

7 Mile Advisors



# Q4 2020 Quarterly Earnings Synopsis

## Healthcare Providers

Presented by 7 Mile Advisors



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# 7MA Coverage Team

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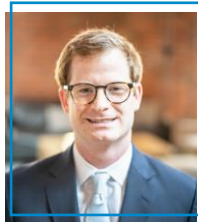


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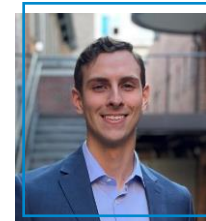


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# Healthcare Providers Overview

## Industry Overview

In 2020, the Healthcare industry was front and center through a challenging and turbulent year for the global economy. However, a rapid return to pre-COVID operating levels across many healthcare verticals serve as an indicator of industry-wide resilience.

The proliferation of Virtual Healthcare, which exploded in 2020, will continue into 2021. Patients will have expanded virtual options and greater access to care through telehealth platforms and providers. As the space evolves and balance between in person and virtual care is calibrated, attention will be given to evaluating the quality, outcomes, effectiveness, cost, and patient experience related to virtual care options and innovations. Providers, especially those heavily reliant of fee-for-service reimbursement, were severely impacted when forced to scale back services to help stem the spread of the virus.

Through 2020, certain providers of elective treatments were negatively impacted as services were unable to be offered during the height of the pandemic leading to widespread cancellations and postponement of high-margin procedures. While the initially impact shocked the provider system, many organizations have reacted by reevaluating their delivery model altogether. Providers who have historically been heavily reliant on fee-for-service reimbursement were impacted more severely than value-based care providers when forced to scale back services to help stem the spread of the virus due to decreased treatment volume. These factors are contributing to and accelerated shift away from fee-for-service delivery and towards value-based care.

Despite immediate slowdowns in deal volume following initial COVID-19 closures, investors and lenders regained confidence over the summer of 2020, driving Q4 healthcare services M&A spend to \$25 billion, which is nearly two times higher than Q3 2020. Perceived pent up demand and an anticipated return to pre-COVID patient volumes is expected to drive investor opportunities and optimism in 2021, with the highest activity expected in the Life Sciences & Pharmaceutical, Medical Device, and Healthcare IT sectors.

## 7MA's Healthcare Providers Public Basket

UNITEDHEALTH GROUP®

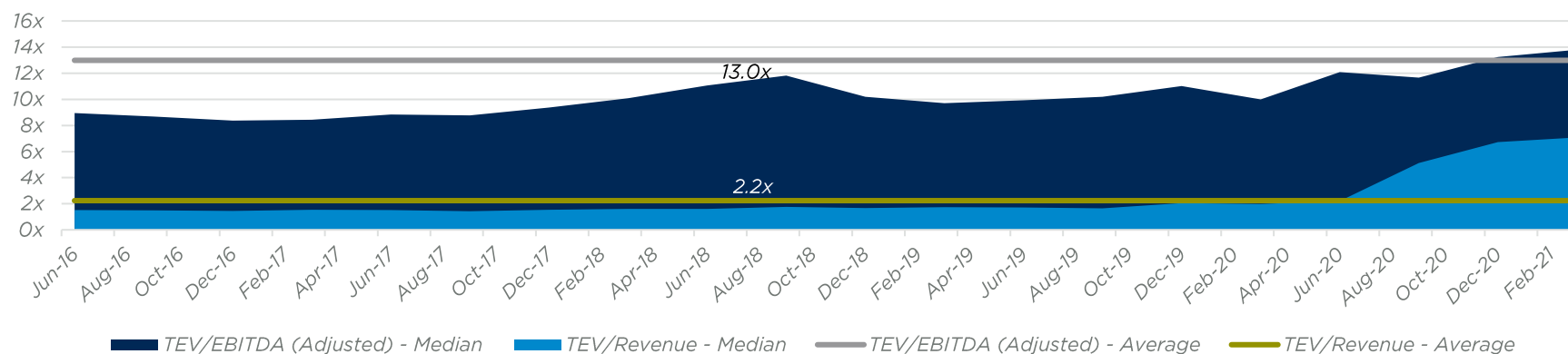


# Sectorwatch

## Healthcare Providers

| Company                 | TEV \$m | LTM Rev \$m | Rev Growth YoY | GP %  | EBITDA % | TEV / Rev X | TEV / EBITDA X | # FTEs  | Rev / FTE \$k |
|-------------------------|---------|-------------|----------------|-------|----------|-------------|----------------|---------|---------------|
| Progyny                 | 4,010   | 345         | 50.1%          | 20.3% | 7.3%     | 11.6x       | 160.3x         | 167     | 2,065         |
| One Medical             | 5,180   | 380         | 37.6%          | 38.2% | -12.9%   | 13.6x       | -105.7x        | 1,957   | 194           |
| Encompass Health        | 11,733  | 4,644       | 0.9%           | 95.7% | 19.7%    | 2.5x        | 12.8x          | 43,178  | 108           |
| Oak Street Health       | 12,888  | 883         | 58.6%          | 8.8%  | -        | 14.6x       | -              | 3,200   | 276           |
| HCA Management Services | 97,691  | 51,533      | 0.4%           | 37.4% | 19.5%    | 1.9x        | 9.7x           | 275,000 | 187           |
| UnitedHealth Group      | 374,324 | 255,639     | 6.4%           | 25.6% | 9.9%     | 1.5x        | 14.8x          | 305,000 | 838           |
| <b>Average</b>          | 84,304  | 52,237      | 25.7%          | 37.7% | 8.7%     | 7.6x        | 18.4x          | 104,750 | 611           |
| <b>Median</b>           | 12,310  | 2,764       | 22.0%          | 31.5% | 9.9%     | 7.1x        | 12.8x          | 23,189  | 235           |

