA
Net Investment Income	NA	NA	NA	NA	NA
Total Revenue	31.6%	-27.7%	-15.5%	5.0%	5.0%
Operating Earnings per Share	47.4%	-31.1%	-48.3%	15.6%	9.4%
Asset	-7.8%	1.2%	38.8%	27.9%	22.9%
Reported Book Value per Share	NA	NA	NA	NA	NA

## Performance Metrics (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Operating ROE	48.4%	34.5%	17.5%	17.3%	16.2%
Operating ROE (Ex FAS 115)	48.4%	34.5%	17.5%	17.3%	16.2%
Operating Return on Average Assets	17.7%	11.1%	4.6%	4.0%	3.5%
Operating Margin	10.2%	8.5%	5.0%	5.5%	5.8%
Long Term Debt to Cap Ratio (Ex FAS 115)	44.7%	50.4%	65.6%	71.9%	74.3%
Net Income % Operating Income	83.3%	65.2%	57.3%	63.6%	67.3%
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

507,098

## Quarterly Earnings Estimates

	2023	2024
Q1	2.49A	0.78E
Q2	2.38A	1.08E
Q3	1.97A	1.00E
Q4	1.32A	1.34E



## Price objective basis & risk

### AMN Healthcare (AMN)

Our \$79 PO is based on 10.4x our 2025E EBITDA, above the midpoint of its historical 8-11x multiple range, which we think is justified given 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 of 2024.

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

I, Kevin Fischbeck, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### US - Facilities, Hospitals and Managed Healthcare Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	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
<b>NEUTRAL</b>				
	Alignment Healthcare	ALHC	ALHC US	Adam Ron
	AMN Healthcare	AMN	AMN US	Kevin Fischbeck, CFA
	Apollo Medical	AMEH	AMEH US	Adam Ron
	Brookdale	BKD	BKD US	Joanna Gajuk
	Centene Corporation	CNC	CNC US	Kevin Fischbeck, CFA
	Molina Healthcare, Inc.	MOH	MOH US	Kevin Fischbeck, CFA
<b>UNDERPERFORM</b>				
	AdaptHealth Corp.	AHCO	AHCO US	Joanna Gajuk
	Agility Health Inc	AGTI	AGTI US	Kevin Fischbeck, CFA
	Cross Country Healthcare	CCRN	CCRN US	Kevin Fischbeck, CFA
	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

## iQmethod<sup>SM</sup> Measures Definitions

### Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

### Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

### Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

### Numerator

$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

### Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

### Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

$\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} +$

Other LT Liabilities

Enterprise Value

### Denominator

$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill}$

Amortization

Shareholders' Equity

Sales

N/A

N/A

### Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

### Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

$\text{Market Cap} = \text{Current Share Price} \times \text{Current Basic Shares}$

Sales

Basic EBIT + Depreciation + Amortization

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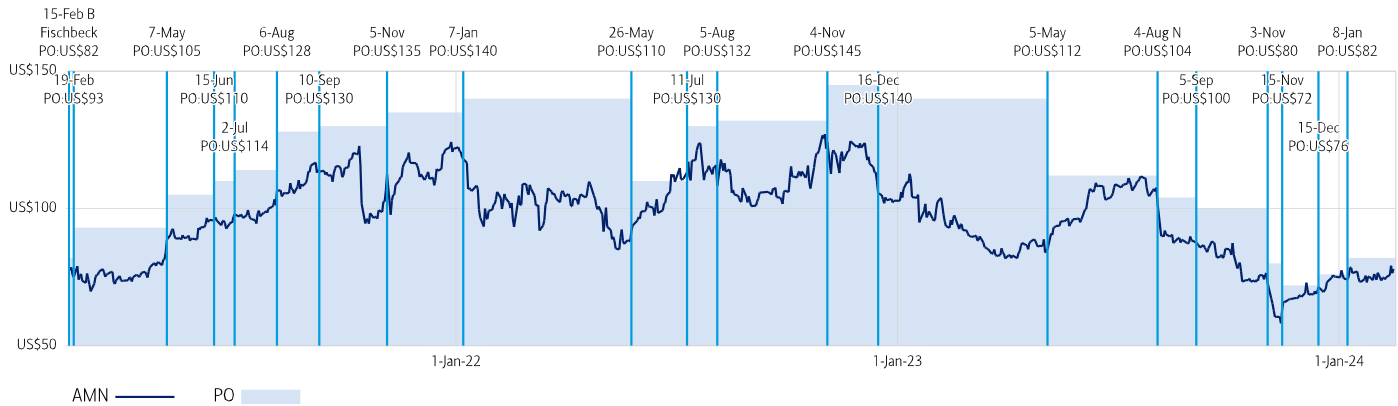
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### Equity Investment Rating Distribution: Services Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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 31 Dec 2023)

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Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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