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Douglas W. Loe, PhD MBA | Managing Director & Analyst | dloe@leedejonesgable.com | 416.365.9924

CRRX-TSX

Rating:	**Buy**
Target:	**$6.50**
Price:	$3.60
Return:	80.6%
Valuation:	10x EBITDA (F2022 estimates)

Market Data

S/O, basic (M)	24.8
Market capitalization ($M)	89.2
Enterprise Value ($M)	144.1
Pro forma cash ($M)	20.6
Total LT debt, inc conv debt ($M)	75.5
52 Week Range	$2.00-$6.20
Avg. Daily Volume (M)	0.0193
Fiscal Year End	Dec-31

Financial Metrics

In C$	2019A	2020E	2021E
Rev, Rx ($M)	125.8	165.2	198.9
Rev, surg ($M)	0.0	0.0	0.0
Total revenue ($M)	125.8	165.2	198.9
EBITDA, Rx ($M)	15.1	18.3	25.4
EBITDA, surg ($M)	0.0	0.0	0.0
Less: corp costs ($M)	(5.7)	(4.3)	(4.5)
Adj EBITDA ($M)	9.5	14.0	20.9
Adj net inc ($M)	(35.6)	(10.3)	0.5
EPS (basic)	($3.11)	($0.47)	$0.02
P/E	*NA*	*NA*	*189.7x*
EV/adj EBITDA	*15.2x*	*10.3x*	*6.9x*

Quarterly Data

In C$M		Q1	Q2	Q3	Q4
REVENUE	2020E	30.4	39.7	45.6	49.4
	2021E	49.3	49.5	48.4	51.7
EBITDA	2020E	2.0	2.8	3.8	5.3
	2021E	5.1	5.2	5.1	5.5

Company Description

CareRx is a diversified healthcare service provider with Cdn healthcare services now exclusively focused on LT care pharmacy services in ON/BC/AB; legacy physio/rehab/ assessment/surgical operations fully-divested by mid-F2019

Source: Consensus data- Refinitiv, Forecasts/Estimates - Leede Jones Gable

FQ320 Update Again Documents Profitable Execution on Long-Term Care Pharmacy Operations – BUY

We are initiating coverage on Canadian long-term care pharmacy (LTC Rx) services provider CareRx with a BUY rating and a one-year price target of $6.50. In parallel, we retrospectively provide commentary on the firm's recently-reported FQ320 financial data and on how the aforementioned quarterly update reflects on our longer-term investment thesis for the firm. At current levels, our PT corresponds to a one-year return of 80.6%.

Diversified operational history in healthcare services, but with focus now exclusively on LTC Rx and the growth opportunities on the horizon: CareRx is an ON-based provider of pharmaceutical distribution services to eldercare facilities. These facilities are located mostly in Ontario, Alberta, and British Columbia where various flagship acquisitions were centralized at the time of acquisition. This includes the ON-based Classic Care (acquired for $50M back in Nov/11), AB-based Pharmacare (acquired for upfront consideration of $34M in Mar/15), and BC-based CareRx from which CareRx derives its current name (CareRx itself was acquired for $14M in Oct/16).

As long-time followers of my CRRX research will recall, CareRx (or Centric Health as it was called until this year) actually went public in 2009 as an eldercare-focused physiotherapy-rehabilitation therapy service provider, acquiring Active Health Management in Aug/09. The firm then acquired peer firm LifeMark in May/11, and then diversified its healthcare services portfolio into specialty surgery (acquiring western Canada-based Surgical Spaces back in Jan/11). CareRx then entered into medical device distribution (acquiring Motion Specialties in Nov/11), while simultaneously establishing its initial footprint in the LTC Rx sector through the Classic Care acquisition indicated above.

Balance sheet challenges now largely resolved through divesting non-LTC Rx businesses: There was justification in our view for assuming that Centric/CareRx could have generated operational synergies across multiple healthcare services silos. But the debt burden endured by the firm through financing its acquisition strategy became an independent risk factor for the firm that required its own remedial action. And so in a step-wise fashion, Centric/CareRx was able to divest its medical device distribution operation (in Sep/14 to Birch Hill Equity Partners for $50M, or about 0.5x/10x annual revenue/EBITDA). The firm then later divested its physio/rehab operations (in Nov/15 to Audax Private Equity for $250M, or 1.5x/11x T12M revenue/EBITDA), and more recently divesting its specialty surgery operations in Aug/19 to Kensington Private Equity Fund for $35M (about 1.3x/6.7x T12M revenue/EBITDA).

