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

DR-TSX

Rating:	Buy
Target:	**$10.50**
Price:	$7.35
Return (incl. dividend):	47%
Dividend Yield:	3.8%
Valuation:	8x AFFO, 8x EV/ EBITDA (F2022 adjusted estimates)

Market Data

Basic Shares O/S (M)	31.1
Market capitalization (US$M)	179.5
Enterprise Value (US$)	219.3
Cash (US$M, most rec Q)	83.4
Debt (US$M, most rec Q)	123.3
52 Week Range C$)	$1.56-$5.90
Avg. Weekly Volume (M)	0.448
Quarterly dividend (C$)	$0.07
Dividend yield (%)	3.8%
Fiscal Year End	Dec-31

Financial Metrics

In US$	2019A	2020E	2021E
Revenue ($M)	398.1	386.2	388.6
EBITDA ($M)	96.2	100.6	102.7
Net Income ($M)	59.7	50.8	47.6
Net inc, ex non-ctr; ($M)	25.4	22.5	15.0
EPS	$1.92	$1.63	$1.53
Adj EPS	$1.10	$0.91	$1.05
P/E	*3.0x*	*NA*	*3.1x*
EV/EBITDA	*2.8x*	*2.7x*	*2.6x*

Valuation Data

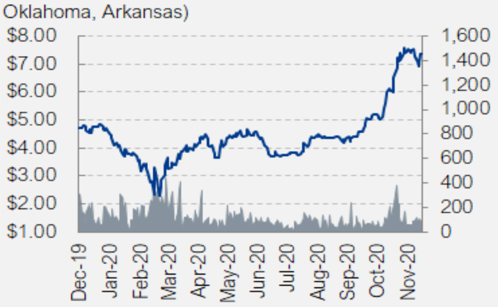
		2019A	2020E	2021E
EV/EBITDA	**Current**	2.8x	2.7x	2.6x
	Peers	11.8x	11.0x	11.1x
P/E	**Current**	3.0x	NA	3.1x
	Peers	18.1x	20.4x	18.0x

Quarterly Data

In US$M		Q1	Q2	Q3	Q4
REVENUE	**2020E**	$92.8	$88.8	$98.8	$105.8
	2021E	$93.6	$97.2	$97.6	$100.1
EBITDA	**2020E**	$18.1	$24.6	$24.6	$33.3
	2021E	$18.7	$27.4	$24.7	$32.0

Company Description

Medical Facilities is a US-based operator of physician-owned specialty surgical hospitals & ambulatory surgery centers, mostly in mid-western US states (South Dakota, Oklahoma, Arkansas)



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

Initiating Coverage on Profitable US-Based Surgical Hospital Operator with a BUY Rating

We are initiating coverage on South Dakota (SD)-based specialty surgical hospital operator Medical Facilities with a BUY rating and a price target of $10.50. Medical Facilities owns a majority stake (>51%) interest in several US-based surgical hospitals and ambulatory surgery centers, mainly in South Dakota, Oklahoma, Arkansas, and California, but with a few regional operations through a joint venture with Kansas-based NueHealth announced back in FQ118.

The firm has been highly profitable throughout its Canadian capital markets history dating back to F2004. Though the firm has sustained incremental EBITDA margin compression throughout many quarters in its longer-term history (see Exhibits 4 & 7-11), EBITDA margin has either stabilized or grown at most of its flagship hospitals in recent quarters, though admittedly with measurable US government stimulus funding in the last two quarters specifically. We emphasize for investors that Medical Facilities shares its ownership stake with physician founders at all of its facilities. Its stake ranges from 51% for facilities in South Dakota and Arkansas, to 64% for its hospital in Oklahoma. We value the firm based on the proportion of our forecasts that are ascribed to common shareholders, as we will describe in our Summary & Valuation section below.

EBITDA margin compression, though from a high original level, is still a risk factor, but flagship facilities have exhibited improved margin stability in recent quarters: Moreover, the firm has still been able to hold consolidated T12M EBITDA margins near or above 20% in most financial periods, which we consider to be strong in absolute terms. The firm did revise its dividend policy back in FQ419 to what has clearly been a stable and sustainable level by revising its quarterly payout to $0.07/shr. Quarterly payout-ratios have been correspondingly stable and sustainable at or below 26.5% (which was specific to FQ220). We believe that current dividend policy is stable at current level, and this expectation is a seminal component of our investment thesis for the firm.

Seasonally strong financial period (FQ4) is on the horizon, supporting our investment thesis and valuation: The firm has long generated seasonally strong revenue/EBITDA/AFFO in H2 vs H1, with FQ4 invariably being the strongest financial period based on heightened procedure volumes and more favorable case/payer mix near end-of-calendar year. Accordingly, even with pandemic considerations still looming over healthcare services firms that confer discretionary procedures (hip/knee replacement and spinal fusions are leading procedures at most Medical Facilities' hospitals), we still expect pending FQ420 financial data to be both sequentially and seasonally strong.

Pandemic-impacted FQ320 was positively buoyed by government relief, but quarter was still encouragingly stable despite modest case volume softness: Shifting to FQ320 financial data that Medical Facilities reported last month, the firm generated consolidated revenue of US$98.8M that was incrementally above US$96.5M. But virtually all of that y/y delta arising from US$2.5M in US government funding was pandemic relief. Interestingly, Medical Facilities reported offsetting impact from more favorable revenue related to improved case/payor mix (up by US$3.2M y/y) that was offset by decline in case volumes that compressed revenue by (US$3.9M).

