



Healthcare Staffing Industry Report

Q3 2022

WHAT WE'VE BEEN READING: INDUSTRY PREDICTIONS

OVERVIEW

- ❑ Healthcare staffing hit its peak between fourth-quarter 2021 and first-quarter 2022, and it is expected that bill rates will fall slowly to a more efficient level, barring any future COVID-19 outbreaks.
- ❑ Healthcare utilization is expected to increase at a solid clip over the coming decades, and the pipeline of healthcare professionals is not expected to keep pace, especially in light of the COVID-19 pandemic.
- ❑ Growth in healthcare services has historically remained relatively strong, even during economic downturns, and it is expected this dynamic will continue over the foreseeable future.

BULLS SAY

- ❑ The healthcare industry is one of the fastest growing in the U.S., and the demand for workers will likely remain robust as a result, providing companies a strong operational foundation.
- ❑ Shifting demographics of the U.S. population toward older individuals should drive increased demand.

BEARS SAY

- ❑ Healthcare worker shortages, especially during the COVID-19 pandemic, could pressure revenue and profits if companies can't maintain a quality supply of job seekers.
- ❑ Provider reimbursement pressure could translate into lower demand for healthcare workers.
- ❑ Demand for healthcare workers with specialized skills will increase over the coming decades, and companies may need to increase its worker pay rate to attract people with these skills.

ECONOMIC MOAT

- ❑ Building a moat in the temporary staffing industry can be tough, given its commodity like nature, low entry and exit costs, and highly competitive dynamics.
- ❑ Because of this, the key for any staffing firm to dig a MOAT is its ability to build a mild network effect and to maintain this prime position through deep client entrenchment to build up switching costs. If a staffer can become a preferred supplier for its customers, it can garner material portions of a customer's premium positions.

HEALTHCARE STAFFING: INDUSTRY OUTLOOK

FORECAST: CONTINUED LONG-TERM GROWTH

- ❑ Industry revenue for U.S. Healthcare Staffing companies is estimated to grow at a “Compound Annual Growth Rate” (CAGR) of 3.5% percent from 2022 – 2027 and reach a size of roughly \$28.0 billion by the end of the period.
- ❑ Much of this growth is the result of two factors: increased demand for healthcare services, driven by a progressively aging U.S. population with greater need for medical services, and a shortage of qualified physicians, nurses, and other healthcare personnel.

AGING POPULATION

- ❑ The aging of the US population will also likely lead to increased incidences of diseases, such as congestive heart failure, diabetes and chronic obstructive pulmonary disease.
- ❑ Adults aged 65 or older are three times more likely to experience at least one hospital stay; in addition, this age group visits physician offices twice as often as the rest of the population. The treatment of adults aged 65 and older will accelerate the overall cost of US healthcare and cause a spike in demand for healthcare workers, thus benefiting industry revenue over the next five years.

ONGOING HEALTHCARE PERSONNEL SHORTAGES

- ❑ Provider burnout and high turnover are stressing the healthcare labor supply in a high demand environment. In fact, there are roughly 200,000 more jobs available each month than new hires.
- ❑ Demand for healthcare workers will extend beyond, nurses, physicians, assistants and other professionals that work in the traditional bedside role. Rising US healthcare expenditures will also fuel demand for pharmaceutical, diagnostic, laboratory and hospital management workers, which are also commonly recruited by healthcare staff recruitment agencies.
- ❑ The lingering shortage of qualified professionals will ultimately enable industry operators to increase their rates.

HEALTHCARE THREAT

- ❑ Over recent years, the Patient Protection and Affordable Care Act (PPACA) has experienced uncertainty. Several aspects of the law that have supported the industry have either been repealed or defunded. Over the coming years, this will likely lead to people opting out of health insurance. As private health insurance enrollment declines, so does demand for healthcare services, and therefore, demand for healthcare employment.
- ❑ However, despite these changes, demand for healthcare is still expected to rise over the next five years, because federal funding for Medicare and Medicaid are still projected to rise.

EXTERNAL INDUSTRY DRIVERS

TOTAL HEALTH EXPENDITURE

- ❑ Total health expenditure includes public and private spending on activities that promote health and prevent disease, in addition to spending on healthcare facility services. Aside from recruiting doctors and nurses, agencies in this industry recruit a wide variety of medical professionals, including pharmacists, laboratory technicians, respiratory therapists and radiologists.
- ❑ Therefore, an increase in total healthcare expenditure positively corresponds with an increase in industry revenue and demand for healthcare staff recruitment. Total health expenditure is expected to increase from \$3.81 trillion in 2022 to \$4.34 trillion by 2027.

NUMBER OF ADULTS AGED 65 AND OLDER

- ❑ An increasing number of elderly Americans and a progressively higher average life expectancy will stimulate demand for this industry because people older than 65 are more likely to require medical assistance.
- ❑ The number of adults aged 65 and older is expected to increase from 60.8 million individuals in 2023 to 69.4 million individuals by 2028.

NATIONAL UNEMPLOYMENT RATE

- ❑ This industry is sensitive to the level of employment in the overall economy. When the national unemployment rate rises, demand for employment agencies, even specialized agencies such as healthcare staff recruitment agencies, tends to fall.
- ❑ The national unemployment rate is expected to fall from an estimated 4.39% in 2023 to 4.00% by 2028.

FEDERAL FUNDING FOR MEDICARE AND MEDICAID

- ❑ Federal and state funding of Medicare and Medicaid, coupled with the government-determined terms of access to these reimbursement programs, affect demand for healthcare services.
- ❑ Consequently, an increase in Medicare and Medicaid funding will increase industry revenue. Federal funding from Medicare and Medicaid is expected to increase from \$1.18 trillion in 2023 to \$1.66 trillion by 2028.

