



Grand National Consulting

M&A, Valuation & Project Management Services

Buy Side Service Offerings

Strategy Formulation	Acquisition Planning	LOI/APA	Post Close
<ul style="list-style-type: none"> • Market Analysis/Sizing • Target Market Analysis • Competitor Analysis • Line Card/Product Set Analysis • Pricing Analysis 	<ul style="list-style-type: none"> • Target Identification • Business Development/ Initial Outreach • Financial Valuation <ul style="list-style-type: none"> ○ Discounted cash flow analyses ○ Synergy analysis ○ Leveraged buyout analysis ○ Comparable public company analysis ○ Precedent transaction analysis • Initial/Pre-LOI Due Diligence • NDA Negotiations 	<ul style="list-style-type: none"> • Letter of Intent drafting and negotiations • Post LOI/Full operational and financial due diligence • Integration Planning • Stock Purchase or Asset Purchase Agreement Drafting and Negotiations • Project Management • Closing coordination • Escrow Planning/Payment processing 	<ul style="list-style-type: none"> • Integration Project Management • SPA/APA covenant monitoring and enforcement • Financial Planning and Analysis • Budgeting

Sell Side Service Offerings

Strategy Formulation	Sale/Divestiture Planning	LOI/APA/SPA	Post Close
<ul style="list-style-type: none"> • Current M&A market analysis • Valuation analysis • Strategic buyer research and principal identification • Private Equity buyer research and principal identification • Senior/Mezzanine debt dividend recapitalization analysis • Lender research and principal identification 	<ul style="list-style-type: none"> • Financial reporting and operational data aggregation/readiness • Add-back identification and validation • Buyer due diligence request coordination and project management • NDA Negotiations • Teaser drafting • Confidential Information Memorandum drafting • Buyer/Lender outreach 	<ul style="list-style-type: none"> • LOI/APA/SPA negotiations • Post LOI/Full operational and financial due diligence coordination and project management • Integration Planning • Closing coordination • Escrow Planning/payment processing 	<ul style="list-style-type: none"> • Integration Project Management • SPA/APA covenant monitoring and enforcement • Financial Planning and Analysis • Budgeting

Why GNC?

- Driven and dedicated attention and focus as a sole provider
- Timing flexibility based on your needs
- Unique experience mix of:
 - Management Consulting (Accenture)
 - Sell Side M&A Advisory (BMO Capital Markets)
 - International Pricing/FX hedging (Fiat Chrysler Automobiles)
 - Operational Audit (Rotational post MBA Program, Fiat Chrysler Automobiles)
 - Buy Side M&A Corporate Development (Johnson Controls, Starkey Hearing Technologies, Transitions Hospice & prior GNC Clients)
 - Commercial Loan underwriting and portfolio management (Starkey Hearing Technologies)
 - FP&A/Budgeting (Starkey Hearing Technologies, Transitions Hospice)

Closed M&A transactions and strategic alternatives



Led Starkey's M&A efforts completing 55 acquisitions of single or multi site hearing health clinics, 65 divestitures and underwrote 140+ new commercial loan contracts



Advised PS Capital partners on sale of specialty paper manufacturer to Wingate Capital Partners



Managed in house managed divestiture of Johnson Control's \$400m+ revenue Hart & Cooley division to HIG Capital Partners



Managed in house acquisition process for Johnson Control's strategic acquisition of North American smart energy division of French Utility conglomerate EDF.



Managed in house acquisition process for Johnson Control's line card acquisition of HK based wi-fi enabled thermostat manufacturer LUX Products Corp



Advised founder owned marketing agency on its sale to Anderson Daymon Worldwide (main sourcing and marketing partner of Costco Wholesale) Advantage division



Advised Midwest household name, family family-owned manufacturer of sausage products on sale to Altamont Capital Partners



Advised Shoreview Industrial Partners on its sale of food sales/ educational fundraising company to Gordon Food Service, Inc.

Closed M&A transactions and strategic alternatives



Advised founder owned electric motor service and installation company on sale to Bolder Capital portfolio company Industrial Service Solutions



Advised founder owned mail and online based teacher's continuing education course provider on its sale to Stone Goff Partners



Advised founder owned pipe manufacturing with specialized patent for weldless connection to publicly traded Northwest Pipe Company



Created comprehensive three statement financial analysis, projections and strategic alternative board presentation for publicly traded Hooper Holmes Healthcare



Advised series D VC owned building automation software solutions company on sale to tech focused Marlin Equity Partners



Created a unique strategic alternatives presentation analyzing three scenarios: 1) sale, 2) exercise call option then sale and 3) sell call option and hold original company



Advised privately owned marketer of specialty supplements with a breakthrough product on the horizon to Kainos Capital



Advised privately owned SAP implementation advisory firm on sale to publicly traded Japanese consultancy NTT Data Corp.

Testimonials (references available upon request)

Scott Simon

Former Vice President and Corporate Development Officer of Johnson Controls

"Tom was a pleasure to work with on my corporate development team analyzing 20+ deals and closing on multiple acquisitions and divestitures including complex international assignments."

Mary Jeffries

Former CFO of Starkey Hearing Technologies

"Tom was a great addition to our finance team and implemented processes and system improvements that allowed us to close on over 50 acquisitions and over 140 loan contracts during his time at Starkey."