Exhibit 1. Financial Summary for Medical Facilities

Year-end December 31 (US$000, except EPS)	2016A	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E
Total revenue	$339,473	$385,329	$431,602	$398,103	$386,200	$388,559	$389,109	$389,678	$390,261
Revenue growth (%)	*9%*	*14%*	*12%*	*(8%)*	*(3%)*	*1%*	*0%*	*0%*	*0%*
EBITDA	$90,706	$94,647	$99,018	$96,248	$100,595	$102,742	$104,641	$106,549	$108,466
EBITDA growth (%)	*(9%)*	*4%*	*5%*	*(3%)*	*5%*	*2%*	*2%*	*2%*	*2%*
EBITDA margin (%)	*27%*	*25%*	*23%*	*24%*	*26%*	*26%*	*27%*	*27%*	*28%*
Consolidated net income	$39,689	$46,579	$51,549	$59,677	$50,839	$47,629	$48,727	$49,804	$50,825
Net inc, minority interest	$47,440	$25,942	$30,622	$25,422	$22,540	$14,954	$12,954	$13,840	$14,616
Net inc, common share hlrs	($7,751)	$20,637	$20,927	$34,255	$28,299	$32,676	$35,773	$35,964	$36,210
Consolidated EPS	$1.28	$1.50	$1.66	$1.92	$1.63	$1.53	$1.57	$1.60	$1.63
EPS, minority interest	$1.53	$0.84	$0.99	$0.82	$0.72	$0.48	$0.42	$0.44	$0.47
EPS, common share hlrs	($0.25)	$0.67	$0.68	$1.10	$0.91	$1.05	$1.15	$1.16	$1.16
Consolidated AFFO/unit	$1.23	$1.29	$1.22	$0.66	$1.30	$1.51	$1.57	$1.63	$1.70
Consolidated AFFO/unit (C$)	$1.64	$1.67	$1.60	$0.87	$1.76	$1.96	$1.98	$2.00	$2.02
Adj AFFO/unit (C$; share hldrs)	$0.86	$0.88	$0.86	$0.45	$0.93	$1.04	$0.96	$0.96	$0.97
Payout per IPS unit (C$)	$1.13	$1.13	$1.13	$0.98	$0.28	$0.28	$0.28	$0.28	$0.28
Payout ratio (%)	*69%*	*68%*	*70%*	*113%*	*16%*	*14%*	*14%*	*14%*	*14%*
Share of financial data ascribed to common shareholders									
Adj EBITDA (US$000) [1]	$47,893	$50,071	$53,127	$50,057	$52,870	$54,442	$50,659	$50,884	$52,225
Adj EPS (US$) [1,2]	($0.25)	$0.67	$0.68	$1.10	$0.91	$1.05	$1.15	$1.16	$1.16
Adj AFFO (US$) [1]	$0.65	$0.68	$0.65	$0.34	$0.69	$0.80	$0.76	$0.78	$0.82
Proportion of facilities owned by common shareholders	*52.8%*	*52.9%*	*53.7%*	*52.0%*	*52.6%*	*53.0%*	*48.4%*	*47.8%*	*48.1%*
Adjusted AFFO multiple	*4.0x*	*3.8x*	*3.9x*	*7.5x*	*3.8x*	*3.2x*	*3.4x*	*3.3x*	*3.2x*
Price-to-adj EPS multiple	*NA*	*4.9x*	*4.9x*	*3.0x*	*3.6x*	*3.1x*	*2.9x*	*2.8x*	*2.8x*
Adj EV/EBITDA multiple	*3.0x*	*2.8x*	*2.7x*	*2.8x*	*2.7x*	*2.6x*	*2.8x*	*2.8x*	*2.7x*

[1,2] *Adjusted forecasts are as ascribed to common shareholders, excluding proportion of profitability metrics ascribed to physician ownership/non-controlling interests*

Source: Historical data – Company Information (K-Bro), Forecasts/Estimates – Leede Jones Gable

FQ320 profitability metrics were stable and dividend-supporting, with obvious pandemic operational constraints on procedure volumes partially offset by US government support: FQ320 EBITDA was US$24.6M, and thus above FQ319 EBITDA of US$21.4M and flat as compared to FQ220 EBITDA of US$24.6M. Clearly backing out US government funding would reduce adjusted FQ320 EBITDA to US$22.1M, but it seems plausible to us that Medical Facilities' core operations were pandemically impeded at least to the magnitude of government funding provided. Medical Facilities separately reported FQ320 AFFO of US$9.5M/C$12.7M, substantially above the firm's actual dividend payout of C$2.2M, corresponding to an attractive pay-out ratio of 17.1%. As indicated above, a payout ratio at this level gives us confidence that dividend policy risk as ascribed to Medical Facilities existing surgical hospital network is low.

Staying with case volumes, Medical Facilities indicated that surgical cases declined y/y by 3.5%, we presume for pandemic-related reasons; we see no reason to assume that demand for joint replacement, spinal fusion, or pain management procedures have waned since last year. This is comparable to the magnitude of y/y volume-based revenue decline cited above. We were interested to see that despite Medical Facilities' claim of y/y improvement in case/payor mix to which the US$3.2M revenue increment applied, it experienced a 7.1%/5.2% y/y decline in surgical volumes funded by private insurer Blue Cross/Blue Shield and Medicare, respectively, a trend that we expect to reverse itself in FQ420.

Observational case volumes offset what was clear softness on conventional orthopedic procedure volumes: Interestingly, Medical Facilities reported a sharp 19.3% y/y increase in so-called observation cases, which may be pandemically-related and thus unlikely to recur in future periods. As the name implies, observation cases are those which require a medium-term (usually a day or two) duration of in-patient observation during which symptoms are monitored before a formal diagnosis is rendered.

Typically, such symptoms may include labored breathing from asthma or chronic obstructive pulmonary disease (and in FQ220 specifically could have been related to patients experiencing some respiratory distress from COVID-19 airway infection, as a guess), or perhaps chest pains/angina or heart failure symptoms, both of which could be stress-related and thus pandemic-related, at least indirectly.

Exhibit 2. Valuation Scenarios for Medical Facilities

AFFO multiple	2.0x	4.0x	6.0x	8.0x	10.0x	12.0x	14.0x
Implied unit price [1,2]	$1.52	$3.04	$4.57	$6.09	$7.61	$9.13	$10.66
EV/EBITDA multiple	**2.0x**	**4.0x**	**6.0x**	**8.0x**	**10.0x**	**12.0x**	**14.0x**
Implied share price ($) [1,2]	$1.98	$5.23	$8.49	$11.75	$15.01	$18.26	$21.52
One-year Medical Facilities target price (US$)				$8.25			
One-year Medical Facilities target price (C$) [2,3]				$10.50			

[1] *Based on adjusted F2022 EBITDA of $50.7M & F2022 AFFO of $0.76; EV incorporates FQ320 debt of $123.3M, S/O of 31.1M & FQ320 cash of $83.4M*

