



Healthcare Services Industry Report Q1 2022





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Healthcare Services Industry Report

I. Medical Group Practice Management

MEDICAL GROUP PRACTICE MANAGEMENT KEY TAKEAWAYS

- ❑ **Medical Group Practice Management revenues** are expected to increase at an annualized rate of 3.4% from 2022 to 2027. Demand for healthcare services is projected to remain strong, driven by the aging baby boomer population and the rising prevalence of chronic conditions. In addition, healthcare reform is anticipated increase the number of insured patients, thereby boosting demand.
- ❑ **External Drivers**
 - **Federal funding for Medicare and Medicaid:** Medicare and Medicaid reimbursement accounts for a significant share of industry revenue. Therefore, as funding for and access to Medicare and Medicaid increases, demand for industry services also increases. In 2022, federal funding for Medicare and Medicaid is expected to increase, representing a potential opportunity for the industry.
 - **Number of adults aged 65 and older:** Adults aged 65 and older account for the second-largest market for industry services. As people age, they are more likely to develop age-related health conditions and accumulate higher healthcare costs. Over the five years to 2027, the number of adults aged 65 and older is anticipated to increase at an annualized rate of 2.8% to reach 67.6 m individuals.
 - **Number of people with private health insurance:** Primary care and specialist doctor visits represent the main expense covered by private health insurance. As more people gain coverage, healthcare services become more affordable and demand for industry services rises. In addition, healthcare reform has brought in an influx of newly insured individuals. The number of privately insured individuals is expected to increase in 2022, but the total is expected to fall below pre-pandemic totals, posing a threat to industry operators.
 - **Per capita disposable income:** The economic indicators that drive disposable income levels are expected to steadily strengthen from 2022 – 2027, following the expected correction in 2022. Continued increases in employment and overall economic growth will support a proportionate rise in per capita income as a result. However, mounting inflation stands to pressure consumer spending. Overall, per capita disposable income is anticipated to increase at an annualized rate of 1.7% to 2027.
- ❑ **Industry Outlook**
 - **Continued Growth:** Over the coming years, healthcare reform, aging demographics and medical personnel shortages will likely continue to shape the Medical Group Practice Management industry.
 - **Emerging Trends:** Structural changes borne from the COVID-19 (coronavirus) pandemic, such as telehealth consultation, are expected to continue driving innovation in terms of patient-doctor interaction

INDUSTRY AT A GLANCE

Key Statistics



\$367.9bn Revenue

- Annual Growth 2016 – 2021 1.8%
- Annual Growth 2022 – 2027 3.4%



\$48.2bn Profit

- Annual Growth 2016 – 2021 0.5%



13.1% Profit Margin

- Annual Growth 2016 – 2021 -0.9pp



119k Businesses

- Annual Growth 2016 – 2021 0.2%
- Annual Growth 2022 – 2027 2.2%



2m Employees

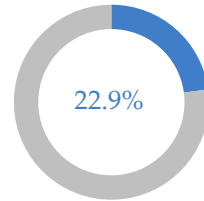
- Annual Growth 2016 – 2021 1.7%
- Annual Growth 2022 – 2027 3.0%



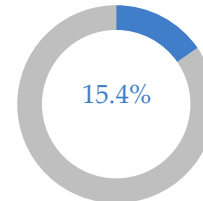
\$180.8bn Wages

- Annual Growth 2016 – 2021 2.2%
- Annual Growth 2022 – 2027 3.1%

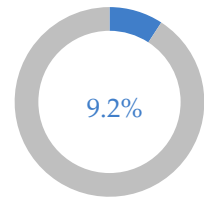
Segments



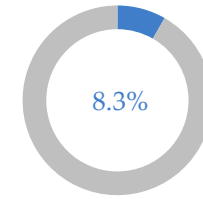
Family Practice Services



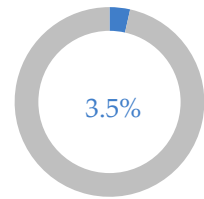
Pediatric Services



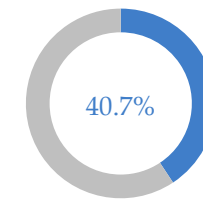
Internal Medicine Services



Obstetrics and Gynecology services



Surgery Services



Other Services

SWOT Analysis



STRENGTHS

- Growth Life Cycle Stage
- Low Imports
- High Profit vs. Sector Average
- Low Capital Requirements



WEAKNESSES

- None



OPPORTUNITIES

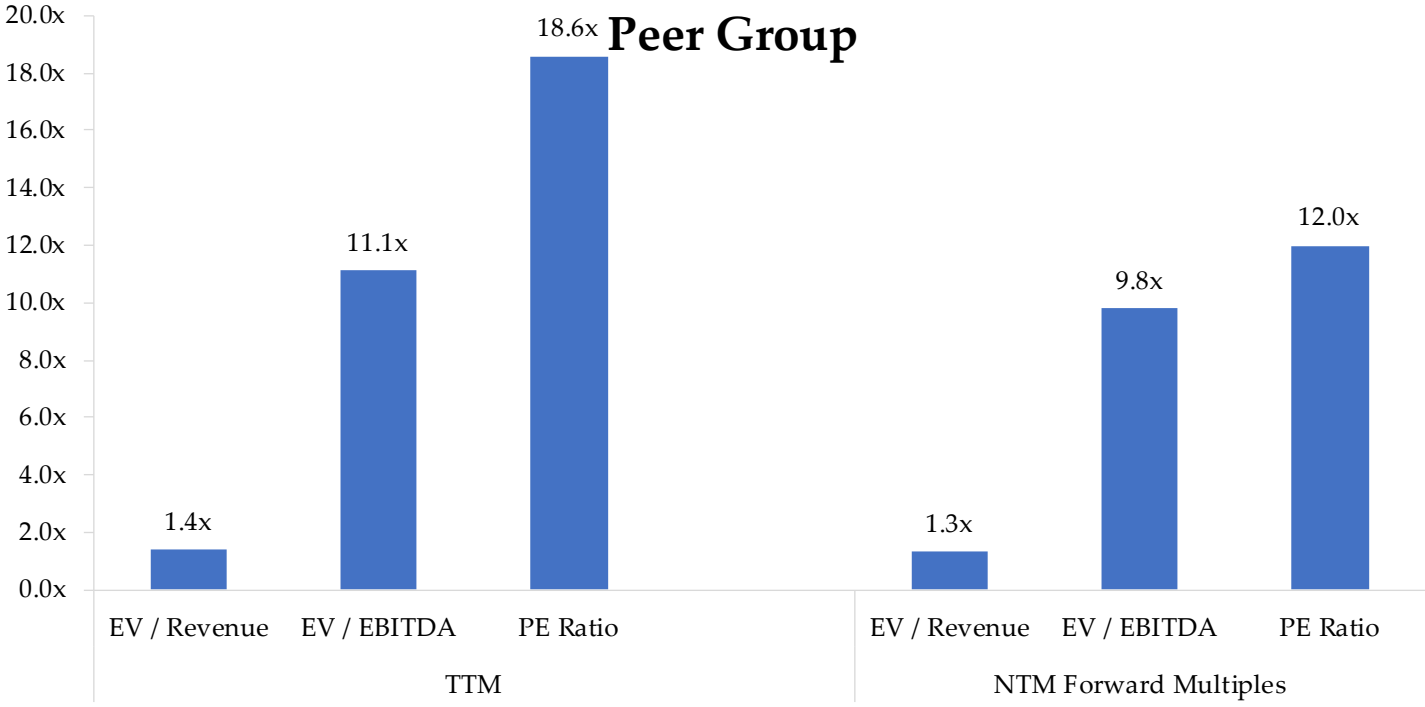
- High Revenue Growth (2022-2027)
- High Performance Drivers
- Increase in number of people with private health insurance



THREATS

- Low Outlier Growth
- Number of people with private healthcare insurance
- Declining birth rate

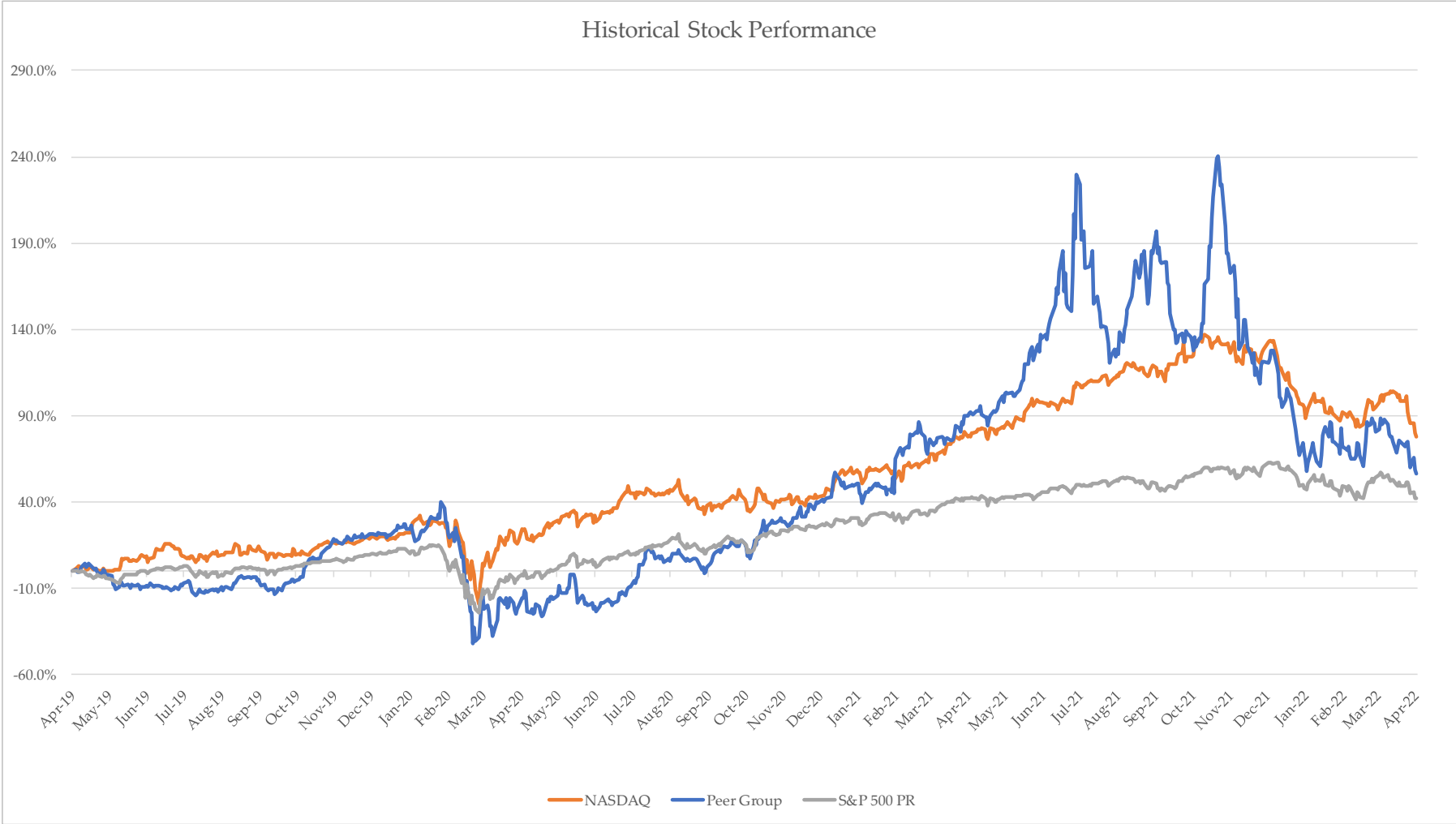
PUBLIC COMPARABLES



PUBLIC COMPARABLES

\$ in Millions Ticker	Carecloud	Mechax	Evolve Health	Apollo Medical Holdings	Select Medical Holdings			
	MTBC	MD	EVH	AMEH	SEM			
Total Revenue	\$140	\$1,911	\$908	\$767	\$6,205			
Gross Profit	53	513	250	171	919			
EBIT	3	204	-5	82	760			
Net Income	\$3	\$131	(\$38)	\$74	\$402			
EBITDA (Normalized)	22	265	66	174	947			
Total Debt	17	1,066	280	201	4,762			
EV	70	2,622	2,619	1,815	8,030			
Employees	4,100	2,725	3,500	1,133	50,500			
Ratio Analysis							Median	
Revenue/Employee	\$34,049	\$701,354	\$259,416	\$677,294	\$122,862	\$259,416		
EV/Revenue	0.50x	1.37x	2.88x	2.37x	1.29x	1.37x		
Debt/EBITDA	0.70x	5.12x	5.57x	2.26x	4.74x	4.74x		
EV/EBITDA (Normalized)	4.66x	12.20x	43.43x	19.05x	8.33x	12.20x		
Market Cap/EBITDA	7.20x	11.56x	98.07x	22.36x	3.78x	11.56x		
Market Cap (mm)	63	2,043	2,605	1,839	3,087			
Close Price	4.16	23.43	28.68	40.85	23.08			
52 Week Low	4.13	22.31	17.62	27.40	21.48			
52 Week High	9.39	35.68	34.60	133.23	43.60			
Gross Margin	37.7%	26.9%	27.6%	22.3%	14.8%	26.9%		
EBIT	2.5%	10.7%	-0.5%	10.6%	12.3%	10.6%		
EBITDA	14.1%	12.4%	6.1%	12.9%	15.5%	12.9%		
A cct. Receivable Days	40	50	69	36	54	50		
Inventory Days	2	NM	NM	NM	NM	2		
A cct. Payable Days	43	29	32	20	17	29		
Revenue Growth	32.8%	10.2%	-1.8%	12.5%	12.2%	12.2%		

MEDICAL GROUP PRACTICE MANAGEMENT INDEX VS. S&P 500



DCA Medical Group Practice Index: MTBC, MD, EVH, AMEH, SEM

RECENT PRIVATE TRANSACTIONS

Deal Date	Target	Acquirer	Deal Synopsis
30-Mar-2022	Span Health	Eight Sleep	The company was acquired by Eight Sleep for an undisclosed amount on March 30, 2022. As part of the deal, Span's leadership team, including CEO and cofounder Patrick Samy and Chief Medical Officer Adam Bataineh, will join Eight Sleep's production division. The acquisition provides a way to improve the company's health-coaching services and expand its program.
15-Mar-2022	Health New Lynn	ProCare Network	The company reached a definitive agreement to be acquired by ProCare Network for an undisclosed amount on March 15, 2022. The acquisition is a part of ProCare Network's Elevate program and expands its mental health services portfolio.
08-Mar-2022	Wellview	SentryHealth	The company was acquired by SentryHealth for an undisclosed amount on March 8, 2022.
02-Mar-2022	Allscripts	Harris Computer	Harris Computer entered into a definitive agreement to acquire the Hospitals and Large Physician Practices Portfolio of Allscripts Healthcare Solutions for \$700 million on March 2, 2022. The deal is expected to close on second quarter of 2022.
01-Feb-2022	Spectrum Health	Beaumont Health	The company was acquired by Beaumont Health for an undisclosed amount on February 1, 2022.