Kent Adams

Managing Director BMO Middle Market M&A-U.S.

"I worked as Partner lead with Tom on several sales pitches and multiple closed transactions over a number of years and he always delivered on superior analytical results, other work product, teamwork and client service."

Joe Cotter

Co-Founder and Former CEO of Learners Edge

"Tom's tireless work and attention to detail brought great value to our process and no doubt contributed to the success of our sale."

Bio

I graduated from the University of Minnesota - Carlson School of Management in spring of 2009 and Cornell's SC Johnson Graduate School of Management full time MBA program in 2016. I have 10+ years of M&A experience starting with 2+ years on the sell side at BMO Capital markets and 8+ years of buy side corporate development experience across Johnson Controls, Starkey Hearing Technologies, Transitions Care (PE owned by Lorient Capital) and Grand National Clients. In 2024 I obtained my Certified Management Accountant and CFA Private Markets and Alternative Investments certifications and am a CFA Level 1 Candidate for 2026

My 3.5 years at Starkey was focused on a hearing aid clinic roll up strategy through their subsidiary called Northland/Starkey Hearcare. I was also in charge of managing their \$200m+ loan portfolio with new loan origination, restructurings and delinquent communications.

My time at Transitions Care was focused on a regional hospice roll up strategy and also included some budgeting, liquidity analysis, JV proposals and greenfield expansion planning.



I also have 4 years of consulting and operational audit/improvement experience at Accenture and Chrysler to help supplement with portfolio management.

Project Canary Investment Committee Presentation

(Mock case study with 72 hours to complete for Lorient Capital
role with no prior hospice industry experience)

Investment Thesis

Project Canary provides a unique opportunity to invest in a rapidly growing early-stage hospice provider, having launched operations in Cleveland only 11 months ago.

Recommended initial offer of \$9m based off of 4/30/22 annualized 3 month run rate EBITDA of \$1.1m with room up to \$11m.

Since launch, Canary has been able to grow its Average Daily Census from 6 to 54 representing a 22% monthly CAGR. The ADC has grown at an 11% average during the last three months of operation and is expected to continue for the first month after ownership and slow down by 1%/month as penetration grows and personnel hiring becomes more difficult.

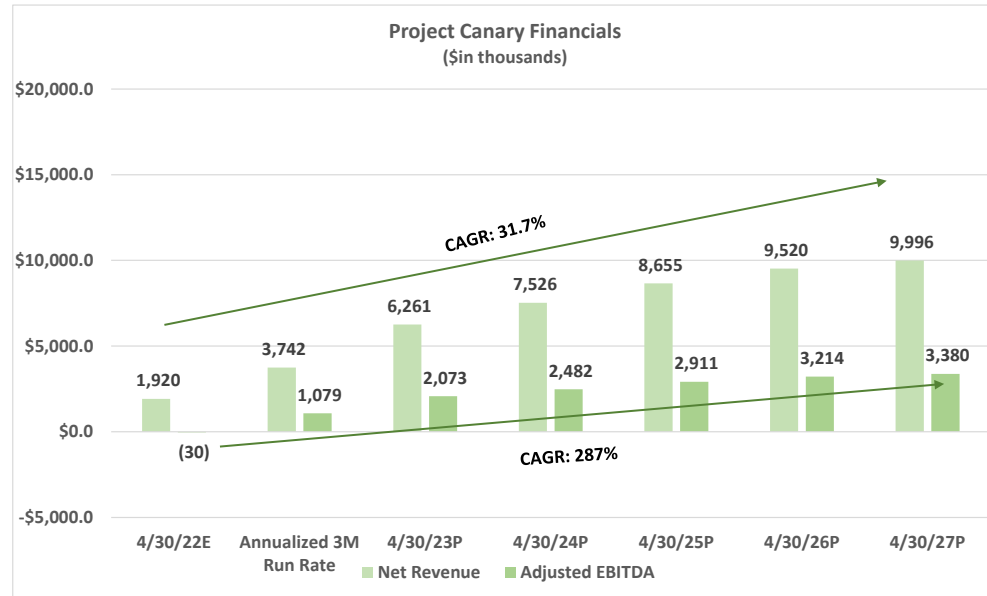
Acquiring Canary will expand Transitions geographic footprint, allowing us to enter the Cleveland area aged 65+ market which is estimated at 237k and was the fastest growing segment of the population from 2010 to 2021 at 19.7%.

Transitions management has estimated systems synergies of 2% of net revenue post close. Additional synergies may be identified through further diligence in the areas of:

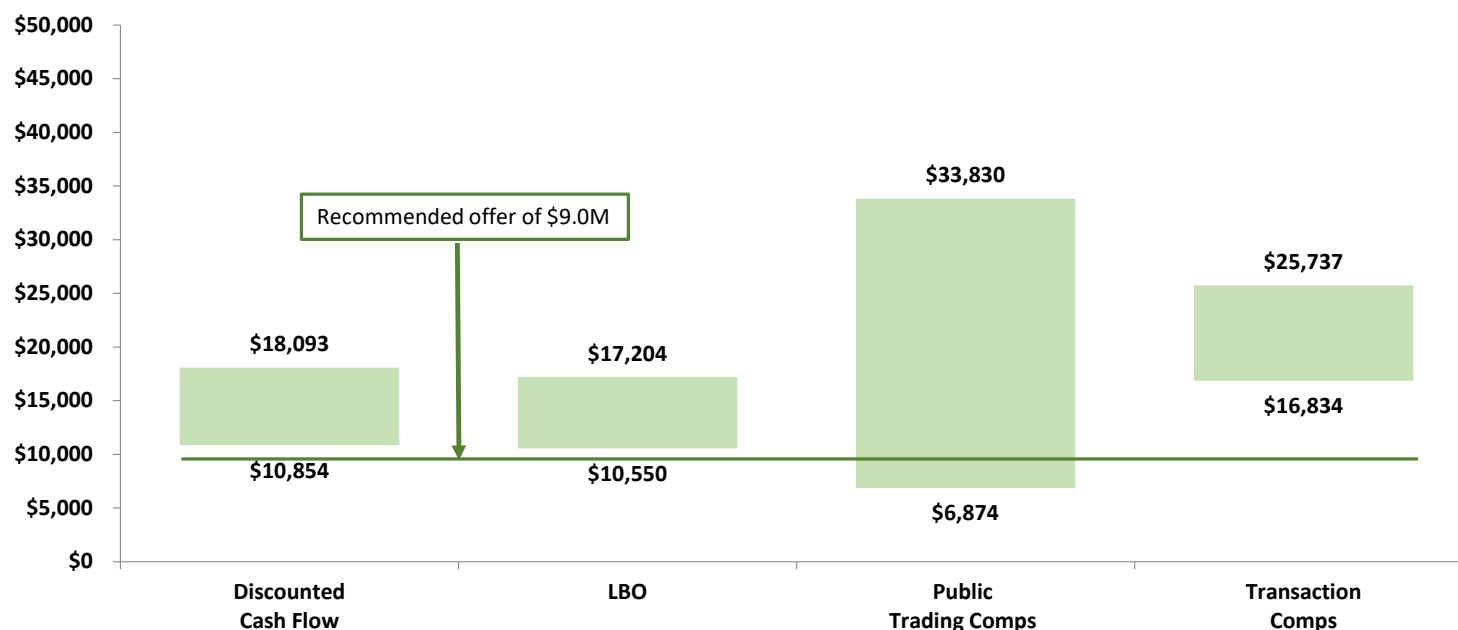
- Payroll
- Marketing
- Billing Fees
- Dues/Subscriptions

Revenue is estimated at \$1.9m TTM 4/20/22 and is expected to grow to \$6.3m in year 1 and reach \$10m by year 5.

Adjusted EBITDA is estimated at \$(30k) TTM 4/30/22 and is expected to grow to \$2.1m in year 1 and reach \$3.4m by year 5.



Valuation Summary 3 month run rate EBITDA



Recommendation is to submit an opening offer of \$9m with an ability to move up to \$11m pending negotiations and further DD.

This offer is below DCF, LBO, Public Trading Comps and Transaction comps, taking into account the risk involved in purchasing an 11 month old business without a proven track record. The company has \$1.1m run rate EBITDA which is well below public comps and available transaction comps which justifies a lower multiple.

Structure – Depending on Transition’s debt capacity, 100% debt would be ideal if possible, but majority equity contribution is likely given the early stage of the business. LBO is included for illustrative purposes but borrowing for Canary on a stand-alone basis would be unlikely given the lack of financial history for traditional lenders.

Key Assumptions/Adjustments

April 2022:

Three month run rate/averages 3/31/22 were used for the following metrics:

- Monthly ADC growth % =11%
- Average Gross Revenue/Patient Day =\$440
- Allowances and Adjustments and Bad Debt as a % of Gross Revenue of 60.2% and .03% respectively
- Expense items as a % of net revenue with the exception of the following which are tied to ADC growth %:
 - Payroll,
 - Medical Equipment
 - Drug Expense
 - Medical Care

With these, Canary will close 4/30/22 with TTM Net Revenue of \$1.9m and Adj. EBITDA of (30k)

Annualized 3M run rate would result in Net Revenue of \$3.7m and Adj. EBITDA of \$1.1m

May 2022 – April 2023 Pro Forma:

- Monthly ADC growth % – Monthly Growth rate continues for 1 month then steps down by 1%/month through 4/30/23. Annual growth rate of 20% assumed yr 2 and steps down 5%/year through yr 5 arriving at 5%
- \$140k/yr owner salary removed assuming Transitions takes over management immediately
- Billing specialist will be hired for \$50k and Controller hired for 100K (midpoint of job postings on Indeed and LinkedIn)
- Marketing held constant at \$5k/mo throughout projection period – If expanding geographic reach this will need to increase
- Professional fees assumed to be eliminated post close. Assumed to be outsourced bookkeeping/CPA and other services that Transitions corporate will be able to absorb going forward.
- Rent/Utilities held flat at \$2k/month for Yr 1 and assumed to grow 3%/yr yrs 2-5
- Adjustments & Allowances, Bad Debt and expense line items held constant as a % of net revenue
- System synergies of 2% of net revenue will continue for the projection period
- CAPEX assumed to be not required unless a new office location buildout is required. Is there potential to capitalize medical equipment expenses? If so this would change the model.

