

Chemed Corporation (d/b/a Roto-Rooter & VITAS)



- Strong liquidity and minimal leverage, supported by consistent performance in its VITAS segment.
- Operational risks in Roto-Rooter and staffing challenges at VITAS are offset by strategic management and stable leadership, ensuring sustainability.

Strengths

- Robust Financials:** Chemed has shown strong liquidity with a current ratio of 1.61 and minimal leverage, evidenced by a net debt to EBITDA ratio of -0.30, indicating a net cash position, far better than the industry median.
- Market Leadership & Brand Strength:** As a leader in both hospice care "VITAS" and plumbing services "Roto-Rooter", Chemed benefits from strong brand equity, high market penetration, and reputation for quality services.
- Diverse Service Offerings:** The company offers a broad array of services within its subsidiaries, enhancing its ability to tap into various revenue streams and reducing reliance on any single market segment.

Challenges

- Economic Sensitivity of Consumer-Facing Business:** Roto-Rooter's significant decrease in call volume (18.7% year-over-year) illustrates its vulnerability to economic downturns, affecting steady revenue generation.
- Staffing Challenges:** Despite overall growth, Chemed faces challenges in hiring, particularly noted in VITAS, where below-target hiring could impact service delivery and growth.
- Dependence on Healthcare Reimbursement Rates:** VITAS's operations are significantly influenced by Medicare reimbursement policies, which could affect profitability if unfavorable changes occur.

Scorecard Summary

	Weight	Score	Dimension	Contribution
Financial	75%	7.9	Liquidity	<div></div>
			Leverage	<div></div>
			Profitability	<div></div>
Business	25%	7.2	Industry Risk	<div></div>
			Competitive Position	<div></div>
			Mgmt / Governance	<div></div>
			Sponsor / Parent	<div></div>
Modifiers		0.8	Revenue Segment	<div></div>
			Trend Analysis	<div></div>
			Financial Flexibility	<div></div>
			Other Modifier	<div></div>
				<div></div>

Company Overview

Headquarters	Cincinnati, Ohio	U.S.
Type	Public	
Employees	15,087, of which 3,600 with Roto-Rooter	
Year Founded	1970	
Website	https://chemed.com; https://www.rotorooter.com/; https://www.vitas.c	
Business	Provides hospice care and plumbing services.	
Revenues	\$2,264.4M	

- Company Overview:** Chemed Corporation operates through two main subsidiaries, VITAS Healthcare and Roto-Rooter (roughly 50:50), providing specialized services in hospice care and plumbing respectively, across a wide geographic area in the United States.
- Product:** VITAS offers a range of end-of-life services, while Roto-Rooter provides comprehensive plumbing and drain services, each leading in their respective fields.
- Customers:**
 - VITAS Healthcare serves terminally ill patients and their families, providing necessary care and support during critical times.
 - Roto-Rooter mainly services residential and commercial property owners, addressing urgent and routine plumbing and water cleanup needs, which are fundamental for maintaining property safety and hygiene
- Ownership:** Publicly traded on the NYSE under the ticker "CHE", providing transparency and regulatory compliance which bolsters investor confidence.

Financial Ratio Benchmarking

# of Benchmarks:		14				
			Industry Median	Company Metric	Percentile Rank	
Liquidity	Current Ratio		1.25	1.61	<div></div>	76%
	Quick Ratio		1.05	1.57	<div></div>	82%
Leverage	Net Debt / EBITDA		4.21	(0.30)	<div></div>	96%
	Debt to Assets		49.5%	8.4%	<div></div>	94%
Profitability	EBITDA Margin		12.2%	18.3%	<div></div>	59%
	ROCE %		8.7%	25.1%	<div></div>	93%
	Revenue		\$2,462M	\$2,264M		

- Chemed's liquidity ratios exceed the peer medians, indicating a stronger ability to meet short-term obligations than competitors.
- A negative leverage ratio and substantially lower Debt to Asset ratio ,compared to peers, provides substantial financial flexibility.

Financial Statement Highlights

\$ '000s	Dec-21 T12	Dec-22 T12	Dec-23 T12	Chg
Income Statement				
Total Revenue	2,139,261	2,134,963	2,264,417	6.1%
Gross Profit	769,803	765,086	798,815	4.4%
Adjusted EBITDA	430,145	415,994	415,179	-0.2%
Gross Profit Margin	36.0%	35.8%	35.3%	(56) bps
EBITDA Margin	20.1%	19.5%	18.3%	(115) bps
Balance Sheet				
Cash And Cash Equivalents	32,895	74,126	263,958	256.1%
Total Current Assets	230,286	272,612	500,843	83.7%
Total Assets	1,342,723	1,442,012	1,668,095	15.7%
Total Current Liabilities	302,399	297,205	312,050	5.0%
Total Debt	323,542	247,009	139,411	-43.6%
Total Equity	623,273	798,715	1,107,876	38.7%
Cash Flow				
Net Income	268,550	249,624	272,509	9.2%
CAPEX	58,675	57,325	56,854	-0.8%
Depreciation & Amortization	59,051	59,172	60,865	2.9%
Fixed Charge Coverage Ratio	6.44x	5.87x	7.08x	+1.2x

- From 2021 to 2023, total revenue grew from \$2.14bn to \$2.26bn, illustrating a positive trend amidst economic fluctuations.
- EBITDA margin slightly declined from 20.1% in 2021 to 18.3% in 2023, yet remains above the industry median, indicating efficient operational management.
- Total assets increased from \$1.34bn in 2021 to \$1.67bn in 2023, reflecting continued investment in the business and growth in equity.

Business Risk Highlights

- Industry:** Both segments operate in highly competitive environments. The Roto-rooter business is generally more volatile than the hospice segment. The U.S. hospice market (~\$37.9bn in 2023) is expected to grow at a CAGR of 8.1% through 2030. By 2025, the plumbing industry in the US is expected to grow at a (CAGR) of 4.2%.
- Competitive Position:** As a leader in hospice care and plumbing, the entity balances market dominance with financial strength, featuring high liquidity, low leverage, and an EBITDA Margin ranging ~50% above its' industry peers.
- Management:** Chemed's management has demonstrated adaptability by navigating economic downturns and regulatory challenges while maintaining profitability and service quality.
- Ownership:** As a publicly traded entity, Chemed faces market expectations for continual growth and profitability, which could drive strategic decisions that may not always align with long-term stability.