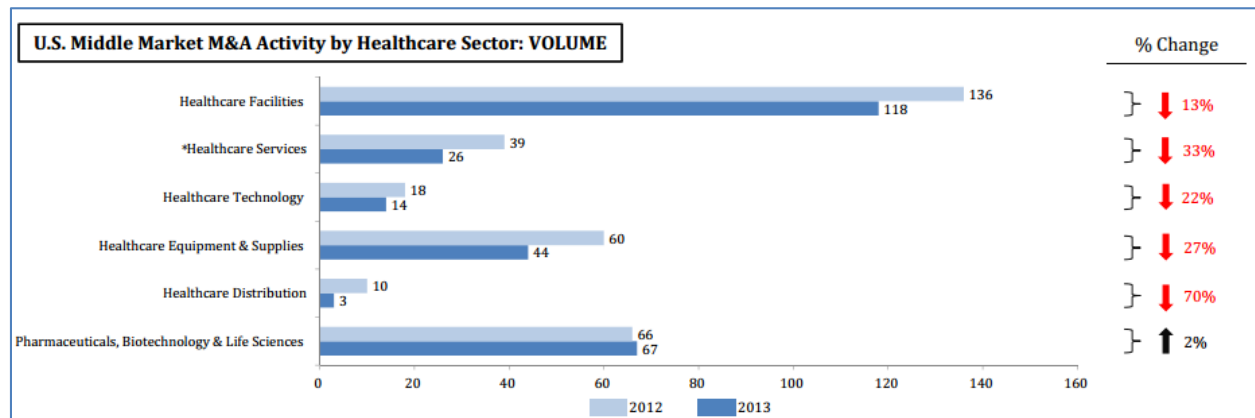




2013 M&A Update Home Health and Hospice

Healthcare M&A Overview

According to Irving Levin Associates, healthcare merger and acquisition transaction activity increased marginally in the fourth quarter of 2013, compared with the previous quarter. For the full year, Q4 marked the highest level of deal making as total volume rose 4% versus the third quarter, with 281 deals announced. However, Q4 of 2013 underperformed the same quarter a year ago, when 310 deals were announced.



Of the 281 deals announced, 10 of them are home health and hospice related transactions. This represents a 100% jump from the previous quarter and an 11% growth from the same quarter a year ago.

Transaction of Note

Apria Healthcare Group Inc., a privately-held national provider of specialty infusion and enteral nutrition therapy services through its Coram LLC business unit, announced today that it has entered into a definitive purchase agreement whereby **CVS Caremark** (NYSE:CVS), the country's largest integrated pharmacy company with over \$123 billion in annual net revenues, will acquire Coram. Under the terms of the agreement, CVS Caremark will acquire all the outstanding shares of Coram for approximately \$2.1 billion dollars. The transaction is conditioned upon obtaining customary governmental and regulatory approvals and other standard closing conditions. Apria and CVS Caremark anticipate closing the acquisition as soon as possible after satisfaction of the closing conditions, which is expected to occur by the end of the first quarter of 2014.

Gentiva Health Services, Inc. (NASDAQ: GTIV) announced it has acquired **Harden Healthcare Holdings, Inc.** (private). The purchase price of \$409 million included \$355 million in cash and the remainder in Gentiva common stock. Gentiva acquired the home health, hospice and community care business of Harden. Harden employees will be joining Gentiva and Gentiva will become the preferred provider for the 49 skilled nursing and assisted living facilities of Harden in Texas. The merger of the two companies results in Gentiva home health accounting for 49% of total revenues, hospice for 41% and community care for 10%. The acquisition is expected to boost Gentiva revenues to the \$2.1--\$2.2 billion dollar annual range.

Amedisys, Inc. (NASDAQ: AMED), one of the leading home health and hospice companies, is continuing to work to divest approximately 35 care centers to streamline its operations. Amedisys is considering contributing certain care centers to joint ventures with hospitals, health systems or other healthcare providers. These care centers represent a portion of the 50 care centers being divested or consolidated as announced on the company's first quarter earnings conference call.