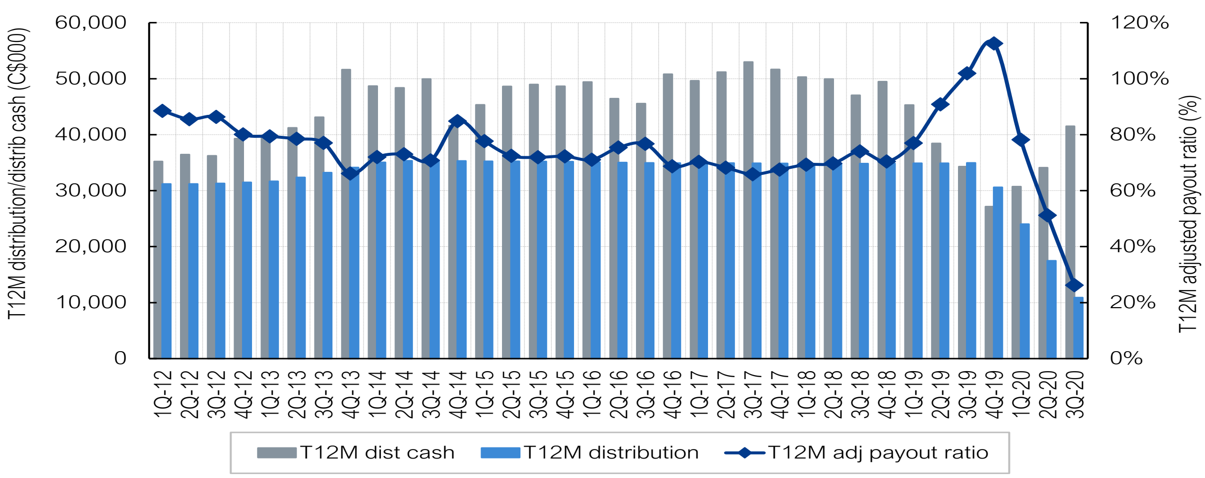
[2] *Consolidated F2022 financial data including non-controlling interest - EBITDA of $104.6M & F2022 AFFO of $1.57*

[3] *Based on a USD to CAD conversion rate of 1.27x*

Source: Forecasts/Estimates – Leede Jones Gable

Respiratory care, and specifically ventilator care, is in our view a service niche that Medical Facilities could have targeted in recent months if it had the expertise to do so. But we do not expect the firm to transiently fund services beyond those for which it currently has expertise and which has supported its case volumes in most prior periods. If our inferences are correct on how COVID-19 itself could be driving observation cases, this seems to us like a trend that could continue for the next few quarters.

Exhibit 3. Historic T12M Distributable Cash and Payout Ratio for Medical Facilities



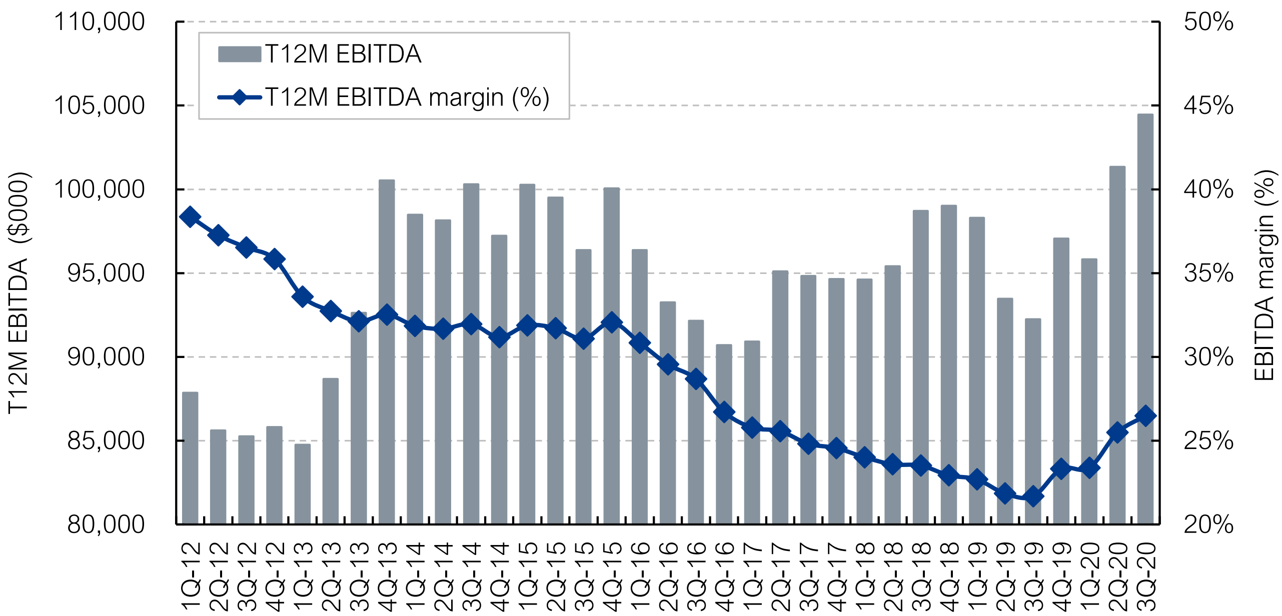
T12M distribution/payout ratio were based on legacy quarterly dividend of $0.28/shr and assumed to be at that level to FQ419 to facilitate comparison; quarterly dividend revised to $0.07/shr in FQ419

Source: Historical data – Medical Facilities, modified for presentation by Leede Jones Gable

Specialty hospital competitors are on the horizon, specifically in South Dakota where Medical Facilities has long anchored its operations: Medical Facilities has an oddly large number of specialty hospital competitors in South Dakota, given its modest population. These include but are not limited to Sanford Health (private), which in FQ120 announced a three-year US$210M plan to build out a new orthopedics facility in Sioux Falls SD, where Medical Facilities operates its appropriately-named Sioux Falls Surgical Hospital. And next, Avera Health (also private) which just opened a new orthopedics hospital in southwest Sioux Falls in Oct/19 but for which there is no evidence yet that it is impacting Medical Facilities' own Sioux Falls-based hospital; FQ320 revenue was up, if modestly, to US$29.0 from US$27.5M last year.