Valuation Summary 3 month run rate EBITDA

DCF:

Recommended initial offer price	9,000
4/30/22 annualized 3MRR Adjusted EBITDA multiple	8.3x
4/30/23 pro-forma EBITDA multiple	4.3x

Enterprise Value Sensitivity Analysis				
		Discount Rate		
		20.0%	25.0%	30.0%
		Adjusted EBITDA Multiple	8.0x	\$15,376
	9.0x	\$16,734	\$13,966	\$11,764
	10.0x	\$18,093	\$15,073	\$12,675

Traditional LBO:

Assumed Senior Debt:	2.0x
Assumed Sub Debt:	1.5x
4/30/22 annualized 3MRR Adjusted EBITDA multiple	12.4x
4/30/23 pro-forma EBITDA multiple	6.5x
Calculated Price	13,395

Enterprise Value Sensitivity Analysis				
		IRR		
		20.0%	25.0%	30.0%
		Adjusted EBITDA Multiple	8.0x	\$14,622
	9.0x	\$15,913	\$13,395	\$11,416
	10.0x	\$17,204	\$14,448	\$12,281

Outside Equity IRR's calculated from proposed deal structure:

Enterprise Value Sensitivity Analysis		
Adjusted EBITDA Multiple	IRR	
	8.0x	22.5%
	9.0x	25.0%
10.0x	27.3%	

Outside Equity MOIC calculated from proposed deal structure:

Enterprise Value Sensitivity Analysis		
Adjusted EBITDA Multiple	MOIC	
	8.0x	2.8x
	9.0x	3.1x
10.0x	3.3x	

Equity Ownership Assumptions:

	Entry	%	Exit	%
Lorient	10,007	90.0%	30,538	85.5%
Management	1,112	10.0%	5,179	14.5%
Total:	11,119	100.0%	35,717	100%

Given the initial growth trajectory of Canary and the three-month run rate adjusted EBITDA of \$1.1m, a multiple of 8.3x seems reasonable for a business of this stage and size assuming exit multiple ranges of 8.0x-10.0x.

The LBO suggests a higher price of \$13.4 and multiple of 12.4x using discount rate/IRR ranges of 20%-30% 2.0x senior and 1.5x sub debt suggested by the latest SPP Capital Markets October 2022 debt report for companies <\$5m EBITDA. An LBO is unlikely given the stage and Canary will likely only draw interest from strategic acquirors in the area, which may drive the price above the initial offer of \$9.0m.

Deeper Diligence recommendations

- Revenue growth assumptions – Further analysis required on capable geographic reach and hospice eligible demographics to increase or decrease revenue growth assumptions.
- Adjustments & Allowances/Bad Debt – Analyze billing practices for accuracy to ensure accurate compliance with Medicare requirements and minimize these items as much as possible.
 - Further analyze one time \$18k reversal of bad debt in October 2021.
- Owner exit assumptions – Will Transitions be able to take over day 1 or will we need the owner to stay on for 6 – 12 months?
- Professional fees – assumption is these can be eliminated immediately post close but need to confirm the nature of these items.
- Payroll growth as a % of revenue – What is the utilization of hospice care staff, and will this need to grow as a % of revenue or is there utilization upside?
- Medical Equipment expense – Assumption is this will continue to grow as a % of revenue given the home visit model, however current equipment may have room for additional utilization and this expense could grow at a slower pace.
 - Is there a possibility of capitalizing this expense and depreciating over a five-year period?
- Marketing held constant at \$5000/month. If expanding into further geographic area this will need to be increased.
- PP&E – Assumption is growth can be supported by current location, but an additional office location may be necessary given patient, employee growth and geographic reach of patients.
- Other expense items assumed to grow with revenue, additional diligence required to validate this assumption for:
 - Billing Fees
 - Insurance Expense
 - Dues and Subscriptions
 - Fuel
 - Other expenses

Pro Forma/adjustment expense Details

Summary Trended P&L 24m	% of Gross/ Net Rev	Comments	Estimated 4/30/22	YE 4/30/23	Pro Forma Adjustments	Pro Forma 4/30/23
Expenses						
Payroll	48.5%	4/22 = 3/22, then Tied to ADC Growth	1,386,276	\$3,034,094	\$150,000	\$3,184,094
Medical Equipment	4.6%	Tied to ADC Growth	79,059	284,915		\$284,915
Drug Expense	3.1%	Tied to ADC Growth	68,434	196,508		\$196,508
Medical Care	3.1%	Tied to ADC Growth	57,201	193,706		\$193,706
Marketing	1.6%	4/22 = 3M Average, then held Steady at \$5k/mo	25,092	60,000		\$60,000
Billing fees	1.1%	3M Average	20,136	67,225		\$67,225
Medical Records / Supplies	1.1%	3M Average	40,491	66,396		\$66,396
Insurance Expense	0.8%	3M Average	18,606	48,950		\$48,950
Rent / Utilities	0.6%	4/22 = 3M Average, then held Steady at \$2k/mo	13,535	24,000		\$24,000
Dues and Subscriptions	0.4%	3M Average	7,368	22,083		\$22,083
Professional Fees	0.6%	3M Average	33,454	40,214	(\$40,214)	-
Fuel	0.1%	3M Average	1,316	6,484		\$6,484
Other Expenses	1.9%	3M Average	58,220	118,897		\$118,897
Systems Synergies	0.0%		-	-	(\$125,224)	(\$125,224)
Total Expenses	67.4%		\$1,809,188	\$4,163,471	(\$15,439)	\$4,148,032
<i>% of Net Revenue</i>			<i>94.2%</i>	<i>66.5%</i>		<i>66.2%</i>