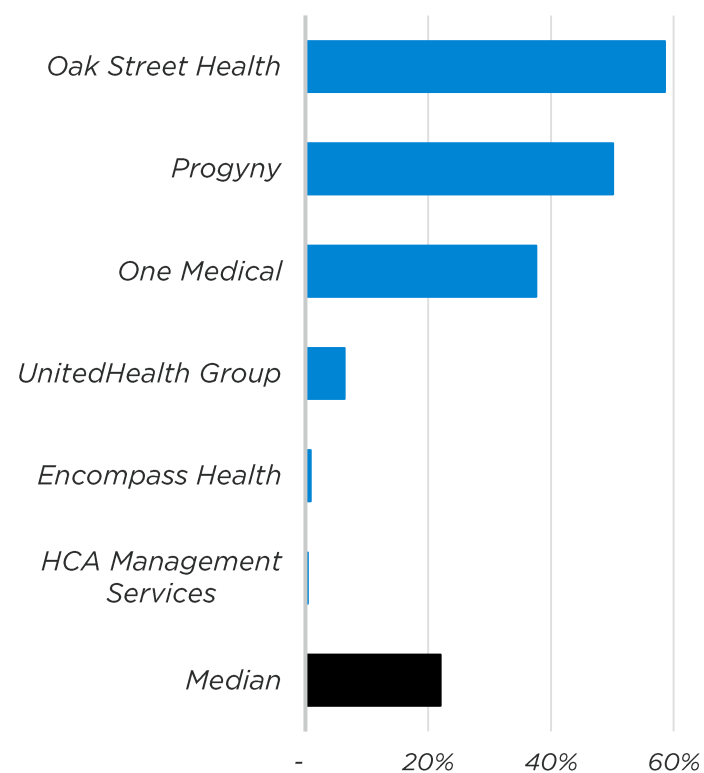
## Public Rev & EBITDA Multiples Over Time



