

Analyst: Sung Nam

Amedisys Inc (AMED)

Market Price:	\$10.53	EBITDA/Share:	\$7.75	Net Asset/Share:	\$1.12
DCF: EV/EBITDA Terminal Value	16.316%	DCF: Net Tangible Asset excluding Cash/Debt Terminal Value		-28.277%	
EBITDA-Cap Ex/Share	\$5.37	EVA Analysis:		3.938%	

Overview

AMED seems cheap, but FCF and book value excluding goodwill reveals that is not the case. AMED has a lot of expenditures, in capital and intangibles investment. Also, the company has \$791 MM booked as goodwill, which has no value. Also, growth is a negative 10% the past year, which leads to concerns over Medicare law reforms effect on growth.

COO recently quit in Oct. 2011.

Dividend?

Dividend yield is 0.00%.

Price to Book

Price to book is 0.35. Price to book excluding goodwill is 33.05.

Cashflow Generation

Cashflows are \$135MM from operating cashflow.

Capex is \$70 MM, minority interest payment is \$0 MM, intangibles are \$50 MM and dividend is \$0 MM.

Free cash flow is about \$15 MM.

11.8% EBITA margin and FCF yield is 4.3%.

The company has \$120 MM in cash/short term investment and \$182 MM in debt.

We are projecting a \$2 MM paydown annually.

Profitability

ROA is 8.6%, and ROC is 12.8%.

Bankruptcy Risk

Altman Z is 2.89. We are on alert.

LBO?

We don't believe a 60% debt/40% equity would be sustainable.

Price

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Altman Z Score

Company Name:

Amedisys Inc

Ticker:

AMED

Period	2007	2008	2009	2010	2011	2012	2013	2014	2015
Working Capital	49.06	-6.86	1.52	99.64	100.52	100.99	101.29	104.41	110.42
Total Assets	587.11	1,070.19	1,172.35	1,299.83	1,349.24	1,398.86	1,448.31	1,499.65	1,552.94
X1	0.08	-0.01	0.00	0.08	0.07	0.07	0.07	0.07	0.07
Retained Earnings	149.57	236.25	372.09	484.67	540.56	593.69	645.64	699.51	755.33
Total Assets	587.11	1,070.19	1,172.35	1,299.83	1,349.24	1,398.86	1,448.31	1,499.65	1,552.94
X2	0.25	0.22	0.32	0.37	0.40	0.42	0.45	0.47	0.49
EBITDA	110.30	177.51	259.06	228.10	133.85	131.17	131.17	135.11	139.16
Total Assets	587.11	1,070.19	1,172.35	1,299.83	1,349.24	1,398.86	1,448.31	1,499.65	1,552.94
X3	0.19	0.17	0.22	0.18	0.10	0.09	0.09	0.09	0.09
Market Value of Equity	310.00	310.00	310.00	310.00	347.82	390.25	437.86	491.27	551.20
Total Liabilities	140.15	508.85	437.18	421.97	416.45	413.45	411.45	409.45	407.45
X4	2.21	0.61	0.71	0.73	0.84	0.94	1.06	1.20	1.35
Net Sales	697.93	1,187.41	1,513.46	1,634.32	1,487.23	1,457.49	1,457.49	1,501.21	1,546.25
Total Assets	587.11	1,070.19	1,172.35	1,299.83	1,349.24	1,398.86	1,448.31	1,499.65	1,552.94
X5	1.19	1.11	1.29	1.26	1.10	1.04	1.01	1.00	1.00
Altman Z Score	3.59	2.32	2.89	2.89	2.58	2.60	2.65	2.75	2.87

$$Z = 1.2 \times X1 + 1.4 \times X2 + 3.3 \times X3 + 0.6 \times X4 + 1.0 \times X5$$

Z-SCORE ABOVE 3.0 –The company is considered 'Safe' based on the financial figures only.

Blue

Z-SCORE BETWEEN 2.7 and 2.99 – 'On Alert'. This zone is an area where one should 'Exercise Caution'.

Green

Z-SCORE BETWEEN 1.8 and 2.7 – Good chance of the company going bankrupt within 2 years.

Yellow

Z-SCORE BELOW 1.80- Probability of Financial Catastrophe is Very High.