Center-specific data shows variable performance across Medical Facilities' portfolio, with Arkansas Surgical Hospital exhibiting notable strength: On a center-by-center basis, we were encouraged to see Medical Facilities experience modest top-line growth in the quarter for most of its flagship surgical hospitals, other than Oklahoma Spine Hospital (OSH) which sustained (9.6%) revenue compression in the period, to US$18.1M from $20.0M last year. Ambulatory surgical center activities in California (Newport Coast) also experienced y/y revenue compression, to US$1.8M from US$1.9M last year, but clearly this is minimal in absolute terms and not overly material to our valuation and model.

Exhibit 4. Historic T12M EBITDA & EBITDA Margin for Medical Facilities, FQ112-FQ320



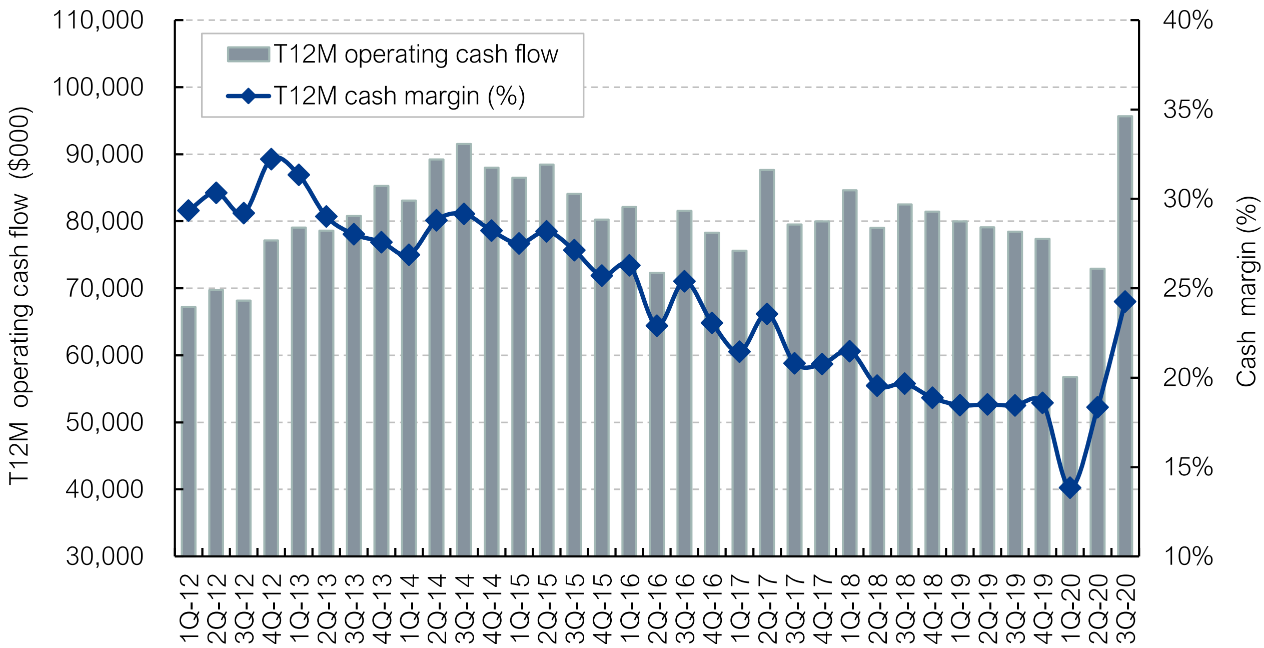
Source: Historical data – Medical Facilities, modified for presentation by Leede Jones Gable

SD-based facilities are showing EBITDA margin stabilization after several consecutive quarters of incremental margin compression: The firm's other major hospitals – SD-based Sioux Falls Surgical Hospital (SFSH), also-SD-based Black Hills Surgical Hospital (BHSH), and Arkansas Surgical Hospital (ASH) - all performed well on top line especially when considering pandemic logistics that undoubtedly impacted orthopedic/neurologic/pain-based procedures in the period. ASH FQ320 revenue of US$18.3M was up 9.6% (so up as much as OSH was down) from US$16.7M last year, and BHSH/SFSH revenue was up 4.5%/5.2% in the period to US$23.8M/US$29.0M respectively, though importantly, recognition of non-recurring US government stimulus income was specifically positive to growth at all three facilities. We do however expect sequential top-line growth to be sustained for both firms into FQ420.

Single-digit margins may be the new reality at Oklahoma Spine, and this is now an assumed performance metric in our model: Shifting to operating income performance in FQ320, performance was as mixed as revenue performance was, with OSH showing the most substantive y/y decline in operating income at US$1.3M vs US$2.6M last year. Directionality of OSH's operating income/margin performance is clearly not a surprise to us, as this trend dates back many years (Exhibit 9), but with OSH operating margin now equilibrating in the high-single-digit range, it has become a less impactful contributor to EBITDA and AFFO than it was when originally acquired back in F2005.

We are mindful of the positive impact that US$2.5M in US government stimulus funding had on operating income/margin at Medical Facilities' other facilities. Profitability trendlines were still positive all the same, with ASH experiencing the most notable operating income/margin lift in the period, up to US$4.8M/26.0% margin that has actually been climbing in recent quarters and was up from US$3.1M/18.3% last year. ASH credits growth in orthopedic case volumes as contributing substantially to its growth, and we would expect orthopedic backlog once released from pandemic constraints to drive growth in F2021/22 as well.

Exhibit 5. Historic T12M Operating Cash Flow & Margin For Medical Facilities, FQ112-FQ320