This acquisition/divestiture historic summary is of course irrelevant to the firm's operational focus on LTC Rx, but it does provide some context not just for CareRx's operational history, but also for the financial history that motivated divestiture of those businesses despite their revenue/EBITDA growth trajectory at the time. As we describe below, CareRx's FQ320 LT debt level, including convertible debt, is still high in absolute terms at $75.5M (we will include interest-bearing convertible debt in our total debt determination until it stops being interest-bearing), or 4.9x total debt/FQ320 EBITDA run- rate. But this debt/EBITDA ratio is at the lowest level reported by the firm since FQ217, when divested surgical services operations achieved sequentially strong EBITDA/margin.

FQ320 financial data shows newly-acquired Remedy'sRx is positively contributing to revenue/EBITDA and to expected level in the first full-quarter post-acquisition: The firm subsequently augmented its client base in all three geographies through its acquisition of Remedy'sRx back in Mar/20 for $44M. This was a transaction that we believed at the time and still do that was consummated on reasonable terms, and with abundant strategic value through scale-up in LTC Rx market share and achievable cost synergies that we expect over the next few quarters. For context, deal terms were T12M revenue of $60M implied acquisition value of 1.4x trailing revenue, and about 9.2x EBITDA based on FQ320 EBITDA run-rate of $4.8M as reported last month in consolidated FQ320 data.

Financial Summary

Exhibit 1. Historic Financial Data & Financial Forecasts for CareRx

Year-end December 31 (C$000, except EPS)	2014A	2015A	2016A	2017A	2018A	2019A	2020E	2021E	2022E	2023E
Physio/Rehab/Assessment	170,439	NA	NA	NA	NA	NA	NA	NA	NA	NA
Pharmacy (inc Karie/homecare)	99,960	121,449	125,134	124,453	125,352	125,795	165,209	198,896	206,014	215,536
Surgical & Medical Centers	37,640	39,600	43,352	44,514	43,679	0	0	0	0	0
Assessments	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Retail & Home Medical	35,217	1,372	NA	NA	NA	NA	NA	NA	NA	NA
Total revenue	$343,256	$162,421	$168,486	$168,967	$169,031	$125,795	$165,209	$198,896	$206,014	$215,536
Revenue growth (%)	*($25%)*	*($53%)*	*4%*	*0%*	*0%*	*($26%)*	*31%*	*20%*	*4%*	*5%*
EBITDA, pharmacy	$12,812	$16,571	$17,157	$17,014	$9,844	$15,137	$18,295	$25,362	$26,682	$28,347
EBITDA margin, pharmacy (%)	*12.8%*	*13.6%*	*13.7%*	*13.7%*	*7.9%*	*12.0%*	*11.1%*	*12.8%*	*13.0%*	*13.2%*
EBITDA, surgery	$3,064	$3,459	$4,920	$6,180	$6,596	$0	$0	$0	$10	$26
EBITDA margin, surgery (%)	*8.1%*	*8.7%*	*11.3%*	*13.9%*	*15.1%*	*NA*	*NA*	*NA*	*NA*	*NA*
EBITDA, other divisions less corporate costs	$12,321	($11,654)	($6,603)	($5,681)	($5,570)	($5,658)	($4,334)	($4,475)	($4,635)	($4,850)
EBITDA	$28,197	$8,376	$15,474	$17,513	$10,870	$9,479	$13,961	$20,887	$22,057	$23,524
EBITDA growth (%)	*(32%)*	*(70%)*	*85%*	*13%*	*(38%)*	*(13%)*	*47%*	*50%*	*6%*	*7%*
EBITDA margin (%)	*8.2%*	*5.2%*	*9.2%*	*10.4%*	*6.4%*	*7.5%*	*8.5%*	*10.5%*	*10.7%*	*10.9%*
Net Income (adj)	($35,546)	($47,319)	($7,726)	($782)	($6,167)	($35,642)	($10,282)	$470	$6,039	$6,655
EPS (basic)	($4.65)	($5.87)	($0.93)	($0.08)	($0.59)	($3.11)	($0.47)	$0.02	$0.24	$0.27
EPS (fd)	($3.75)	($5.22)	($0.87)	($0.07)	($0.58)	($2.92)	($0.45)	$0.02	$0.24	$0.27
S/O, basic	*7,641*	*8,056*	*8,297*	*10,256*	*10,436*	*11,475*	*21,890*	*24,774*	*24,774*	*24,774*
S/O, fd (inc convert debt)	*9,473*	*9,059*	*8,927*	*10,528*	*10,654*	*12,200*	*22,695*	*25,023*	*25,023*	*25,023*
P/E (basic)	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*	*189.7x*	*14.8x*	*13.4x*
EV/EBITDA	*5.1x*	*17.2x*	*9.3x*	*8.2x*	*13.3x*	*15.2x*	*10.3x*	*6.9x*	*6.5x*	*6.1x*

