

Analyst: Sung Nam

Kindred Healthcare Inc (KND)

Market Price:	\$11.65	EBITDA/Share:	\$4.82	Net Asset/Share:	\$13.36
DCF Net Book Value:	13.485%	DCF EBITDA Multiple:		14.656%	
Percentage of Cash Flow:	11.147%	EVA Analysis:		4.376%	

Synergy with Synergy?**Opinion**

On a net asset/share basis, the company should be selling more than market. A lot of the assets (hospitals, senior care centers) are built on land, presumably owned by the company.

Hospital: 83 hospitals, +6500 beds, nearly \$2 BB in revenue. Own 14, lease the rest.

Health services: 218 owned/leased, 4 managed, 8.8 MM in patient days, \$240/day, \$2.2 BB in revenue.

Rehabilitation: 306 company operated contracts, 316 non-affiliated, \$500 MM in revenue.

The company is an asset play and a possible breakup value added.

Financial Analysis

Cashflow: Net income margin is relatively steady at 1.50%. FCFF is \$50 MM, EBITDA \$200 MM.

Debt and Liquidity: \$370 MM in debt, \$100 MM in cash. EBITDA can fully cover interest on debt multiple times.

Sales growth: Sales are forecasted to be a safe 3%.

LBO candidate?: Cashflow and growth is stable, yet unable to support a leveraged buyout. Margins are low.

Valuation Peers

According to the Financial Times, analysts placed a 12 month median price at \$20.00, while the model is showing \$13.00 over the same time frame. The 5 year price is \$20.00.

2 Buys, 5 Hold, 0 Sell

Kindred Healthcare, Inc. is a healthcare services company that through its subsidiaries operates hospitals, nursing and rehabilitation centers, assisted living facilities and a contract rehabilitation services business across the United States. The Company operates in three divisions: the hospital division, which operates LTAC hospitals; the nursing center division, which operates nursing and rehabilitation centers and assisted living facilities, and the rehabilitation division, which provides rehabilitation services primarily in long-term care settings. At December 31, 2010, its hospital division operated 89 long-term acute care (LTAC) hospitals (6,887 licensed beds) in 24 states. Its nursing center division operated 226 nursing and rehabilitation centers and seven assisted living facilities (27,905 licensed beds) in 28 states. In June 2011, it acquired RehabCare Group, Inc. In October 2011, it acquired Synergy Home Health Care, Inc. (Synergy).