INDUSTRY AT A GLANCE

Key Statistics



\$23.5bn Revenue

- Annual Growth 2017 – 2022 5.2%
- Annual Growth 2022 – 2027 3.42%



\$917.3M Profit

- Annual Growth 2022 – 2027 3.42%



3.9% Profit Margin

- Annual Growth 2022 – 2027 4.0%



3,008 Businesses

- Annual Growth 2017 – 2022 1.0%
- Annual Growth 2022 – 2027 2.2%



366k Employment

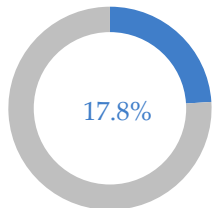
- Annual Growth 2022 – 2027 3.2%



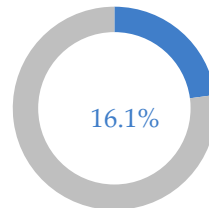
\$18.8bn Wages

- Annual Growth 2017 – 2022 4.7%
- Annual Growth 2022 – 2027 3.3%

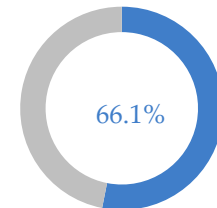
Segments



Allied Staffing Services



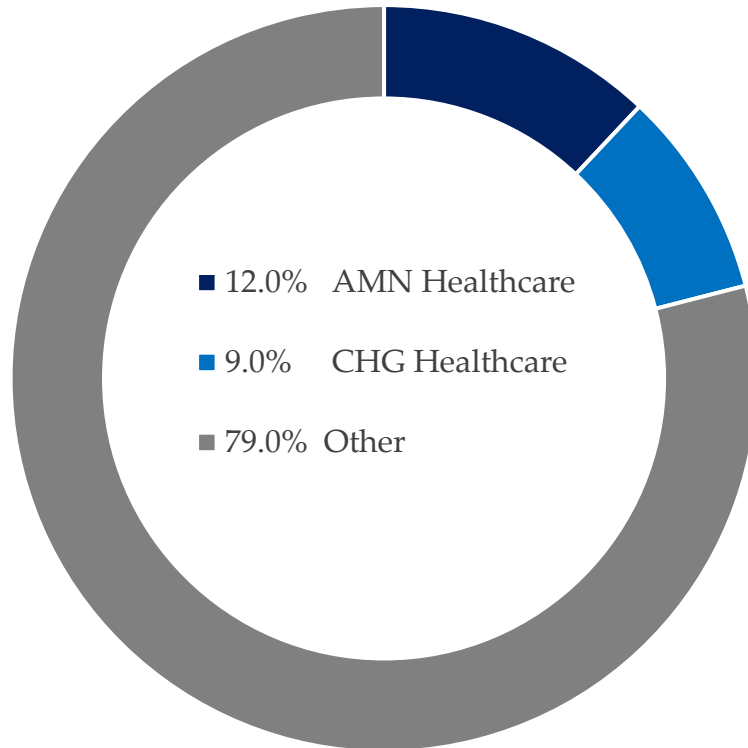
Locum Tenens Staffing



Per diem and Travel Nurse Staffing

INDUSTRY AT A GLANCE

Major Players



SWOT Analysis

S STRENGTHS

- Low Imports
- Growth Life Cycle Stage
- Low Capital Requirements

W WEAKNESSES

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

O OPPORTUNITIES

- High Revenue Growth (2022-2027)
- High Performance Drivers
- Research and Development Expenditure

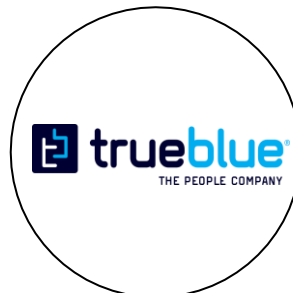
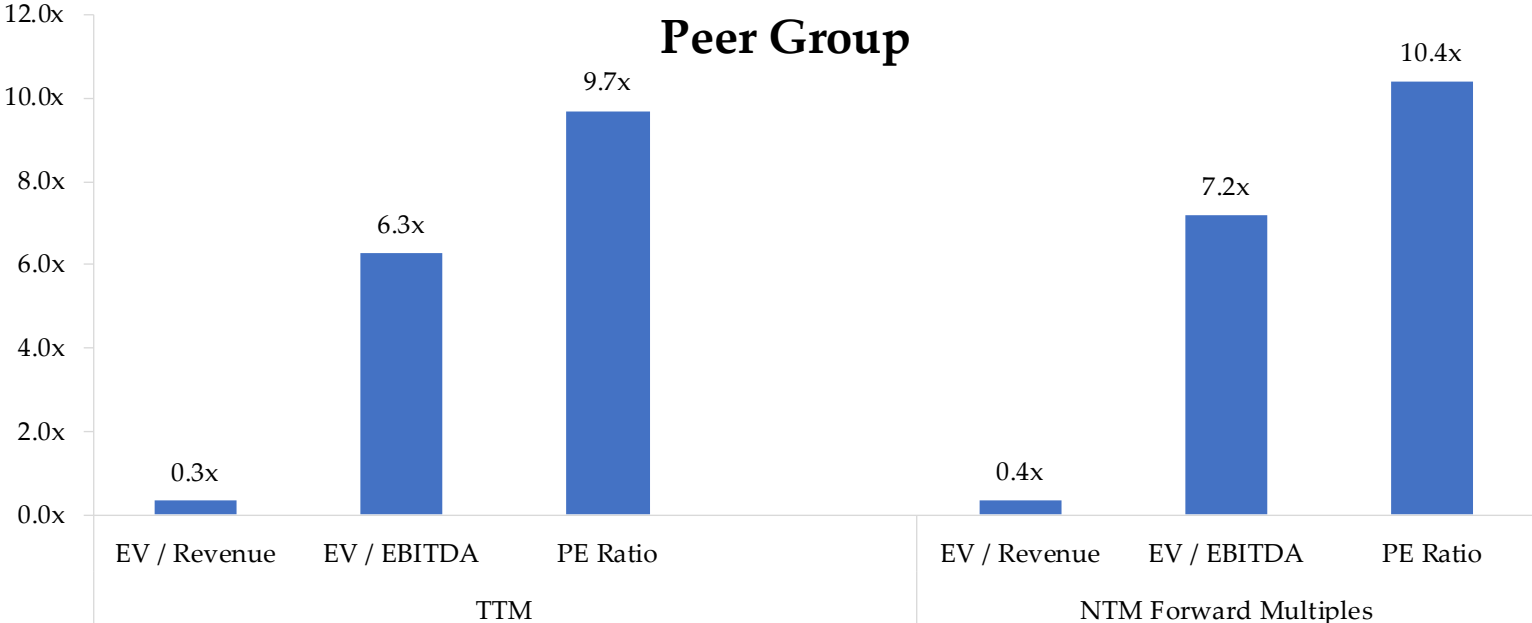
T THREATS