Source: Company filings, Leede Jones Gable

All four legacy firms are embedded into our F2020-to-F2023 revenue/EBITDA forecasts, as shown in Exhibit 1. We believe that CareRx is now the largest (by revenue and bed count) Rx services provider to long-term care in Canada, exceeding scale and scope achieved by peer firms Medical Pharmacies (private), which stated in a Mar/18 press release that it served 45,000 LTC residents, and Loblaw (L-T, NR)/Shoppers Drug Mart/Medisystem, which claims in its corporate profile to serve 40,000 residents nationwide.

CareRx has already documented its ability to profitably grow its LTC Rx franchise by acquisition, and we expect that growth strategy to continue: In its FQ320 corporate update, CareRx estimated that its two largest LTC Rx competitors currently serve 35,000 and 30,000 beds respectively, implying that CareRx itself believes that its major peers have endured some bed count contraction in recent years, or at least in comparison to the most recent public data we identified, as indicated above. Yet despite CareRx's LTC Rx scale now achieved through acquisition, the firm believed that it can double its beds under management to 100,000 by end of F2023. That seems achievable to us based on historic pace at which it achieved half of that goal already, and based on the extent to which the Canadian LTC Rx industry remains highly fragmented even after considering CareRx's own consolidation initiatives. Indeed, even with about 51,000 beds under management, the firm still only has about 19% market share in a LTC Rx industry that currently serves about 263,000 LTC beds in 2,039 LTC facilities nationwide.

Some revenue compression on a per bed basis, but pandemic is a clear near-term culprit that could reverse in F2021: Per bed annual revenue at this level was slightly below FQ220 value of $3,808 per bed per year, itself below FQ120 value of $3,878. We believe this is a combination of bed-based revenue adjustments infused through the acquisition of Remedy'sRx back in Mar/20, through the shift from a prescription/dispensation fee model to a capitation-based revenue model introduced by changes in the Ontario Drug Benefit Act originally implemented during FQ120. As well, this was also probably through some pandemically-infused operational disruptions that are likely to impact FQ420 and probably FQ121 financial data as well.

Valuation Summary

Exhibit 2. Valuation Summary for CareRx

EV/EBITDA multiple, F2022	4x	6x	8x	10x	12x	14x
Implied share price[1]	$1.33	$3.10	$4.86	$6.62	$8.38	$10.15
One-year CRRX target price [1,2]				$6.62		

[1] Based on F2022 adj EBITDA of $22.1M; 24.8M pro forma basic S/O post-consolidation (inc shares issued to Remedy's Rx & Q220 equity issue), 25.0M S/O (fd), 37.8M S/O (fd, fully-converted)

[2] FQ320 cash & equivalents of $20.6M; FQ320 LT debt of $75.5M ($41.5M excluding convertible debt)