Market Overview

Hospice is the model for providing care to people facing life-limiting illness including medical care, pain management, and emotional and spiritual support for patients and their families. The care is most often provided in the patients home but also may be provided in a dedicated hospice location, hospitals, nursing homes and other long-term care facilities. There are four classifications of care typically provided by Hospice companies ⁽¹⁾:

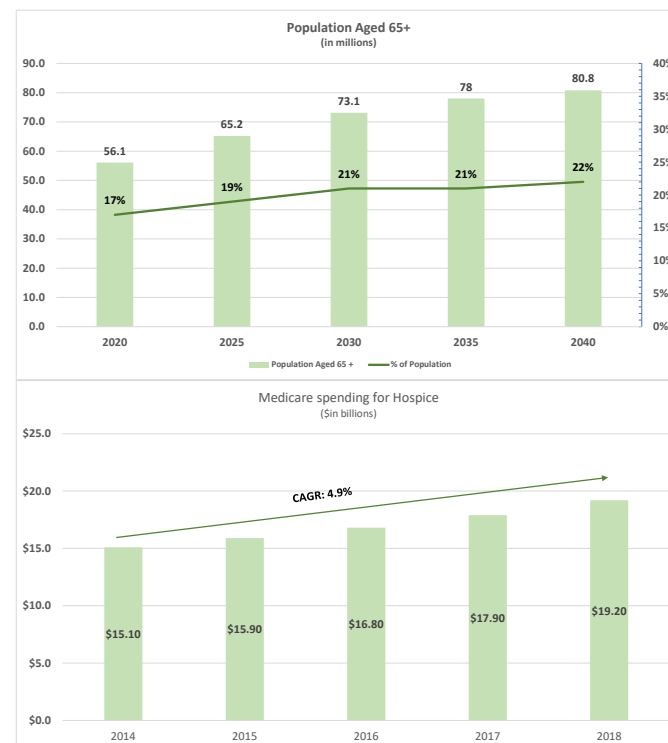
- Routine Hospice Care (RHC) – Most common care provided at the patient's residence
- Continuous Home Care (CHC) – Provided between 8 – 24 hrs/day predominately nursing care with other caregiver and hospice aide services for a terminally ill patient at home
- Inpatient Respite Care (IRC) – Available to provide temporary relief for the primary caregiver in a hospital, hospice facility or long-term care facility with 24 hr nursing personnel.
- General Inpatient Care (GIP) – Provided for pain control and other acute symptom management where home care is not feasible. GIP can be provided in a Medicare certified hospital, hospice inpatient, or skilled nursing facility with 24 hr nursing available.

The Medicare Hospice Benefit was established under the Tax Equity and Fiscal Responsibility Act of 1982 and became a permanent Medicare Part A benefit in 1986. Hospice use has grown at a rapid rate since 2000 with users growing from **534k to over 1.5m** in 2017. The number of for-profit hospices increased from **672 to 3,097** in that same time period, while nonprofit hospices declined from 1,324 to 1,230 for a total of **6,344 by 2017** ⁽²⁾.

Medicare spending on Hospice grew from **\$15.1B in 2014 to \$19.2 B in 2018 at a 4.9% CAGR** and is projected to grow at **an increasing CAGR of 8.2% 2022 – 2030** ⁽³⁾. This is driven by the increasing age of the US population over 65 which is projected to be **80+M by 2040 representing 22% of the US population** ⁽¹⁾ due to the wave of baby boomers entering retirement age.

Given this increase, private equity investment in hospice care facilities has been substantial over the past three years. According to reports by Provident Healthcare Partners and The Braff Group. PE Hospice **transactions rose 25% between 2011 and 2020** and multiples have reached all time highs with **PE owning 300+ hospices**. It is estimated that three out of every five new locations are private equity owned in the US.

Given this influx, the SEC, FTC and DOJ are **increasing scrutiny** on PE and publicly owned for profit companies according to Hospice News.



Local Market overview

The Greater Cleveland area has an estimated population of over 3.5 million, encompassing 7 counties ⁽⁴⁾.

In Cuyahoga county (central Cleveland), among six age groups — 0 to 4, 5 to 19, 20 to 34, 35 to 49, 50 to 64, and 65 and older — the 65+ group was the fastest growing between 2010 and 2021 with its population increasing 19.7% to 238k ⁽⁴⁾.

While there are several hospice providers in Cleveland, notably large publicly traded Amedisys and Cleveland Clinic Hospice, the market demand supports the growth prospects of Canary. Strategic interest in Canary as an add-on will likely be high and the opening offer of \$9.0m may need to be revisited based on sell-side advisor feedback.

According to Seniorcare.com, there are 28 hospice facilities in Cleveland, Ohio. The daily costs of hospice in Ohio range from \$111 to \$200, with a median cost running approximately \$153. The monthly expense averages around \$4,590 and ranges between \$3,330 and \$6,000. Annually, the median cost is around \$55,080, which is equal to the US average of \$55,080.



The Cleveland area market fits nicely into Transitions Care's existing location footprint, filling the gap between Southeast Michigan (Detroit/Toledo) and Pittsburg, PA.