- Low Outlier Growth
- Federal Funding for Medicare and Medicaid

RECENT PRIVATE TRANSACTIONS

Deal Date	Target	Acquirer/ Investor	Deal Synopsis
30-Sep-2022	The Focus Group	Health Management Associates	The company was acquired by Health Management Associates, via its financial sponsor Beecken Petty O'Keefe & Company, through an LBO on September 30, 2022 for an undisclosed amount.
23-Sep-2022	SYFR Health Information Management	Shore Capital Partners	The company was acquired by an undisclosed investor, via its financial sponsor Shore Capital Partners, through an LBO on September 23, 2022.
26-Jul-2022	Barton & Associates	H.I.G. Capital	The company was acquired by H.I.G. Capital through an LBO on July 26, 2022 for an undisclosed amount. In support of the transaction, the company received debt financing in the form of a term loan and a revolving credit line from undisclosed lenders.
11-Jul-2022	Harmony Healthcare (Tampa)	Addison Group	The company was acquired by Addison Group, via its financial sponsors Trilantic North America and Neuberger Berman, through an LBO on July 11, 2022 for an undisclosed amount.
06-Jul-2022	Matchwell	Medical Solutions	The company was acquired by Medical Solutions, via its financial sponsors Caisse de dépôt et placement du Québec, Beecken Petty O'Keefe & Company, Centerbridge Partners, PNC Erievue Capital and Heritage Group, through an LBO on July 6, 2022 for an undisclosed amount.