Company Name: Kindred Healthcare Inc		Market Capitalization:	\$607,100,000.00	Income Statement	
Ticker Symbol: KND		Total Debt:	\$365,650,000.00	Revenue:	\$4,670,000,000.00 100.0%
Last Price: \$11.65		Total Cash:	\$93,920,000.00	Cost of Goods Sold:	\$650,000,000.00 13.9%
Net Cash/Share: -5.214546152		Net Cash/(Debt):	-\$271,730,000.00	Gross Profit:	\$4,020,000,000.00 86.1%
Net Cash to Last Price: -44.76%		Enterprise Value:	\$878,830,000.00	EBITDA:	\$251,350,000.00 5.4%
Shares Outstanding: 52,110,000		EV/Share:	\$16.86	Net Income:	\$41,280,000.00 0.9%
Industry: Long-Term Care Facilities		EBITDA:	\$251,350,000.00	Balance Sheet	
Sector: Healthcare		EV/EBITDA Multiple:	3.50	Cash:	\$17,170,000.00
Institutional Ownership: #VALUE!		DCF Valuation: Net Tangible Asset		Short Term Investment:	\$76,750,000.00
Mutual Fund Ownership: 0.39%		Current Market Price:	\$11.65	A/R:	\$631,880,000.00
Insider Ownership: 21.77%		DCF Enterprise Valuation:	\$21.93	PP&E:	\$1,754,170,000.00
Retail Ownership: #VALUE!		Appreciation/ (Depreciation) Over Period:	88.23%	Assets:	\$2,337,410,000.00
Float: 78.23%		App./ (Dep) Per Annum Over 5 Year Holding Period:	13.48%	A/P:	\$201,610,000.00
Technicals		Beta:	1.50	Deferred Tax:	\$0.00
52 week low:	\$7.67	Risk Free (5 Year Treasury):	2.11%	Other Liabilities:	\$738,400,000.00
Today from 52 week low:	51.89%	Average Growth Rate Used:	3.00%	Short term Debt:	\$90,000.00
52 week high:	\$28.99	Discount Rate Used:		Long Term Debt:	\$365,560,000.00
Today from 52 week high:	148.84%	Terminal Value EV/EBITDA Ratio:	3.50	Liabilities:	\$1,305,660,000.00
50 day Moving Average:	\$10.65	Net Tangible Asset:	\$696,450,000.00	Retained Earnings:	\$193,160,000.00
200 day Moving Average:	\$19.25	DCF Valuation: EBITDA Multiple		Paid-In Capital:	\$828,590,000.00
Profitability Margins		EBITDA in 5 Years:	\$259,456,155.24	Treasury Stock:	\$0.00
Debt to Equity:	35.44%	Today's EV/EBITDA Multiple:	3.50	Stockholder's Equity:	\$1,031,760,000.00
Return on Assets:	2.40%	Implied Enterprise Value:	\$907,172,679.16	Cash Flow	
Return on Capital:	4.02%	Net Cash at 5 years:	\$4,414,742.47	Net Income:	56,490,000.00
Return on Equity:	5.44%	Implied Equity Value:	\$911,587,421.63	Depreciation/Amortization:	121,550,000.00
Analyst/Consensus		Implied Equity Value/Share:	\$23.08	Change in Working capital:	-25,320,000.00
Analyst Sales Growth FY1:	28.00%	Return over 5 Years:	98.15%	Cash from Operating Activities:	209,990,000.00
Analyst Sales Growth FY2:	14.10%	Annualized Return (Zero reinvestment rate):	14.66%	Capital Expenditures:	-176,740,000.00
SN Valuation Estimate FY1:	3.00%	Waterfall Analysis Enterprise Value		Cash from Investing Activities:	-424,620,000.00
SN Valuation Estimate FY2:	3.00%	High range:	\$1,243,198,000.0	Total Cash Dividends Paid:	0.00
Analyst Earnings Estimate FY1:	\$1.84	High range/share:	\$23.86	Issuance (Retirement) of Stock:	50,000.00
Analyst Earnings Estimate FY2:	\$1.73	Mid range:	\$878,830,000.0	Issuance (Retirement) of Debt:	218,000,000.00
SN Valuation Earnings Est. FY1:	\$1.52	Mid range/share:	\$16.86	Cash from Financing Activities:	215,490,000.00
SN Valuation Earnings Est. FY2:	\$1.63	Low range:	\$564,732,000.0		
Multiples		Low range/share:	\$10.84		
Market Value to Book:	0.59	SN Valuation Mutliplies			
EV to Book:	0.85	Enterprise Value:	\$878,830,000.00		
P/E Ratio:	14.71	4 Year Sum EBITDA:	\$369,880,000.00		
Trailing P/E Ratio:	11.37	EV/4 Year Sum EBITDA:	2.38		
Forward P/E Ratio:	6.73	Enterprise Value:	\$878,830,000.00		
Net Tangible Asset/Share:	\$13.36	4 Year Sum Operating Cash Flow:	\$775,640,000.00		
Competitors		EV/4 Year Sum EBITDA:	1.13		
Average EV to EBITDA:	4.88	Implied Enterprise Value in 5 Years:	\$1,025,327,960.20		
Company EV to EBITDA:	3.50	Net Cash at 5 years:	\$4,414,742.47		
Average EV to EBIT:	8.38	Implied Equity Value:	\$1,029,742,702.68		
Company EV to EBIT:	9.78	Implied Equity Value/Share:	\$19.76		
		Return over 5 Years:	69.62%		
		Annualized Return (Zero reinvestment rate):	11.15%		

SN VALUATION

Competitors/Industry

Name:

Kindred Healthcare Inc

Ticker:

KND

Ticker	Name of Company	Stock Price	Market Cap	Cash	Debt	Net Cash	Enterprise Value	EV/Market Cap	EBITDA	EV/EBITDA	EBIT	EV/EBIT
KND	Kindred Healthcare Inc	\$11.65	607,100,000	113,920,000	365,650,000	-251,730,000	858,830,000	141.464%	251,350,000	3.42	89,850,000	9.56
UNH	UnitedHealth Group Inc	\$47.99	51,970,000,000	16,380,000,000	11,142,000,000	5,238,000,000	46,732,000,000	89.921%	9,170,000,000	5.10	7,383,000,000	6.33
HCA	HCA Holdings Inc	\$23.45	12,130,000,000	749,000,000	28,225,000,000	-27,476,000,000	39,606,000,000	326.513%	5,570,000,000	7.11	2,231,000,000	17.75
WLP	WellPoint Inc	\$68.90	24,850,000,000	19,560,000,000	8,953,700,000	10,606,300,000	14,243,700,000	57.319%	5,370,000,000	2.65	4,353,800,000	3.27
AET	Aetna Inc	\$39.76	14,830,000,000	2,940,000,000	4,382,500,000	-1,442,500,000	16,272,500,000	109.727%	3,490,000,000	4.66	2,644,200,000	6.15



Pro Forma Income Statement

Name:

Kindred Healthcare Inc

Ticker:

KND

	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	4,128.65	4,093.86	4,270.01	4,359.70	4,490.49	4,625.21	4,763.96	4,906.88	5,054.09
COGS	542.99	317.15	333.06	342.20	351.34	362.12	373.01	384.16	395.70
Gross margin	3,585.66	3,776.72	3,936.95	4,017.50	4,139.15	4,263.09	4,390.96	4,522.72	4,658.39
SG&A	2,663.19	2,712.84	2,831.33	2,863.06	2,960.20	3,047.31	3,138.23	3,232.77	3,329.64
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation	124.28	122.27	126.40	121.55	131.85	134.95	138.18	141.60	147.08
Interest expense/(income)	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	723.26	836.98	874.69	937.19	946.95	978.24	1,008.34	1,037.98	1,069.29
Operating Income	79.70	98.60	101.73	89.85	100.15	102.58	106.20	110.38	112.38
Interest income/(expense)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gain (loss) on sale of asset	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income before tax	79.70	98.60	101.73	89.85	100.15	102.58	106.20	110.38	112.38
Tax	36.57	38.14	39.12	33.70	40.19	38.05	39.08	40.34	41.53
Income after tax	43.13	60.46	62.61	56.15	59.96	64.54	67.11	70.04	70.85
Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Equity in affiliates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income	43.13	60.46	62.61	56.15	59.96	64.54	67.11	70.04	70.85
*Figures are in millions (\$)									
Revenue Growth	N/A	-0.84%	4.30%	2.10%	3.00%	3.00%	3.00%	3.00%	3.00%
Tax Rate	45.88%	38.68%	38.45%	37.51%	40.13%	38.69%	38.70%	38.76%	39.07%
<u>Margins</u>									
COGS	13.15%	7.75%	7.80%	7.85%	7.82%	7.83%	7.83%	7.83%	7.83%
Gross margin	86.85%	92.25%	92.20%	92.15%	92.18%	92.17%	92.17%	92.17%	92.17%
SG&A	64.51%	66.27%	66.31%	65.67%	65.92%	65.88%	65.87%	65.88%	65.88%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest expense/(income)	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	17.52%	20.44%	20.48%	21.50%	21.09%	21.15%	21.17%	21.15%	21.16%
Operating Income	1.93%	2.41%	2.38%	2.06%	2.23%	2.22%	2.23%	2.25%	2.22%
Interest income/(expense)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Gain (loss) on sale of asset	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	1.93%	2.41%	2.38%	2.06%	2.23%	2.22%	2.23%	2.25%	2.22%
Tax	0.89%	0.93%	0.92%	0.77%	0.83%	0.82%	0.82%	0.82%	0.82%
Income after tax	1.04%	1.48%	1.47%	1.29%	1.34%	1.44%	1.49%	1.56%	1.58%
Minority Interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity in affiliates	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net income	1.04%	1.48%	1.47%	1.29%	1.34%	1.40%	1.41%	1.43%	1.40%

Time Period	1	2	3	4	5
FCFF	41.81	46.37	51.76	57.68	64.36
Net Asset = Terminal Value			EBITDA Multiple = Terminal Value		
Sum of Present Value of Cash flow	261.97		Sum of Present Value of Cash flow		
Year 5 Net Tangible Assets	880.72		Implied TV from EV/EBITDA		
			261.97		
			392.92		
Cash Burn Over Period	0		Cash Burn Over Period		
			0		
Enterprise Value	1,142.70		Enterprise Value		
Price/Share	\$21.93		Price/Share		
			\$654.90		
			\$12.57		

