It’s Not COMPLETELY Pixie Dust

The Mystery Behind the Multiples in Home Health and Hospice Valuations

Building Blocks of Value

Income
Building Blocks of Value

Required Rate of Return

Building Blocks of Value

Growth
The Mystery Behind the Multiples

The Math Behind The Multiple

- Multiple = R - G

Risk and Rates of Return

Required Rates of Return
How to Conjure Required Rates of Return

Market Comps
The Mystery Behind the Multiples

Range of Required Return

20th Percentile
50th Percentile
80th Percentile

Pinpointing Company Specific Required Rate of Return
Grading the Intangibles

- Poor
- Good
- Excellent

Environmental Risk
Size

Referral Source Diversity
Payor Diversification

Regulatory Compliance
Market Penetration

Is anything worth the terror of THE DEEP

Barriers to Entry
Management Infrastructure

Executive Director  General Manager  Manager
Manager’s Assistant  Employee  Trainee

Place of Service - Hospice
Cap Trends - Hospice

Strong Financial Reporting
Employee Retention

Putting it Together

<table>
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<tr>
<th>Company Specific Risk Profile</th>
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- 20th Percentile
- 50th Percentile
- 80th Percentile

Range of Comparable Required Rates of Return
The Mystery Behind the Multiples

Growth and Income

Trends
The Mystery Behind the Multiples

Market Opportunities

Developed Sales Infrastructure
The Profit Standard: EBITDA

EBITDA MEANS THE EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION, AND UM...AMMONIA.

Bl = BDebt

It May Not Be All Pixie Dust

But there is Some
The Multiple-Margin Paradox

The **Higher** the Margin, the **Lower** the multiple

The **Lower** the Margin, the **Higher** the multiple

The Multiple-Margin Paradox Corollary

Companies with marginal **Losses** frequently capture **Higher** value than those with marginal **Profits**
The Satisfaction Anomaly

At a certain size, the satisfaction of buying below market shifts to the satisfaction of being able to pay above market.

The “Rule of Thumb” Anomaly

“Rule of Thumb buyers often pay more for less attractive acquisition candidates than for those that are more attractive.”
The Mystery Behind the Multiples

The Debt Dichotomy

The cheaper the debt, the higher the multiples

The Braff Group

The Braff Group is a leading merger and acquisitions advisory firm specializing in health care services including behavioral health and care services, home health care, hospice, infusion therapy, specialty pharmacy, health care staffing, and some medical equipment.

We provide an array of transaction advisory services including sell side representation, debt and equity recapitalization, strategic planning, and valuation. Headquartered in Pittsburgh, PA, The Braff Group has satellite offices in Atlanta, Chicago, Ft. Lauderdale, and Palm Springs. Since being founded in 1996, The Braff Group has completed more than 240 health care service transactions.


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