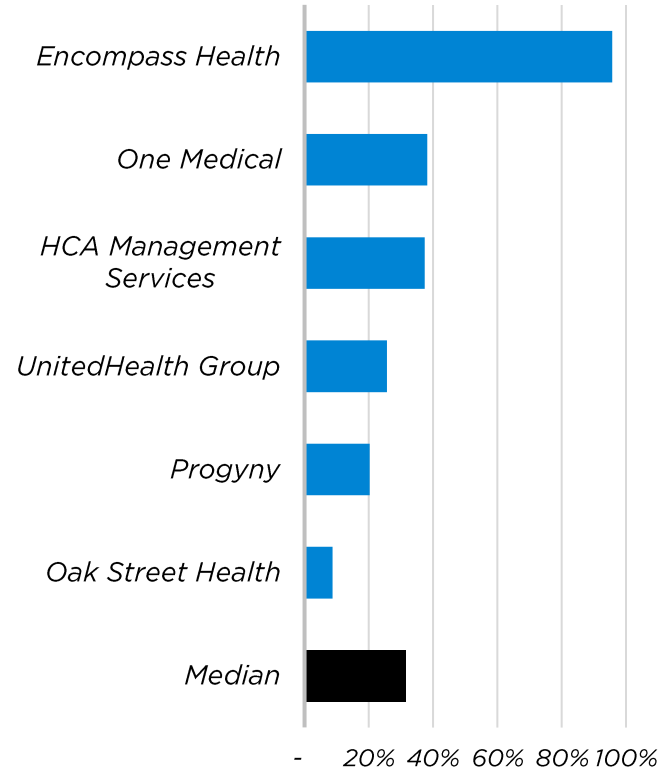
# Benchmarking

## Healthcare Providers

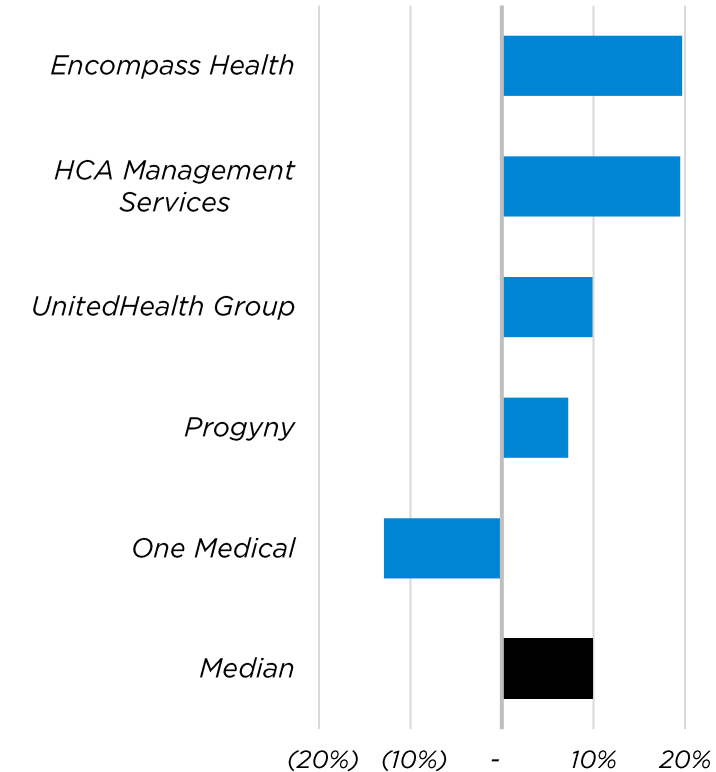
### LTM REVENUE GROWTH %



### LTM GROSS PROFIT MARGIN %



### LTM EBITDA %



# Notable Q4 2020 Transactions

| Date                    | Target Company   | Acquirer   | Transaction Value | Description   |
|-------------------------|--|--|-------------------|---|
| Dec 2020<br>(Announced) |   |  VERITAS CAPITAL | \$3.4b            | Veritas Capital-backed Gainwell Technologies, a leading provider of solutions that are vital to the administration and operations of health and human services programs, announced that they entered into a definitive agreement to acquire HMS, a technology, analytics and engagement solutions provider helping organizations reduce costs and improve health outcomes.  |
| Dec 2020                |   |                  | \$885mm           | Radiology Partners, a radiology practice in the U.S., announced a definitive agreement to acquire MEDNAX Radiology Solutions, a division of MEDNAX, Inc. for an enterprise value of approximately \$885 million. The acquisition was expected to add more than 800 radiologists to RP's existing practice of 1,600 radiologists. MEDNAX Radiology Solutions consists of more than 300 onsite radiologists, who primarily serve patients in Connecticut, Florida, Nevada, Tennessee, and Texas, and more than 500 teleradiologists, who serve patients in all 50 states. |
| Nov 2020                |   |                  | \$1.35b           | Blank check acquisition company GigCapital2 agreed to merge with Cloudbreak Health, LLC, a unified telemedicine and video medical interpretation solutions provider, and UpHealth Holdings, Inc., one of the largest national and international digital healthcare providers to form a combined digital health company.   |
| Oct 2020                |   |                | \$18.5b           | The combination of Teladoc Health and Livongo created a global leader in consumer-centered virtual care. The combined company is positioned to execute quantified opportunities to drive revenue synergies of \$100 million by the end of the second year following the close, reaching \$500 million on a run-rate basis by 2025.  |

# Progyny

## Commentary

*"We believe that Progyny is in its strongest-ever competitive position. During 2020, we grew our number of clients and covered lives significantly, strengthened our relationships with our channel partners, and improved our already industry-leading satisfaction rates. As we enter 2021, we feel well-positioned across every function in the organization. We believe this will allow us to capitalize on our significant opportunities and continue to expand our leadership position as the macro effects of the pandemic continue to be mitigated throughout the year." – Pete Anevski, President and Chief Operating Officer*