	As of 2007-12-31	As of 2008-12-31	As of 2009-12-31	As of 2010-12-31	2011	2012	2013	2014	2015
Cash	32.88	140.79	16.30	17.17	58.97	108.46	163.75	225.39	293.31
Short term investment	231.69	123.53	106.83	76.75	76.75	76.75	76.75	76.75	76.75
Cash and Short term	264.57	264.32	123.13	93.92	135.72	185.21	240.50	302.14	370.06
Accounts Receivable	598.11	611.03	610.96	631.88	631.88	631.88	631.88	631.88	631.88
Other receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Receivables	598.11	611.03	610.96	631.88	631.88	631.88	631.88	631.88	631.88
Deferred Income Tax	43.12	47.28	17.45	42.11	42.11	42.11	42.11	42.11	42.11
Total Inventory	22.04	22.32	22.30	24.33	24.33	24.33	24.33	24.33	24.33
Prepaid Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Current Assets	85.81	84.24	69.81	43.80	43.80	43.80	43.80	43.80	43.80
Current Assets	1,013.65	1,029.19	843.65	836.04	877.84	927.33	982.62	1,044.26	1,112.18
PP&E, Gross	1,226.11	1,392.64	1,515.70	1,754.17	1,904.17	2,054.17	2,204.17	2,354.17	2,504.17
Change in Depreciation	124.28	122.27	126.40	121.55	131.85	134.95	138.18	141.60	147.08
Accumulated Depreciation	542.78	656.68	783.08	904.63	1,036.48	1,171.44	1,309.62	1,451.21	1,598.29
PP&E, Net	683.33	735.96	732.62	849.54	867.69	882.73	894.55	902.96	905.88
Goodwill	69.10	72.24	81.22	242.42	242.42	242.42	242.42	242.42	242.42
Intangibles	79.96	64.37	64.49	92.88	92.88	92.88	92.88	92.88	92.88
Long term investments	49.17	122.06	100.22	101.21	101.21	101.21	101.21	101.21	101.21
Other long term assets	184.34	157.94	182.54	168.32	168.32	168.32	168.32	168.32	168.32
Long Term Assets	1,608.68	1,809.25	1,161.09	1,454.37	1,472.52	1,487.56	1,499.38	1,507.79	1,510.71
Total Assets	2,079.55	2,181.76	2,022.22	2,337.41	2,350.36	2,414.89	2,482.01	2,552.04	2,622.89
Accounts Payable	222.35	211.37	189.33	201.61	201.61	201.61	201.61	201.61	201.61
Accrued Expense	342.27	358.37	366.13	378.13	378.13	378.13	378.13	378.13	378.13
Other current Liabilities	64.74	55.45	47.08	41.55	41.55	41.55	41.55	41.55	41.55
Total Current Liabilities	629.36	625.19	602.54	621.29	621.29	621.29	621.29	621.29	621.29
Notes Payables/Short Term Debt	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	0.58	0.08	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Long term Debt	275.81	349.43	147.65	365.56	365.56	365.56	365.56	365.56	365.56
Capital Lease Obligations	15.76	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Interest Earning Debt	292.15	349.51	147.74	365.65	365.65	365.65	365.65	365.65	365.65
Deferred Income tax	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	295.91	292.08	305.36	318.72	318.72	318.72	318.72	318.72	318.72
Total Liabilities	1,217.42	1,266.78	1,055.64	1,305.66	1,305.66	1,305.66	1,305.66	1,305.66	1,305.66
Redeemable Preferred Stock	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
Common Stock	9.59	9.73	9.78	9.87	9.87	9.87	9.87	9.87	9.87
Additional Paid-in capital	790.37	812.14	820.41	828.59	828.59	828.59	828.59	828.59	828.59
Dividends Paid					0.00	0.00	0.00	0.00	0.00
Retained Earnings	60.92	96.73	136.83	193.16	253.12	317.65	384.77	454.80	525.65
Treasury Stock	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Equity	1.25	-3.62	-0.42	0.14	0.14	0.14	0.14	0.14	0.14
Total Equity	862.13	914.98	966.60	1,031.76	1,091.72	1,156.25	1,223.37	1,293.40	1,364.25
Liability + Equity	2,079.55	2,181.76	2,022.24	2,337.42	2,397.38	2,461.91	2,529.03	2,599.06	2,669.91
Variance	0	0	0	0	-47	-47	-47	-47	-47
Total Shares Outstanding	38.34	38.91	39.10	39.49					