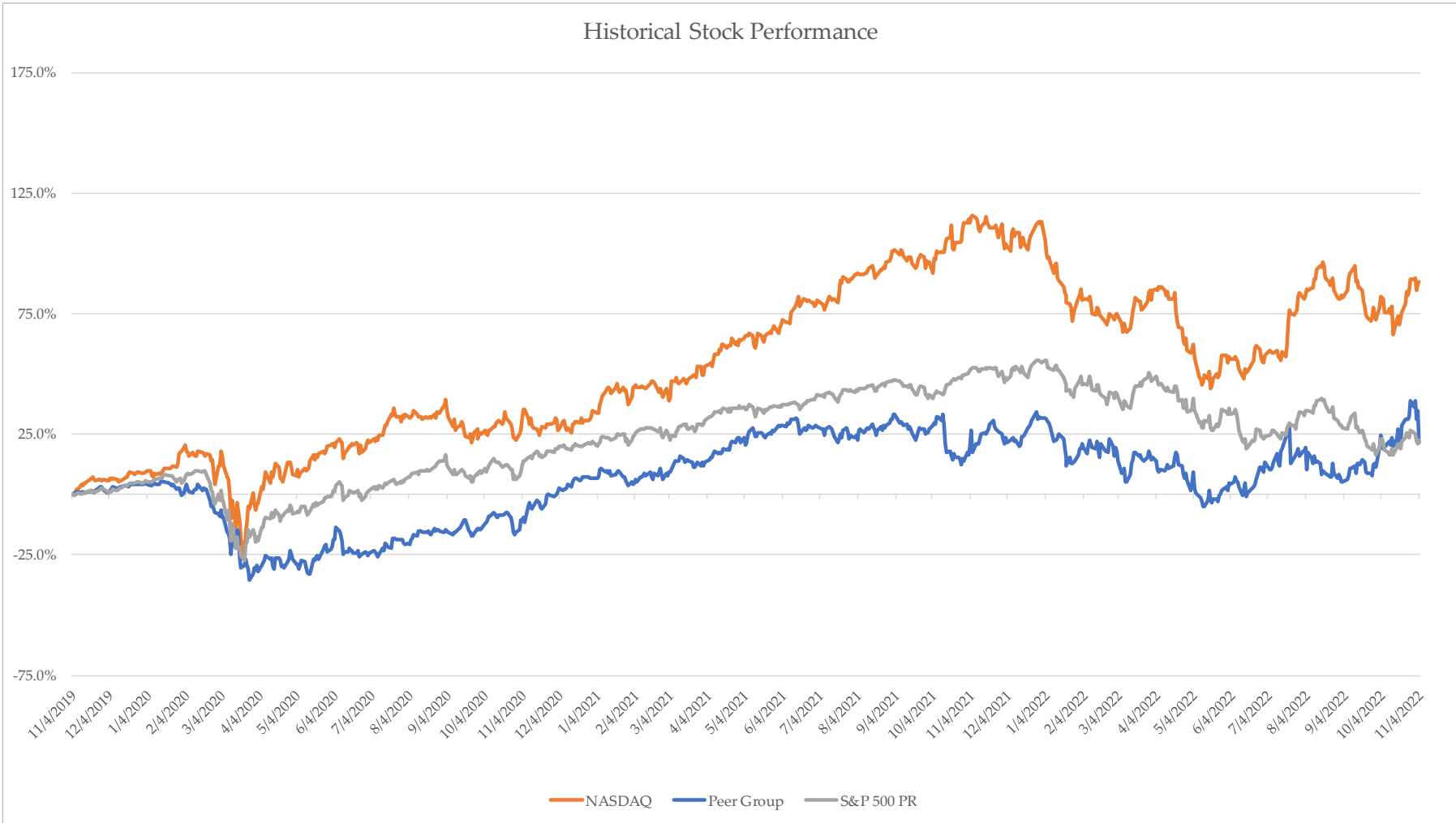
PUBLIC COMPARABLES



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\$ in Millions	Cross Country Healthcare	AMN Healthcare Services	Adecco Group	TrueBlue	ManpowerGroup		
Ticker	CCRN	AMN	ADEN	TBI	MAN		
Total Revenue	\$2,819	\$5,481	\$24,801	\$2,318	\$20,401		
Gross Profit	636	1,776	5,206	621	3,623		
EBIT	297	696	647	87	657		
Net Income	\$227	\$478	\$499	\$75	\$436		
EBITDA (Normalized)	326	895	906	128	787		
Total Debt	140	862	3,599	63	1,113		
EV	1,347	5,937	9,234	715	4,860		
Employees	2,250	3,800	37,000	6,400	30,000		
Ratio Analysis						Median	Mean
Revenue/Employee	\$1,252,920	\$1,442,309	\$670,310	\$362,253	\$680,020	\$680,020	\$881,562
EV/Revenue	0.48x	1.08x	0.37x	0.31x	0.24x	0.37x	0.50x
Debt/EBITDA	0.59x	1.05x	4.48x	0.58x	1.83x	1.05x	1.70x
EV/EBITDA (Normalized)	4.46x	6.31x	6.68x	5.28x	5.35x	5.35x	5.61x
Market Cap/EBITDA	3.83x	5.84x	4.89x	5.54x	4.60x	4.89x	4.94x
Market Cap (mm)	1,238	5,230	6,019	695	4,264		
Close Price	33.19	120.69	36.04	21.25	84.34		
52 Week Low	15.26	82.76	26.52	15.77	64.00		
52 Week High	40.12	129.12	55.53	30.32	115.54		
Gross Margin	22.6%	32.4%	21.0%	26.8%	17.8%	22.6%	0.24x
EBIT	10.5%	12.7%	2.6%	3.8%	3.2%	3.8%	0.07x
EBITDA	11.0%	15.0%	3.7%	5.0%	3.6%	5.0%	0.08x
Acct. Receivable Days	72	67	70	53	93	70	71.05x
Inventory Days	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
Acct. Payable Days	31	33	91	14	95	33	53
Revenue Growth	1	1	0	0	0	0	0.43x

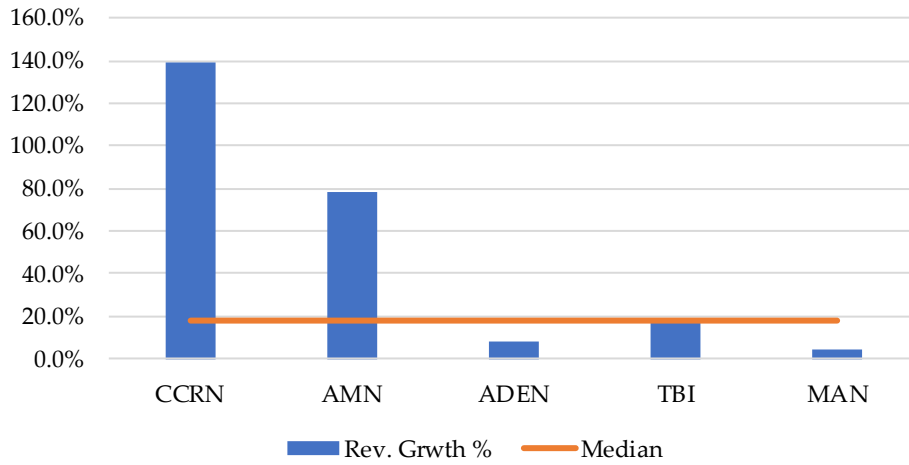
HEALTHCARE STAFFING INDEX VS. S&P 500



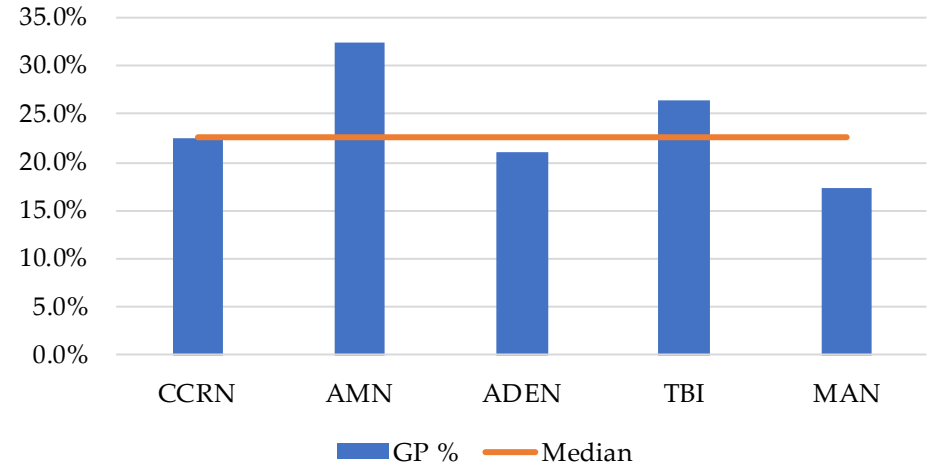
DCA Healthcare Staffing Index: CCRN, AMN, ADEN, TBI, KELYA