RECENT PUBLIC TRANSACTIONS

Deal Date	Target	Acquirer	Deal Synopsis
05-Apr-2022	Tivity Health	Stone Point Capital	Tivity Health (NAS: TVTY) entered into a definitive agreement to be acquired by Stone Point Capital through a \$2 billion public to private LBO on April 5, 2022. As a part of the transaction, debt financing was provided by an undisclosed lender.
01-Apr-2022	Clinigence Health	Nutex Health	NutexHealth (NAS: NUTX) acquired Clinigence Health (OTC: CLNH) through a reverse merger for an undisclosed amount, resulting in the combined entity trading on NASDAQ stock exchange under the ticker symbol NUTX on April 1, 2022.
29-Mar-2022	LHC Group	Optum	The LHC Group (NAS: LHCG) reached a definitive agreement to be acquired by Optum, a subsidiary of UnitedHealth Group (NYSE: UNH) for \$6 billion on March 29, 2022. The acquisition is expected to close in the second half of 2022.

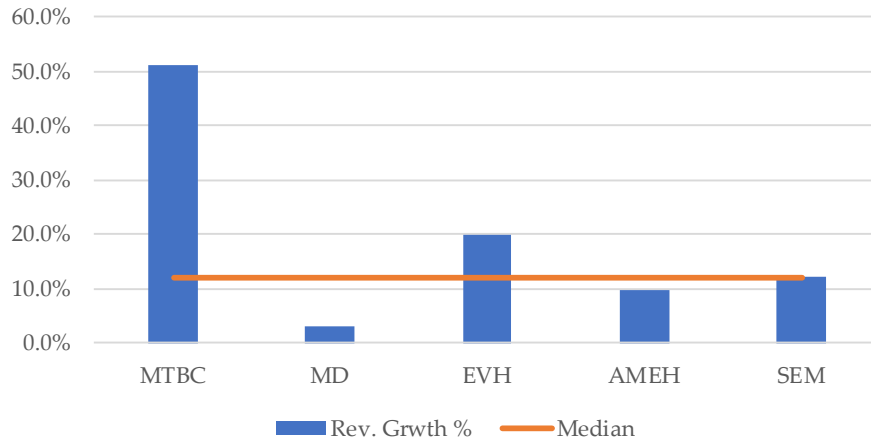
VALUATION TRENDS

Ticker	Company	Fundamentals									
		TTM							NTM Estimates		
		Close Price	Market Cap	Enterprise Value	Total Revenue	EBITDA	EBITDA (Normalized)	Basic EPS	Total Revenue	EBITDA	Normalized EPS
MTBC	Carecloud	4.16	62.66	70.20	139.60	19.68	22.12	(0.77)	155.75	26.35	(0.46)
MD	Mednax	23.43	2042.77	2621.69	1911.19	236.10	265.48	1.54	2018.49	279.51	1.99
EVH	Evolent Health	28.68	2604.93	2619.11	907.96	55.22	66.32	(0.44)	1218.27	89.50	0.15
AMEH	Apollo Medical Holdings	40.85	1839.50	1815.42	767.37	99.09	174.19	1.69	1080.08	176.12	1.59
SEM	Select Medical Holdings	23.08	3086.89	8029.72	6204.52	963.00	947.36	2.98	6403.33	820.90	2.29

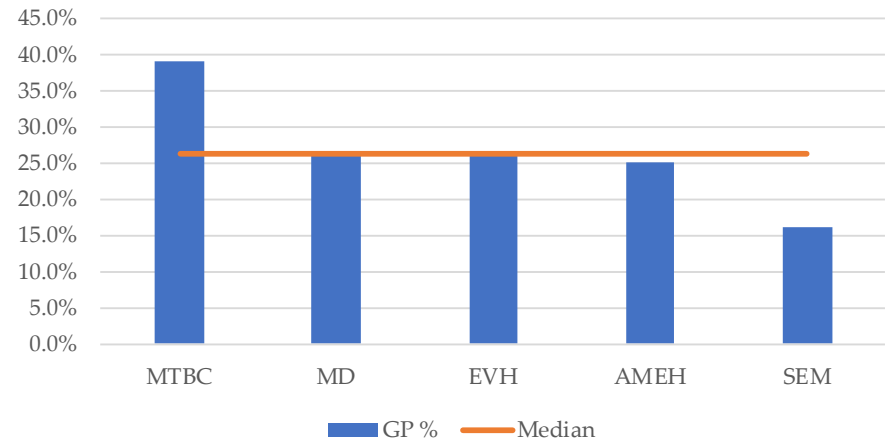
Ticker	Company	Multiples					
		TTM			NTM Forward Multiples		
		EV / Revenue	EV / EBITDA	PE Ratio	EV / Revenue	EV / EBITDA	PE Ratio
MTBC	Carecloud	0.50	3.57		0.45	2.66	(9.04)
MD	Mednax	1.37	11.10	18.60	1.30	9.38	11.76
EVH	Evolent Health	2.88	47.43		2.15	29.26	191.20
AMEH	Apollo Medical Holdings	2.37	18.32	25.06	1.68	10.31	25.65
SEM	Select Medical Holdings	1.29	8.34	7.74	1.25	9.78	10.08

OPERATING METRICS

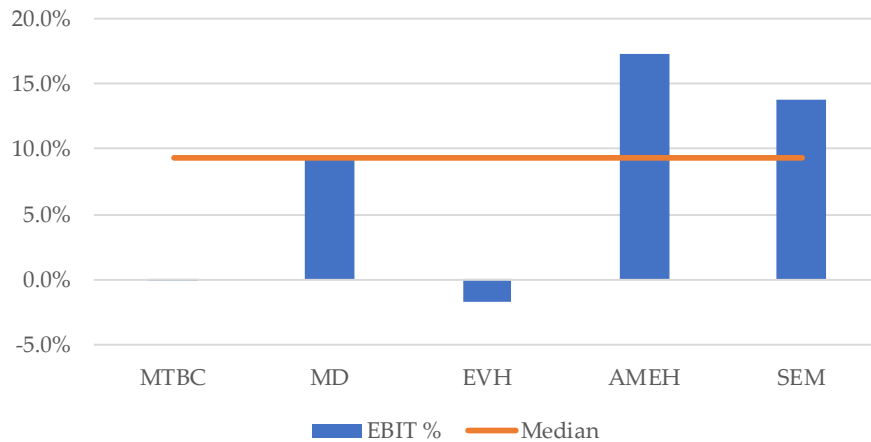
Revenue Growth



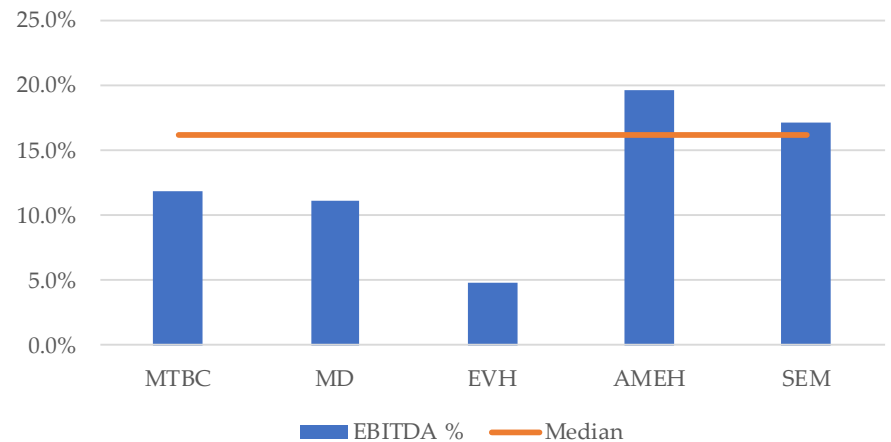
Gross Profit Margin



EBIT Margin

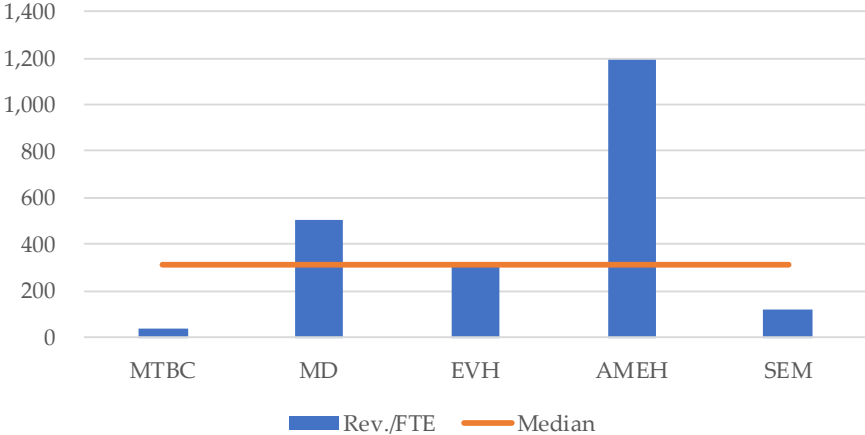


EBITDA Margin

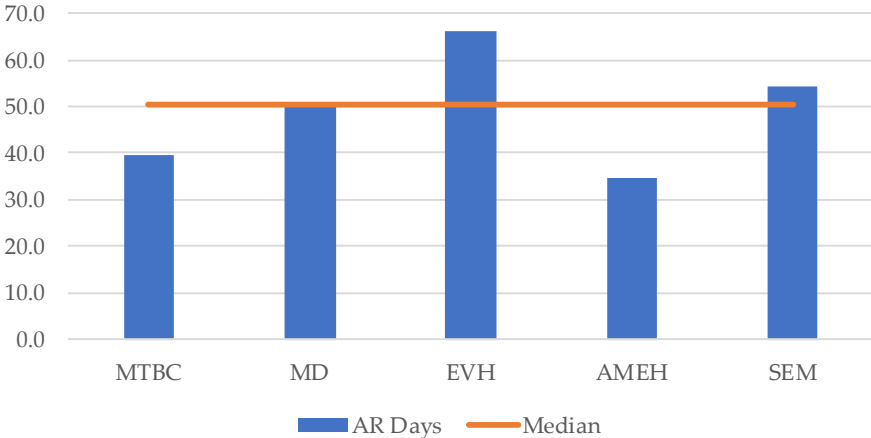


RATIO ANALYSIS

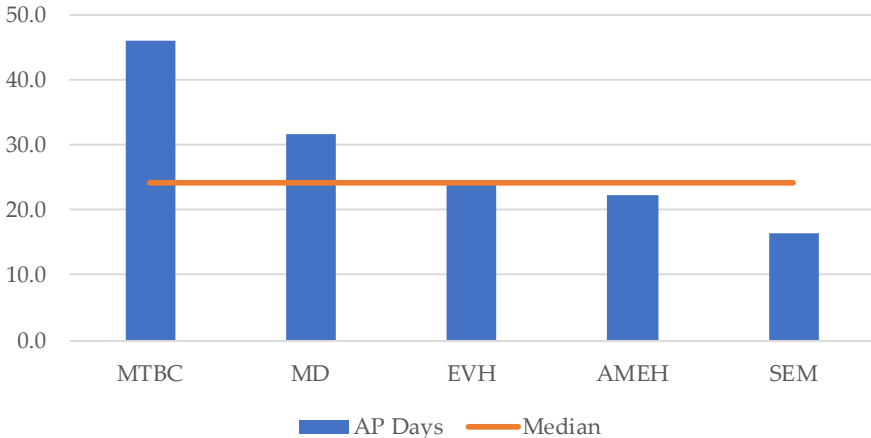
Revenue per Employee



AR Days



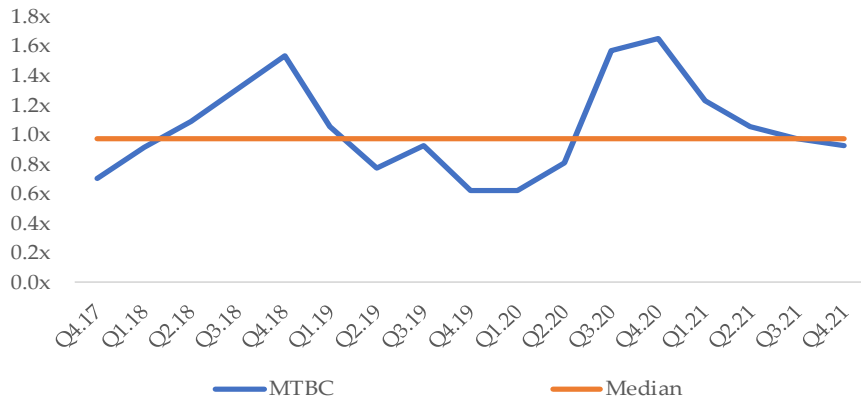
AP Days



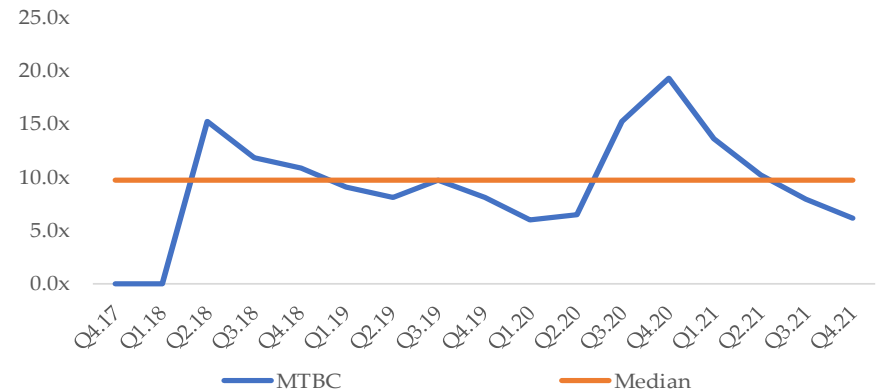


CareCloud Inc (NAS: MTBC) operates in the healthcare industry. The company's services and solutions include revenue cycle management (RCM), practice management (PM), electronic health record (EHR), business intelligence, telehealth, and patient experience management (PXM).

