



# LAWRENCE, EVANS & CO., LLC

Investment Banking ▪ Healthcare Finance ▪ Consulting

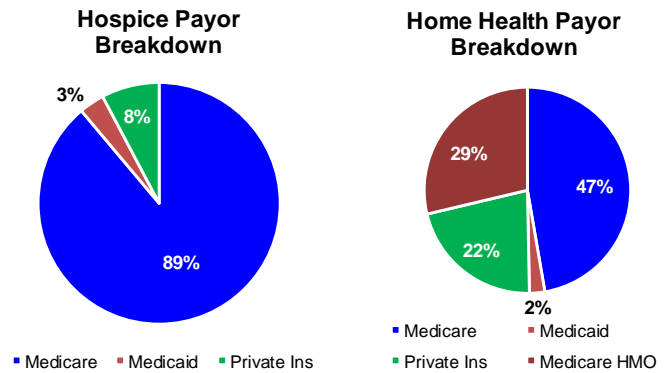
## Project Arrowhead

### Partnership or Sale of a Midwest Hospital Home Health and Hospice Operation

Project Arrowhead ("Company") is a Midwest Home Health and Hospice division that a community hospital seeks to spin-off into a joint venture or sale of some or all of the Company. The hospital Board believes that the Company is a not part of the core operational objectives of the hospital. They desire to sell a part or all of the Company, with a preference to maintain a joint venture through a partial sale; control or non-control.

The Company provides home health services which include skilled nursing, home health aide, physical therapy, occupational therapy, social service, and speech therapy. Hospice services include skilled nursing, aide, social service, chaplain, physical therapy, occupational therapy, and speech therapy.

The payor breakdown for both services is primarily driven by Medicare. Medicare HMO makes up the second largest payor source for home health, and private insurance is the second largest payor source for hospice - only accounting for 8%. Both the home health and hospice services operate at impressive margins primarily due to the operational efficiency provided by the hospital's existing administrative infrastructure. Less than half of referrals come from the hospital physicians and discharges.



### Project Arrowhead

#### Income Statement - Home Health & Hospice

|                             | Co-Prep<br>9/30/2017 |               | Co-Prep<br>9/30/2018 |               | Co-Prep<br>9/30/2019 |               | Prelim<br>9/30/2020 |               | Pro-Forma<br>9/30/2021 |               |
|-----------------------------|----------------------|---------------|----------------------|---------------|----------------------|---------------|---------------------|---------------|------------------------|---------------|
|                             |                      | %             |                      | %             |                      | %             |                     | %             |                        | %             |
| Home Health Revenue         | 1,464,871            | 64.7%         | 2,252,892            | 82.4%         | 1,765,324            | 64.0%         | 1,850,360           | 59.9%         | 1,969,384              | 60.1%         |
| Hospice Revenue             | 800,739              | 35.3%         | 480,560              | 17.6%         | 991,387              | 36.0%         | 1,236,870           | 40.1%         | 1,306,426              | 39.9%         |
| <b>Combined Net Revenue</b> | <b>2,265,610</b>     | <b>100.0%</b> | <b>2,733,452</b>     | <b>100.0%</b> | <b>2,756,711</b>     | <b>100.0%</b> | <b>3,087,230</b>    | <b>100.0%</b> | <b>3,275,810</b>       | <b>100.0%</b> |
| Home Health EBITDA          | 365,779              | 59.6%         | 807,820              | 98.6%         | 455,642              | 54.9%         | 479,249             | 56.1%         | 551,916                | 55.8%         |
| Hospice EBITDA              | 247,968              | 40.4%         | 11,605               | 1.4%          | 373,888              | 45.1%         | 374,885             | 43.9%         | 436,678                | 44.2%         |
| <b>Combined EBITDA</b>      | <b>613,747</b>       | <b>100.0%</b> | <b>819,425</b>       | <b>100.0%</b> | <b>829,530</b>       | <b>100.0%</b> | <b>854,134</b>      | <b>100.0%</b> | <b>988,595</b>         | <b>100.0%</b> |

#### Investment Considerations

- Well established home health and hospice operation with strong referral line
- Variety of services provided through both home health and hospice
- Strong financial profile with infrastructure for future growth
- Provider contracts are currently being renegotiated, numbers do not reflect potential adjustments

Neil Johnson  
Managing Partner  
njohnson@lawrenceevans.com

David Opalek, JD  
Director  
dopalek@lawrenceevans.com

Ram Vellanki, MD  
Associate  
rvellanki@lawrenceevans.com

Tel: 614-448-1304