OPERATING METRICS

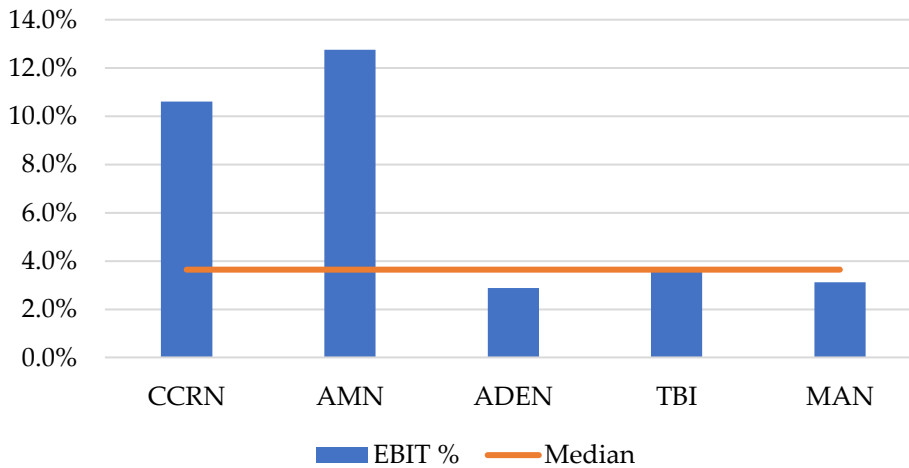
Revenue Growth



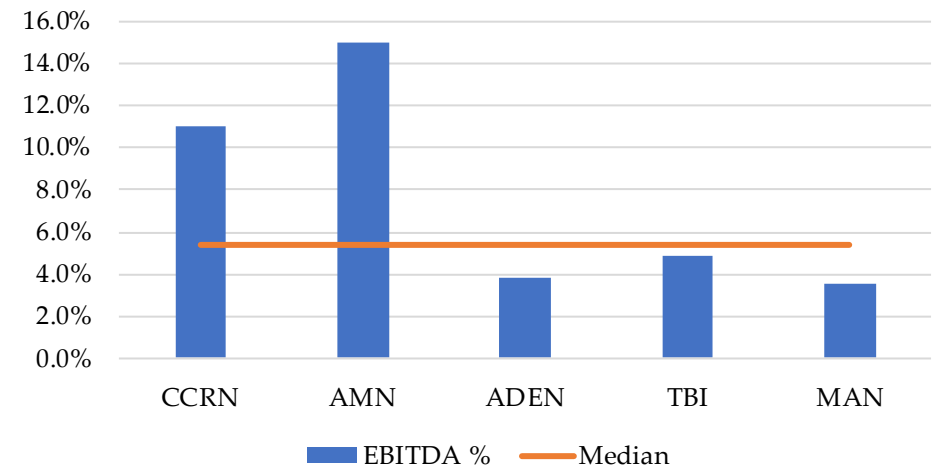
Gross Profit Margin



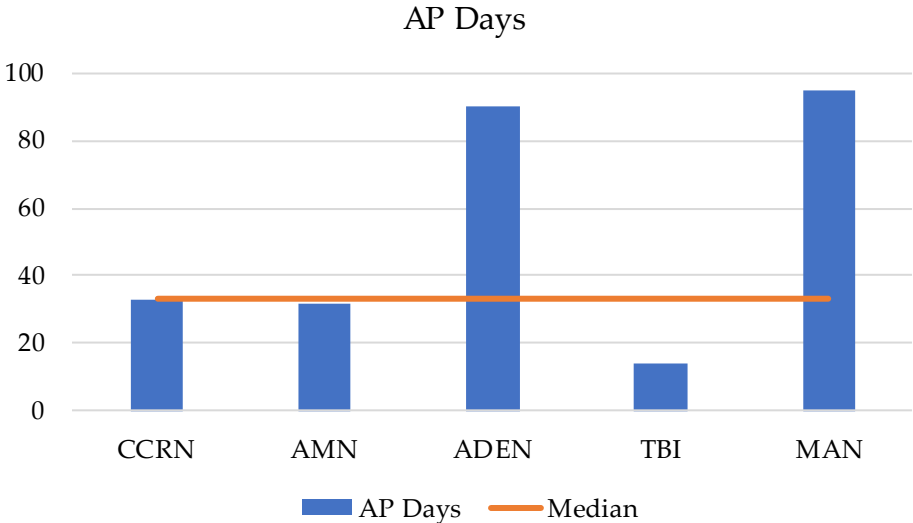
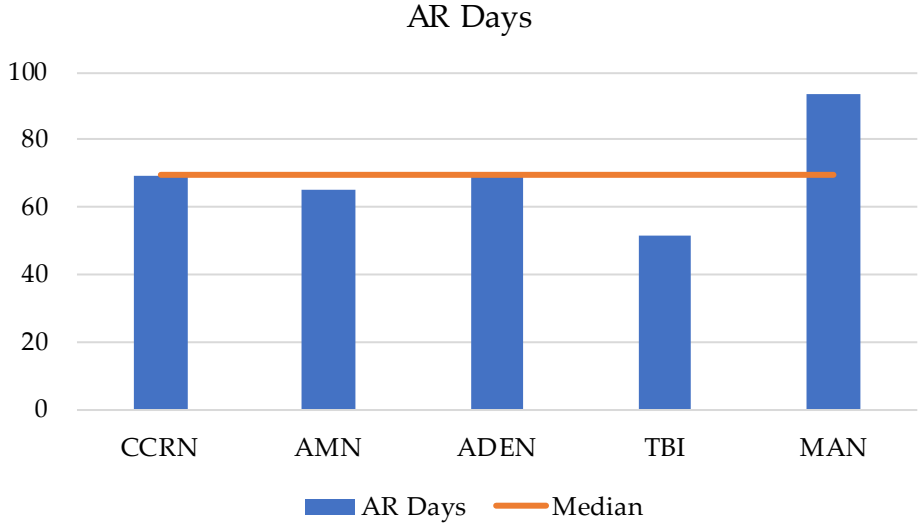
EBIT Margin



EBITDA Margin



RATIO ANALYSIS



VALUATION TRENDS

Ticker	Company	Fundamentals								
		TIM						NTM Estimates		
		Close Price	Market Cap	Enterprise Value	Total Revenue	EBITDA	Basic EPS	Total Revenue	EBITDA	Normalized EPS
CCRN	Cross Country Healthcare	32.50	1,212.10	1,321.52	2,819.07	309.10	6.12	2,249.37	199.85	3.21
AMN	AMN Healthcare Services	112.62	4,873.36	5,656.83	5,219.99	785.26	9.88	4,237.46	643.20	8.38
ADEN	Adecco Group	31.11	5,194.88	8,409.90	24,801.46	905.59	3.01	23,199.45	950.36	3.30
TBI	TrueBlue	19.14	626.23	645.52	2,318.42	116.45	2.25	2,173.30	99.73	1.84
MAN	ManpowerGroup	78.65	4,069.51	4,665.61	20,740.30	728.00	7.87	18,458.36	649.04	7.40