Red

SN VALUATION

LBO Analysis

WACC Terminal Value:		Intrinsic Price in 5 Years:	18.72	Non-LBO Forecast	Year 1 Target	11.81	Non-LBO Forecast	Desired Return Rate	20.00%
EV/EBITDA with 5X Multiple Terminal Value:	\$22.42	Market Price:	10.53		Year 2 Target	13.26		Implied Today's Price	7.52
Net Tangible Asset Terminal Value:	\$2.00	LBO Price:	10.53		Year 3 Target	14.87		Overvalued/(Undervalued)	39.95%
EV/EBITDA with Today's Multiple Terminal Value:	\$12.97	Premium to Market Price:	0.00%		Year 4 Target	16.69			
EVA Enterprise Value:	\$37.51	LBO Price/Intrinsic Price Target:	12.20%		Year 5 Target	18.72			
Dividend Discount Model:	N/A	LBO Price/EV/EBIT Exit Price:	-4.95%		Implied IRR (Market Price):	12.20%			
Average (Excluding Dividend Discount):	\$18.72	Implied IRR at today's EV/EBITDA:	4.25%						
		5 Year Return:	77.81%						

Current Evaluation				Exit Evaluation			
Current Market Price:	10.53	LBO Price:	10.53	Exit Price:	18.72	Exit Price:	12.97
Outstanding Shares:	29,440,000	Outstanding Shares:	29,440,000	Outstanding Shares:	29,440,000	Outstanding Shares:	29,440,000
Market Capitalization:	310,003,200	Market Capitalization:	310,003,200	Market Capitalization:	551,202,991	Market Capitalization:	381,693,863
Available Cash:	120,300,000	Available Cash:	120,300,000	Available Cash:	131,077,035	Available Cash:	131,077,035
Debt:	181,870,000	Debt:	181,870,000	Debt:	166,870,000	Debt:	166,870,000
Net Cash:	-61,570,000	Net Cash:	-61,570,000	Net Cash:	-35,792,965	Net Cash:	-35,792,965
Enterprise Value:	371,573,200	Enterprise Value:	371,573,200	Enterprise Value:	586,995,956	Enterprise Value:	417,486,827
Original EV/EBITDA:	1.92	EV/EBITDA:	1.92	EV/EBITDA at 5 Years:	6.15	EV/EBITDA at 5 Years:	3.00
Original EV/EBITDA:	1.63	EV/EBITDA:	1.63	EV/EBITDA at 5 Years:	6.63	EV/EBITDA at 5 Years:	3.26
Competitor Average EV/EBIT:	N/A						
Competitor Average EV/EBITDA:	N/A						

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	10.53	10.53	11.81	13.26	14.87	16.69	18.72
Shares Outstanding:	29,440,000	29,440,000	29,440,000	29,440,000	29,440,000	29,440,000	29,440,000
Market Capitalization:	310,003,200	310,003,200	347,820,564	390,251,277	437,858,122	491,272,538	551,202,991
Available Cash:	120,300,000	120,300,000	121,182,390	121,654,439	121,947,184	125,068,346	131,077,035
Debt:	181,870,000	181,870,000	175,870,000	172,870,000	170,870,000	168,870,000	166,870,000
Net Cash:	-61,570,000	-61,570,000	-54,687,610	-51,215,561	-48,922,816	-43,801,654	-35,792,965
Enterprise Value:	371,573,200	371,573,200	402,508,174	441,466,838	486,780,938	535,074,192	586,995,956
EBIT	193,510,000	193,510,000	96,450,808	91,973,792	89,973,792	92,709,006	95,462,276
EV/EBIT:	1.92	1.92	4.17	4.80	5.41	5.77	6.15
EBITDA	228,100,000	228,100,000	127,927,708	122,821,154	120,821,154	124,481,788	128,188,242
EV/EBITDA:	1.63	1.63	3.15	3.59	4.03	4.30	4.58