Source: Leede Jones Gable

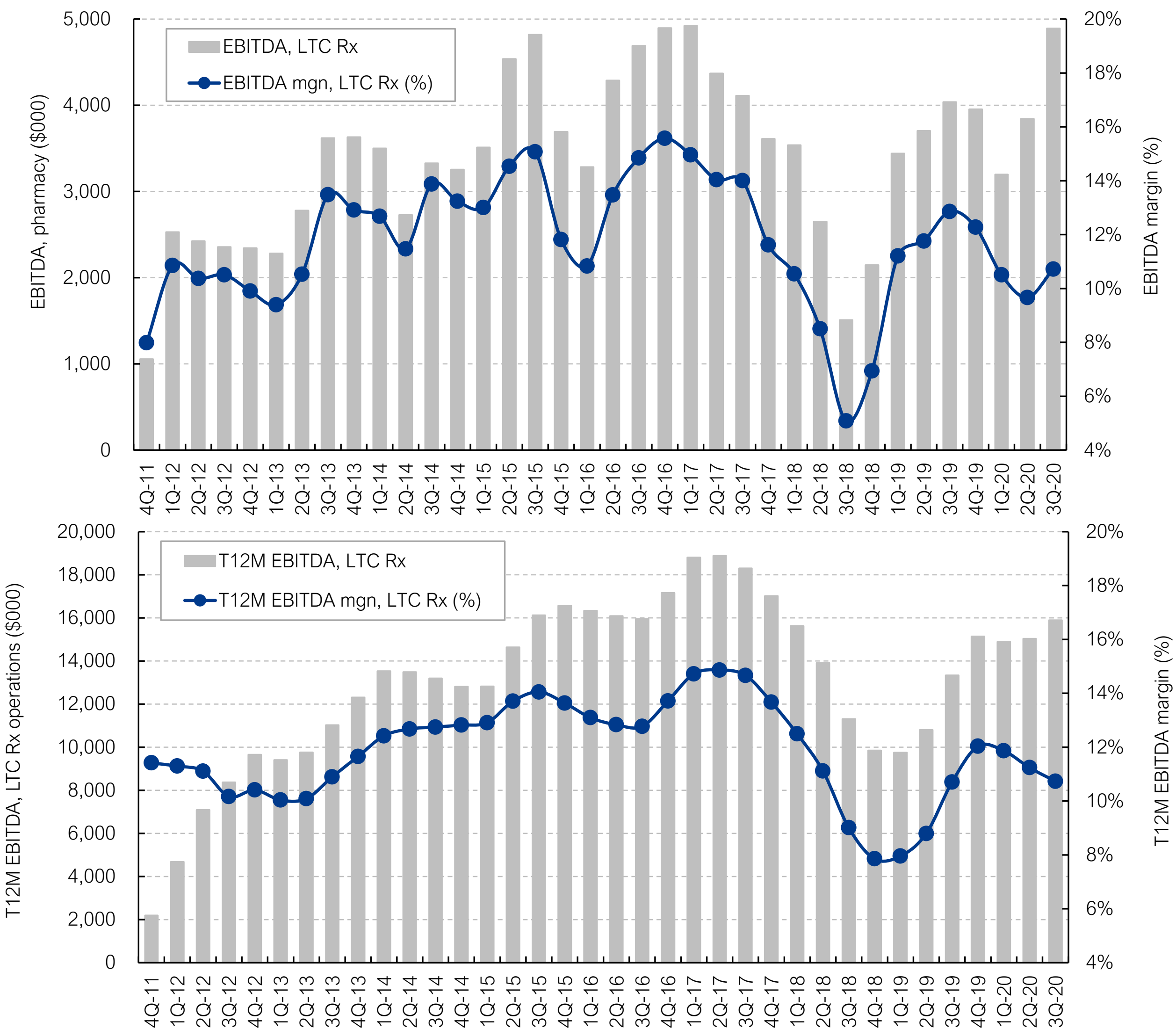
CareRx exited FQ320 with an average of 49,344 beds served, and total beds under management is probably closer to 50,000 based on calculations of amalgamated bed count that we previously conducted following the Remedy'sRx acquisition in FQ120. Accordingly, beds ascribed to the new Rx services contract just announced should bring total beds under management to at least 51,100, solidly positioning CareRx as the national leader in LTC Rx services, with clear trajectory to leveraging its newly-achieved scale and scope to capture an increasingly larger proportion of Rx service purposes. We will assume that CareRx's new ON Rx services agreement will exhibit limited seasonality q/q and that annual revenue per bed is similar to CareRx's average annual revenue per bed, which was $3,699 in FQ320. Multiplying the number of new beds under management by our aforementioned annual revenue per bed estimate, we calculate that the new contract could add about $4.1M in supplemental annual revenue that we now project in F2021 to be $198.9M.