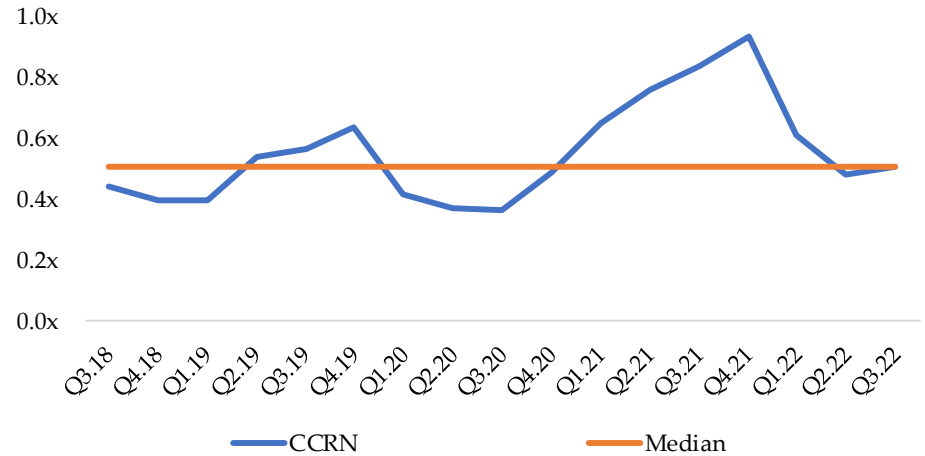
Ticker	Company	Multiples					
		TIM			NTM Forward Multiples		
		EV / Revenue	EV / EBITDA	PE Ratio	EV / Revenue	EV / EBITDA	PE Ratio
CCRN	Cross Country Healthcare	0.47x	4.28x	5.38	0.59x	6.61x	10.12
AMN	AMN Healthcare Services	1.08x	7.20x	11.47	1.33x	8.79x	13.44
ADEN	Adecco Group	0.34x	9.29x	10.38	0.36x	8.85x	9.44
TBI	TrueBlue	0.28x	5.54x	8.62	0.30x	6.47x	10.40
MAN	ManpowerGroup	0.23x	6.27x	9.70	0.25x	7.19x	10.63

PUBLIC COMP

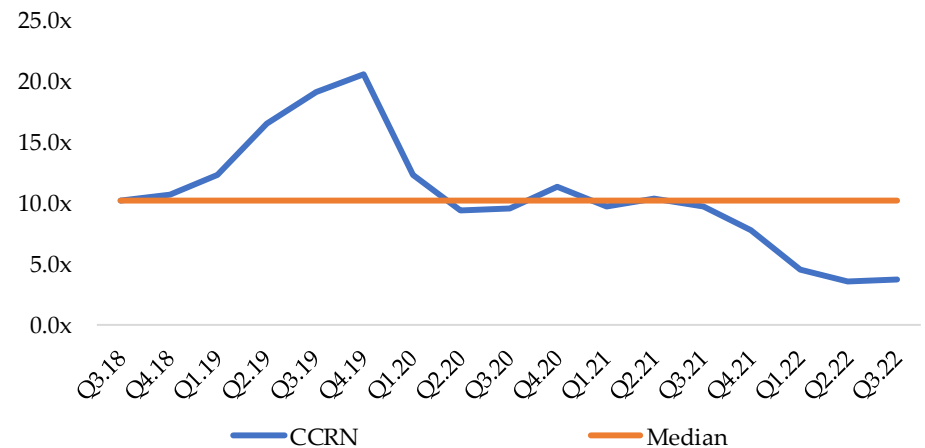


Cross Country Healthcare Inc (NAS: CCRN) is a provider of staffing, recruiting, and workforce solutions to healthcare clients such as private and public hospitals, government facilities, outpatient clinics, ambulatory care facilities, and physician practice groups, among others. The company operates in three business segments: nurse and allied staffing, physician staffing, and search.