Project Canary Appendix

Pro forma/projection inputs

Inputs (in \$000s):		Comments
Revenue:		
Starting 1st yr monthly ADC growth	11.0%	L3M Average
6M monthly growth stabilization	-1.0%	
Min 1st yr monthly growth rate	5.0%	
2nd yr annual ADC growth	20.0%	
Annual growth stabilization	-5.0%	
Average Revenue/Patient Day	\$440	L3M Average
Average % Gross Revenue Adjustments	60.2%	L3M Average
Average % Gross Revenue Bad Debt	0.3%	L3M Average
Yr1 annual Patient Day Growth	100.0%	
2nd yr annual Patient Day Growth	20.0%	
Yr3-5 annual Patient Day Growth	5.0%	
Adjustments		
Yr 1 Billing professional salary	50,000	Hospice Billing Specialist Indeed Job Search Results range \$40k-\$65k
Yr 1 Controller Salary	100,000	Hospice Controller Indeed Job Search Results range \$90k-\$120k
Yr1 Professional Fees Adjustment	40,214	Assume outsourced bookkeeper/accounting will be absorbed by Transitions
Expenses		
Yr 2-5 Target payroll as % of net revenue	48.5%	Seems reasonable according to MVI poll of 785 Hospice providers Direct Labor average of 41%
Annual Rent/Utilities increase	3.0%	
Yr 1 Monthly Rent/Utilities	2,000	
Monthly Marketing Expense	5,000	
Borrowing		
SOFRA Rate	3.05%	Statistics from SPP Capital Market October 2022 Newsletter October 11th stated rate
Senior Debt multiple	2.0x	Cash Flow Senior Debt/EBITDA for EBITDA < \$5.0m is 1.5x-2.0x
Sub Debt Multiple	1.5x	Total debt/EBITDA for EBITDA < \$5.0m is 3.0x - 3.75x
Senior cash flow bank spread	4.00%	3.5%-4.5% Bank Spread . 7.5%-9.0% non bank for EBITDA < \$7.5m
Sub debt rate	14.00%	13%-15% for EBITDA < \$5.0m

Summary P&L

	3M Monthly	Estimated	Annualized	Projected				
<i>(dollars in thousands)</i>	3/31/22	4/30/22E	3M Run Rate	4/30/23P	4/30/24P	4/30/25P	4/30/26P	4/30/27P
Gross Revenue	\$787	\$4,841	\$9,446	\$15,864	\$19,068	\$21,928	\$24,121	\$25,327
<i>% Growth</i>				227.7%	20.2%	15.0%	10.0%	5.0%
Adjustments/Bad debt	475	2,921	5,703	9,603	11,542	13,274	14,601	15,331
Net Revenue	312	1,920	3,742	6,261	7,526	8,655	9,520	9,996
<i>Net Margin %</i>	39.6%	39.7%	39.6%	39.5%	39.5%	39.5%	39.5%	39.5%
Total Operating Expenses	210	1,809	2,523	4,148	4,970	5,703	6,265	6,575
<i>As a % of Net Revenue</i>	67.4%	94.2%		66.2%	26.1%	26.0%	26.0%	26.0%
Operating Income	102	110	1,220	2,113	2,556	2,952	3,255	3,421
<i>Operating Margin %</i>	32.6%	5.8%	32.6%	33.8%	13.4%	13.5%	13.5%	13.5%
Total Adjustments	(12)	(140)	(140)					
Adjusted EBITDA	90	(30)	1,079	2,073	2,482	2,911	3,214	3,380
<i>% Growth</i>				NA	19.8%	17.3%	10.4%	5.2%
<i>Adj. EBITDA Margin %</i>	28.8%	-1.6%	28.8%	13.1%	13.0%	13.3%	13.3%	13.3%
Depreciation & Amortization	(3)	(40)	(41)	(41)	(74)	(41)	(41)	(41)
<i>As a % of Net Revenue</i>	1.1%	2.1%	1.1%	0.6%	1.0%	0.5%	0.4%	0.4%
Adjusted Net Income	87	(70)	1,039	2,032	2,408	2,870	3,173	3,340
Unadjusted Net Income	98	71	1,179	2,032	2,408	2,870	3,173	3,340
Capital Expenditures								
Net Working Capital	294	312		680	628	722	794	834
<i>As a % of Total Revenue</i>	37.3%	6.5%		21.9%	21.9%	21.9%	21.9%	21.9%
<i>Δ in Net Working Capital</i>		18		367	(52)	94	72	40

DCF Detail

(dollars in millions)

	Estimated	4/30/23P	4/30/24P	4/30/25P	4/30/26P	4/30/27P
Total Gross Revenue	\$4,841	\$15,864	\$19,068	\$21,928	\$24,121	\$25,327
Adjusted Operating Cash Flow (EBITDA)	(30)	2,073	2,482	2,911	3,214	3,380
Adjusted Operating Income (EBIT)	(70)	2,032	2,408	2,870	3,173	3,340
Less: Taxes @ 40.0%	-	(813)	(963)	(1,148)	(1,269)	(1,336)
After-Tax Operating Income	(70)	1,219	1,445	1,722	1,904	2,004
Plus: Depreciation & Amortization	40	41	74	41	41	41
Less: Capital Expenditures	-	-	-	-	-	-
Less: Change in Working Capital	(18)	(367)	52	(94)	(72)	(40)
After-Tax Operating Cash Flows	(48)	892	1,571	1,669	1,872	2,005
Adjusted EBITDA Multiple: 9.0x						30,422
Total Cash Flows	(\$48)	\$892	\$1,571	\$1,669	\$1,872	\$32,426