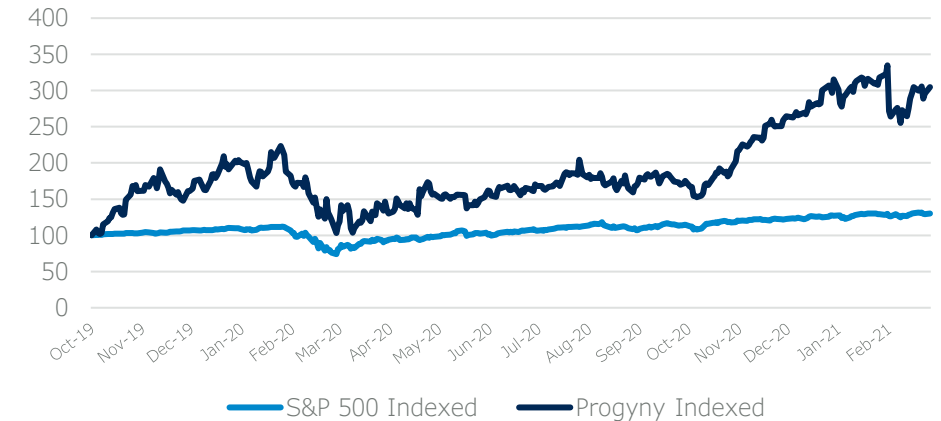
## Q4 2020 Highlights

- ❑ **The Numbers:** Progyny had a strong Q4 2020, exceeding \$100 million in quarterly revenue for the first time in its history. Revenue grew 54% from \$65.1m in Q4 2019 to \$100.3m in Q4 2020, YoY gross margins expanded from 18.1% to 20.6%, and adjusted EBITDA more than tripled, growing from \$3.9m in Q4 2019 to \$11.9m in Q4 2020.
- ❑ **Segment Performance:** Fertility benefit services revenue was \$74.7 million, a 40% increase from the \$53.5 million reported in Q4 2019, primarily as a result of the increase in the Company's number of clients and covered lives. Pharmacy benefit services revenue was \$25.6 million, a 121% increase as compared to the \$11.6 million reported in the Q4 2019. The growth in pharmacy benefit services revenue was primarily driven by an increase in the number of clients that are providing the pharmacy benefit as compared to the prior year period.
- ❑ **Looking Ahead:** The Company has seen consistency in its member activity since clinics opened up with COVID-19 safety protocols on place over two quarters ago. Management expects existing tailwinds to continue, driving top line growth of between 44% and 51%.

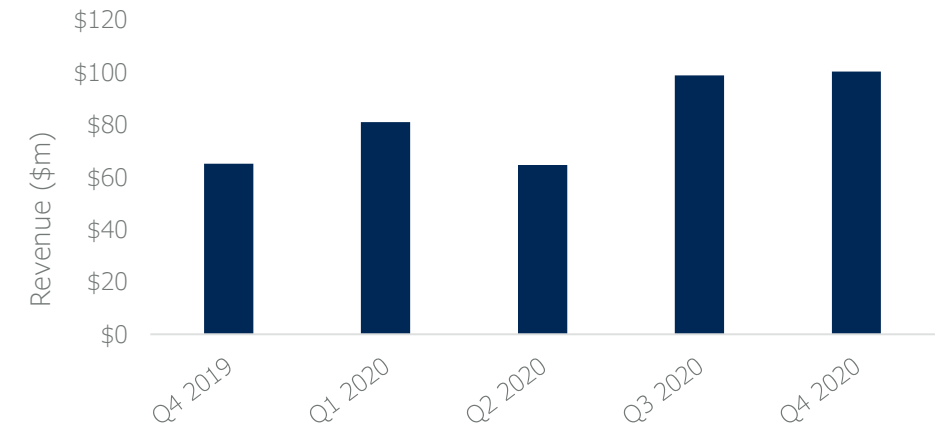
## Additional News

- ❑ Link: [Progyny raised to buy at BofA noting an 'attractive' entry point](#)

## Stock Performance (Indexed)



## Total Revenue





# One Medical

## Commentary

*"We have continued to see our human-centered and technology-powered model deliver impacts at scale - expanding to serve 549,000 members and more than 8,000 employer clients, and enabling more than 5 million digital and in-person interactions during 2020. Our continued momentum is further reflected in our financial results, with full year 2020 net revenue of \$380 million up 38% year-over-year." –Amir Dan Rubin, Chair & CEO*

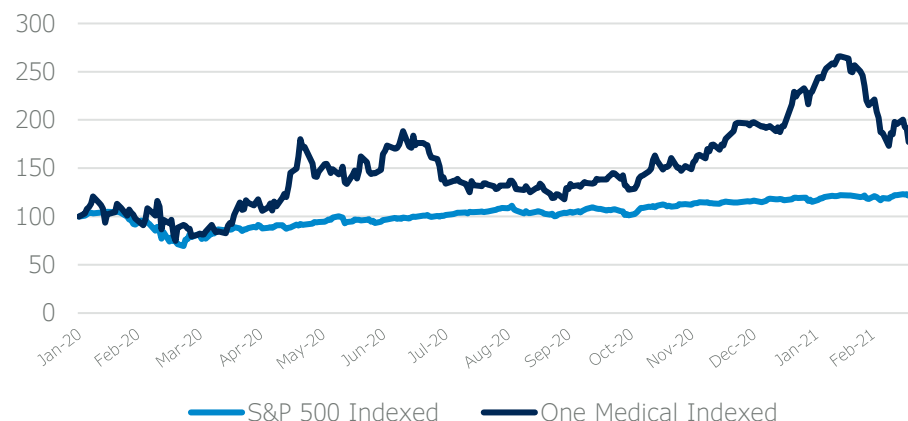
## Q4 2020 Highlights

- ❑ **The Numbers:** One Medical ended a strong first year as a publicly-traded company with net revenue growth of 57% from \$77.4m in Q4 2019 to \$121.8m in Q4 2020. The Company presented adjusted EBITDA of \$11.2m or 9% of net revenue, however realized a net loss of \$8.1m. YoY Membership Count increased 30% from 422,000 to 549,000.
- ❑ **Segment Spotlight:** Q4 partnership revenue increased 140% YoY to of \$52.1m. This growth was driven by store membership growth, the shift from fee-for-service revenue to partnership revenue, and by the strong results of the Company's workplace reentry program, where it partners with enterprise clients such as employers, schools and universities to help them in their COVID-19 response.
- ❑ **Looking Ahead:** The Company plans to expand into 17 new markets in FY 2021, which would represent 30% growth in market count. This represents a total addressable market opportunity of \$44b in the commercial primary care segment alone, before any consideration of expanded populations or services. Management expects an additional 7% to 9% growth in Membership Count in Q1 2021 which would reflect net revenue between \$465m and \$485m. Following the FY 2020 close, One Medical came under scrutiny for allegations of misappropriation of vaccines. The related investigation is ongoing.