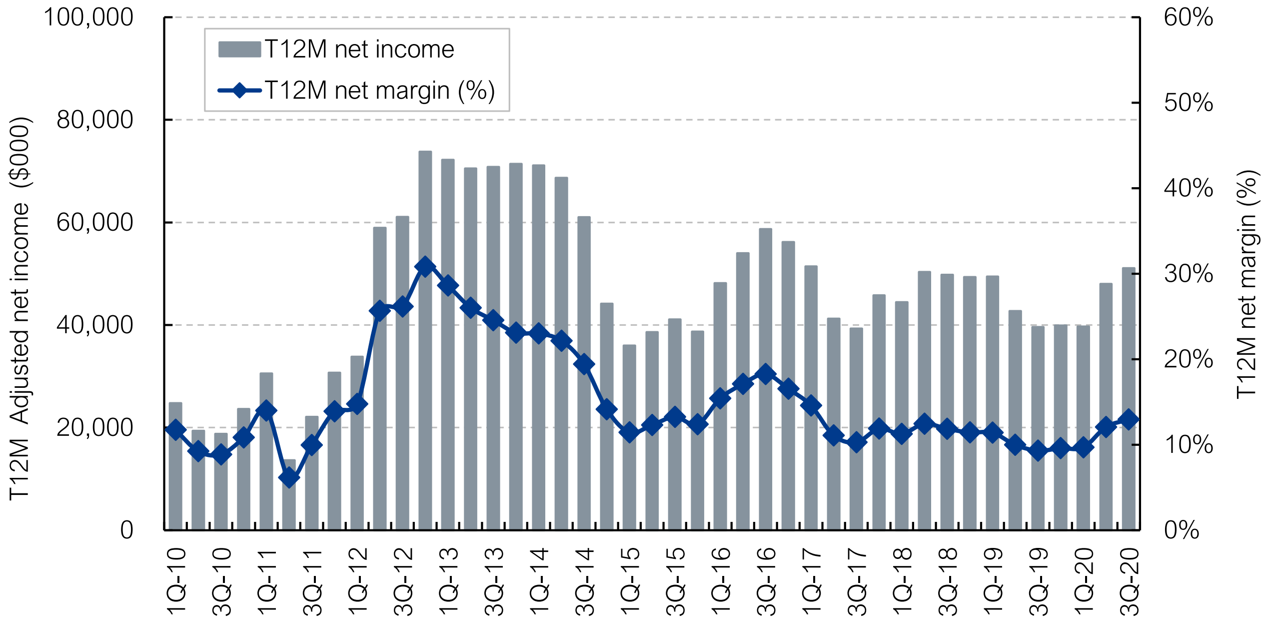
Source: Historical data – Medical Facilities, modified for presentation by Leede Jones Gable

Summary and valuation: While we are mindful that COVID-19 pandemic considerations could impact surgical volumes for procedures that have some scheduling discretion, as many of Medical Facilities' orthopedic/neurologic procedures do, we believe that near-term EBITDA/AFFO data is transiently uncoupled from demand for such procedures. As such, we believe that volume growth could accelerate in F2021/22 as pandemic logistics soften.

As shown in Exhibit 1, we are projecting consolidated F2020 revenue/EBITDA/AFFO of US$386.2M/US$100.6M/ US$1.30/shr, increasing modestly in both F2021/22 to US$388.6M/US$102.7M/US$1.51/shr and US$389.1M/ US$104.6M/US$1.57/shr, respectively. For our valuation, as shown in Exhibit 2, we will use F2022 as our reference year, and adjust for proportion of EBITDA/AFFO ascribed to common shareholders. Accordingly, our F2022 adjusted EBITDA/AFFO forecasts on which we base valuation are revised to US$50.7M/US$0.76/shr.

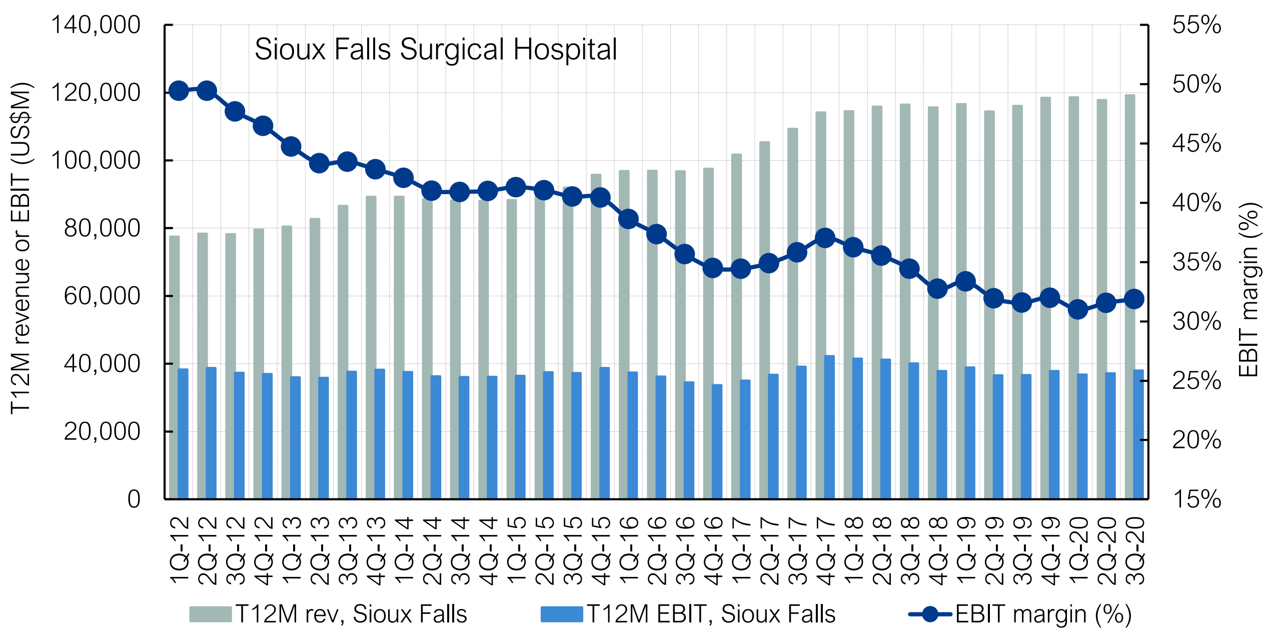
When we apply an 8x AFFO multiple to our F2022 adjusted AFFO forecast of US$0.76 and an 8x EV/EBITDA multiple to our F2022 adjusted EBITDA forecast of US$50.7M (using FQ320 cash of US$83.4M and total debt of US$123.3M in our EV calculation), we derive a one-year target for DR of US$8.25. When converted to Canadian dollars (the stock trades exclusively on the TSX in that currency), we derive a Canadian dollar-denominated PT of C$10.50. With DR currently trading at a measurable discount to our new PT, we are initiating our coverage with a BUY rating, with our PT corresponding to a one-year return of 43% and total return including 3.8% dividend yield of 47%. Pending FQ420 EBITDA/AFFO are expected to be seasonally strong, as indicated above, and support DR at above current price levels, with now-sustainable dividend policy expected to provide downside protection for yield-conscious investors.