EV/Revenue Carecloud



EV/EBITDA Carecloud

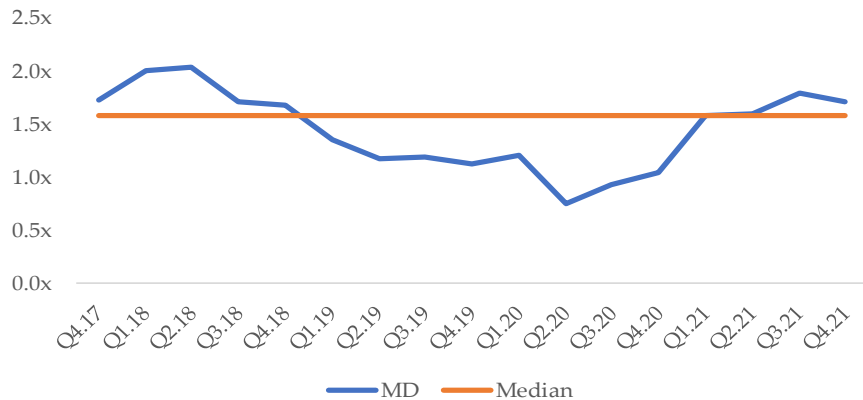


PUBLIC COMP

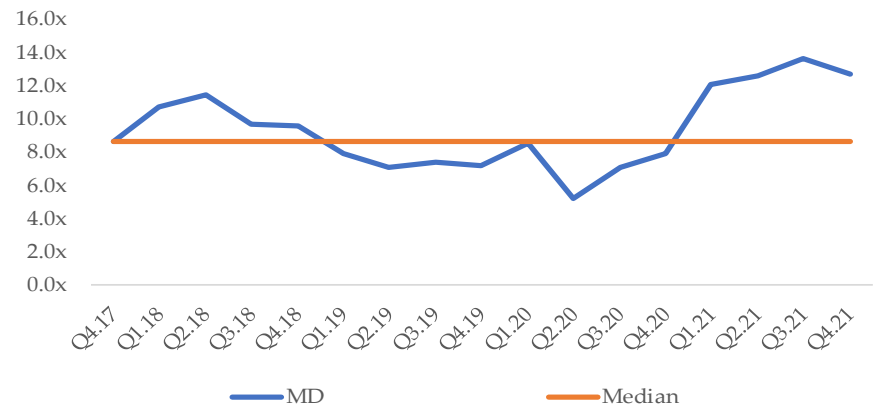


Mednax Inc (NYS: MD) provides physician services to hospitals, intensive care units, and other medical units. The services provided by the company include maternal care for expectant mothers, intensive care for premature babies, cardiology care for infants suffering from heart defects, and anesthesia care during surgeries, among others. The company operates only under one segment, which is physician services.

EV/Revenue Mednax



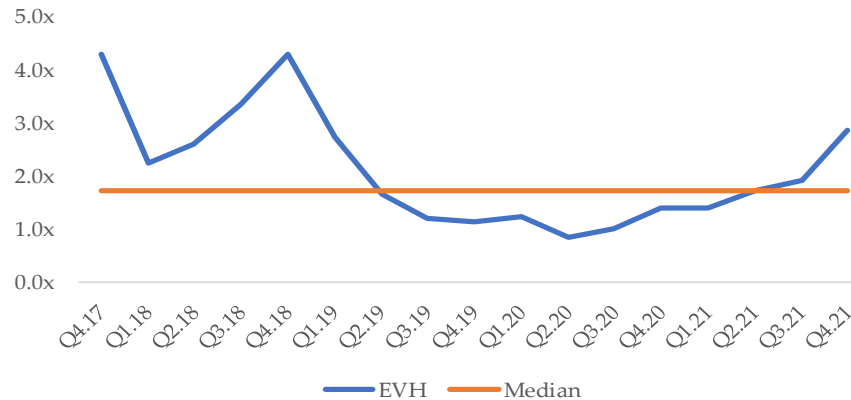
EV/EBITDA Mednax





Evolent Health Inc (NYS: EVH) is engaged in healthcare delivery and payment. The company supports health systems and physician organizations in their migration toward value-based care and population health management. The company's reportable segments are a Service Segment - specialty care management services, value-based care services, comprehensive health plan administration services – and a True Health Segment, which consists of a commercial health plan focusing on small and large businesses.

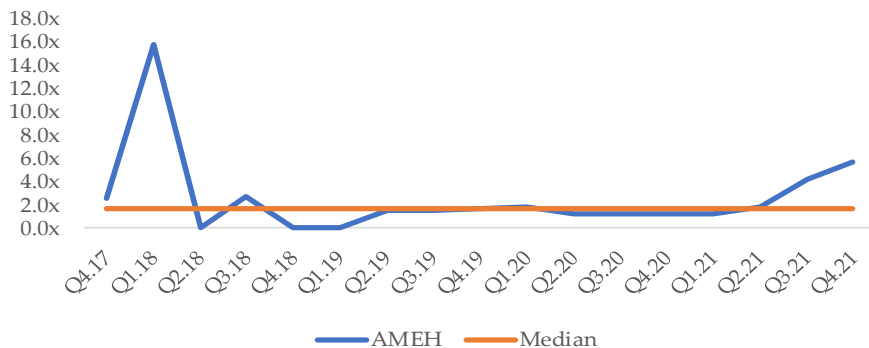
EV/Revenue Evolent Health



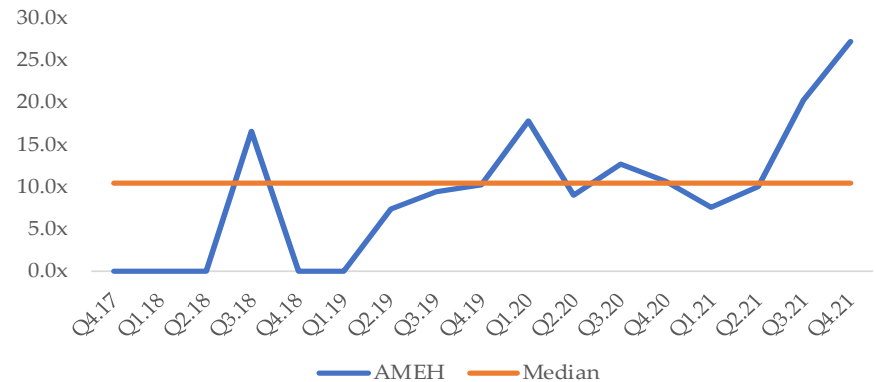


Apollo Medical Holdings Inc (NAS: AMEH) is a patient-centered, physician-centric integrated population health management company. The company is working to provide coordinated, outcomes-based medical care in a cost-effective manner. It is focused on physicians providing high-quality medical care, population health management and care coordinated for patients.

EV/Revenue Apollo Medical Holdings



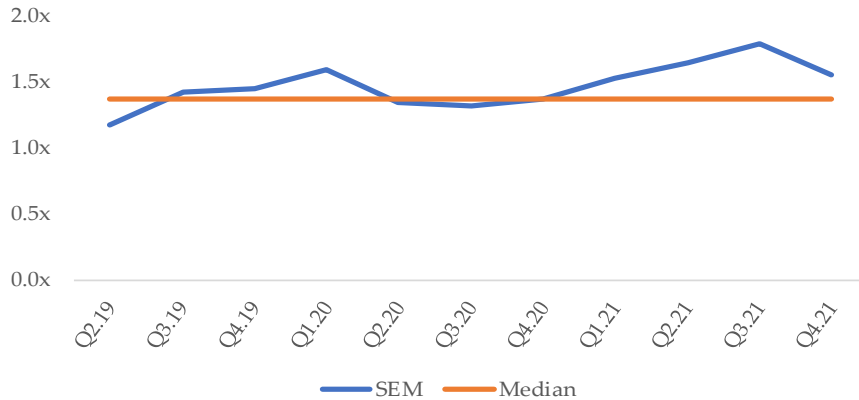
EV/EBITDA Apollo Medical Holdings



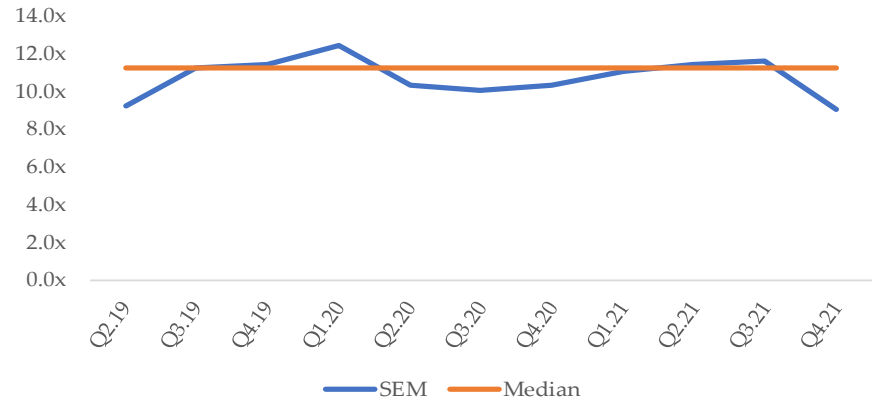


Select Medical Holdings (NYS: SEM) is a healthcare company that operates through four main segments: critical illness recovery hospitals, rehabilitation hospitals, outpatient rehabilitation clinics, and Concentra institutions. The company is headquartered in Pennsylvania, and it operates across the United States.

EV/Revenue Select Medical Holdings



EV/EBITDA Select Medical Holdings





Healthcare Services Industry Report

II. Home Health & Hospice

HOME HEALTH & HOSPICE INDUSTRY KEY TAKEAWAYS

- ❑ **Home Health & Hospice** industry revenue is expected to increase at an annualized rate of 5.1% to \$140.8 billion from 2022 to 2027. The industry is expected to evolve, including more chronic disease-management services, and thus, consolidation will likely benefit the industry to influence policy change and benefit from larger-scale operations.
- ❑ **External Drivers**
 - **Federal funding for Medicare and Medicaid:** Medicare and Medicaid reimbursement accounts for a significant share of industry revenue. Therefore, as funding for and access to Medicare and Medicaid increases, demand for industry services also increases. In 2022, federal funding for Medicare and Medicaid is expected to increase, representing a potential opportunity for the industry.
 - **Number of adults aged 65 and older:** The need for caregiving increases with age. It is estimated that nearly three out of four Americans turning 65 will require some form of long-term service and support in their lives. The number of adults aged 65 and older is expected to increase in 2022, representing a potential opportunity for the industry.
 - **Cost Savings:** Studies have shown significant cost savings generated by using personal care. Home health is almost 1/3 the cost of a stay at a skilled nursing facility (SNF), while hospice can reduce Medicare spending by 20 – 30% when used in the last year of life. This has led more people to use home health & hospice services.
 - **Demand shift from institutional settings to home:** There has been a shift of preference among senior patients to remain home as opposed to institutional settings. The ongoing shift towards home health was accelerated by the COVID-19 pandemic given the high mortality in nursing homes.
 - **Per capita disposable income:** The economic indicators that drive disposable income levels are expected to steadily strengthen from 2022 – 2027, following the expected correction in 2022. Continued increases in employment and overall economic growth will support a proportionate rise in per capita income as a result. However, mounting inflation stands to pressure consumer spending. Overall, per capita disposable income is anticipated to increase at an annualized rate of 1.7% to 2027.
- ❑ **Industry Outlook**
 - **Continued Growth:** Strong and steady revenue growth is expected for the Home Care Providers industry from 2022 to 2027 as the COVID-19 (coronavirus) pandemic subsides and an aging population feels more comfortable utilizing industry services.
 - **Emerging Trends:** The industry is expected to benefit from increasing interest in home healthcare and expanded access to Medicare and Medicaid under the Patient Protection and Affordable Care Act (PPACA) under federal government. The aging population will likely continue to foster revenue growth because this demographic not only requires more healthcare services compared with other age groups, but it also increasingly prefers home care. Payers are expected to progressively shift to home care because it is more affordable than inpatient hospital and nursing home care.

INDUSTRY AT A GLANCE

Key Statistics



\$109.6bn Revenue

- Annual Growth 2016 – 2021 3.3%
- Annual Growth 2022 – 2027 5.1%



\$8.3bn Profit

- Annual Growth 2016 – 2021 4.5%



7.6% Profit Margin

- Annual Growth 2016 – 2021 -2.6pp
- Annual Growth 2022 – 2027 3.5%



429k Businesses

- Annual Growth 2016 – 2021 3.7%
- Annual Growth 2022 – 2027 5.3%



2m Employees

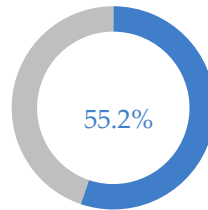
- Annual Growth 2016 – 2021 1.7%
- Annual Growth 2022 – 2027 4.9%



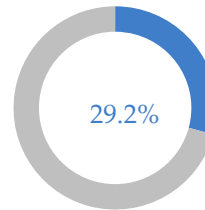
\$55.9bn Wages

- Annual Growth 2016 – 2021 3.9%
- Annual Growth 2022 – 2027 5.5%

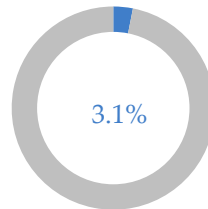
Segments



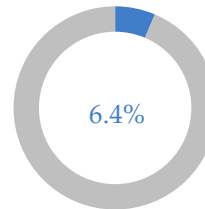
Traditional home healthcare



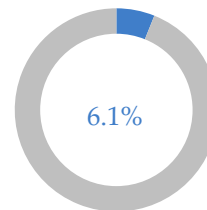
Home Hospice



Home therapy services



Homemaker and personal services



Other

SWOT Analysis



STRENGTHS

- High & Increasing Level of Assistance
- Growth Life Cycle Stage
- Low Volatility
- Low Capital Requirements



WEAKNESSES

- Low & Steady Barriers to Entry
- High Competition
- Low Profit vs. Sector Average
- High Product/Service Concentration



OPPORTUNITIES

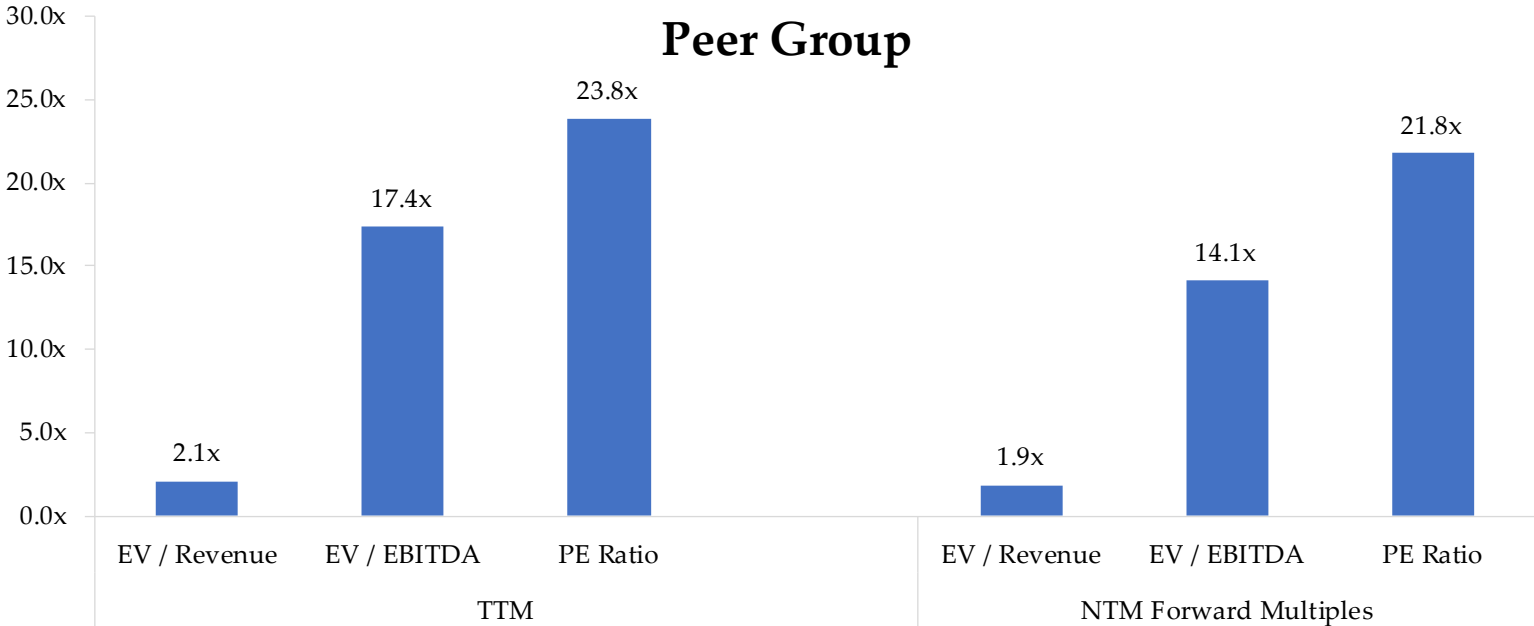
- High Revenue Growth (2022-2027)
- High Performance Drivers
- Number of people with private health insurance