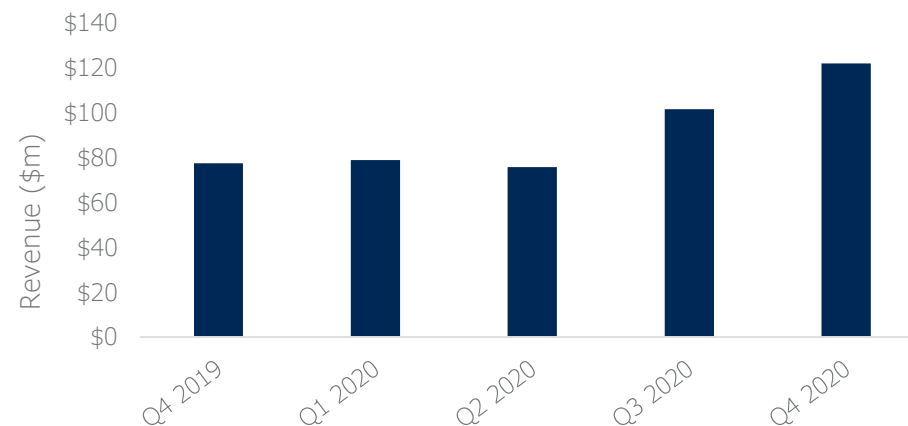
## Additional News

- ❑ Link: [One Medical's Coronavirus Vaccine Practices Spark Congressional Investigation](#)

## Stock Performance (Indexed)



## Total Revenue



# Encompass Health

## Commentary

*"We are pleased with our performance in 2020, which demonstrates the resiliency of our business model. Throughout the past year, we have continued to successfully meet the needs of our patients, employees and business partners. As we look ahead into 2021, we remain confident in our business and long-term prospects."* –Mark Tarr, President and Chief Executive Officer

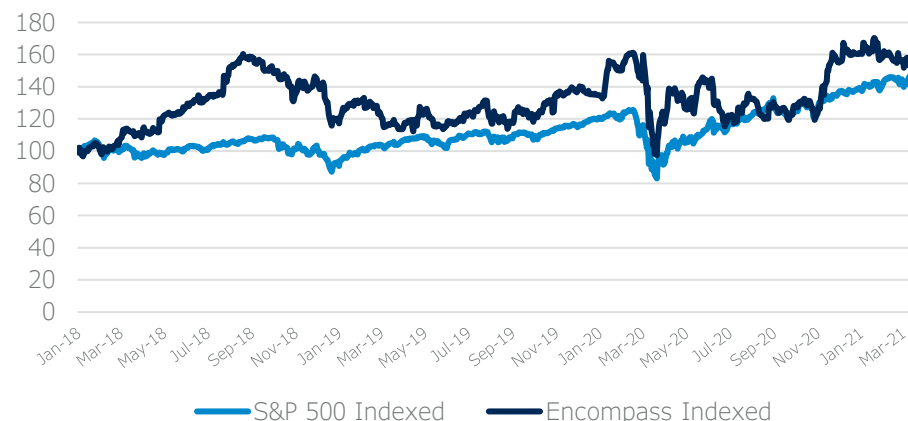
## Q4 2020 Highlights

- ❑ **The Numbers:** In Q4 2020, Encompass Health delivered 2.5% YoY growth in total net operating revenue to \$1.2b. Revenue growth resulted from favorable pricing in the inpatient rehabilitation segment partially offset by decreased volumes in both the Inpatient Rehabilitation and Home Health and Hospice segments, and a pricing decrease in the latter. The Company reported Q4 2020 adjusted EBITDA of \$239.9m, a 0.7% increase YoY. Management attributed the modest growth to increases in bad debt expense, group medical expense and elevated PPE costs.
- ❑ **M&A:** In December 2020, the Company announced it is exploring strategic alternatives for its home health and hospice business. Management indicated dedicated interest in deployment of acquisition capital in 2021, with the stated criteria of creating overlap in its home health and hospice business and margin improvement.
- ❑ **Looking Ahead:** Management is confident in its ability to meet its growth targets due to its robust pipeline of beds coming online and its proven ability to meet demand despite limitations on staff caused by COVID-19. Management provided 2021 guidance of \$5.0b to \$5.2b in net operating revenue, and adjusted EBITDA of \$925m to \$955m – or approximately 18% of net operating revenue.