EV/Revenue Cross Country Healthcare



EV/EBITDA Cross Country Healthcare

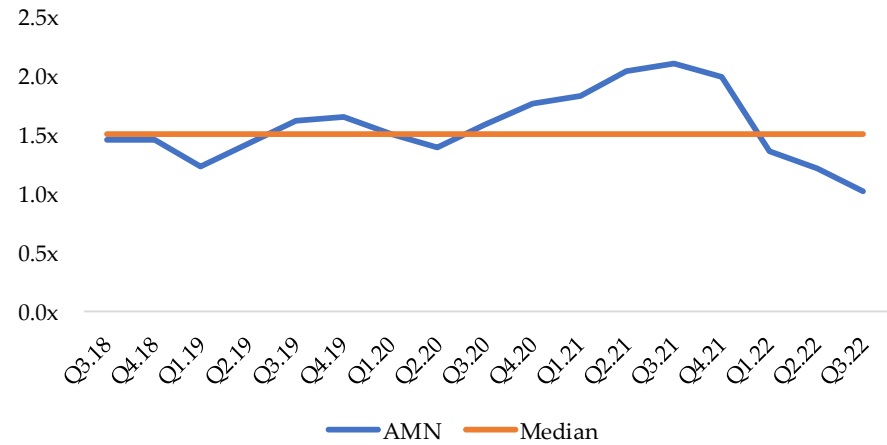


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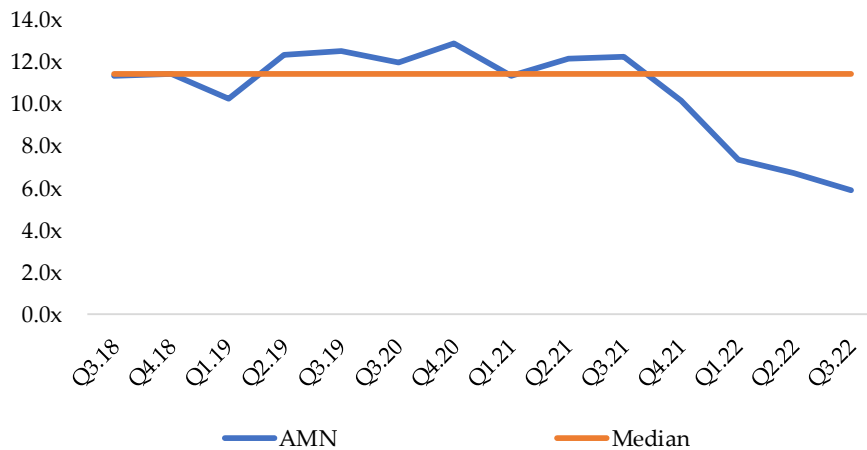


AMN Healthcare Services (NYS: AMN) is the largest healthcare staffing company in the United States. About two thirds of its business is generated from its temporary nursing division; the other third is generated from its physician placement and technology-backed workplace solutions divisions.

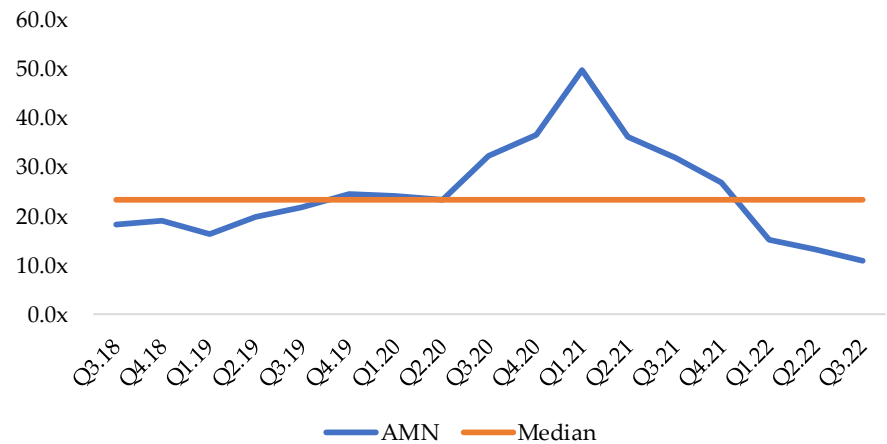
EV/Revenue AMN Healthcare Services



EV/EBITDA AMN Healthcare Services



P/E AMN Healthcare Services

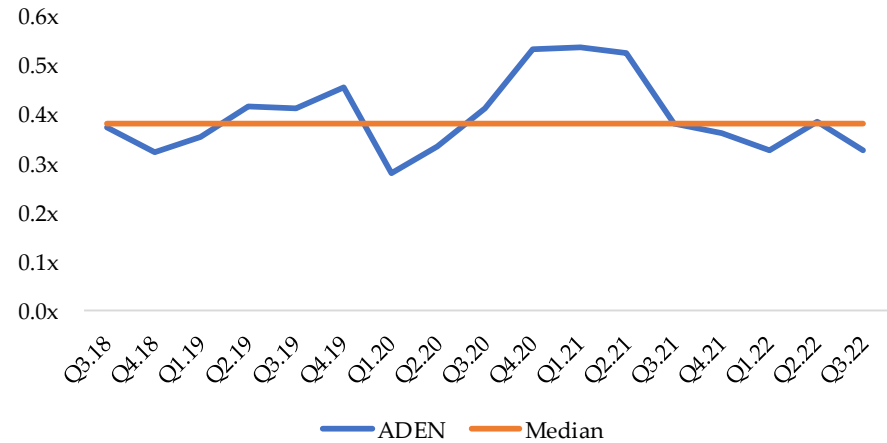




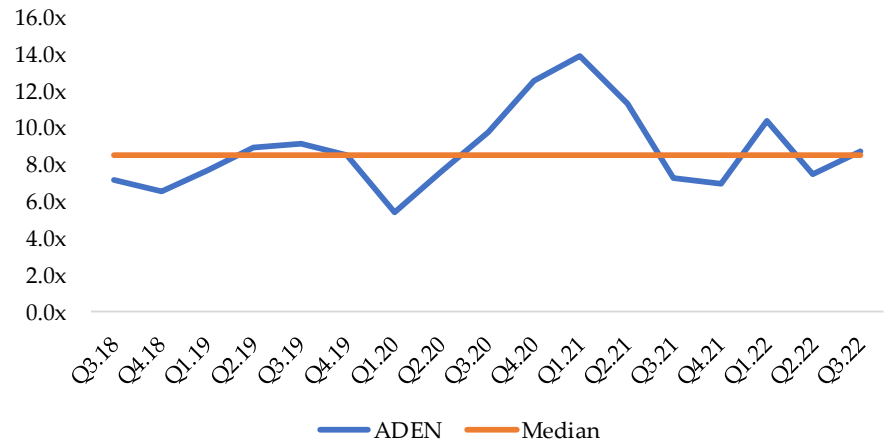
THE ADECCO GROUP

The Adecco Group AG (ADIA: GR) is a personnel and temporary employment company. The company supplies personnel and temporary help and offers permanent placement services for professionals and specialists in a range of occupations. Adecco Group conducts its placement services internationally