THREATS

- Low Revenue Growth (2005-2021)
- Low Outlier Growth
- Low Performance Drivers
- Number of adults aged 65 and older

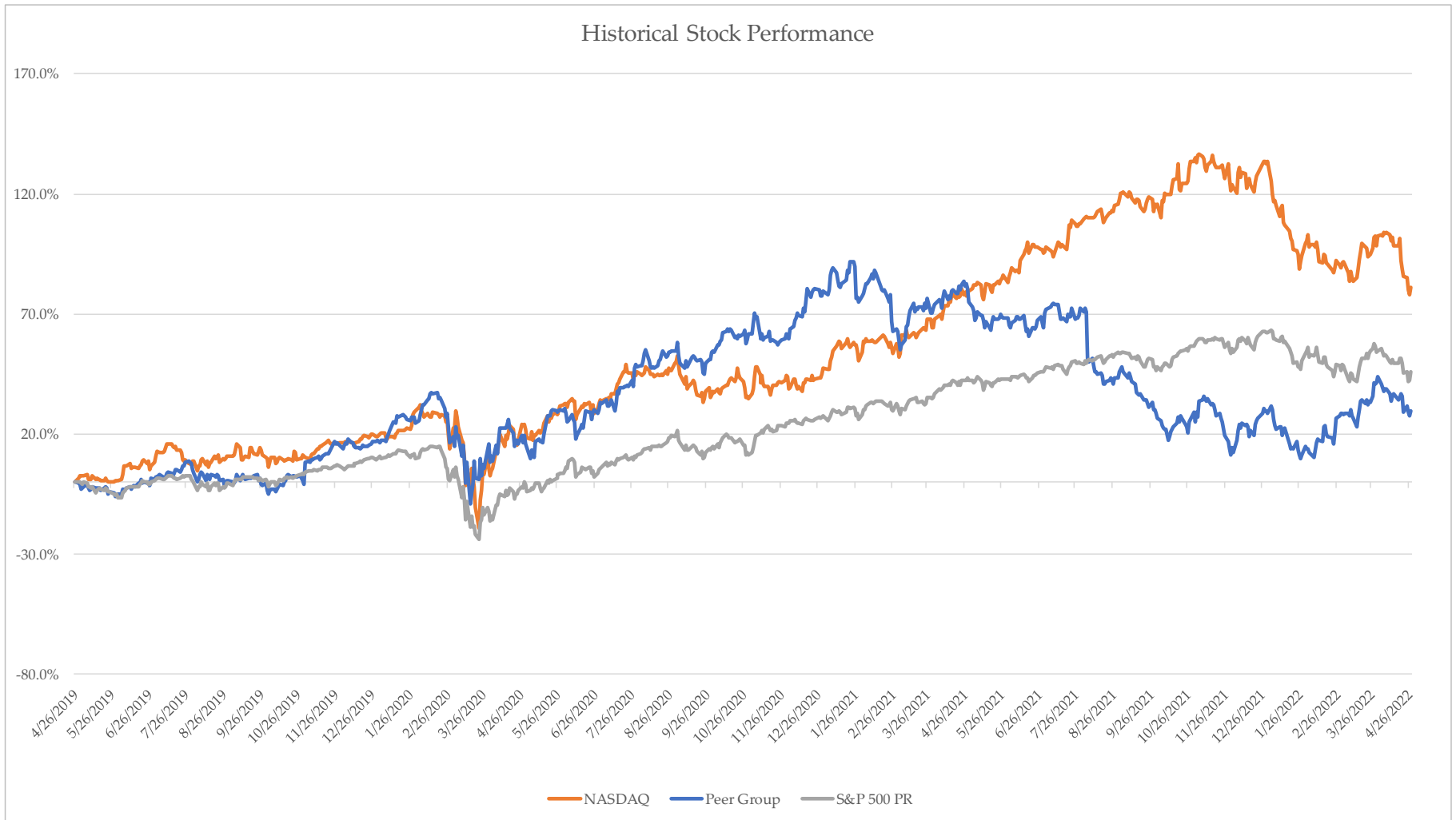
PUBLIC COMPARABLES



PUBLIC COMPARABLES

\$ in Millions Ticker	Amedsys	LHC Group	Encompass Health	The Ensign Group	Addus HomeCare	
	AMED	LHCG	EHC	ENSG	ADUS	
Total Revenue	\$2,214	\$2,220	\$5,122	\$2,627	\$864	
Gross Profit	981	883	4,912	468	270	
EBIT	290	186	822	260	66	
Net Income	\$209	\$116	\$412	\$195	\$45	
EBITDA (Normalized)	300	265	1,028	337	98	
Total Debt	546	778	3,538	1,265	264	
EV	5,118	5,971	10,750	5,625	1,508	
Employees	21,000	30,000	43,400	25,900	31,915	
Ratio Analysis						Median
Revenue/Employee	\$105,434	\$73,987	\$118,009	\$101,446	\$27,088	\$101,446
EV/Revenue	2.31x	2.69x	2.10x	2.14x	1.74x	2.14x
Debt/EBITDA	1.12x	1.30x	3.25x	3.80x	3.10x	3.10x
EV/EBITDA (Normalized)	18.36x	17.96x	10.15x	17.44x	17.61x	17.61x
Market Cap/EBITDA	14.07x	16.45x	5.99x	15.08x	20.67x	15.08x
Market Cap (mm)	4,570	5,100	6,779	4,634	1,414	
Close Price	140.51	167.01	68.17	83.79	88.61	
52 Week Low	122.12	108.42	56.31	68.29	68.57	
52 Week High	292.97	223.63	89.11	94.25	110.60	
Gross Margin	44.3%	39.8%	95.9%	17.8%	31.2%	39.8%
EBIT	13.1%	8.4%	16.0%	9.9%	7.6%	9.9%
EBITDA	16.3%	11.0%	21.1%	12.0%	9.3%	12.0%
A cct. Receivable Days	45	54	45	44	57	45
Inventory Days	NM	NM	NM	NM	NM	NM
A cct. Payable Days	12	49	266	18	16	18
Revenue Growth	6.9%	7.6%	10.3%	9.4%	13.0%	9.4%

HOME HEALTH & HOSPICE INDEX VS. S&P 500



DCA Home Health & Hospice Index: ENSG, EHC, AMED, ADUS, LHC

RECENT PRIVATE TRANSACTIONS

Deal Date	Target	Acquirer	Deal Synopsis
21-Apr-2022	Kindred at Home	Clayton, Dubilier & Rice	Clayton, Dubilier & Rice entered into a definitive agreement to acquire Kindred at Home's hospice and personal care division through an estimated \$2.8 billion LBO on April 21, 2022.
22-Mar-2022	Qhc Facilities	Cedarcare Holdings	The company reached a definitive agreement to be acquired by Cedarcare Holdings for an undisclosed amount on March 22, 2022.
14-Mar-2022	LifeMark Health Group	Shoppers Drug Mart	The company reached a definitive agreement to be acquired by Shoppers Drug Mart, a subsidiary of Loblaw Companies (TSE: L), for \$845 million on March 14, 2022.
16-Feb-2022	Blue Ribbon Health and Wellbeing	Queen's Park Equity	Blue Ribbon Health & Wellbeing was acquired by Queen's Park Equity and its management through an LBO on February 24, 2022 for an undisclosed amount. In support of the transaction, BMO Financial Group and AB Private Credit Investors provided debt financing.
02-Feb-2022	Evolution Health	Amedisys	Evolution Health reached a definitive agreement to be acquired by Amedisys (NAS: AMED) for an undisclosed amount on February 2, 2022. The acquisition continues Amedisys' strategy to acquire and integrate high-quality regional home health assets into their home health division.

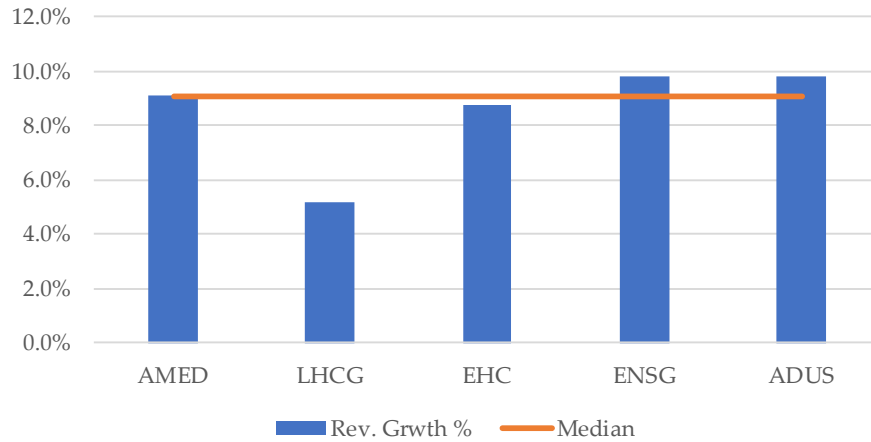
VALUATION TRENDS

Ticker	Company	Fundamentals								
		Close Price	Market Cap	TTM				NTM Estimates		
				Enterprise Value	Total Revenue	EBITDA	Basic EPS	Total Revenue	EBITDA	Normalized EPS
AMED	Amedisys	128.50	4179.55	4727.44	2214.11	360.97	6.41	2413.45	292.54	5.62
LHCG	LHC Group	166.25	5076.85	5947.91	2219.62	244.06	3.71	2566.96	293.65	6.04
ENSG	The Ensign Group	81.50	4507.61	5497.93	2627.46	316.45	3.57	3032.13	389.97	4.18
EHC	Encompass Health	65.23	6486.35	10421.05	5121.60	1078.40	4.15	5582.40	1065.75	4.24
ADUS	Addus HomeCare	84.40	1346.35	1441.00	864.50	80.43	2.87	978.70	107.23	3.88

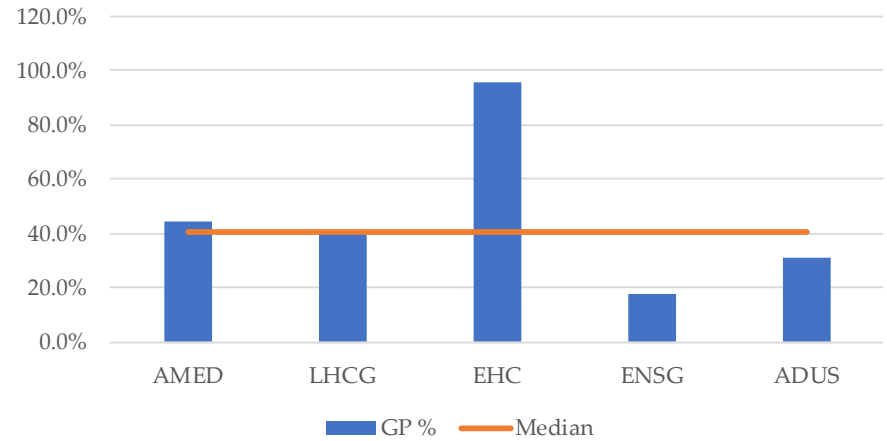
Ticker	Company	Multiples					
		TTM			NTM Forward Multiples		
		EV / Revenue	EV / EBITDA	PE Ratio	EV / Revenue	EV / EBITDA	PE Ratio
AMED	Amedisys	2.14	13.10	20.27	1.96	16.16	22.86
LHCG	LHC Group	2.68	24.37	45.05	2.32	20.26	27.53
ENSG	The Ensign Group	2.09	17.37	23.83	1.81	14.10	19.50
EHC	Encompass Health	1.99	9.90	16.68	1.87	9.78	15.37
ADUS	Addus HomeCare	1.67	17.92	30.04	1.47	13.44	21.75