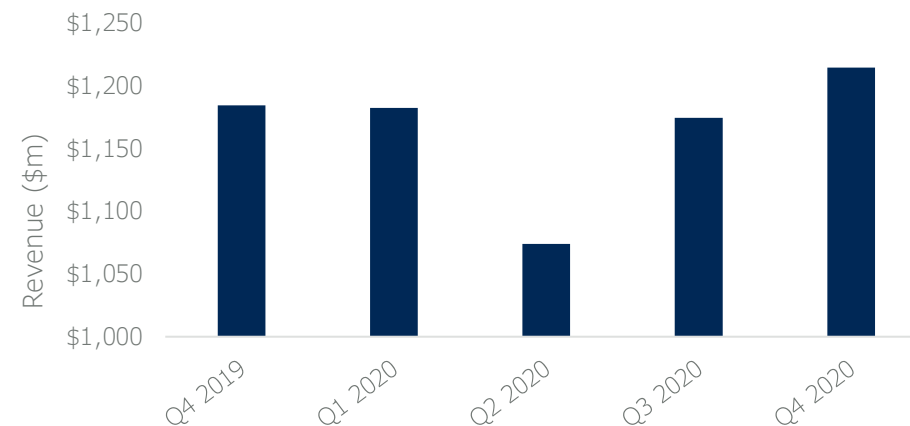
## Additional News

- ❑ Link: [Encompass Health Exploring 'Strategic Alternatives' for Home Health, Hospice Segment](#)

## Stock Performance (Indexed)



## Total Revenue



# Oak Street Health

## Commentary

*"Our prospects for 2021 are equally appealing. Based on our continued and consistent strong unit economics in 2020, we will accelerate our pace of new centers even further in 2021, with a goal of opening 38-42 additional centers, an increase from the expectations of 25-30 that we communicated following our initial public offering. As our communities continue to reopen, there is a tremendous opportunity to re-energize our community outreach model, which we believe positions us well to deliver a strong year of patient growth. While 2020 was a remarkable year, we are enthusiastic about all that we intend to accomplish in 2021, further enhancing our leading position in the value-based, primary care market.." -Mike Pykosz, Chief Executive Officer*

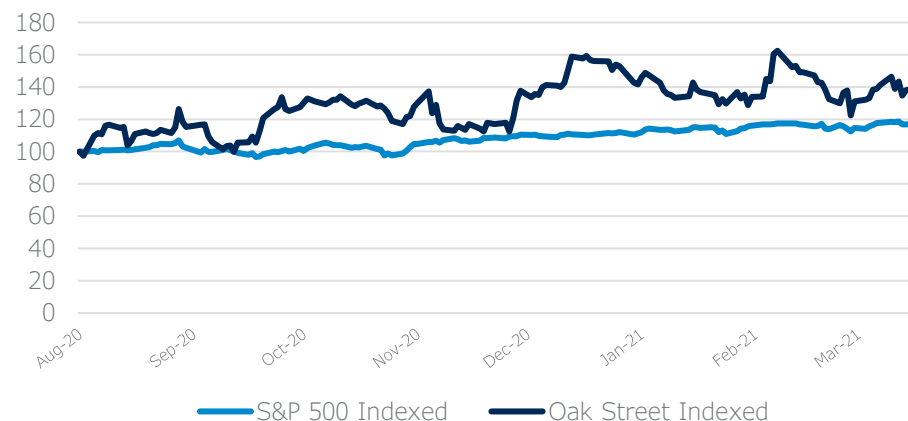
## Q4 2020 Highlights

- ❑ **The Numbers:** Oak Street Health reported Q4 2020 revenue of \$248.7m, a 43% increase YoY, driven partly by the 23% increase in total patients. The Company increased its number of centers operated by 28, to a total of 79 centers. Despite top-line growth, the Company reported loss from operations of \$(90.7)m and adjusted EBITDA of \$(43.5)m.
- ❑ **Future Focus:** Management indicated it plans to continue to invest in its technology and data platform in order to provide quality on-demand care and virtual visits, as well as in development of programs for specific patient conditions as they scale. It will invest in clinical applications and data center capabilities to drive insights and deliver to teams in the field with tech-enabled tools.
- ❑ **Looking Ahead:** Management provided an outlook of Q1 2021 revenue between \$280.0 and \$285.0m and adjusted EBITDA of between \$(25.0)m and \$(20.0)m.

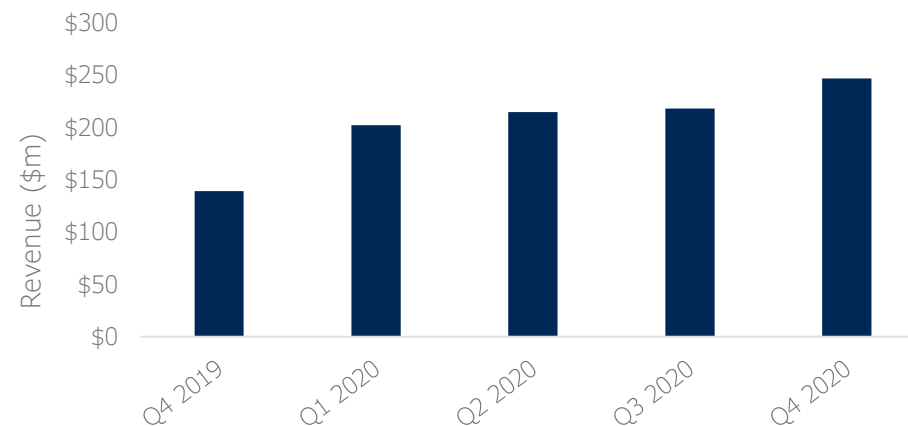
## Additional News

- ❑ Link: [Oak Street Slips On Wider-Than-Expected 4Q Loss; Street Sees 29% Upside](#)