EV/Revenue Adecco Group



EV/EBITDA Adecco Group

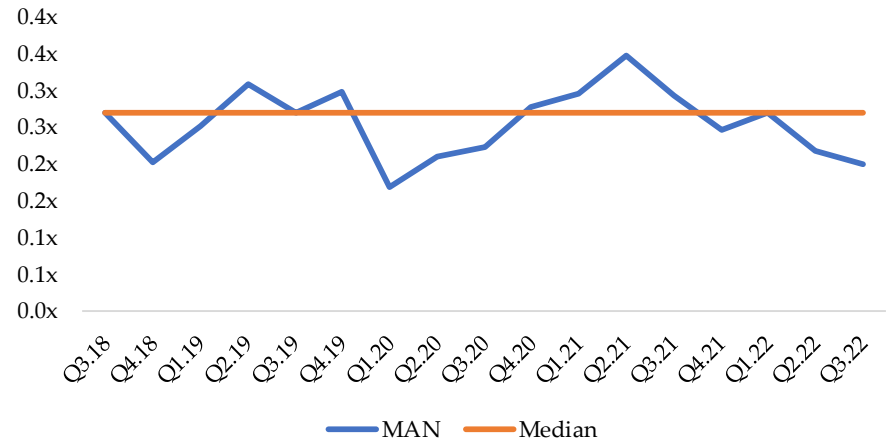


PUBLIC COMP

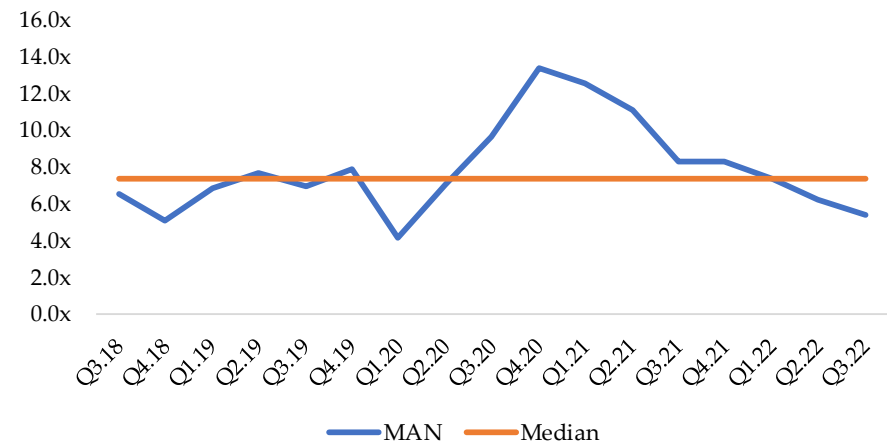


TrueBlue Inc (NYS: TBI) is a provider of staffing and workforce management solutions. The company's services include industrial staffing services, productivity-based on-site industrial staffing services, and recruitment process outsourcing and managed service provider services.

EV/Revenue ManpowerGroup



EV/EBITDA ManpowerGroup

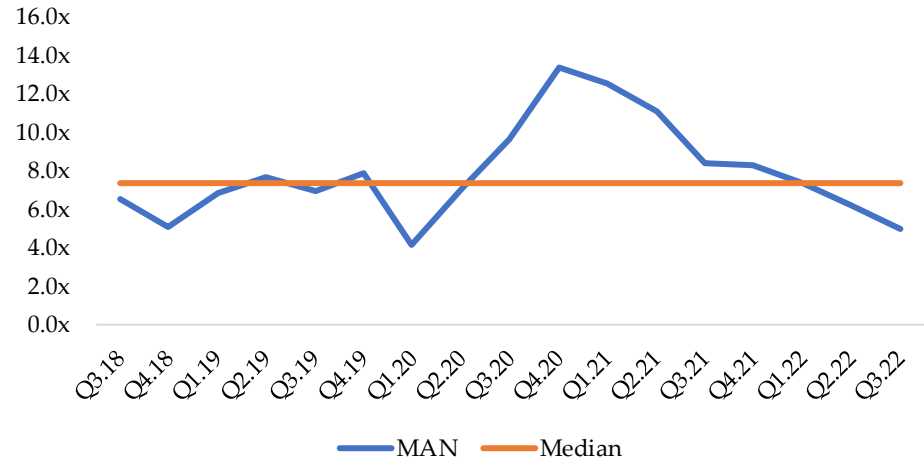


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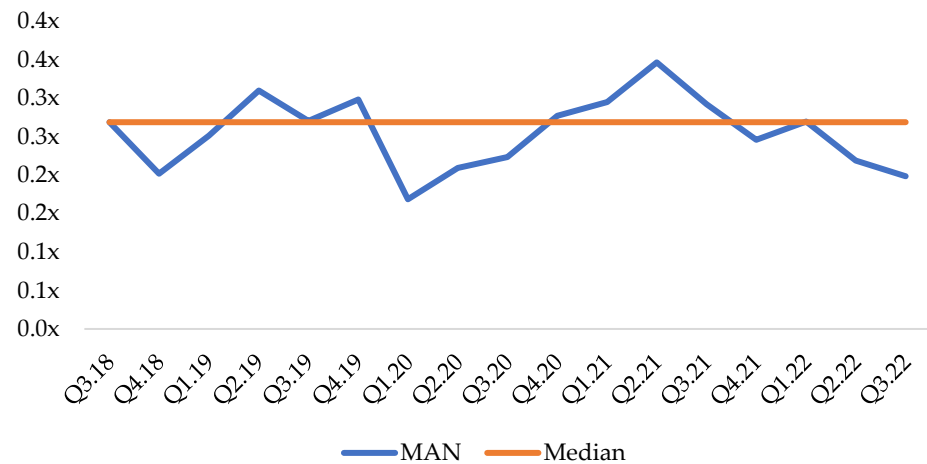


ManpowerGroup (NYS: MAN) is one of the largest firms in the fragmented global staffing industry. It serves each main staffing category--temporary, permanent, and project-based--and also offers a suite of HR outsourcing and outplacement services.

EV/EBITDA ManpowerGroup



EV/Revenue ManpowerGroup



DAVIDSON CAPITAL ADVISORS RECENT HEALTHCARE TRANSACTIONS



Healthcare Technology, Payment Services
www.acryness.com



Health Care, Health Care Facilities
www.encompashealth.com



Retail, Pharmacy and Retail
www.fruthpharmacy.com



Health Care, Health Care Facilities
www.ecompasshealth.com



Hospital & Healthcare
www.accessonemedcard.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.

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.

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.

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.

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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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.