OPERATING METRICS

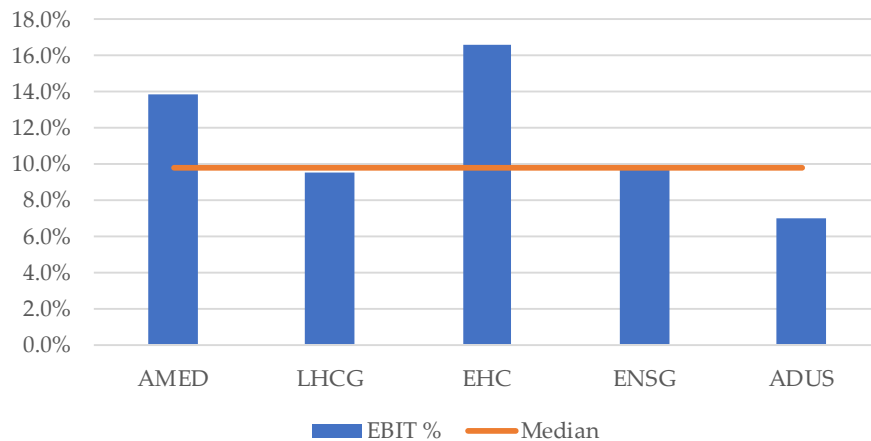
Revenue Growth



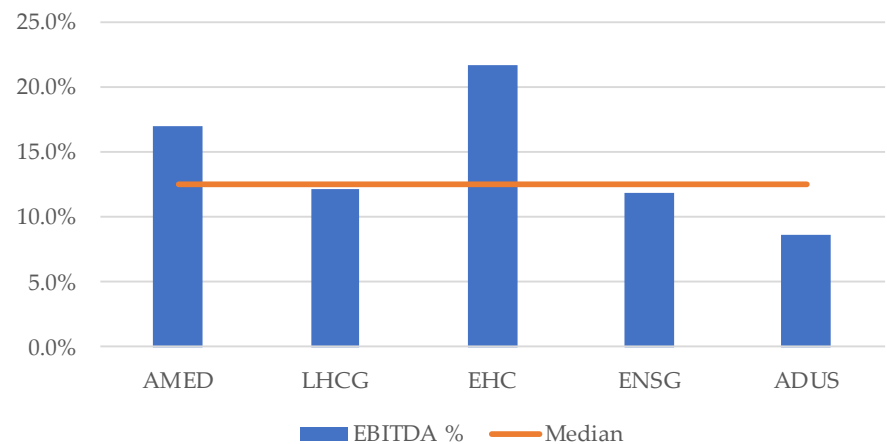
Gross Profit Margin



EBIT Margin

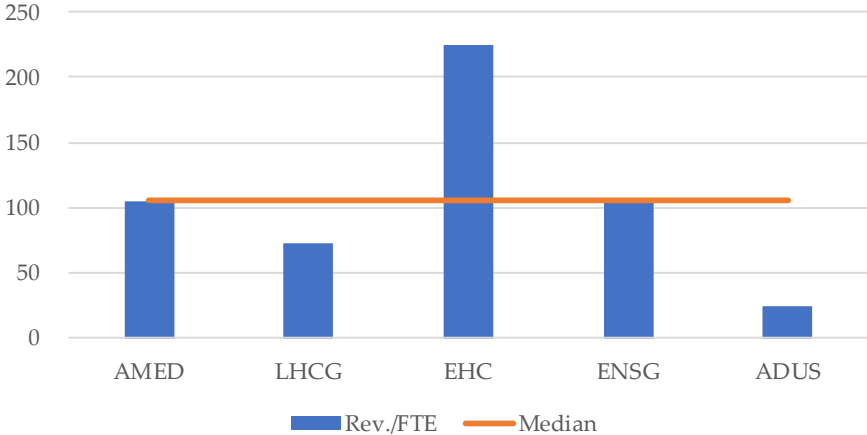


EBITDA Margin

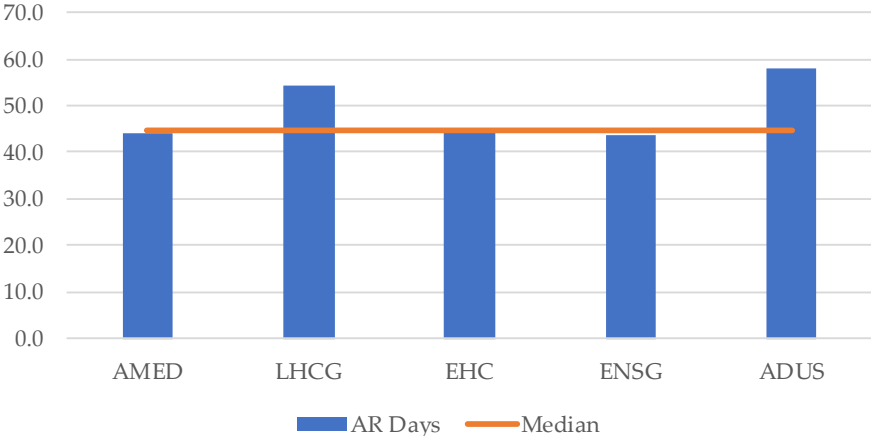


RATIO ANALYSIS

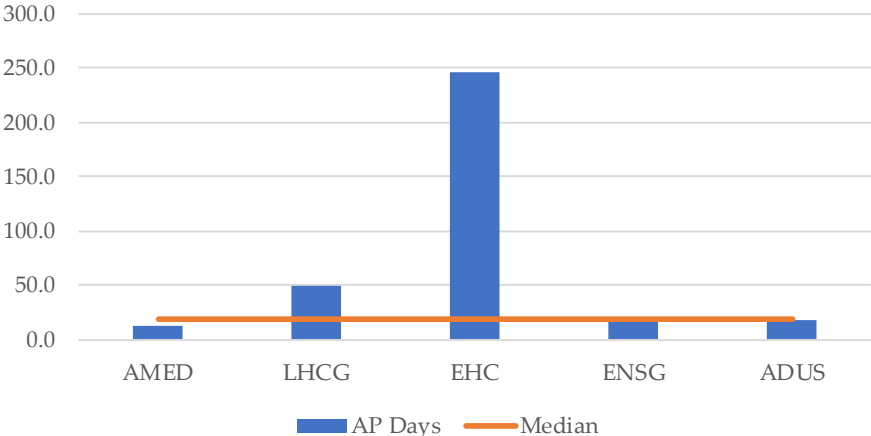
Revenue per Employee



AR Days



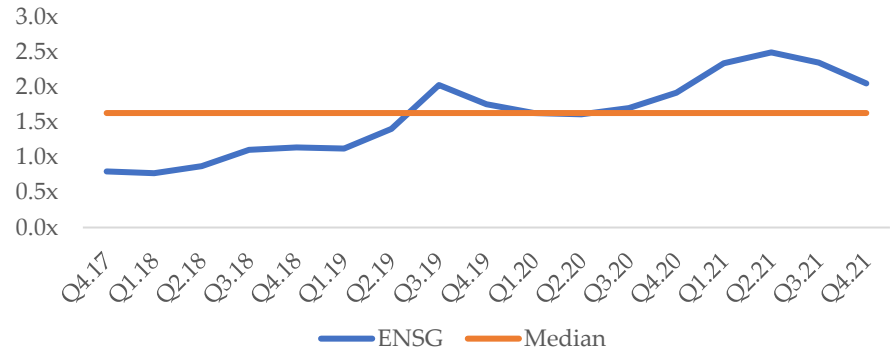
AP Days



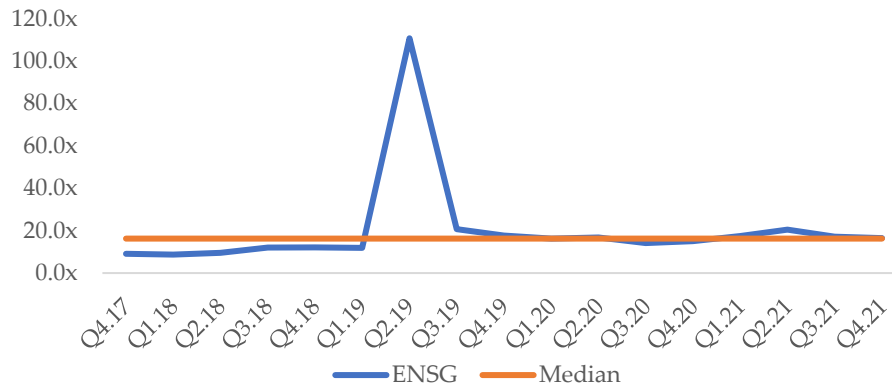


The Ensign Group, Inc (NAS: ENSG) provides post-acute healthcare services in the United States. The firm operates through two segments, services and real estate. The services segment includes skilled nursing operations and assisted and independent living operations, and the real estate segment is composed of properties owned by Ensign and leased to nursing and senior living operations.

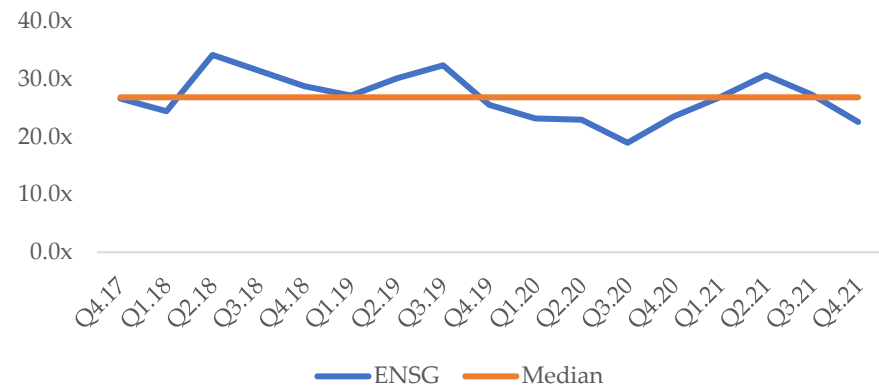
EV/Revenue The Ensign Group



EV/EBITDA The Ensign Group



P/E The Ensign Group

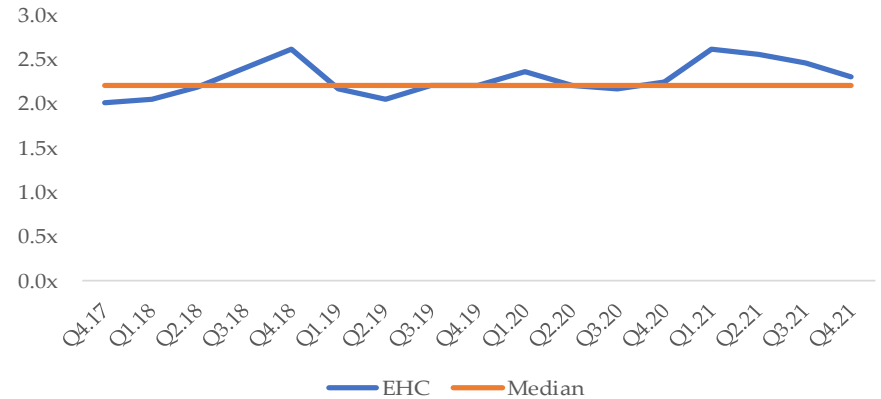




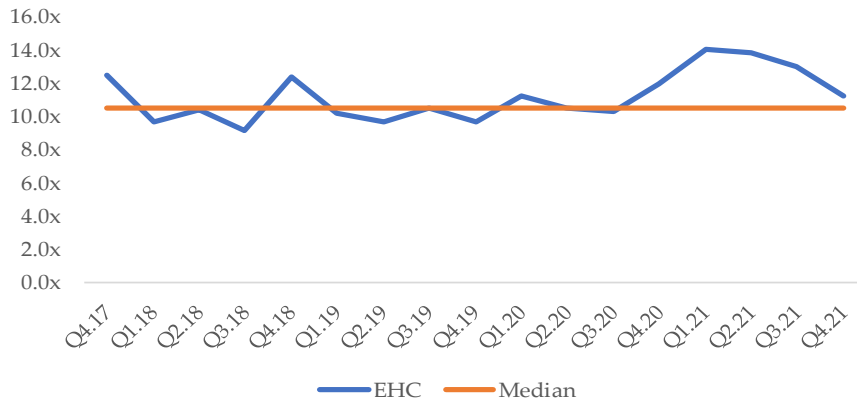
Encompass Health

Encompass Health Corporation (NYS: EHC) provides post-acute healthcare services in the United States through a network of inpatient rehabilitation hospitals, home health agencies and hospice agencies. It operates in two segments: inpatient rehabilitation and home health and hospice.

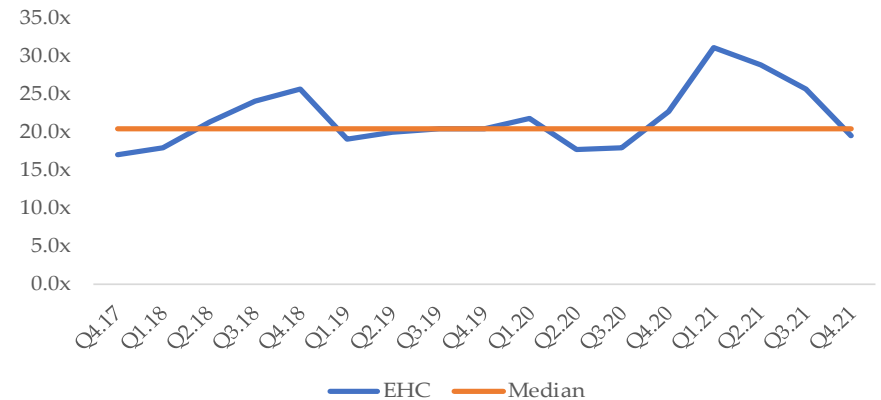
EV/Revenue Encompass Health



EV/EBITDA Encompass Health



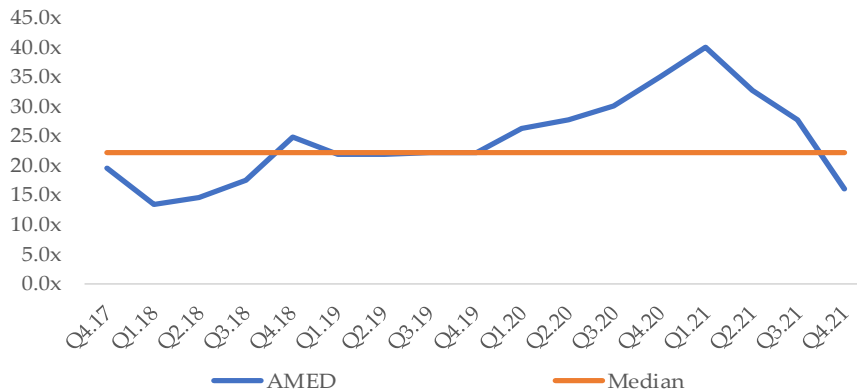
P/E Encompass Health



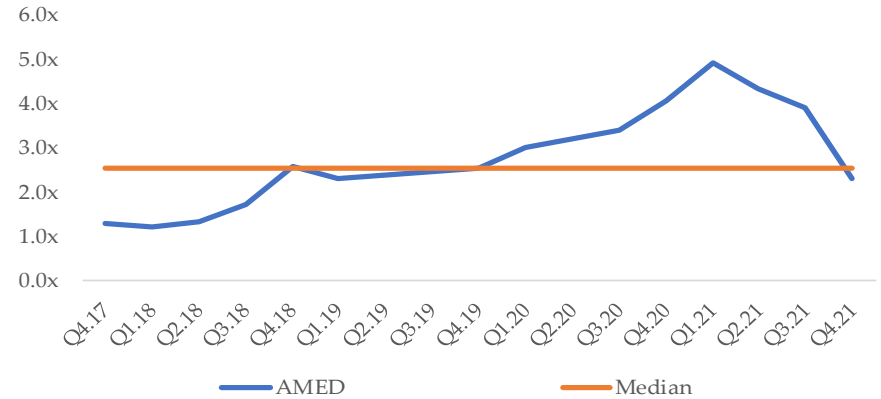


Amedisys Inc (NAS: AMED) is a healthcare services company in the United States. The company brings healthcare to the home through the provision of home healthcare services, hospice services, high acuity care segment, and personal care services.