## Stock Performance (Indexed)



## Total Revenue



# HCA Management Services

## Commentary

*"In the face of the highest surge yet of the COVID-19 pandemic, we finished the year with strong financial results in the fourth quarter. These results were driven, once again, by highly acute inpatient volumes coupled with solid cost management. We are incredibly proud of our colleagues and our accomplishments in 2020, which included returning over \$6 billion of CARES Act funds to the federal government. Our performance this past year gives us confidence to believe that we will be able to navigate successfully through future challenges as well."* –Sam Hazen, Chief Executive Officer

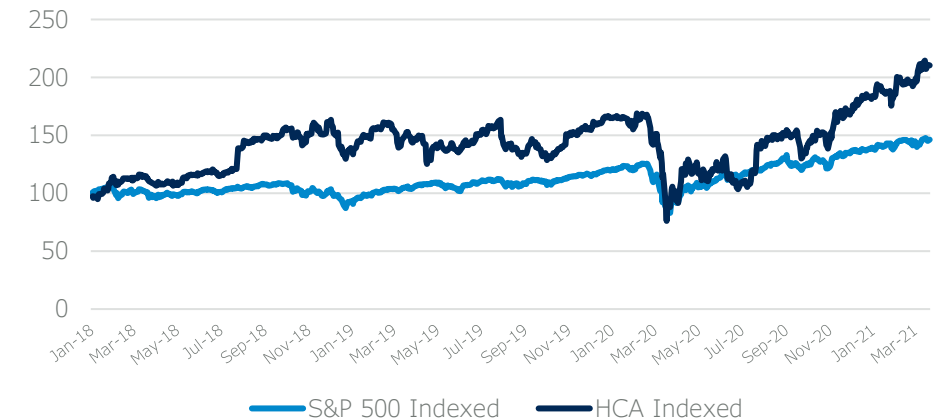
## Q4 2020 Highlights

- ❑ **The Numbers:** Revenues in Q4 2020 increased by 6% to \$14.3 billion, from \$13.5b in Q4 2019. Net income totaled \$1.4b, or \$4.13 per diluted share, compared to \$1.1 billion, or \$3.09 per diluted share, in the Q4 2019. Adjusted EBITDA totaled \$3.1b, growing 14% over the \$2.7b reported in Q4 2019.
- ❑ **Key Metrics:** Management anticipates inpatient admissions to grow approximately 2% to 4% over 2020 levels, however, this would track approximately 1% to 3% below 2019 levels. Outpatient volumes are forecasted to grow from 2020 levels but also finish below 2019. Revenue per equivalent admission is expected to flat or down slightly from 2020 levels. Management attributes this anticipated trend to declines in COVID activity throughout the year and loss of supplemental COVID funding.
- ❑ **Looking Ahead:** Management issued estimated guidance of revenues ranging from \$53.5b to \$55.5b and adjusted EBITDA of \$10.3b to \$10.9b, or approximately 20% of revenue.

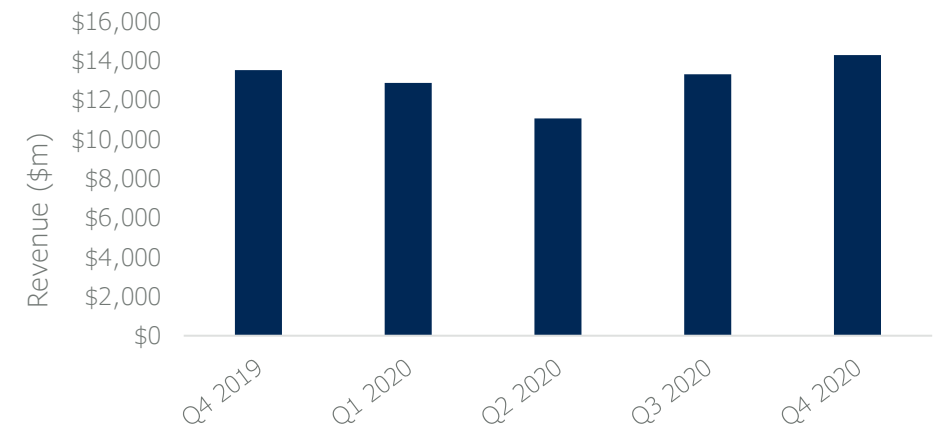
## Additional News

- ❑ Link: [HCA Healthcare Named a 2021 World's Most Ethical Company](#)

