

## Amedisys, Inc.

# Q4 results in line: worse home health margins offset by better hospice

Reiterate Rating: NO RATING | PO: NA | Price: 93.61 USD

## EBITDA in line with consensus

Adj EBITDA was in line with consensus (4% below our est) as slightly better revenues were offset but slightly worse margins. Home health (HH) revs were slightly above consensus while hospice was in line and High Acuity revenues were below. Given the pending deal, AMED is not providing guide. We tick down our 2024/25 ests for the miss vs our model, and roll out 2026 est. We rate Amedisys (AMED) as No Rating given that the stock is no longer trading on fundamentals due to the pending acquisition by UnitedHealth Group (UNH). The accelerating vols and better margins in the hospice segment are a positive through for Chemed's (CHE) Vitas and Addus' (ADUS) hospice.

## Hospice revs in line, vols improved

Hospice revs were in line with consensus. Margins were up +200bps y/y, and 50bps above consensus. Pricing improved to +4.4%, and cost per day grew 4.6% y/y. The average LOS increased 3 days q/q to 97 (and up from 94 year ago). Same store (SS) ADC was flat y/y (vs -2% y/y in Q3) implying trends vs 2019 improved sequentially. SS admissions decreased -3%, an improvement from -6% in Q3.

## HH vols improved, but margins worse on mix shift

Revs were 2% above consensus. SS vols +5% y/y, acceleration from +3% in Q3. Admits were +7% y/y, also improving from +4% in Q3 - trends vs 2019 improved sequentially. Pricing was +0.3% y/y, worse than +0.8% in Q3. Cost per visit increased 4.5% y/y (and +3% Q/Q) resulting in margins declining 100bps y/y (roughly in line with consensus). Mix continues to be a headwind: per visit revs were 26.4% of HH revs, up +19% y/y, while Medicare was 62%, down -1% y/y. In positive, Private episodic revs grew 7% y/y.

## High Acuity revs miss but strong growth y/y

Revs were 5% below consensus. Admits grew +46% y/y and revs +64% y/y (prior yr restated). Full risk rev per episode declined 11%, offset by limited risk rev/episode +24.5% y/y. Segment losses improved to -\$5.9m vs -\$6.6m yr ago (-\$7.4m in 3Q23).

Estimates(Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	5.00	4.30	4.35	4.75	5.16
GAAP EPS	3.63	(0.30)	4.35	4.75	5.16
EPS Change (YoY)	-16.0%	-14.0%	1.2%	9.2%	8.6%
Consensus EPS (Bloomberg)	4.86	4.38	4.45	4.86	6.37
Valuation (Dec)					
P/E	18.7x	21.8x	21.5x	19.7x	18.1x
GAAP P/E	25.8x	NM	21.5x	19.7x	18.1x
EV / EBITDA*	12.8x	13.6x	13.7x	12.6x	11.6x
Free Cash Flow Yield*	4.1%	4.3%	6.4%	6.9%	7.5%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 4.

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22 February 2024

## Equity

### Key Changes

(US\$)	Previous	Current
2024E Rev (m)	2,359.6	2,332.8
2025E Rev (m)	2,537.1	2,490.1
2026E Rev (m)	NA	2,672.2
2024E EPS	4.47	4.35
2025E EPS	4.84	4.75
2026E EPS	NA	5.16
2024E EBITDA (m)	249.4	245.1
2025E EBITDA (m)	270.3	266.9
2026E EBITDA (m)	NA	290.2

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## Stock Data

Price	93.61 USD
Price Objective	NA
Date Established	NA
Investment Opinion	-6-
52-Week Range	69.37 USD - 96.44 USD
Mkt Val (mn) / Shares Out (mn)	3,081 USD / 32.9
Free Float	97.8%
Average Daily Value (mn)	23.38 USD
BofA Ticker / Exchange	AMED / NAS
Bloomberg / Reuters	AMED US / AMED.OQ
ROE (2024E)	12.7%
Net Dbt to Eqty (Dec-2023A)	23.2%
ESGMeter <sup>TM</sup>	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".

HH = home health

LOS = Length of Stay

ADC = average daily census

# iQprofile<sup>SM</sup> Amedisys, Inc.

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	11.1%	6.2%	10.3%	11.0%	11.0%
Return on Equity	16.5%	13.3%	12.7%	12.5%	12.2%
Operating Margin	10.6%	9.1%	9.8%	10.1%	10.3%
Free Cash Flow	127	132	196	213	230

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.8x	1.0x	1.5x	1.4x	1.4x
Asset Replacement Ratio	0.2x	0.2x	0.8x	0.8x	0.8x
Tax Rate	26.6%	127.6%	27.0%	27.0%	27.0%
Net Debt-to-Equity Ratio	34.4%	23.2%	5.0%	-10.5%	-23.7%
Interest Cover	13.4x	7.3x	7.7x	8.5x	9.3x

## Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	2,233	2,236	2,333	2,490	2,672
% Change	1.1%	0.2%	4.3%	6.7%	7.3%
Gross Profit	987	991	1,012	1,080	1,159
% Change	-0.8%	0.4%	2.1%	6.7%	7.3%
EBITDA	262	247	245	267	290
% Change	-12.5%	-5.7%	-0.8%	8.9%	8.7%
Net Interest & Other Income	(76)	(164)	(30)	(30)	(30)
<b>Net Income (Adjusted)</b>	<b>163</b>	<b>141</b>	<b>145</b>	<b>161</b>	<b>178</b>
<b>% Change</b>	<b>-16.7%</b>	<b>-14.0%</b>	<b>3.0%</b>	<b>11.0%</b>	<b>10.6%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	119	(10)	145	161	178
Depreciation & Amortization	25	24	17	17	17
Change in Working Capital	(71)	(46)	8	8	8
Deferred Taxation Charge	23	21	12	12	12
Other Adjustments, Net	37	148	29	29	30
Capital Expenditure	(6)	(6)	(14)	(14)	(14)
<b>Free Cash Flow</b>	<b>127</b>	<b>132</b>	<b>196</b>	<b>213</b>	<b>230</b>
<b>% Change</b>	<b>-30.4%</b>	<b>3.5%</b>	<b>49.1%</b>	<b>8.5%</b>	<b>8.3%</b>
Share / Issue Repurchase	17	0	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	(13)	(78)	(196)	(151)	0

## Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	54	139	139	201	432
Trade Receivables	297	313	326	342	361
Other Current Assets	38	45	45	45	45
Property, Plant & Equipment	16	42	42	42	42
Other Non-Current Assets	1,571	1,521	1,521	1,521	1,521
<b>Total Assets</b>	<b>1,976</b>	<b>2,060</b>	<b>2,073</b>	<b>2,151</b>	<b>2,401</b>
Short-Term Debt	15	36	36	36	36
Other Current Liabilities	340	437	442	445	449
Long-Term Debt	419	362	166	15	15
Other Non-Current Liabilities	95	105	163	227	293
<b>Total Liabilities</b>	<b>870</b>	<b>940</b>	<b>807</b>	<b>724</b>	<b>794</b>
<b>Total Equity</b>	<b>1,107</b>	<b>1,120</b>	<b>1,266</b>	<b>1,427</b>	<b>1,606</b>
<b>Total Equity &amp; Liabilities</b>	<b>1,976</b>	<b>2,060</b>	<b>2,073</b>	<b>2,151</b>	<b>2,401</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 4.

## Company Sector

Long-Term Care

## Company Description

AMED is one of the largest home health providers in the US with 321 Medicare certified home health centers, 137 Medicare-certified hospice care centers, and High Acuity business (formerly Contessa), with the total annual revenues of over \$2 billion.

## Investment Rationale

We have removed the investment opinion on the company's stock. Investors should no longer rely on our previous opinion or price objective.

## Stock Data

Average Daily Volume 249,715

## Quarterly Earnings Estimates

	2023	2024
Q1	1.00A	0.98E
Q2	1.38A	1.11E
Q3	0.98A	1.13E
Q4	0.94A	1.13E

## Price objective basis & risk

### Amedisys, Inc. (AMED)

We have removed the investment opinion on the company's stock. Investors should no longer rely on our previous opinion or price objective.

## Analyst Certification

I, Joanna Gajuk, 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
	BrightSpring Health Services	BTSB	BTSB US	Joanna Gajuk
	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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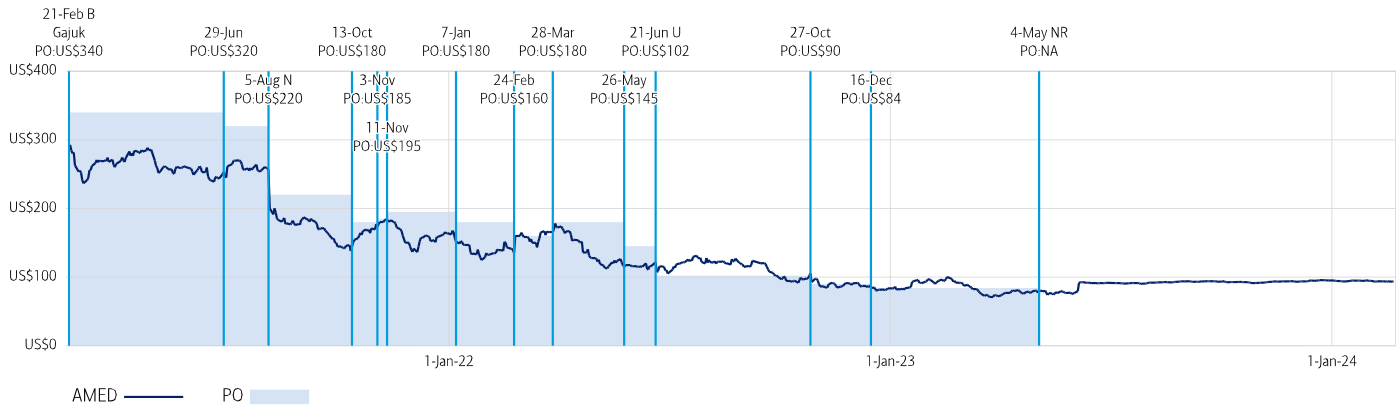
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### Amedisys, Inc. (AMED) Price Chart



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: Health Care Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> 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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Neutral	≥ 0%	≤ 30%
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