Adding new contract wins, as transpired in ON earlier in Dec/20, is clearly positive to our revenue/EBITDA projections: Shifting to more recent initiatives, we were encouraged to see CareRx supplement its existing LTC Rx bed count with a new 1,100 bed Rx services contract with an ON-based LTC service provider. CareRx did not specifically identify its new client, and it is entirely possible that the supplemental beds now under management were with an existing client of the firm, but based on the size of the contract - 1,100 beds would undoubtedly be ascribed to at least 4-5 independent LTC facilities, if not more – that the new contract is with one of the major ON-based multi-facility operators (for example, Mississauga-headquartered Chartwell [CSH.U-T, NR], Markham-based Extendicare [EXE-T, BUY, PT $8.00], Markham-based Sienna Senior Living [SIA-T, NR], or Mississauga-based Revera [private], and if our assumption is correct, we believe that CareRx could be well-positioned to scale that relationship if/when the opportunity to bid for other maturing Rx agreements materializes.

FQ320 data shows acquisitive EBITDA growth, but with sustained pressure on LTC Rx EBITDA margin: On FQ320 itself, revenue from the firm's LTC Rx operations was $45.6M and thus at a record level for the firm, driven by integration of Remedy'sRx into consolidated operations that began in FQ220 (when revenue was $39.7M). For comparison FQ120 revenue was $30.4M, and was in the $29M-to-$32M range in virtually all quarters since mid-F2015. In its FQ320 MD&A, CareRx indicated that Remedy'sRx contributed revenue/EBITDA of $15.8M/$1.2M, consistent at least on top-line data with trailing performance that CareRx quantified when Remedy'sRx was acquired in Mar/20 (T12M revenue of $60M, or $15M per quarter assuming no seasonality).

FQ320 EBITDA specifically for LTC Rx operations (so excluding corporate costs that have encouragingly been shrinking in recent quarters) was $4.9M, of which $1.2M was from Remedy'sRx as stated. This was thus proportionately above FQ220 EBITDA of $3.8M when Remedy'sRx was incrementally integrated into consolidated Rx operations, and more substantially above FQ120 EBITDA of $3.2M that was based on CareRx's pre-acquisition operations. Corporate costs of $1.1M were sequentially flat as compared to $1.0M in FQ220 and $1.2M in FQ120 and solidly below legacy corporate cost levels that were conventionally closer to $1.5M per quarter, undoubtedly influenced by supplemental healthcare services (specifically specialty surgery services) that were divested in late F2018.

Exhibit 3. Historic Quarterly EBITDA/Margin & T12M EBITDA/Margin Data for CareRx



Source: Historical Data – CareRx financial documents

Corporate cost containment and synergies through dispensation center consolidation are clear responses that are already underway: Because Remedy'sRx operates pharmaceutical dispensation centers in similar geographies (major cities in ON-AB-BC) to those operated by CareRx prior to the acquisition, we believe that supplemental cost synergies through dispensation center consolidation could be achieved in the next quarter or two. This could bring corporate costs down even further as a proportion of consolidated revenue. Our model assumes that dispensation center consolidation can conclude by early F2021, and indeed, CareRx indicated in its FQ320 commentary that it is well on pace to reduce its number of dispensation centers to eighteen from the twenty-five centers that CareRx-Remedy'sRx operated independently prior to acquisition. Both corporate and operational costs should decline in lockstep post-center consolidation, as our model assumes. CareRx has been clear in recent quarterly updates that changes originally enacted in FQ120 to the Government of Ontario's Drug Benefit Act (ODBA) could continue to negatively impact its LTC Rx EBITDA, which it did by $0.3M in FQ320 alone. But this was partially offset by sustainable reduction in corporate costs and of course by increased contribution from newly-acquired Remedy'sRx in the period.

Debt still high in comparison to EBITDA but trend lines are favorable based on projected EBITDA growth and expectations that convertible debt will indeed be converted at maturity: CareRx exited FQ320 with $20.6M in cash and total debt of $75.5M, about $41.5M of which is conventional debt issued to Yorkville Asset Management and Crown Capital Partners, and the balance is convertible debt issued predominantly to Ewing Morris Investment Partners. For valuation purposes and enterprise value determination, we prefer to incorporate any and all interest-bearing financial instruments, including convertible debt, as relevant to debt-based financial ratios. However, it is clear that conversion price of $5.00 is clearly below our $6.50 price target and thus is expected by us to be converted into shares at maturity, shifting fully-diluted (and thus fully-converted) S/O once converted to 37.9M, as CareRx itself quantified in its FQ320 corporate update.