Exhibit 6. Historic T12M Adjusted Net Income & Margin Data for Medical Facilities, FQ112-FQ320



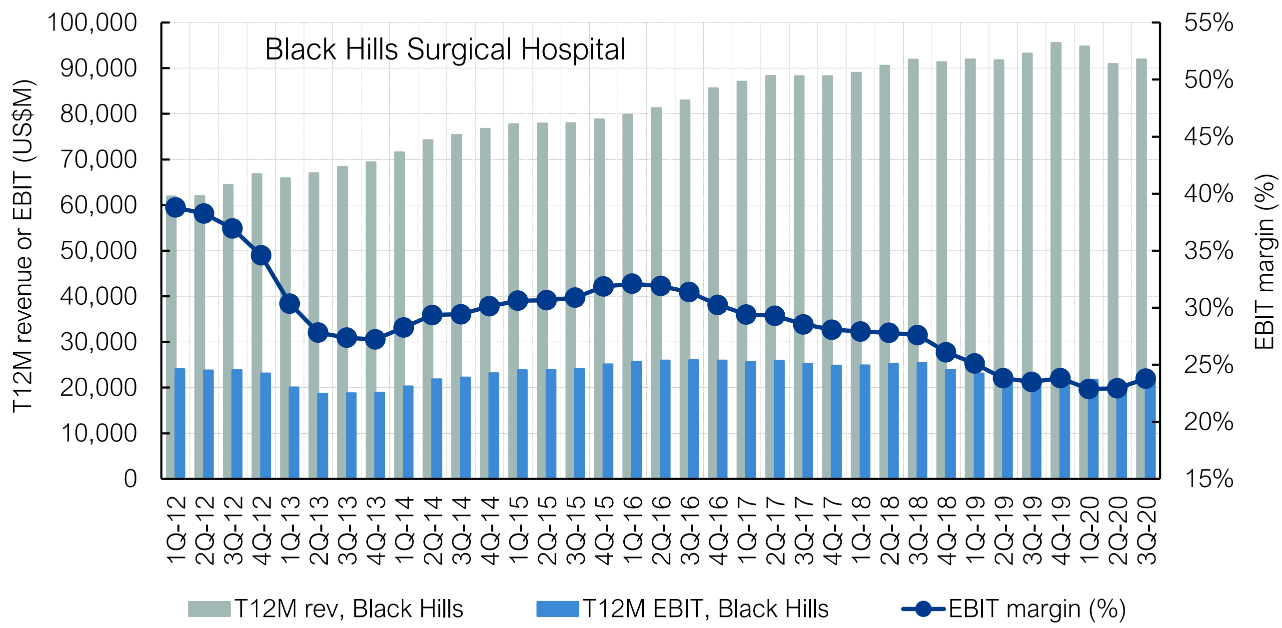
Source: Historical data – Medical Facilities, modified for presentation by Leede Jones Gable

Exhibit 7. Sioux Falls Surgical Hospital Revenue-EBIT-Margin Data, FQ112-FQ320



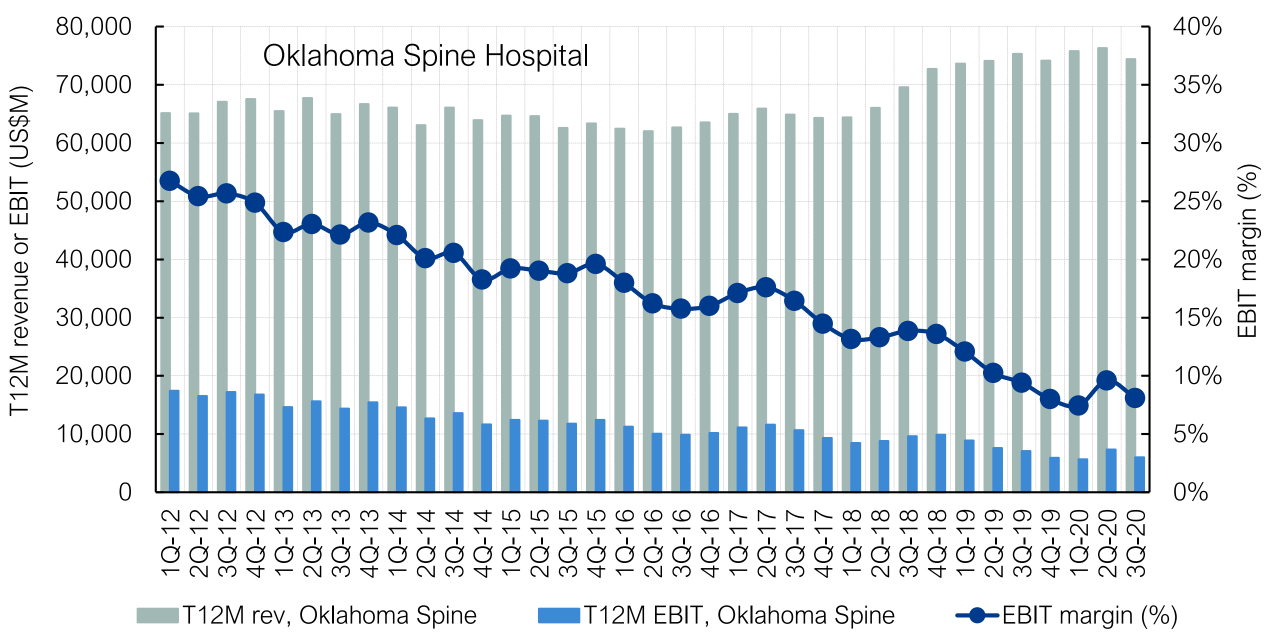
Source: Historical data – Medical Facilities, modified for presentation by Leede Jones Gable