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	10.53	10.53	4.43	4.26	4.21	4.56	5.01
Shares Outstanding:	29,440,000	29,440,000	29,440,000	29,440,000	29,440,000	29,440,000	29,440,000
Market Capitalization:	310,003,200	310,003,200	130,514,888	125,390,279	123,842,673	134,215,926	147,511,378
Available Cash:	120,300,000	120,300,000	121,182,390	121,654,439	121,947,184	125,068,346	131,077,035
Debt:	181,870,000	181,870,000	175,870,000	172,870,000	170,870,000	168,870,000	166,870,000
Net Cash:	-61,570,000	-61,570,000	-54,687,610	-51,215,561	-48,922,816	-43,801,654	-35,792,965
Enterprise Value:	371,573,200	371,573,200	185,202,498	176,605,840	172,765,489	178,017,580	183,304,342
EBIT	193,510,000	193,510,000	96,450,808	91,973,792	89,973,792	92,709,006	95,462,276
EV/EBIT:	1.92	1.92	1.92	1.92	1.92	1.92	1.92
EBITDA	228,100,000	228,100,000	127,927,708	122,821,154	120,821,154	124,481,788	128,188,242
EV/EBITDA:	1.63	1.63	1.45	1.44	1.43	1.43	1.43

LBO Price	10.53	Equity Partners:	491,873,200	Weighting	100.00%	Annualized Return for Equity Partners:	-4.95%
Shares Outstanding	29,440,000	Debt Partners:	0		0.00%		
Market Capitalization	310,003,200	Total Funds for LBO:	491,873,200		100.00%		
Debt	181,870,000						
Cash	120,300,000						
Enterprise Value	371,573,200						
Capital Investment	491,873,200						

Book Value	Enterprise Value	Stock Valuation	Debt Reduction
Beginning Book Value	877.87	Current Market Price	Starting Debt
Year 5 Book Value	1,148.53	Year 5 Market Price	Debt Repayment
Annualized Return	5.52%	Annualized Return	4.25%
			% of Starting Debt
			89.63%

SN VALUATION

LBO Pro Forma Income Statement

Name:

Amedisys Inc

Ticker:

AMED

	Historical				Forecasted				
	12 months ending 2007-12-31	12 months ending 2008-12-31	12 months ending 2009-12-31	12 months ending 2010-12-31	2011	2012	2013	2014	2015
Revenue	697.93	1,187.41	1,513.46	1,634.32	1,487.23	1,457.49	1,457.49	1,501.21	1,546.25
COGS	329.01	562.63	724.47	820.46	817.98	801.62	801.62	825.67	850.44
Gross margin	368.92	624.78	788.99	813.86	669.25	655.87	655.87	675.55	695.81
SG&A	258.62	447.27	529.93	585.76	535.40	524.70	524.70	540.44	556.65
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other operating expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation is: Included within COGS	13.74	20.41	28.31	34.59	37.40	39.20	41.20	42.40	43.70
Operating Income (EBITA)	96.56	157.10	230.75	193.51	96.45	91.87	99.97	92.71	95.46
Interest income/(expense)	3.28	-14.71	-9.12	-5.75	-12.87	-12.87	-12.47	-12.31	-12.15
Gain (loss) on sale of asset	4.21	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	-0.63	-1.03	0.76	-2.18	-1.10	-1.15	-1.21	-1.21	-1.26
Income before tax	103.42	141.36	222.39	185.58	84.68	80.50	78.72	81.62	84.57
Tax	38.30	54.75	86.17	72.31	28.79	27.37	26.76	27.75	28.75
Income after tax	65.12	86.61	136.22	113.27	55.89	53.13	51.95	53.87	55.82
Minority Interest	-0.01	0.07	-0.39	-0.69	-0.48	-0.51	-0.51	-0.52	-0.54
Equity in affiliates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income	65.11	86.68	135.84	112.58	55.41	52.62	51.45	53.35	55.28
*Figures are in millions (\$)									
Revenue Growth	N/A	70.13%	27.46%	7.99%	-9.00%	-2.00%	0.00%	3.00%	3.00%
Tax Rate	37.03%	38.73%	38.75%	38.96%	34.00%	34.00%	34.00%	34.00%	34.00%
Implied Debt Interest Rate	13.64%	-4.48%	-4.24%	-3.16%	-8.89%	-9.10%	-9.19%	-9.21%	-9.22%
Margins									
COGS	47.14%	47.38%	47.87%	50.20%	55.00%	55.00%	55.00%	55.00%	55.00%
Gross margin	52.86%	52.62%	52.13%	49.80%	45.00%	45.00%	45.00%	45.00%	45.00%
SG&A	37.06%	37.67%	35.01%	35.84%	36.00%	36.00%	36.00%	36.00%	36.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation is: Included within COGS	1.97%	1.72%	1.87%	2.12%	2.51%	2.69%	2.83%	2.82%	2.83%
Operating Income (EBITA)	13.84%	13.23%	15.25%	11.84%	6.49%	6.31%	6.17%	6.18%	6.17%
Interest income/(expense)	0.47%	-1.24%	-0.60%	-0.35%	-0.87%	-0.87%	-0.86%	-0.82%	-0.79%
Gain (loss) on sale of asset	0.60%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	-0.09%	-0.09%	0.05%	-0.13%	-0.07%	-0.08%	-0.08%	-0.08%	-0.08%
Income before tax	14.82%	11.90%	14.69%	11.36%	5.69%	5.52%	5.40%	5.44%	5.47%
Tax	5.49%	4.61%	5.69%	4.42%	1.94%	1.88%	1.84%	1.85%	1.86%
Income after tax	9.33%	7.29%	9.00%	6.93%	3.76%	3.57%	3.49%	3.62%	3.75%
Minority Interest	0.00%	0.01%	-0.03%	-0.04%	-0.03%	-0.03%	-0.03%	-0.03%	-0.03%
Equity in affiliates	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net income	9.33%	7.30%	8.98%	6.89%	3.73%	3.61%	3.53%	3.55%	3.58%

					Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
	As of 2007-12-31	As of 2008-12-31	As of 2009-12-31	As of 2010-12-31	+	-						
Cash	56.19	2.85	34.48	120.30			120.30	121.18	121.65	121.95	125.07	131.08
Short term investment	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Cash and Short term	56.19	2.85	34.48	120.30			120.30	121.18	121.65	121.95	125.07	131.08
Accounts Receivable	96.31	175.70	150.27	141.55			141.55	141.55	141.55	141.55	141.55	141.55
Other receivables	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Receivables	96.31	175.70	150.27	141.55			141.55	141.55	141.55	141.55	141.55	141.55
Deferred Income Tax	-24.76	-39.23	-26.46	-3.48			-3.48	-3.48	-3.48	-3.48	-3.48	-3.48
Total Inventory	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	6.02	8.09	10.28	9.95			9.95	9.95	9.95	9.95	9.95	9.95
Other Current Assets	5.99	7.72	18.00	10.44			10.44	10.44	10.44	10.44	10.44	10.44
Current Assets	139.75	155.13	186.57	278.76	0.00	0.00	278.76	279.64	280.11	280.41	283.53	289.54
PP&E, Gross	93.08	118.47	151.70	216.63			216.63	286.63	356.63	426.63	496.63	566.63
Change in Depreciation	13.75	20.41	28.31	34.59			34.59	31.48	30.85	30.85	31.77	32.73
Accumulated Depreciation	0.00	0.00	28.31	62.90			62.90	94.38	125.22	156.07	187.84	220.57
PP&E, Net	93.08	118.47	123.39	153.73			153.73	192.25	231.41	270.56	308.79	346.06
Goodwill	332.53	733.88	786.92	791.41	0.00		791.41	791.41	791.41	791.41	791.41	791.41
Intangibles	14.30	42.39	57.61	53.39			53.39	63.39	73.39	83.39	93.39	103.39
Long term investments	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other long term assets	7.45	20.32	17.86	22.54			22.54	22.54	22.54	22.54	22.54	22.54
Long Term Assets	447.36	915.06	985.78	1,021.07	0.00	0.00	1,021.07	1,069.59	1,118.75	1,167.90	1,216.13	1,263.40
Total Assets	587.11	1,070.19	1,172.35	1,299.83	0.00	0.00	1,299.83	1,349.24	1,398.86	1,448.31	1,499.65	1,552.94
Accounts Payable	14.44	18.65	16.54	23.37			23.37	23.37	23.37	23.37	23.37	23.37
Accrued Expense	64.28	133.22	152.65	136.85			136.85	136.85	136.85	136.85	136.85	136.85
Other current Liabilities	11.97	10.12	15.86	18.90			18.90	18.90	18.90	18.90	18.90	18.90
Total Current Liabilities	90.69	161.99	185.05	179.12	0.00	0.00	179.12	179.12	179.12	179.12	179.12	179.12
Notes Payables/Short Term Debt	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Current port. Of LT Debt/Capital Leases	11.05	42.63	44.25	37.18			37.18	37.18	37.18	37.18	37.18	37.18
Long term Debt	12.99	285.94	170.90	144.69	0.00	0.00	144.69	138.69	135.69	133.69	131.69	129.69
Capital Lease Obligations	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Interest Earning Debt	24.04	328.57	215.15	181.87	0.00	0.00	181.87	175.87	172.87	170.87	168.87	166.87
Deferred Income tax	18.50	11.55	29.40	52.29			52.29	52.29	52.29	52.29	52.29	52.29
Minority Interest	0.85	0.78	1.17	1.86			1.86	2.34	2.34	2.34	2.34	2.34
Other liabilities	6.07	5.96	6.41	6.83			6.83	6.83	6.83	6.83	6.83	6.83
Total Liabilities	140.15	508.85	437.18	421.97	0.00	0.00	421.97	416.45	413.45	411.45	409.45	407.45
Redeemable Preferred Stock	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Non-redeemable Preferred Stock	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Common Stock	0.03	0.03	0.03	0.03		0.00	0.03	0.03	0.03	0.03	0.03	0.03
Additional Paid-in capital	297.80	326.12	363.67	407.16	0.00	0.00	407.16	407.16	407.16	407.16	407.16	407.16
Dividends Paid	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Retained Earnings	149.57	236.25	372.09	484.67		0.00	484.67	540.56	593.69	645.64	699.51	755.33
Treasury Stock	-0.44	-0.62	-0.73	-14.02			-14.02	-14.02	-14.02	-14.02	-14.02	-14.02
Other Equity	0.01	-0.45	0.11	0.03		0.00	0.03	0.03	0.03	0.03	0.03	0.03
Total Equity	446.97	561.33	735.17	877.87	0.00	0.00	877.87	933.76	986.89	1,038.84	1,092.71	1,148.53
Liability + Equity	587.12	1,070.18	1,172.35	1,299.84	0.00	0.00	1,299.84	1,350.21	1,400.34	1,450.29	1,502.16	1,555.98
Variance	-0.01	0.01	0.00	-0.01			-0.01	-0.98	-1.48	-1.99	-2.51	-3.04
Debt/Equity	0.05	0.59	0.29	0.21			0.21	0.19	0.18	0.16	0.15	0.15
Inventory Turnover	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Inventory Turnover Days	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Days Inventory Outstanding	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Accounts Receivable Turnover	7.25	6.76	10.07	11.55			11.55	10.51	10.30	10.30	10.61	10.92
Accounts Receivable Turnover Days	50.37	54.01	36.24	31.61			31.61	34.74	35.45	35.45	34.42	33.41
Days Payable Outstanding	16.02	12.10	8.33	10.40			10.40	10.43	10.64	10.64	10.33	10.03
Days Sales Outstanding	50.37	54.01	36.24	31.61			31.61	31.61	34.74	35.45	35.45	34.42
Cash Conversion Cycle	34.35	41.91	27.91	21.22			21.22	21.18	24.10	24.81	25.12	24.39