CareRx has a legacy cannabis dispensation alliance with Canopy Growth (WEED-T, NR; alliance announced in FQ318) and a separate alliance with AceAge, which developed a hand-held, homecare-based drug dispensation device branded as Karie (alliance consummated in FQ317, and CareRx CEO serves on AceAge's Board). Both partnerships could positively contribute to CareRx's revenue/EBITDA in future periods, but for now, neither is overtly embedded into our F2021-F2023 financial forecasts.

Summary and valuation: CareRx was equally clear, specifically in its FQ320 MD&A, that it expects to grow its number of LTC beds served to 100,000 by F2023, an aggressive 100%/3-year growth target that will probably require one or two acquisitions of comparable magnitude to its Classic Care-Pharmacare-CareRx-Remedy'sRx acquisitions consummated in prior years. For now though, our model will not overtly ascribe value to any as-yet-unacquired LTC Rx service providers until they are formally acquired and for which financial terms are in the public domain.

Our model projects F2020 revenue/EBITDA of $165.2M/$14.0M (8.5% margin), with the Remedy'sRx acquisition contributing substantively (though not entirely) to our projected sequential growth as compared to $125.8M/$9.5M (7.5% margin) achieved in F2019, and with our model projecting that annual revenue per bed served can hold firm at $3,700-to-$3,900, as in most recent quarters. Moving forward, we project F2021 revenue/EBITDA of $198.9M/$20.3M (10.2% margin), increasing to $206.0M/$22.1M (10.5% margin) in F2022 (the reference year in our valuation) and to $215.5M/$23.5M (10.7% margin) in F2023, with our y/y top-line growth projections of 4-5% assumed to be achievable through new contract wins from peers and not from any future acquisitions that would be supplemental to our baseline projections once consummated.

We value CRRX by ascribing a 10x EV/EBITDA multiple to our F2022 EBITDA forecast of $22.1M, with our EV calculation incorporating FQ320 cash of $20.6M and total debt (including convertible debt) of $75.5M, and fully-diluted (but not fully-converted) S/O of 25.0M. We project that pending FQ420 financial data will be sequentially similar to FQ320 data, though perhaps with incremental EBITDA margin lift on new cost synergies through additional dispensation center consolidation that should conclude by end-of-year. **At current levels, our PT corresponds to a one-year return of 80.6%, which we believe is sufficiently high to justify our BUY rating on CRRX.**