Present Value of Cash Flows	
NPV Cash Flows	\$3,997
NPV Terminal Value	9,969
Total Company Value	\$13,966

Assumptions	
Discount Rate	25.0%
Adjusted EBITDA Multiple	9.0x
Tax Rate	40.0%

Enterprise Value Sensitivity Analysis				
		Discount Rate		
		20.0%	25.0%	30.0%
Adjusted EBITDA Multiple	8.0x	\$15,376	\$12,858	\$10,854
	9.0x	\$16,734	\$13,966	\$11,764
	10.0x	\$18,093	\$15,073	\$12,675

LBO Detail

Transaction Assumptions (in \$000)			
PURCHASE ASSUMPTIONS		OTHER ASSUMPTIONS	
4/30/22 annualized 3MRR Adjusted EBITDA	\$1,079	Tax Rate	40.0%
Assumed Purchase Multiple	12.4	Exit Year Multiple	12.0x
Enterprise Value	13,395	Transaction Costs (entry and exit)	1,500
Less: Existing Debt	0	Management Incentive Percentage	5.0%
Plus: Existing Cash	313	Warrants	0.0%
Purchase Price of Equity Value	\$13,708	Transaction Date	04/30/22

Ownership Assumptions	Post		
	Current	Closing	At Exit
Outside Equity	0.0%	90.0%	85.5%
Rollover/Management Equity	0.0%	10.0%	14.5%
Subordinated Debt Warrants	0.0%	0.0%	0.0%
Total	0.0%	100.0%	100.0%

Sources and Uses (in \$000s)				
SOURCES	Amount	% of Total	USES	
				Cash On Balance Sheet
Senior Debt	2,158	14.2%	Existing Debt to be Refinanced	0
Subordinated Debt	1,619	10.6%	Total Purchase Price	13,708
Total Debt	3,777	24.8%	Transaction Fees	1,500
Outside Equity	10,007	65.8%	Total Uses of Funds	\$15,208
Rollover/Management Equity	1,112	7.3%		
Total Equity	11,119	73.1%		
Total Sources of Funds	\$15,208	100.0%		

Leverage Assumptions (in \$000s)	EBITDA Multiple	Interest Rate	Term
Subordinated Debt	1.5x	14.0%	NA

PEG Returns Analysis (in \$000s)			
4/30/27P Adjusted EBITDA	\$3,380	\$3,380	\$3,380
Assumed Exit EBITDA Multiple	8.0x	9.0x	10.0x
Company Value at Exit	27,042	30,422	33,802
Less: Total Debt at Exit	(2,235)	(2,235)	(2,235)
Plus: Total Cash at Exit	5,641	5,641	5,641
Less: Transaction Costs at Exit	(1,500)	(1,500)	(1,500)
Equity Value at Exit	32,336	35,717	39,098
Outside Equity Proceeds	27,647	30,538	33,429
Rollover/Management Equity Proceeds	4,689	5,179	5,669
Subordinated Debt Proceeds	0	0	0
Outside Equity IRR	22.5%	25.0%	27.3%
Outside Equity MOIC	2.8x	3.1x	3.3x
Rollover/Management Equity IRR	33.3%	36.0%	38.5%
Subordinated Debt IRR	15.0%	15.0%	15.0%

Coverage Ratios	Fiscal Year Ended December 31,					
	GOAL	4/30/23P	4/30/24P	4/30/25P	4/30/26P	4/30/27P
EBITDA/Cash Interest Expense		5.4x	6.8x	8.5x	10.1x	11.4x
Fixed Charge Coverage	>1.5x	3.6x	4.4x	5.5x	6.4x	7.1x
Senior Debt/EBITDA	<4.5x	0.9x	0.6x	0.4x	0.3x	0.2x
Senior Debt/ (EBITDA - CAPEX)		0.9x	0.6x	0.4x	0.3x	0.2x
Total Debt/EBITDA	<6.0x	1.7x	1.3x	1.0x	0.8x	0.7x
Total Debt/ (EBITDA - CAPEX)		1.7x	1.3x	1.0x	0.8x	0.7x

Public Comps

Public Hospice and Specialty Healthcare Service Companies

(\$ in millions - except per share data)