## Stock Performance (Indexed)



## Total Revenue



# UnitedHealth Group

## Commentary

*"The businesses of this diversified and growing enterprise remained strong and well-positioned for a sustained balanced growth as we continue to add new capabilities and market positions. We remain committed to our mission and an intense focus on serving one person at a time at increasing levels of value, more affordable, better outcomes, and improved experiences while generating strong returns for you, our shareholders."* -Dave Wichmann, Chief Executive Officer

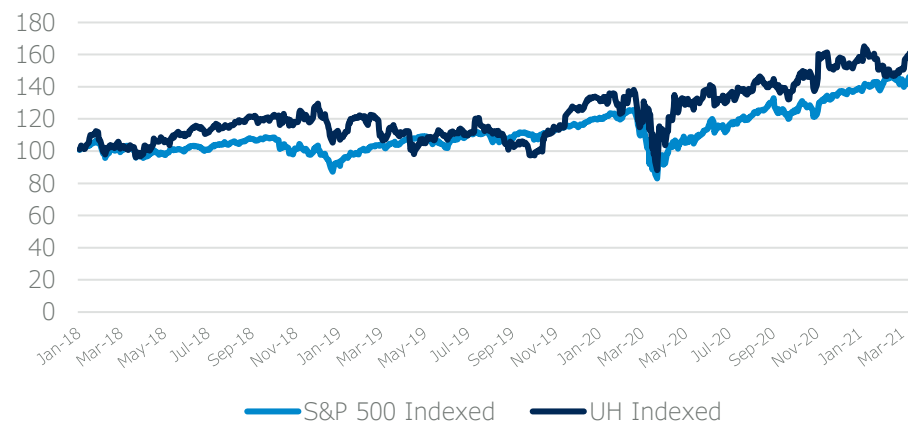
## Q4 2020 Highlights

- ❑ **The Numbers:** UnitedHealth Group's full year 2020 revenues of \$257.1b grew 6.2% year-over-year, reflecting broad-based revenue growth across the businesses. 2020 earnings from operations grew 13.8% YoY to \$22.4b, with both UnitedHealthcare and Optum contributing to the expansion.
- ❑ **Segment Performance:** Optum, the Company's health service business, reported Q4 2020 revenues of \$35.9b, growing 20% YoY. UnitedHealthcare, the Company's healthcare benefits business, reported Q4 2020 revenues of \$50.3b, growing 4% YoY.
- ❑ **Looking Ahead:** UnitedHealthcare expects double-digit growth in 2021 driven by serving up to 1.5 million more people in total, particularly in Individual and Group Medicare Advantage and Dual Special Needs Plans, Medicaid growth from new market entries in 3 states, and commercial market and specialty expansion, with newly introduced consumer-centric offerings. Optum anticipates 2021 growth driven by continued expansion of value-based care arrangements, strong growth serving seniors across delivery methods, expansion of pharmacy delivery and dispensing channels, and growth in its pipeline for comprehensive managed services.

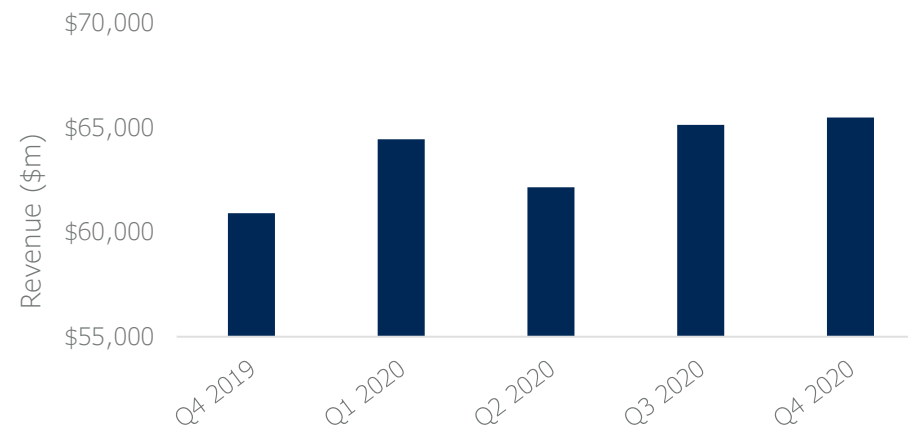
## Additional News

- ❑ Link: [UnitedHealth Names Andrew Witty as CEO as David Wichmann Retires](#)

## Stock Performance (Indexed)



## Total Revenue



# Appendix

*Contact Information*

*Recent Deal Experience*



# Contact Info

**7MA provides Investment Banking & Advisory Services to the Business Services and Technology Industries globally. We advise on M&A and private capital transactions and provide market assessments and benchmarking.**

As a close-knit team with a long history together and a laser focus on our target markets, we help our clients sell their companies, raise capital, grow through acquisitions, and evaluate new markets. Securities offered through 7M Securities LLC.

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# Recent Deal Experience