Exhibit 4. Comparable Healthcare Services Firms for CareRx

Company	Curr.	Sym	Shares Out (M)	Share Price 13-Dec	Mkt Cap ($M)	Ent. Value ($M)	EV/EBITDA (T12)	EV/EBITDA (FY1)	EV/EBITDA (FY2)	Price/Earnings (T12)	Price/Earnings (FY1)	Price/Earnings (FY2)	Description
Canada-based healthcare services firms													
Akumin	CAD	AKU	70.2	$3.91	$274	$692	8.3x	10.1x	8.5x	NA	NA	18.2x	US -based medical imaging clinic consolidator
Assure Holdings	CAD	IOM	35.0	$1.29	$45	$47	NA	NA	NA	21.3x	NA	NA	US-based neuromonitoring services firm
Chartwell REIT	CAD	CSH.UN	215.6	$9.36	$2,018	$4,981	18.5x	19.2x	17.6x	NA	NA	NA	Nursing care and retirement residences operator
CRH Medical	CAD	CRH	71.4	$3.63	$259	$326	10.9x	12.5x	8.6x	NA	NA	NA	US-based GI anesthesiology/ endoscopy services
Extendicare	CAD	EXE	89.5	$6.75	$604	$1,006	8.7x	8.2x	10.8x	19.0x	NA	30.7x	Nursing care and home healthcare operator
K-Bro Linen	CAD	KBL	10.7	$37.56	$401	$504	NA	12.5x	11.7x	NA	NA	38.6x	Linen & laundry processing for hospital & hospitality sectors
Medical Facilities	CAD	DR	31.1	$7.35	$229	$365	4.5x	3.9x	4.4x	9.0x	17.9x	21.3x	US-based physician-owned surgical services
Northwest Health-care Properties	CAD	NWH.UN	175.7	$12.46	$2,190	$5,740	22.1x	20.7x	18.8x	14.7x	14.3x	19.5x	REIT, with substantial client base of healthcare services vendors
Protech Home Medical	CAD	PTQ	112.4	$1.46	$164	$149	8.2x	7.3x	5.4x	NA	NA	23.7x	OH-based post-acute care respiratory equipment distribution
Savaria Corp	CAD	SIS	51.0	$13.60	$694	$724	12.6x	12.3x	11.3x	24.6x	25.2x	22.2x	QC-based patient mobility device manufacturer
Sienna Senior Living	CAD	SIA	67.0	$13.63	$914	$1,895	18.4x	18.8x	16.0x	NA	NA	NA	Nursing care and retirement residences operator
Viemed Healthcare	CAD	VMD	38.9	$11.29	$439	$325	10.9x	8.7x	11.2x	16.3x	17.7x	31.6x	LA-based post-acute respiratory services & disease mgmt
Average							12.3x	12.2x	11.3x	17.5x	18.8x	25.7x	
Hospice, home health services, rehabilitation therapy													
Amedisys	USD	AMED	32.8	$270.29	$8,868	$9,068	NA	NA	NA	NA	NA	NA	LA-based home health and hospice care; 529 home care agencies, 72 hospice agencies
Ensign Group	CAD	ESI	163.1	$0.93	$152	$1,591	6.0x	7.1x	8.4x	NA	NA	NA	CA-based rehabilition therapy and nursing services firm; 77 facilities mostly in western U.S.
HealthSouth	CAD	HLS	31.7	$16.78	$533	$506	24.7x	22.5x	13.2x	NA	NA	NA	AL-based inpatient rehab services (LT care/acute care hospitals)
LHC Group	USD	LHCG	31.6	$200.50	$6,334	$6,194	NA	NA	22.2x	NA	NA	34.0x	LA-based post-acute healthcare services, nursing agencies, hospices; 264 homecare service, 230 nursing services
National HealthCare	USD	NHC	15.4	$67.18	$1,032	$755	6.3x	NA	NA	37.0x	NA	NA	TN-based operator of LT care & assisted living facilities, home care and hospice care services
Select Medical Holdings	USD	SEM	134.8	$25.39	$3,422	$6,906	10.3x	9.2x	9.1x	15.9x	15.7x	15.6x	PA-based specialty hospitals; 89 LT acute care hospitals, 6 inpatient rehab clinics, 961 outpatient rehab clinics
Average							11.8x	12.9x	13.2x	26.5x	15.7x	24.8x	
Hospital management													
Community Health Systems	USD	CYH	119.6	$8.54	$1,022	$12,619	10.7x	7.8x	7.9x	NA	NA	NA	TN-based hospital manager; 122 hospitals with 18,140 beds in 29 states; merged with Triad Hospitals in 2007
Netcare	ZAc	NTC	1,445.6	$1,171.00	$1,692,786	$28,373	11.3x	7.5x	6.2x	NA	NA	NA	Acute care hospital provider in UK/South Africa
Ramsay Health Care	AUD	RHC	228.9	$63.24	$14,474	$23,223	12.4x	12.1x	10.7x	NA	32.5x	24.1x	Private hospital and day surgery service privicer in Australia, France, Indonesia, UK
Tenet Healthcare	USD	THC	105.5	$41.04	$4,330	$19,121	9.3x	7.2x	6.8x	NA	9.8x	14.6x	TX-based hospital operator; 53 hospitals with 14,352 beds
Universal Health Services	USD	UHS	84.3	$132.35	$11,160	$13,744	7.7x	7.7x	7.4x	13.0x	12.8x	12.3x	PA-based operator of acute care hospitals, ASCs, radiation oncology centers, surgical hospitals
Average							10.3x	8.4x	7.8x	13.0x	18.4x	17.0x	
Specialty health services													
Bioscrip	USD	BIOS	186.8	$14.87	$2,777	$3,809	23.9x	17.5x	15.6x	NA	NA	NA	NY-based PBM; specialty pharmacies, focuses on chronic conditions, infusion therapies, mail service drug distrib
Chemed	USD	CHE	16.0	$485.00	$7,737	$7,624	19.2x	17.1x	17.7x	29.4x	26.8x	27.5x	OH-based hospise care (Vitas division), plumbing repair-maintenance (Roto-Rooter division)
Cryolife	USD	CRY	38.9	$21.78	$846	$1,079	NA	NA	NA	NA	NA	NA	GA-based surgery services; processing of human tissues in CV surgery; CryoValve SG, CryoPatch SG, Bioglue
CVS Caremark	USD	CVS	1,308.9	$71.58	$93,692	$148,905	7.8x	8.2x	8.2x	11.8x	9.6x	9.5x	RI-based retail pharmacy, mail service drug distrib, formulary mgmt, claims processing
Davita	USD	DVA	112.0	$108.32	$12,132	$20,915	8.8x	8.8x	8.7x	16.5x	14.6x	13.2x	CO-based dialysis services provider, 1,530 outpatient centers in 43 US states, acute inpatient dialysis services
Hanger Orthopedics	USD	HNGR	38.1	$23.11	$881	$1,255	11.8x	14.7x	9.5x	21.9x	NA	21.5x	Texas-based owner/operator of orthotic and prosthetic patient-care centers; 677 centers in 45 states
Healthcare Services Group	USD	HCSG	74.4	$24.57	$1,829	$1,625	12.9x	12.3x	12.3x	20.4x	19.8x	20.3x	Cleaning, maintenance, food services for nursing homes and rehab facilities
Tivity Health	USD	TVTY	48.6	$18.25	$887	$1,807	8.4x	8.3x	11.7x	NA	11.0x	13.8x	TN-based alternative medicine and fitness center network
Magellan Health Services	USD	MGLN	25.6	$79.95	$2,047	$2,570	12.6x	16.7x	11.2x	NA	NA	24.1x	CT-based health management, serves insurance firms, unions, government agencies; radiology, pharma benefits
Mednax	USD	MD	85.6	$22.87	$1,958	$3,326	11.1x	13.2x	13.1x	NA	16.6x	13.9x	FL-based neonatal and pediatric anesthesia services
Average							12.9x	13.0x	12.0x	20.0x	16.4x	18.0x	
CareRx	CAD	CRRX	24.8	$3.60	$89	$145	NA	11.1x	6.8x	NA	NA	NA	ON-based healthcare services firm, focused on LTC pharmacy operations in Ontario & western Canada