Company	Ticker	Closing Price @	Market Cap	EV	EV/ Revenue	Forward P/E	EV/ EBITDA
		11/11/22					
The Ensing Group Inc	ENSG	\$92.32	\$5,260	\$6,420	2.2x	20.5x	18.5x
Acadia Healthcare Compan, Inc.	ACHC	\$80.68	\$7,340	\$8,790	3.5x	24.2x	15.6x
Amedisys, Inc.	AMED	\$92.19	\$2,980	\$3,530	1.6x	17.0x	13.6x
Brookdale Senior Living, Inc.	BKD	\$4.88	\$912	\$5,630	2.1x	6.4x	24.2x
Encompass Health Corporation	EHC	\$56.64	\$5,700	\$8,600	1.9x	17.0x	9.9x
HCA Healthcare	HCA	\$224.08	\$6,335	\$10,182	1.7x	12.3x	8.2x
LHC Group	LHCG	\$167.99	\$5,190	\$6,030	2.6x	31.4x	31.4x
National HealthCare Corporation	NHC	\$60.01	\$925	\$882	0.8x	NA	10.8x
Select Medical Holdings Corporation	SEM	\$25.24	\$2,790	\$7,710	1.2x	9.0x	12.2x
The Pennant Group, Inc.	PNTG	\$11.85	\$321	\$631	1.4x	12.8x	NM
Universal Health Services, Inc.	UHS	\$125.00	\$8,930	\$14,020	1.1x	11.6x	8.7x

Low	\$321	\$631	0.8x	6.4x	8.2x
1st Quartile	\$1,858	\$4,580	1.3x	11.7x	10.1x
Mean	\$4,244	\$6,584	1.8x	16.2x	15.3x
Median	\$5,190	\$6,420	1.7x	14.9x	12.9x
3rd Quartile	\$6,018	\$8,695	2.2x	19.6x	17.8x
High	\$8,930	\$14,020	3.5x	31.4x	31.4x

Comparable transactions

Recent Hospice Services Transactions

(\$ in millions)

Date Closed	Target Name	Acquirer Name	Enterprise Value	LTM Revenue	LTM EBITDA	EV/ LTM Revenue	EV/ LTM EBITDA
Announced	LHC Group	UnitedHealth Group	\$5,400.0	\$2,200.0	\$215.9	2.5x	23.0x
Jul-21	Hospice operations of Brookdale Senior Living	HCA Healthcare	\$400.0	NA	NA	NA	NA
Jun-20	AseraCare Hospice	Amedisys	\$235.0	\$117.5	NA	2.0x	NA
Oct-19	Hospice Partners of America	Addus HealthCare	\$128.7	\$51.5	\$4.9	2.5x	26.4x
Aug-19	Alliance Home Health Care/House Calls of New Mexico/Operating Assets of Foremost	Addus Homecare Corp	\$24.0	\$24.0	NA	1.0x	NA
Jul-19	Alacare Home Health and Hospice	Encompass Health Corp	\$217.5	\$114.5	NA	1.9x	NA
Mar-19	BrightSpring Health Services	PharMerica Corp	\$1,320.0	\$1,885.7	NA	0.7x	NA
Feb-19	Compassionate Care Hospice Group	Amedisys	\$324.5	\$202.8	\$27.0	1.6x	12.0x
Jul-18	HCR ManorCare	ProMedica Health System	\$6,142.2	\$3,838.9	\$365.6	1.6x	16.8x
May-18	Ambercare Corporation	Addus HealthCare	\$40.0	\$57.1	NA	0.7x	NA
May-18	Camellia Healthcare	Encompass Health Corp	\$135.0	\$79.4	NA	1.7x	NA
Sep-17	All About Home Care	Nova Leap Health RI	\$1.2	\$2.0	NA	0.6x	NA

Low	\$1.2	\$2.0	\$4.9	0.6x	12.0x
1st Quartile	\$106.5	\$54.3	\$21.5	0.9x	15.6x
Mean	\$1,197.3	\$779.4	\$153.4	1.5x	19.6x
Median	\$226.3	\$114.5	\$121.5	1.6x	19.9x
3rd Quartile	\$630.0	\$1,044.3	\$253.3	2.0x	23.9x
High	\$6,142.2	\$3,838.9	\$365.6	2.5x	26.4x

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 - <https://www.nhpco.org/hospice-facts-figures/>
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 - <https://www.milliman.com/en/insight/hospice-medicare-margins-analysis-of-patient-and-hospice-characteristics-utilization-an>
3. Grand View Research - U.S. Hospice Market Size, Share & Trends Analysis Report By Location
 - <https://www.grandviewresearch.com/industry-analysis/us-hospice-market>
4. USAFacts.org (underlying source is the US Census Bureau website)

Additional research resources:

- JAMA Network – Acquisitions of Hospice Agencies by Private Equity Firms and Publicly Traded Corporations
 - <https://jamanetwork.com/journals/jamainternalmedicine/article-abstract/2779069>
- KPMG – Hospice Care Services M&A May 2020
 - <https://corporatefinance.kpmg.us/insights/2020/hospice-care-services-ma.html>
- Provident Healthcare Partners – Q1-2021 Home Health and Hospice Update
- Multiview Incorporated – HOSPICE OPERATIONAL COMPARISONS BY ADC; ADC OR AVERAGE DAILY CENSUS = TOTAL PATIENT DAYS IN A PERIOD/NUMBER OF PERIOD DAYS.
 - <https://www.multiviewinc.com/practices/hospice-operational-comparisons-by-adc/>
 - <https://mvib.net/ADC.htm>
- SPP Capital Partners – Capital Market Update October 2022
- Hospice News – Regulators Taking Aim at Hospice PE Backers; Private Equity Investment in Hospice Hits All Time High, Valuations Rising
 - <https://hospicenews.com/2022/06/23/regulators-taking-aim-at-hospice-pe-backers/>
 - <https://hospicenews.com/2021/03/26/private-equity-investment-in-hospice-hits-all-time-high-valuations-rising>