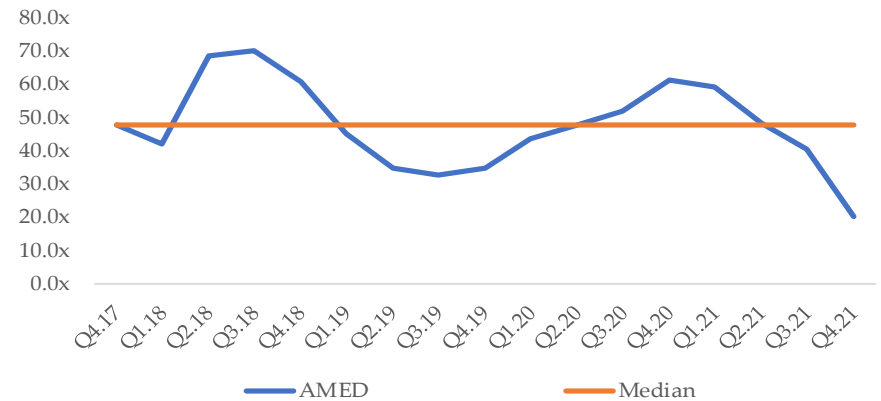
EV/EBITDA Amedisys



EV/Revenue Amedisys



P/E Amedisys

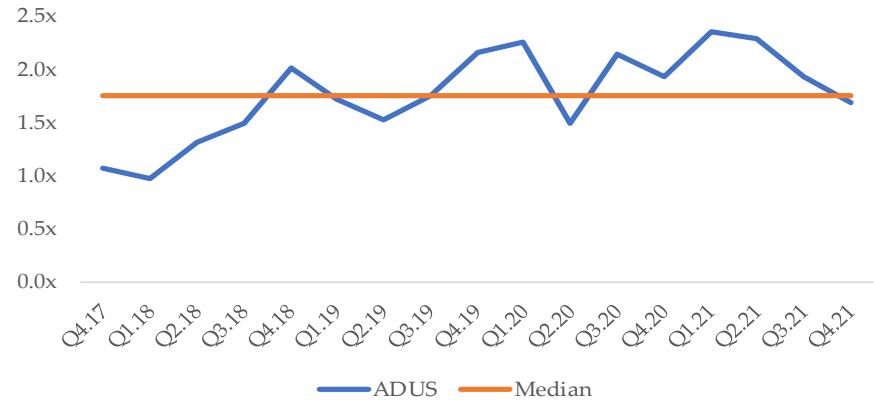


PUBLIC COMP

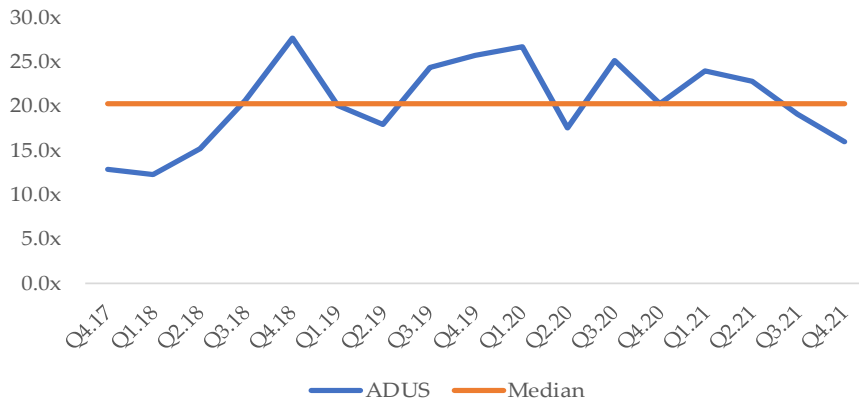


Addus HomeCare Corporation (NAS: ADUS) provides home care services to people that are at risk of hospitalization or institutionalization, such as elderly, the chronically ill, and the disabled. It operates through the following segments: personal care, hospice, and home health.

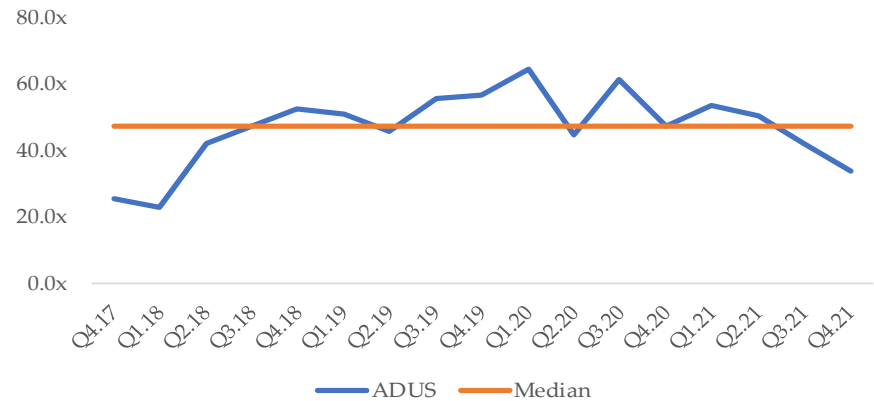
EV/Revenue Addus HomeCare



EV/EBITDA Addus HomeCare



P/E Addus HomeCare

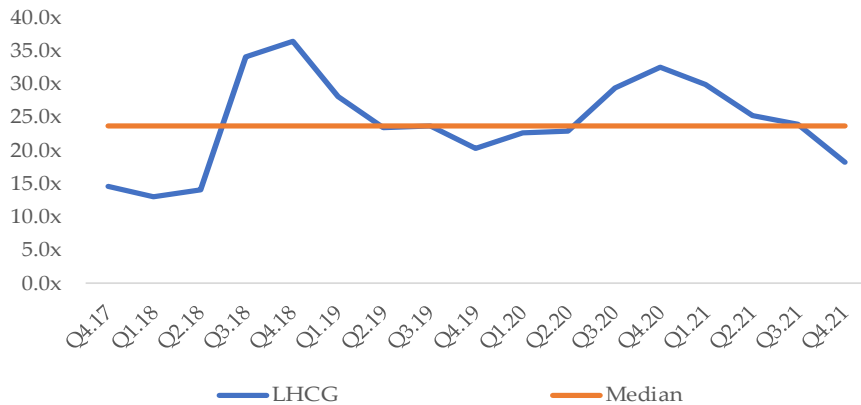


PUBLIC COMP

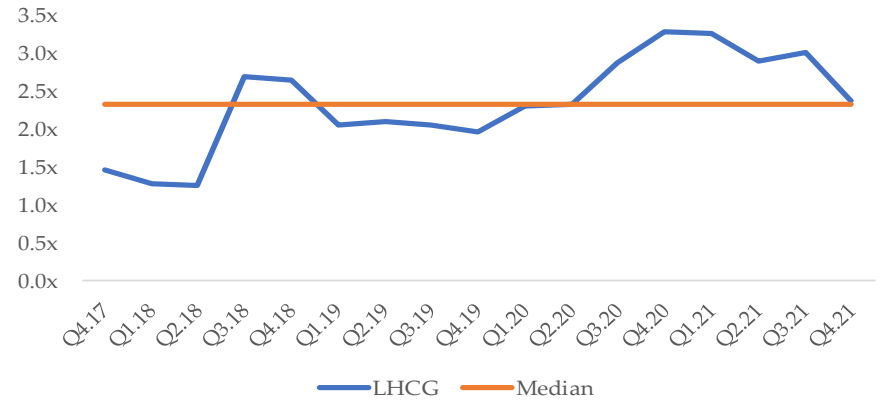


LHC Group Inc (NAS: LHCG) provides post-acute health care services to patients through its home nursing agencies, community-based services agencies, hospice agencies, and long-term acute care hospitals. The company's home health service locations offer a wide range of services, including skilled nursing, medically-oriented social services and physical, occupational, and speech therapy.

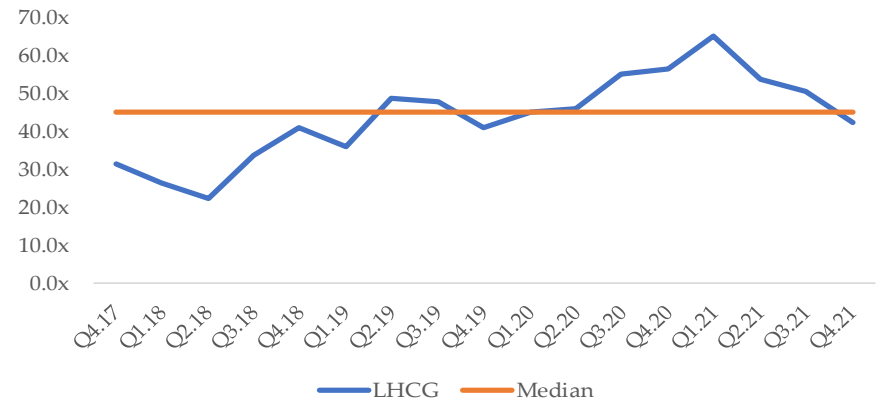
EV/EBITDA LHC Group



EV/Revenue LHC Group



P/E LHC Group



Healthcare Services Industry Report

III. Telehealth

TELEHEALTH SERVICES INDUSTRY KEY TAKEAWAYS

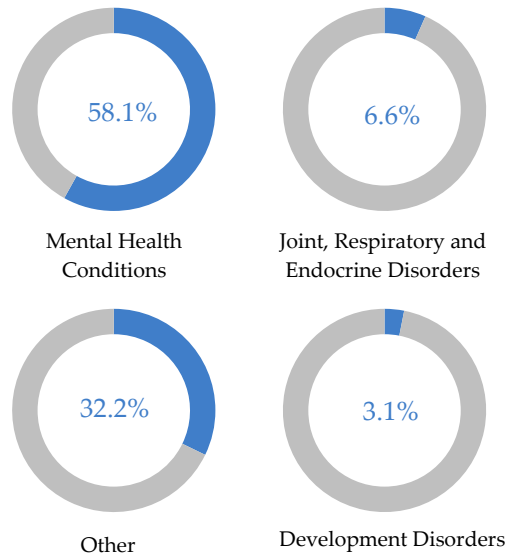
- ❑ **The Telehealth Services Industry** has experienced a period of rapid expansion. This has been fueled by a surge in technological advances in the field of communications and a torrent of new wireless self-monitoring healthcare devices. As a result, industry revenue has risen at an impressive annualized rate of 20.9% to \$16.6 bn over the five years to 2022, including an increase of 6.7% in 2022 alone.
- ❑ **External Drivers**
 - **Federal funding for Medicare and Medicaid:** An aging population will likely lead to an increase in the number of individuals with chronic diseases. As federal funding for Medicare and Medicaid increases and doctors increasingly use telehealth services for patients, industry revenue and profitability will likely rise. Federal funding for Medicare and Medicaid is expected to increase in 2022, representing a potential opportunity for the industry.
 - **Private Investment in computers and software:** The level of private investment in computers and software reflects the general implementation of information technology within the private sector. Industry revenue growth is largely determined by technological expansion. An increase in private investment in computers and software corresponds with a rise in industry revenue. Private investment in computers and software is expected to decrease in 2022, posing a potential threat to the industry.
 - **Demand from medical device manufacturing:** Advancements in medical technology, such as wearable monitoring devices and digitized medical scans, have created new opportunities for telemedicine, supporting industry revenue growth. As a result, when new devices are brought to the market and revenue expands, demand for services provided by the Telehealth Services industry also increases. Demand from medical device manufacturing is expected to increase in 2022.
 - **Number of adults aged 65 and older:** As baby boomers age and the average life expectancy in the United States increases, the number of people aged 65 and older will likely rise. Individuals in this group are more likely to require medical assistance, which promotes demand for telehealth services. The number of adults 65 and older is expected to increase in 2022.
 - **Number of people with private health insurance:** As studies continue to validate the efficacy of telehealth and telemedicine services, private health insurers are more likely to cover industry-related services. Therefore, increased insurance acceptance of telehealth services and a rise in the number of privately insured individuals will likely lead to an increase in industry revenue. The number of privately insured individuals is expected to increase in 2022, but the total is expected to fall below pre-pandemic totals, posing a threat to industry operators.
- ❑ **Industry Outlook**
 - **Continued Growth:** Over the five years to 2027, the Telehealth Services industry will likely continue to benefit from shifting demographics and structural factors affecting the healthcare system, including an aging population that is expected to increasingly demand medical care, a shortage of doctors and rapidly rising healthcare costs.
 - **Emerging Trends:** Various studies have supported the idea that the industry can provide quality care to a large number of patients with greater cost efficiency. In addition, the implementation of existing national legislation and increased federal and state support for telehealth services will likely benefit patients, healthcare providers and industry participants.

INDUSTRY AT A GLANCE

Key Statistics

	\$16.6bn Revenue		
	• Annual Growth	2016 – 2021	20.9%
	• Annual Growth	2022 – 2027	13.4%
	\$198.8m Profit		
	• Annual Growth	2016 – 2021	17.3%
	1.2% Profit Margin		
	• Annual Growth	2016 – 2021	-0.2pp
	1,370 Businesses		
	• Annual Growth	2016 – 2021	37.9%
	• Annual Growth	2022 – 2027	22.4%
	52,322 Employees		
	• Annual Growth	2016 – 2021	30.0%
	• Annual Growth	2022 – 2027	18.3%
	\$7.3bn Wages		
	• Annual Growth	2016 – 2021	26.9%
	• Annual Growth	2022 – 2027	17.3%

Segments



SWOT Analysis

S

STRENGTHS

- Low and Increasing Level of Assistance
- Growth Life Cycle Stage
- Low Imports
- Low Customer Class Concentration
- Low Capital Requirements

W

WEAKNESSES

- Very High Volatility
- Low Profit vs. Sector Average
- High Product/Service Concentration

O

OPPORTUNITIES

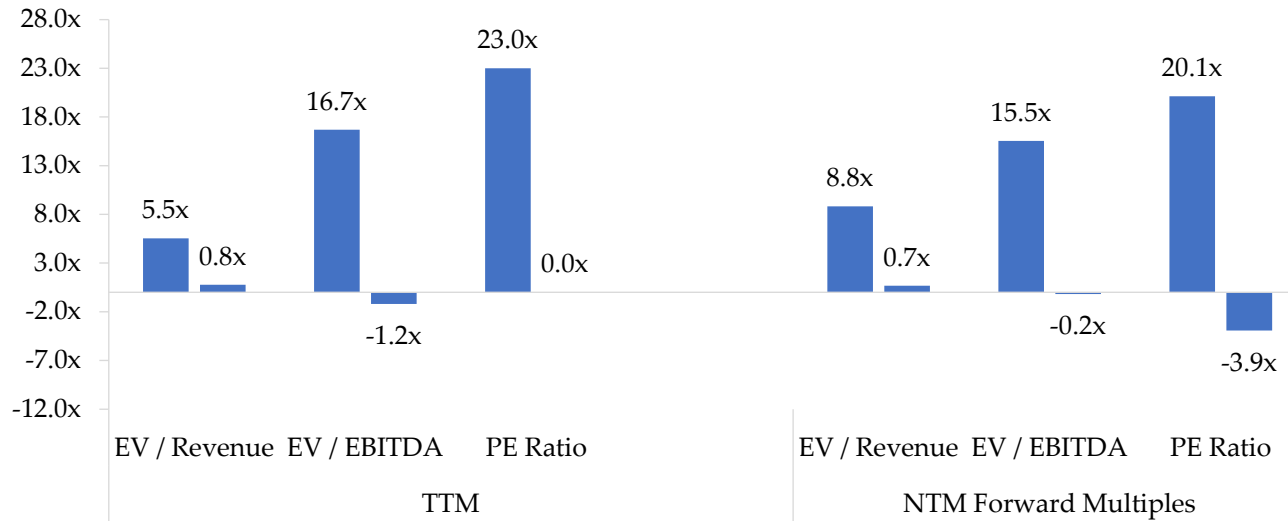
- Very High Revenue Growth
- High Revenue Growth (2022-2027)
- Adults aged 65 and older
- Prime Rate