Source: Refinitiv, Leede Jones Gable

Disclosures none

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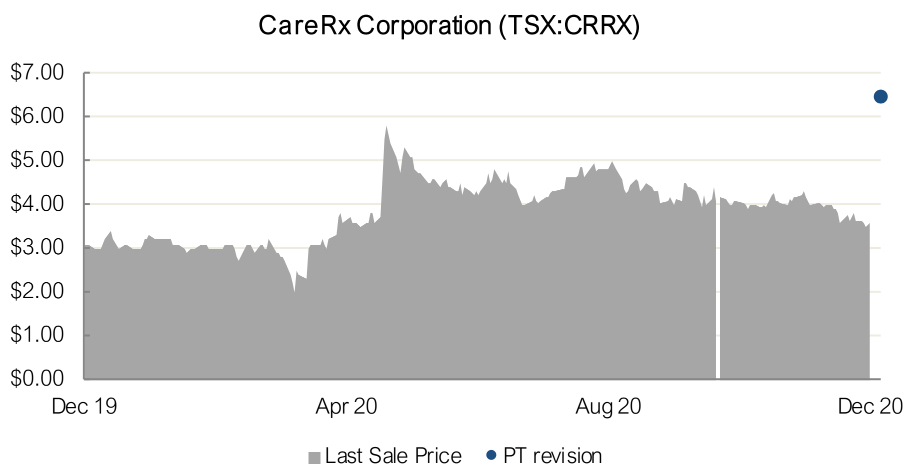

Date	Target ($)	Rating
15 Dec 2020	C$6.50	Buy

Coverage Initiated: Dec 15, 2020

Data sourced from: Refinitiv