Exhibit 8. Black Hills Surgical Hospital Revenue-EBIT-Margin Data, FQ112-FQ320



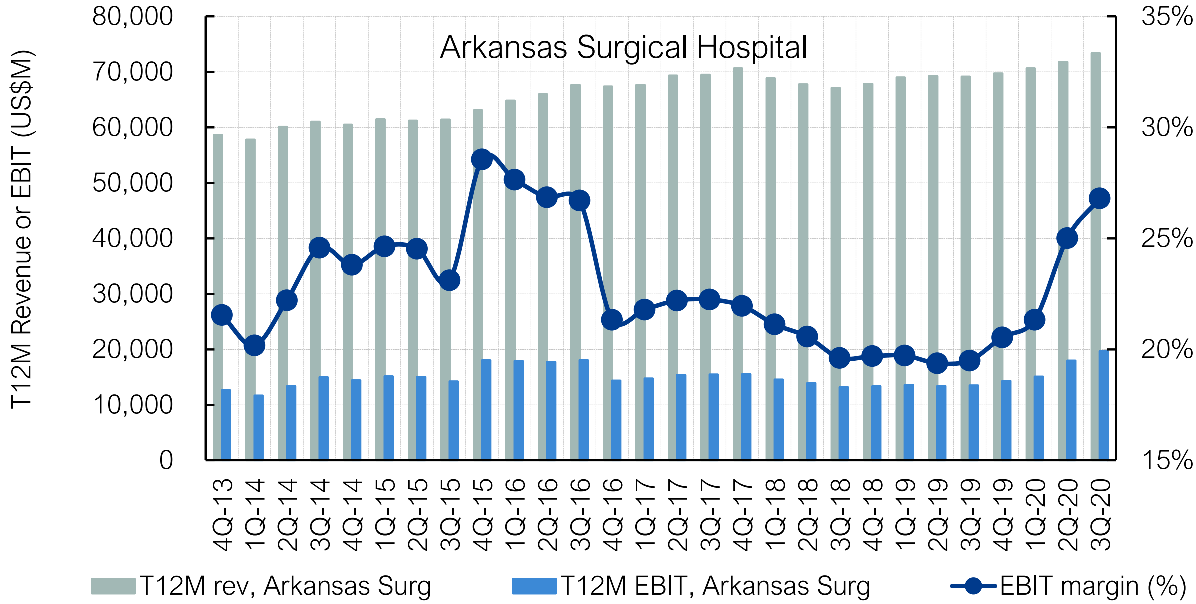
Source: Historical data – Medical Facilities, modified for presentation by Leede Jones Gable

Exhibit 9. Oklahoma Spine Hospital Revenue-EBIT-Margin Data, FQ112-FQ320



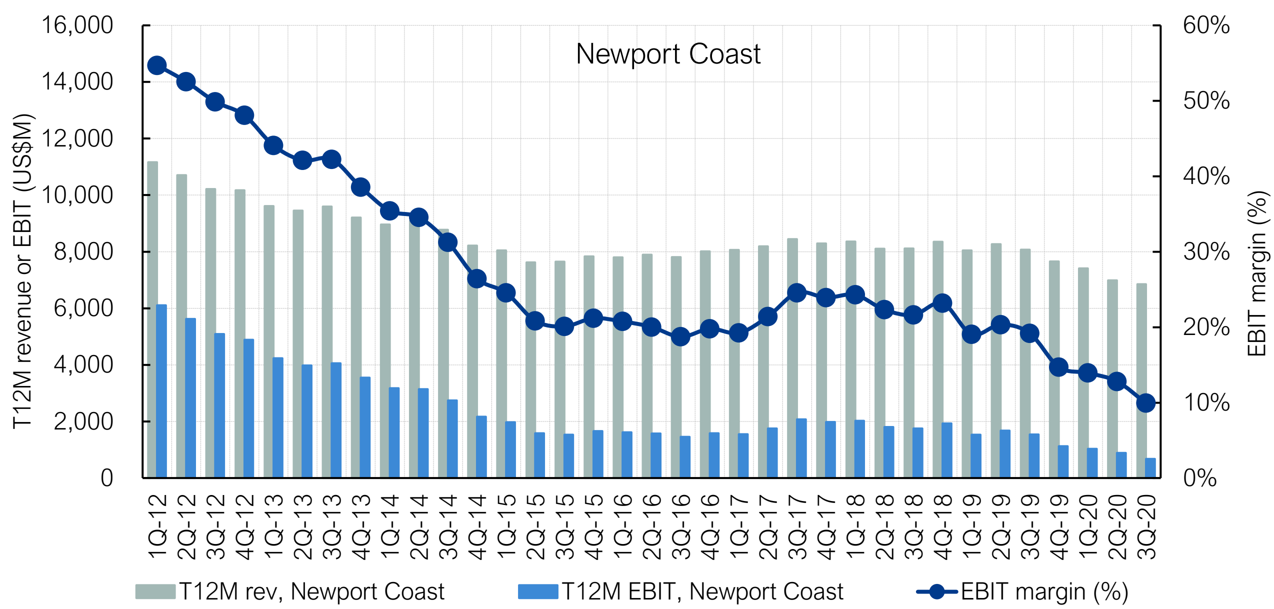
Source: Historical data – Medical Facilities, modified for presentation by Leede Jones Gable

Exhibit 10. Arkansas Surgical Hospital Revenue-EBIT-Margin Data, FQ112-FQ320



Source: Historical data – Medical Facilities, modified for presentation by Leede Jones Gable

Exhibit 11. Newport Coast Revenue-EBIT-Margin Data, FQ112-FQ320



Source: Historical data – Medical Facilities, modified for presentation by Leede Jones Gable