SN VALUATION

Pro Forma Cash Flow

Name:

Kindred Healthcare Inc

Ticker:

KND

	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
Net Income	-46.87	36.28	40.11	56.49	59.96	64.54	67.11	70.04	70.85
Depreciation	124.28	122.27	126.40	121.55	131.85	134.95	138.18	141.60	147.08
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	-9.15	20.79	10.88	21.45	0.00	0.00	0.00	0.00	0.00
Non Cash Items	134.31	66.78	61.47	35.82	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-42.93	-73.84	-5.14	-25.32	0.00	0.00	0.00	0.00	0.00
Accounts Receivable		-12.92	0.07	-20.92	0.00	0.00	0.00	0.00	0.00
Other Receivables		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory		-0.28	0.02	-2.03	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts Payable		-10.98	-22.04	12.28	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	159.65	172.28	233.72	209.99	191.81	199.49	205.29	211.63	217.93
Capital Expenditures	-186.49	-148.68	-145.61	-176.74	-150.00	-150.00	-150.00	-150.00	-150.00
Long term investment					0.00	0.00	0.00	0.00	0.00
Intangibles	-193.53	17.91	-10.99	-247.88	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-380.02	-130.77	-156.59	-424.62	-150.00	-150.00	-150.00	-150.00	-150.00
Financing Cash flow items	1.12	0.10	-0.87	-2.56	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	-39.53	8.87	0.96	0.05	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Debt	270.80	57.43	-201.70	218.00	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	232.39	66.40	-201.62	215.49	0.00	0.00	0.00	0.00	0.00
Foreign Exchange effect	0.00	0.00	0.00	0.00					
Beginning Cash Balance	20.86	32.88	140.79	16.30	17.16	58.97	108.46	163.75	225.39
Net Change in Cash	12.02	107.92	-124.49	0.86	41.81	49.49	55.29	61.63	67.93
Ending Cash Balance	32.88	140.79	16.30	17.16	58.97	108.46	163.75	225.39	293.31
Cash Interest Paid	15.96	14.66	6.12	5.26					
Cash Taxes Paid	23.40	7.59	-4.48	11.96					

Depreciation to Sales	3.01%	2.99%	2.96%	2.79%	2.94%	2.92%	2.90%	2.89%	2.91%
Amortization to Sales	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
A/R to Sales	14.49%	14.93%	14.31%	14.49%	14.07%	13.66%	13.26%	12.88%	12.50%

SN VALUATION

FCFE, FCFD, FCFE Analysis

Name:

Kindred Healthcare Inc

Ticker:

KND

	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
Current assets	1,013.65	1,029.19	843.65	836.04	877.84	927.33	982.62	1,044.26	1,112.18
Excess cash + cash	32.88	140.79	16.30	17.17	58.97	108.46	163.75	225.39	293.31
Current assets minus cash	980.77	888.40	827.35	818.87	818.87	818.87	818.87	818.87	818.87
Current Liabilities	629.36	625.19	602.54	621.29	621.29	621.29	621.29	621.29	621.29
Net Working Capital	351.41	263.21	224.81	197.58	197.58	197.58	197.58	197.58	197.58
Change in Working Capital (WCCF)	-88.20	-38.40	-38.40	-27.23	0.00	0.00	0.00	0.00	0.00
Net Fixed Assets	683.33	735.96	732.62	849.54	867.69	882.73	894.55	902.96	905.88
Change in net fixed assets		52.63	-3.34	116.92	18.15	15.05	11.82	8.40	2.92
Depreciation	124.28	122.27	126.40	121.55	131.85	134.95	138.18	141.60	147.08
Other assets	184.34	157.94	182.54	168.32	168.32	168.32	168.32	168.32	168.32
Change in other assets		-26.40	24.60	-14.22	0.00	0.00	0.00	0.00	0.00
Net Investment Flow (NIF)	148.50	148.50	147.66	224.25	150.00	150.00	150.00	150.00	150.00
Net Income	43.13	60.46	62.61	56.15	59.96	64.54	67.11	70.04	70.85
Depreciation	124.28	122.27	126.40	121.55	131.85	134.95	138.18	141.60	147.08
CFFO	167.41	182.73	189.01	177.70	191.81	199.49	205.29	211.63	217.93
(-) NIF		-148.50	-147.66	-224.25	-150.00	-150.00	-150.00	-150.00	-150.00
(-) WCCF		88.20	38.40	27.23	0.00	0.00	0.00	0.00	0.00
Principal increase (repayment) in debt		73.12	-201.77	217.91	0.00	0.00	0.00	0.00	0.00
Change in excess cash									
Free cash flow to equity (FCFE)	195.55	195.55	-122.02	198.59	41.81	49.49	55.29	61.63	67.93
Interest on Interest bearing debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Free cash flow to debt (FCFD)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EBIT	79.70	98.60	101.73	89.85	100.15	102.58	106.20	110.38	112.38
Tax	31.99	39.57	40.83	36.06	40.19	41.17	42.62	44.30	45.10
EBIT minus Tax	47.71	59.03	60.90	53.79	59.96	61.41	63.58	66.08	67.28
Depreciation	124.28	122.27	126.40	121.55	131.85	134.95	138.18	141.60	147.08
Net Operating Flow (NOF)	171.99	181.30	187.30	175.34	191.81	196.37	201.76	207.68	214.36
(-) Net Investment Flow	0.00	-148.50	-147.66	-224.25	-150.00	-150.00	-150.00	-150.00	-150.00
(-) WCCF	0.00	88.20	38.40	27.23	0.00	0.00	0.00	0.00	0.00
Free Cash Flow to the Firm (FCFF)	121.00	121.00	78.04	-21.68	41.81	46.37	51.76	57.68	64.36
FCFE + FCFD	0.00	195.55	-122.02	198.59	41.81	49.49	55.29	61.63	67.93
FCFF	0.00	121.00	78.04	-21.68	41.81	46.37	51.76	57.68	64.36
Variance	0.00	74.55	-200.06	220.27	0.00	3.12	3.53	3.95	3.57

SN VALUATION

EVA Analysis

Name:

Kindred Healthcare Inc

Ticker:

KND

	2010	2011	2012	2013	2014	2015
Equity	1,021.75	1,081.71	1,146.24	1,213.36	1,283.39	1,354.24
Debt	365.65	365.65	365.65	365.65	365.65	365.65
Total Capital Invested	1,387.40	1,447.36	1,511.89	1,579.01	1,649.04	1,719.89
Revenue	4,359.70	4,490.49	4,625.21	4,763.96	4,906.88	5,054.09
COGS	342.20	351.34	362.12	373.01	384.16	395.70
Gross margin	4,017.50	4,139.15	4,263.09	4,390.96	4,522.72	4,658.39
SG&A	2,863.06	2,960.20	3,047.31	3,138.23	3,232.77	3,329.64
R&D	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation	121.55	131.85	134.95	138.18	141.60	147.08
Interest expense/(income)	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
Other operating expense	937.19	946.95	978.24	1,008.34	1,037.98	1,069.29
Operating Income	89.85	100.15	102.58	106.20	110.38	112.38
Tax Rate	37.51%	40.13%	38.69%	38.70%	38.76%	39.07%
NOPLAT	56.15	59.96	62.89	65.10	67.60	68.47
Invested Capital	1,387.40	1,447.36	1,511.89	1,579.01	1,649.04	1,719.89
ROIC	4.05%	4.14%	4.16%	4.12%	4.10%	3.98%
WACC	6.19%	6.19%	6.19%	6.19%	6.19%	6.19%
Spread	-2.15%	-2.05%	-2.03%	-2.07%	-2.09%	-2.21%
Spread in Dollars	-29.77	-29.68	-30.75	-32.69	-34.53	-38.04
EVA	1,357.63	1,417.68	1,481.15	1,546.32	1,614.51	1,681.85

EVA in 5 Years:	1,681,848,100.80
Number of Shares:	52,110,000.00
EVA/Share:	\$32.27
Return over 5 Years	23.88%
Annualized return	4.38%