T

THREATS

- Low Outlier Growth
- Number of people with private health insurance

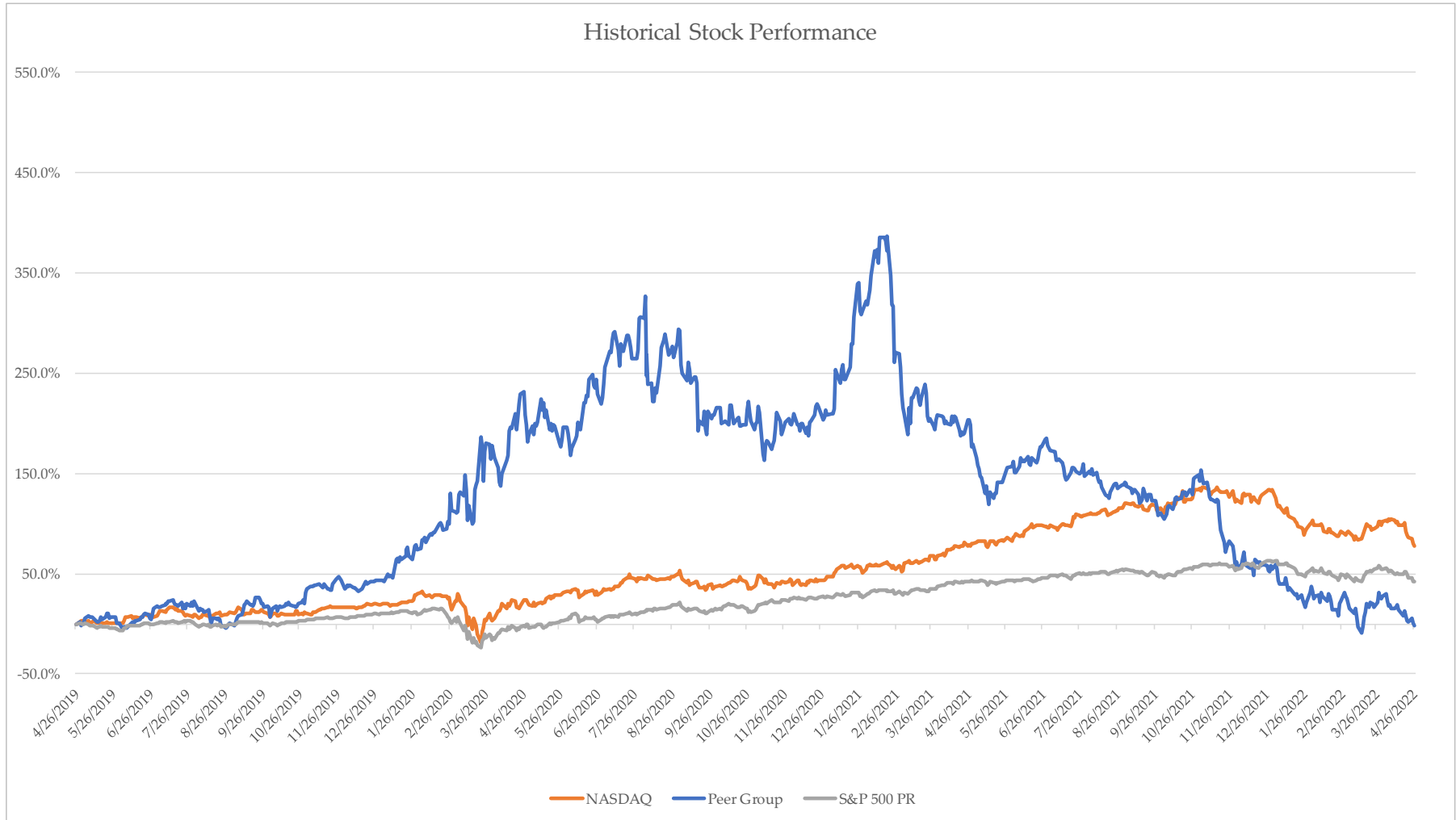
PUBLIC COMPARABLES



PUBLIC COMPARABLES

\$ in Millions Ticker	Teladoc Health	LifeMD	Ontrak	TRxADE Group	MEDS	
	TDOC	LFMD	OTRK	MEDS	AMWL	
Total Revenue	\$2,033	\$93	\$84	\$10	\$253	
Gross Profit	1,382	75	53	5	104	
EBIT	-304	-58	-29	-5	-179	
Net Income	(\$429)	(\$61)	(\$37)	(\$5)	(\$176)	
EBITDA (Normalized)	268	-41	-3	-4	-123	
Total Debt	1,280	2	37	1	17	
EV	10,143	44	9	14	229	
Employees	5,100	232	252	47	1,035	
Ratio Analysis						Median
Revenue/Employee	\$398,570	\$400,327	\$333,861	\$210,413	\$244,241	\$333,861
EV/Revenue	4.99x	0.47x	0.11x	1.40x	0.91x	0.91x
Debt/EBITDA	NM	NM	NM	NM	NM	NM
EV/EBITDA (Normalized)	62.78x	NM	18.06x	NM	NM	40.42x
Market Cap/EBITDA	NM	NM	NM	NM	NM	NM
Market Cap (mm)	9,759	80	30	16	937	
Close Price	60.56	2.60	1.45	1.92	3.56	
52 Week Low	50.08	2.50	1.35	1.64	3.02	
52 Week High	192.11	16.28	41.65	10.82	19.21	
Gross Margin	68.0%	80.6%	62.9%	48.0%	41.3%	62.9%
EBIT	-15.0%	-62.8%	-34.5%	-53.5%	-70.9%	-53.5%
EBITDA	-4.2%	-61.8%	-29.7%	-52.1%	-64.5%	-52.1%
Acct. Receivable Days	31	5	44	46	61	44
Inventory Days	34	31	NM	29	22	30
Acct. Payable Days	29	233	15	22	17	22
Revenue Growth	85.8%	149.0%	1.6%	-42.2%	3.1%	3.1%

TELEHEALTH INDEX VS. S&P 500



DCA Telehealth Index: TDOC, LFMD, OTRK, MEDS, AMWL

RECENT PRIVATE TRANSACTIONS

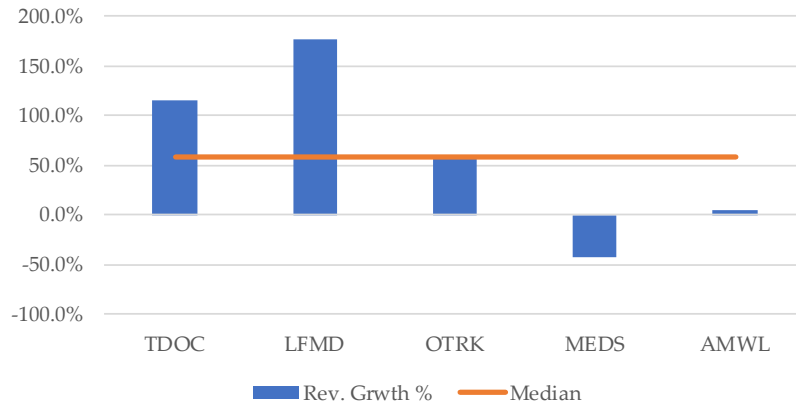
Deal Date	Target	Acquirer	Deal Synopsis
13-Apr-2022	Tidtrac	Dialogue	The company reached a definitive agreement to be acquired by Dialogue for an amount of \$56 million of April 13, 2022.
06-Apr-2022	SOC Telemed	Patient Square Capital	SOC Telemed was acquired by Patient Square Capital through a \$302.5 million public-to-private LBO on April 6, 2022.
04-Apr-2022	Precision Healing (Newton)	Sanara MedTech	Precision Healing (Newton) reached a definitive agreement to be acquired by Sanara MedTech (NASDAQ: SMTI) for \$5.1 million on April 4, 2022. The majority of the consideration will be paid by Sanara in stock with a limited number of non-accredited investors receiving cash. Sanara previously owned 25.7% of the company on a fully diluted basis.
31-Mar-2022	Intelligent Medical Objects	Thomas H. Lee Partners	Intelligent Medical Objects entered into a definitive agreement to be acquired by Thomas H. Lee Partners through an estimated \$1.5 billion LBO on March 31, 2022. The investment will support the company's product development and expanded commercial relationships with hospitals and other healthcare providers.
01-Feb-2022	Physician Partners	Kinderhook Industries	Physician Partners was acquired by Kinderhook Industries through a \$500 million LBO on February 1, 2022. As part of the transaction Credit Suisse and Truist provided debt financing for the deal.

RECENT PUBLIC TRANSACTIONS

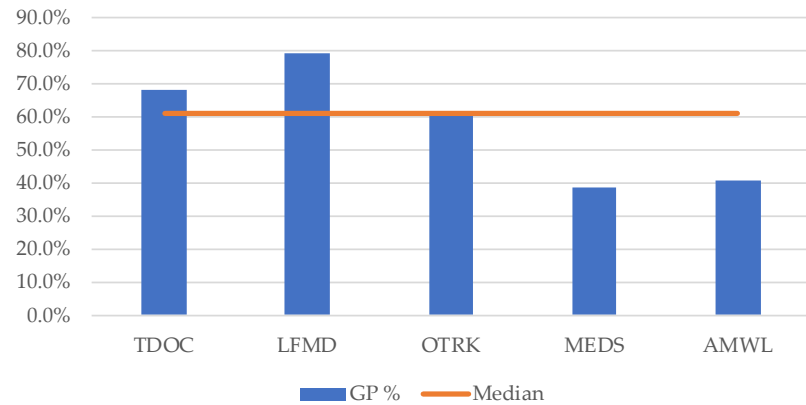
Deal Date	Location	Target Companies	Investors	Deal Type	Deal Size (MM)
22-Apr-2022	England	BenevolentAI	Odyssey Acquisition	Reverse Merger	1,500 (GBP)
04-Feb-2022	Maryland	Arcellx (NAS: ACLX)		Initial Public Offering (IPO)	\$123.75
18-Jan-2022	Connecticut	Sema4 (NAS: SMFR)	Pfizer (NYSE: PFE)	Development Capital	\$200
14-Jan-2022	Ontario	Mind Beacon (TSE: MBCN)	CloudMD Software & Services (TSX: DOC)	Acquisition	\$116