SN VALUATION

LBO Debt Schedule

	Proforma	2011	2012	2013	2014	2015
Net Change in Cash	85.81	0.88	0.47	0.29	3.12	6.01
Current Portion Debt Repayment						
Long Term Debt Repayment		6.00	3.00	2.00	2.00	2.00
Outstanding Debt	181.87	175.87	172.87	170.87	168.87	166.87
Current Portion Debt Balance	37.18	37.18	37.18	37.18	37.18	37.18
Long Term Debt Balance	144.69	138.69	135.69	133.69	131.69	129.69
Forward Libor Curve		4.00%	4.00%	4.00%	4.00%	4.00%
Spread		4.00%	4.00%	4.00%	4.00%	4.00%
Interest Rate		8.00%	8.00%	8.00%	8.00%	8.00%
Interest Expense		14.07	13.83	13.67	13.51	13.35
Cash Balance		120.30				
Interest @ 1.0%		1.20	1.20	1.20	1.20	1.20
Net Interest Expense/(Income)		12.87	12.63	12.47	12.31	12.15
Net Interest Rate		8.89%	9.10%	9.19%	9.21%	9.22%
EBITDA		96.45	91.97	89.97	92.71	95.46
EBITDA/Interest Expense Coverage		6.86	6.65	6.58	6.86	7.15

Interest Rate Coverage Table

Debt Rating					
AAA					
AA					
A+					
A	A	A	A	A	A
A-					
BBB					
BB+					
BB					
B+					
B					
B-					
CCC					
CC					
C					
D					

*Source: NYU; Professor Damodaran