Exhibit 12. Comparable Companies for Medical Facilities

Company	Curr.	Sym	Shares Out	Share Price 13-Dec	Mkt Cap ($M)	Ent. Value ($M)	EV/EBITDA (T12)	EV/EBITDA (2019A)	EV/EBITDA (2020E)	Price/Earnings (T12)	Price/Earnings (2019A)	Price/Earnings (2020E)	Description
Specialty Healthcare Services Peers													
Acadia Healthcare Company Inc	USD	ACHC	89.0	$47.02	$4,184	$6,999	12.5x	12.0x	11.7x	NA	23.3x	20.1x	TN-based psychiatric services firm
Addus Homecare Corp	USD	ADUS	15.8	$104.78	$1,656	$1,548	NA	NA	20.5x	NA	NA	34.8x	IL-based home care services firm
Amedisys Inc	USD	AMED	32.8	$270.29	$8,868	$9,031	NA	NA	NA	NA	NA	NA	LA-based home health & hospice care provider, with 420 care centers in 34 states
AMN Healthcare Services Inc	USD	AMN	47.0	$67.86	$3,192	$4,037	15.2x	14.9x	13.0x	36.1x	22.1x	20.8x	CA-based healthcare workforce & staffing services firm
Option Care Health Inc	USD	BIOS	186.8	$14.87	$2,777	$3,809	23.9x	NA	17.5x	NA	NA	NA	Home infusion services for administering IV medications targeting multiple medical markets
Chemed Corp	USD	CHE	16.0	$485.00	$7,737	$7,537	19.0x	21.7x	16.9x	28.5x	35.1x	26.8x	Hospice & palliative care services
CRH Medical Corp	USD	CRH	71.4	$3.63	$203	$271	9.1x	7.0x	10.4x	NA	NA	NA	BC-based but US-focused GI anesthesiology services firm
DaVita Inc	USD	DVA	112.0	$108.32	$12,132	$19,150	8.0x	8.2x	8.0x	16.2x	20.6x	14.6x	Renal dialysis services, including Rx services to patients with end-stage renal disease
LHC Group Inc	USD	LHCG	31.6	$200.50	$6,334	$6,100	NA	NA	NA	NA	NA	NA	LA-based healthcare service firm, operations in rehabilitation services, post-acute care, hospice
Magellan Health Inc	USD	MGLN	25.6	$79.95	$2,047	$2,551	12.5x	9.4x	16.6x	NA	23.1x	NA	AR-based healthcare management services
MEDNAX Inc	USD	MD	85.6	$22.87	$1,958	$3,326	12.1x	6.7x	13.2x	NA	6.8x	16.6x	FL-based neonatal care services
Protech Home Medical Corp	CAD	PTQ	112.4	$1.45	$163	$144	7.9x	8.8x	7.0x	NA	NA	NA	US-based consolidator of home healthcare service providers
Viemed Healthcare Inc	USD	VMD	38.9	$11.29	$439	$419	14.1x	21.2x	11.3x	15.5x	NA	17.7x	US-based consolidator of home healthcare service providers
Average							13.4x	12.2x	13.3x	24.1x	21.8x	21.6x	
Surgical Hospital & Ambulatory Surgery Center Peers													
Quorum Health Corp	USD	QHC	32.7	$0.09	$3	$1,234	12.9x	NA	NA	NA	NA	NA	TN-based hospital & outpatient clinic services in diagnostics & surgical markets
Select Medical Holdings Corp	USD	SEM	134.8	$25.39	$3,422	$6,023	9.0x	8.7x	8.0x	15.9x	22.9x	15.7x	PA-based specialty hospitals, outpatient rehab clinics, 89 long-term acute care hospitals, 6
Surgery Partners Inc	USD	SGRY	50.5	$27.19	$1,373	$3,653	12.4x	14.1x	14.5x	NA	NA	NA	TN-based surgical facility operator
Average							10.7x	11.4x	11.2x	15.9x	22.9x	15.7x	
Hospital Operator Peers													
Community Health Systems Inc	USD	CYH	119.6	$8.54	$1,022	$11,916	10.1x	7.4x	7.3x	NA	NA	NA	TN-based operator of general acute care hospitals (155 hospitals, 26,222 beds in 21 states at last update)
Genesis Healthcare Inc	USD	GEN	166.8	$0.57	$95	$1,411	12.9x	8.7x	5.9x	NA	NA	NA	PA-based skilled nursing facility & senior living operator, with 499 facilities in 34 states, plus rehabilitation & respiratory therapy services division
Capital Senior Living Corp	USD	CSU	31.9	$1.01	$32	$924	22.3x	13.5x	15.7x	NA	NA	NA	TX-based senior living & assisted living provider
HCA Healthcare Inc	USD	HCA	338.4	$157.57	$53,318	$76,969	8.0x	7.9x	7.8x	15.7x	15.0x	15.0x	HCA Healthcare, Inc., formerly HCA Holdings, Inc., is a holding company. The Company, through its subsidiaries, owns and operates hospitals and
Tenet Healthcare Corp	USD	THC	105.5	$41.04	$4,330	$14,301	6.9x	5.3x	5.4x	NA	15.5x	15.5x	Texas-based hospital operator in both urban and rural settings; 53 general hospitals with 14,352 beds
UnitedHealth Group Inc	USD	UNH	948.8	$337.07	$319,819	$321,170	12.0x	14.4x	12.8x	NA	22.5x	22.5x	Provides hospital and medical services plans
Universal Health Services Inc	USD	UHS	84.3	$132.34	$11,159	$13,667	7.6x	7.6x	7.7x	12.9x	13.5x	13.5x	PA-based owner/operator of acute care hospitals, ASCs, radiation oncology centers, surgical hospitals
Average							11.4x	9.3x	8.9x	14.3x	16.6x	16.6x	
Medical Facilities [1,2]	USD	DR	31.1	C$7.35	$179	$219	2.7x	3.6x	2.3x	3.4x	17.9x	21.3x	US-based physician-owned specialty surgical hospital & ambulatory surgery center operator

[1] *DR & CRH share price converted to US$; EV calculated using FQ320 balance sheet data (cash of US$83.4M, total debt US$123.3M)*

[2] *Multiples acscribed to consensus F2019-to-F2021 EBITDA & EPS forecasts for Medical Facilities are adjusted for proportionate ownership by common shareholders*

Source: Refinitiv, modified for presentation by Leede Jones Gable

Disclosures none

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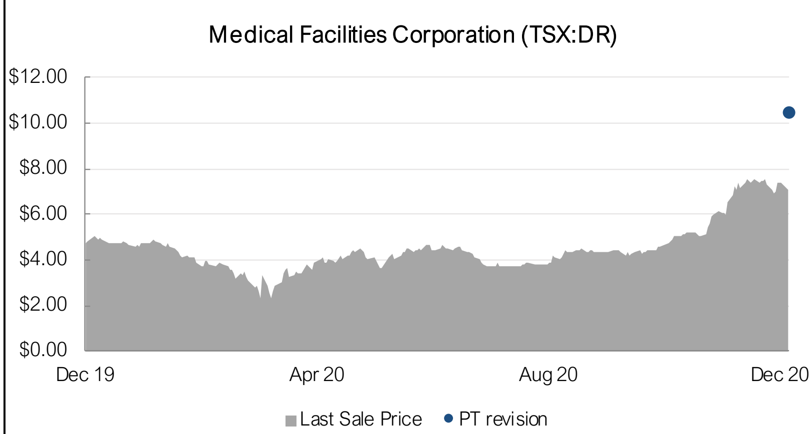

Date	Target ($)	Rating
15 Dec 2020	C$10.50	Buy

Coverage Initiated: Dec 15, 2020

Data sourced from: Refinitiv