OPERATING METRICS

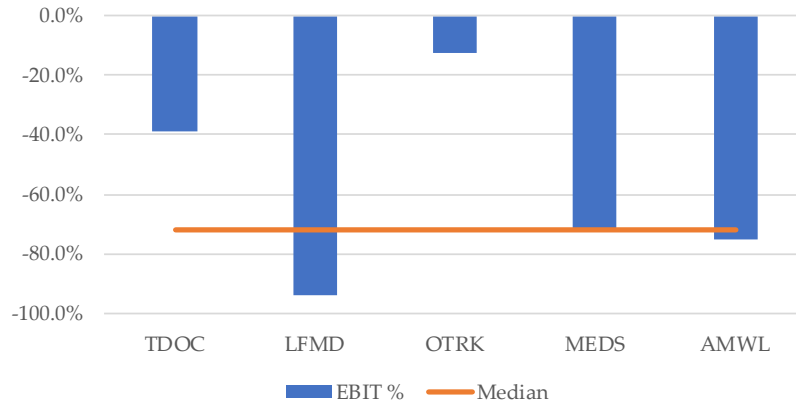
Revenue Growth



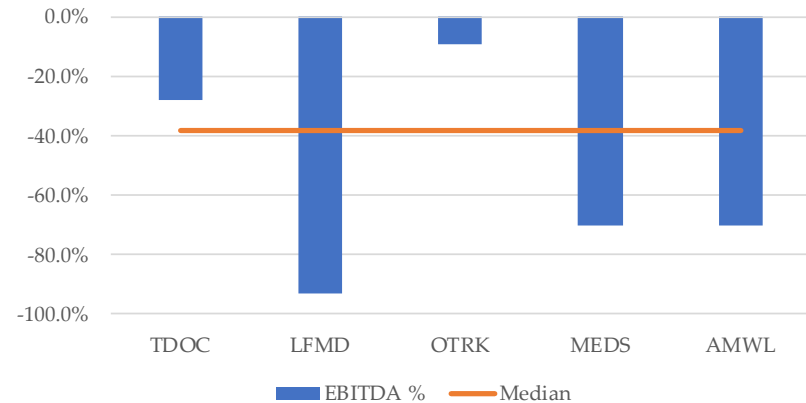
Gross Profit Margin



EBIT Margin

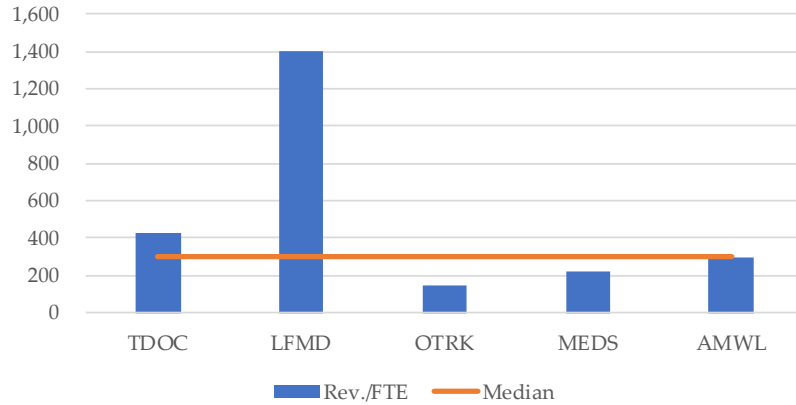


EBITDA Margin

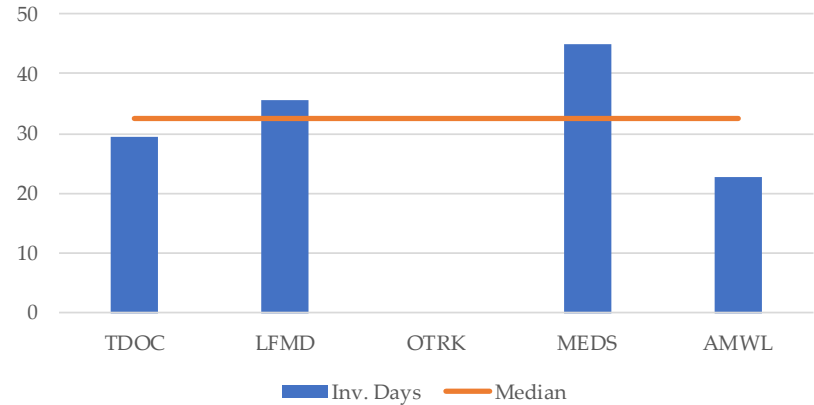


RATIO ANALYSIS

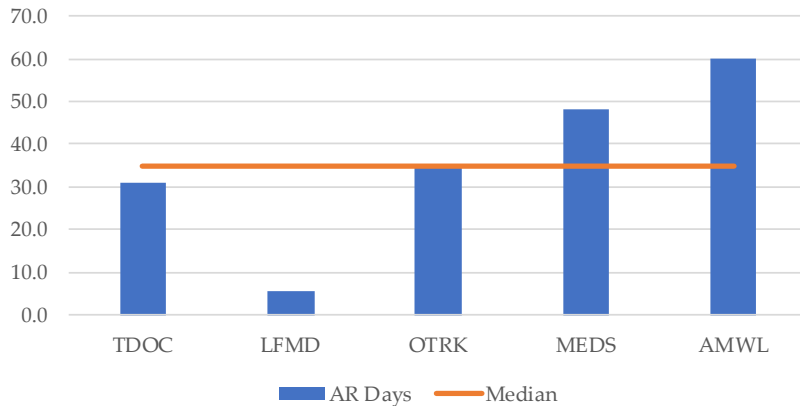
Revenue per Employee



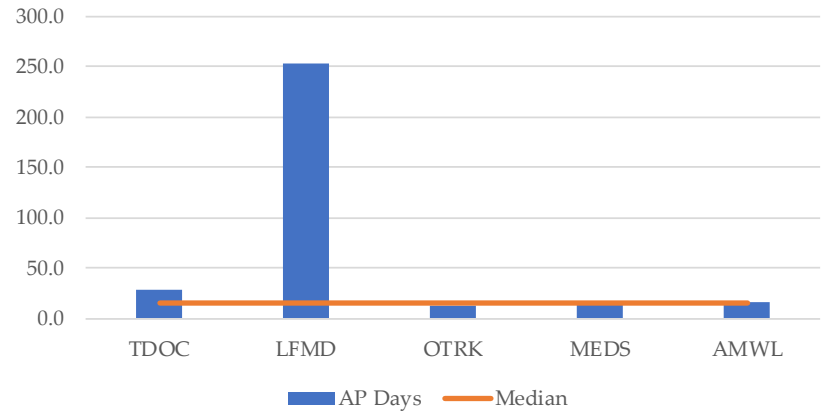
Inventory Days



AR Days



AP Days



VALUATION TRENDS

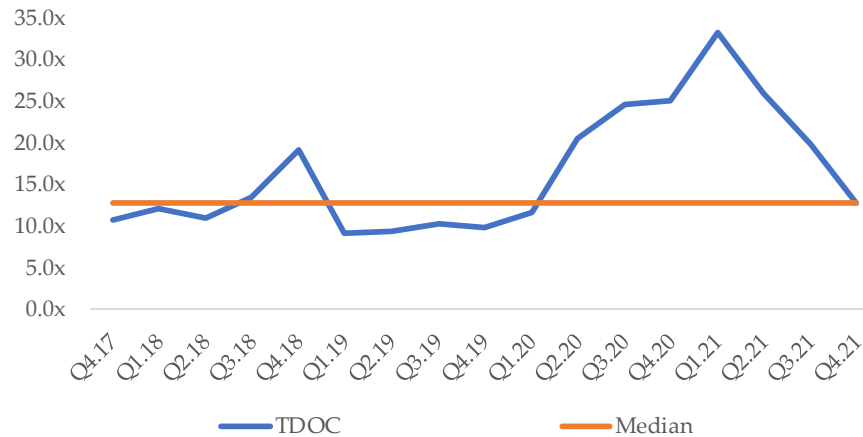
		Fundamentals								
		TTM						NTM Estimates		
Ticker	Company	Close Price	Market Cap	Enterprise Value	Total Revenue	EBITDA	Basic EPS	Total Revenue	EBITDA	Normalized EPS
TDOC	Teladoc Health	55.99	9022.30	9756.26	2032.71	(84.67)	(2.73)	2753.88	386.04	(1.30)
AMWL	Amwell	3.43	903.17	194.98	252.79	(163.06)	(0.69)	292.55	(170.83)	(0.87)
LFMD	LifeMD	2.46	75.88	39.48	92.88	(57.43)	(2.29)	158.87	(8.32)	(0.87)
OTRK	Ontrak	1.25	26.04	4.67	84.13	(24.98)	(2.47)	25.34	(25.04)	(2.64)
MEDS	TRxADE Group	1.76	14.40	12.52	9.89	(5.15)	(0.65)	11.58	0.13	(0.25)

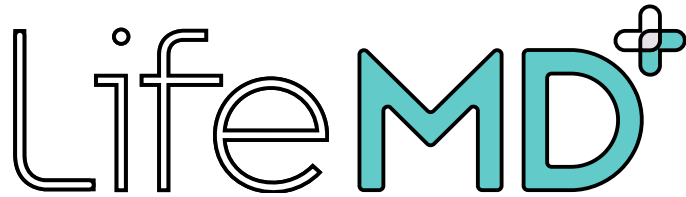
		Multiples					
		TTM			NTM Forward Multiples		
Ticker	Company	EV / Revenue	EV / EBITDA	PE Ratio	EV / Revenue	EV / EBITDA	PE Ratio
TDOC	Teladoc Health	4.55	(115.23)		3.54	25.27	(43.07)
AMWL	Amwell	0.77	(1.20)		0.67	(1.14)	(3.93)
LFMD	LifeMD	0.43	(0.69)		0.25	(4.74)	(2.83)
OTRK	Ontrak	0.06	(0.19)		0.18	(0.19)	(0.47)
MEDS	TRxADE Group	1.27	(2.43)		1.08	94.45	(7.04)



Teladoc Health (NYS: TDOC) is a virtual health provider with a telehealth platform delivering 24-hour, on-demand healthcare via mobile devices, the Internet, video, and phone. It also offers remote patient monitoring programs for chronic care management. Its platform connects members with a network of physicians and behavioral health professionals.

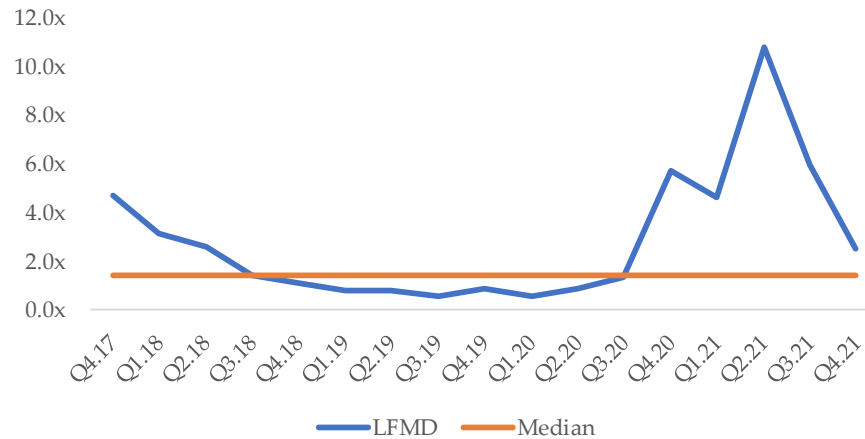
EV/Revenue Teladoc Health





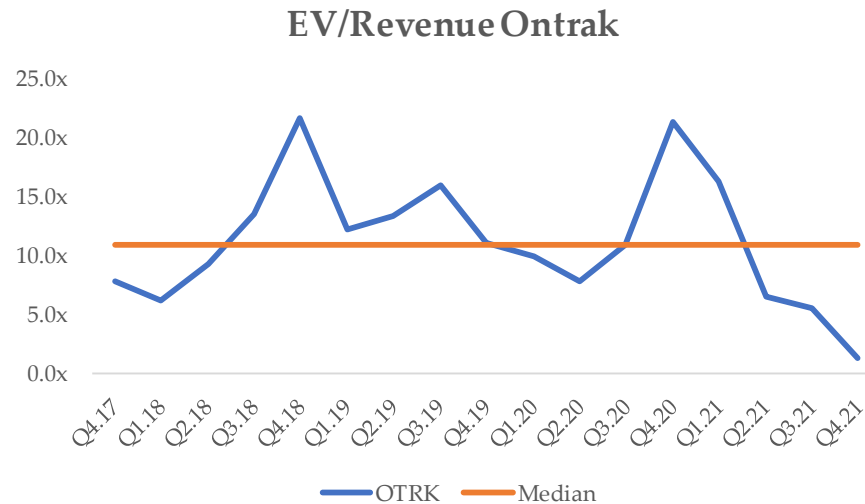
LifeMD Inc (NAS: LFMD) is a direct-to-patient telehealth company that provides a smarter, cost-effective and convenient way of accessing healthcare. Its telemedicine platform helps patients access licensed providers for diagnoses, virtual care, and prescription medications, often delivered on a recurring basis. In addition to telemedicine offerings, the company sells nutritional supplements and other over-the-counter products.

EV/Revenue LifeMD





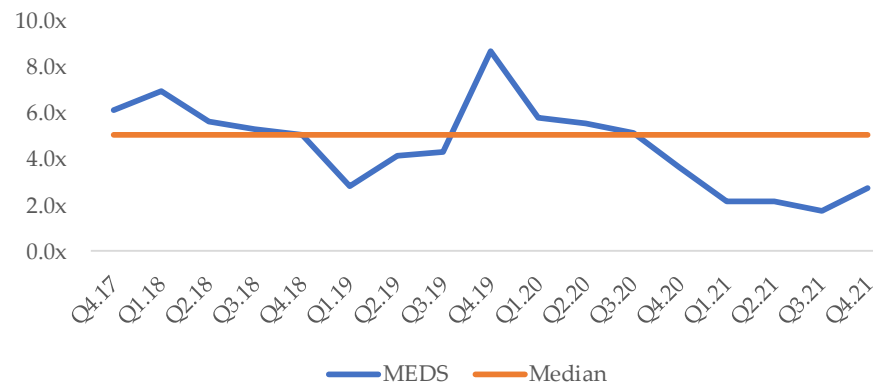
Ontrak Inc (NAS: OTRK) is an AI and telehealth enabled, virtualized outpatient healthcare treatment company. The company's integrated, technology-enabled Ontrak™ solutions, a component of the PRE platform, are designed to treat members with behavioral conditions that cause chronic medical conditions such as diabetes, hypertension, coronary artery disease, COPD, and congestive heart failure.





Trxade Health Inc (NAS: MEDS) is a health services IT company focused on digitalizing the retail pharmacy experience by optimizing drug procurement, the prescription journey and patient engagement in the U.S. The company operates the TRxADE drug procurement marketplace serving a total of 11,800+ members nationwide, fostering price transparency and under the Bonum Health brand, offering patient centric telehealth services.

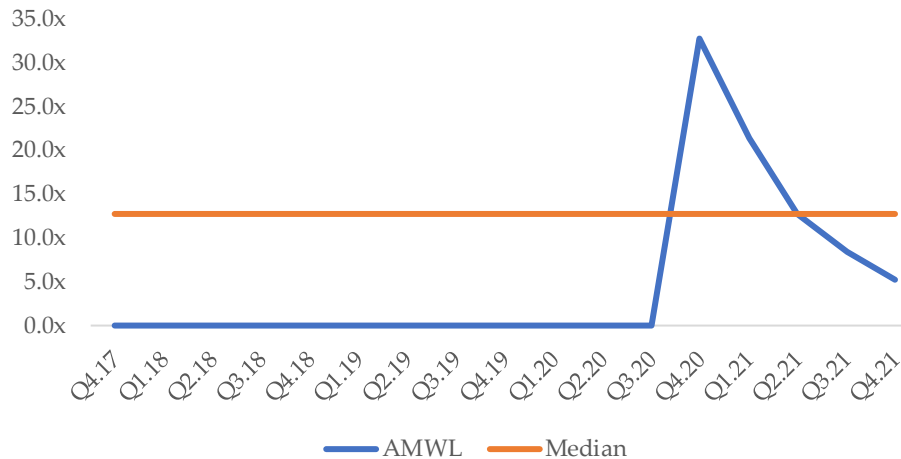
EV/Revenue TRxADE Group





American Well Corporation (NYSE: AMWL) operates as a telehealth company that enables digital delivery of care for healthcare. Its application offers urgent care; pediatrics; therapy; menopause nutrition; menopause counseling; telestroke; population health management; telepsychiatry; pregnancy and postpartum care; pregnancy and postpartum therapy; breastfeed support; and menopause care. The company also provides telemedicine equipment

EV/Revenue Amwell



DAVIDSON CAPITAL ADVISORS RECENT HEALTHCARE TRANSACTIONS



Healthcare Technology, Payment Services
www.acryness.com

Client Acryness

Acryness is an information technology company which provides a full range of billing support and payment processing solutions for large and small B2C billers with a core emphasis serving the healthcare community.



Health Care, Health Care Facilities
www.encompashealth.com

Client: Radiotherapy Clinics of Georgia

Radiotherapy Clinics of Georgia LLC operates as a provider of medical services specializing in radiation oncology. The Company provides treatments including surgery, chemotherapy, biologic therapy, and radiation therapy. Radiotherapy Clinics diagnoses and treats conditions such as brain, breast, cervical, endometrial, lung, prostate, and skin cancer. Acquired January 2007 by Physician Oncology Services, L.P.



Retail, Pharmacy and Retail
www.fruthpharmacy.com

Client: Fruth Pharmacy

Fruth Pharmacy operates as pharmacy and retail store. The Company provides medication, health and beauty products, groceries, household items, gifts, balloons, and flowers. Fruth Pharmacy serves customers throughout West Virginia and Ohio.



Health Care, Health Care Facilities
www.ecompasshealth.com

Client: Health South

Health South changed its name to Encompass Health, based in Birmingham, Alabama, is one of the United States' largest providers of post-acute healthcare services, offering both facility-based and home-based post-acute services in 36 states and Puerto Rico through its network of inpatient rehabilitation hospitals, home health agencies, and hospice agencies.



Hospital & Healthcare
www.accessonemedcard.com

Client: Access One

Based in Fort Mill, South Carolina, Access One provides hospitals, health systems and employers with patient financing solutions. They strive to provide an easy user experience and a patient-friendly interface



DAVIDSON CAPITAL ADVISORS PROFESSIONALS

Robert S. Cashion **Managing Director, Investment Banking and Advisory Services**

Prior to joining Davidson Capital Advisors, Mr. Cashion spent over 20 years in the financial services industry. He manages the firm's overall corporate finance and consulting practice where he oversees and executes the firm's investment banking, advisory and capital raising engagements.

Mr. Cashion worked with several financial institutions and consulting firms delivering investment banking, leveraged finance, consulting and restructuring services. He worked with Bank of America Merrill Lynch and its predecessor firms in the High Grade Capital Markets, Corporate Finance and the Special Situations group.

Mr. Cashion has been involved in industry sectors including general industrial, distribution, business services, retail, technology and healthcare. Mr. Cashion holds B.A. Education, B.S. Accounting, and an MBA from the University of North Carolina. He is a Certified Public Accountant and holds FINRA 7, 63 and 79 securities licenses.



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DAVIDSON CAPITAL ADVISORS PROFESSIONALS

Elizabeth Folger **Managing Director, Institutional Client Coverage**

Prior to joining Davidson Capital Advisors, Ms. Folger spent 16 years in the financial services industry in a variety of functions, most recently with Bank of America Merrill Lynch and its predecessor firms. She manages the sales and auction processes for the firm's sell side M&A and capital raising engagements. Her deep experience in the sales and trading has resulted in excellent execution for our client's projects.

She worked in the Loan Syndication Sales Group, headquartered in Charlotte, with her primary responsibilities for sales and distribution of syndicated loans for middle market and large corporate credits. Also, Ms. Folger worked on the Corporate Bond Trading desk where she managed and traded risk positions of \$50-\$100 million of intermediate term bank and finance paper.

Ms. Folger has been involved in a variety of sectors including general industrial, distribution, business services, retail, technology and healthcare. She holds a Bachelor of Arts from Hollins University.



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DAVIDSON CAPITAL ADVISORS ANALYST TEAM

Maxwell Purdy **Corporate Finance Coverage**

Prior to joining Davidson Capital Advisors in 2021, Mr. Purdy interned with Graycliff Partners, a private equity located in New York, NY. He graduated from University of North Carolina Chapel Hill in 2021 with a BS in Political Science and a minor in Economics and Entrepreneurship.

Maxwell assists in leading the firm's corporate finance client coverage as well as private equity coverage.

Kyle Burnett, Jr. **Analyst, Investment Banking**

Prior to joining Davidson Capital Advisors in 2021, Mr. Burnett interned with UBS Financial Services, Inc., a Swiss multinational investment bank. He graduated from Northwestern University in 2021 with a Bachelor of Arts in Economics and Political Science.