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Selected Home Health and Hospice Transactions

2/10/2014 – **LHC Group, Inc.** has acquired two home health providers in Tompkinsville, KY and Valley, AL. The former also has reached an agreement to acquire a hospice provider in New Orleans, LA. Combined annual revenue for these providers is approximately \$1.5 million.

12/9/2013 – **Almost Family, Inc.** (NASDAQ: AFAM) has completed the purchase of the stock of KY-based **SunCrest Healthcare**, a provider of skilled home health and personal care services. With this acquisition, the former will operate over 240 branches across 14 states and its annual net revenue run rate is expected to approach the \$500 million mark.

12/2/2013 – **Kindred Healthcare, Inc.**, based in Louisville, KY, (the (NYSE:KND) announced that it has completed the previously announced acquisition of FL-based **Senior Home Care, Inc.** for a purchase price of \$95 million. The Company financed the transaction with operating cash flows and proceeds from its revolving credit facility.

12/6/2013 – **Addus HomeCare Corporation** (NASDAQ: ADUS), a provider of home-based social and medical services focused on the elderly dual eligible population, announced that it has closed on its acquisition of **Coordinated Home Health Care, LLC** in NM, which was owned by Transition Capital Partners of Dallas, TX. This acquisition includes fifteen offices located in southern New Mexico.

11/7/2013 – **Addus HomeCare Corporation** (NASDAQ: ADUS) has entered into an asset purchase agreement to acquire all of the Private Duty operations of the Medi Home Private Care Division from **Medical Services of America, Inc.** The acquisition includes two agencies located in South Carolina, four agencies located in Tennessee, and two agencies located in Ohio.

11/6/2013 – **Shore Capital Partners** in Chicago has sold its IL - based home infusion therapy portfolio company, **SCP Specialty Infusion** to **AxelaCare Health Solutions** in KA.

10/4/2013 – **Clearview Capital** announced the acquisition of **St. Croix Hospice, LLC** of Oakdale, MN, the first transaction in its new \$325 million Clearview Capital Fund III, LP.

9/10/2013 – **Almost Family, Inc.** (NASDAQ: AFAM) signed a definitive agreement to acquire a controlling stake in **Imperium Health Management, LLC**. Imperium is a development-stage enterprise that provides strategic health management services to Accountable Care Organizations.

7/17/2013 – **Almost Family Inc.** (NASDAQ:AFAM) signed a definitive agreement to acquire **Indiana HomeCare Network (IHCN)** for \$12.5 million. In addition to standard home health care, IHCN provides specialized service which includes cardiac, diabetes and respiratory care.

7/2/2013 – **EmpRes Healthcare** acquired **No Place Like Home Senior Care** in Gardnerville, NV, providers of personal services to seniors and family members who serve as caregivers.

6/25/2013 – **Kindred Healthcare, Inc.** (NASDAQ: KND) announced that it signed a definitive agreement to acquire the assets of home health and hospice companies located in Phoenix, Arizona and Virginia Beach, Virginia.

6/24/2013 – **Visiting Angels of York and Hanover**, based in PA, has purchased **Miak Enterprises, Inc.** in Lancaster, PA. Miak provides home care services.

5/30/2013 – **LHC Group Inc.** (NASDAQ: LHCG) announced the acquisition of **AseraCare Home Health** to expand its network of home health agencies into Minnesota, Wisconsin and Pennsylvania. The acquisition was completed July 1st.

5/16/2013 – **Preferred Home Health & Nursing Care Services**, an east coast-based home health provider, has acquired **Acelleron Medical Products**, a Massachusetts-based durable medical equipment provider.



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Selected Publicly Traded Home Health Companies

Company Name	Ticker Symbol	Price	Change prior Qtr	52wk High	52wk Low	Mkt Cap	EPS	P/E	LTM Revenue (\$M)	EV (\$M)	EBITDA (\$M)	EV/Rev	EV/EBITDA
Addus HomeCare Corp	ADUS	22.45	-23.17%	32.4	8.8	305.14M	2.0	14.1	\$ 259.8	\$ 276.6	\$ 19.5	1.06	14.19
Almost Family Inc.	AFAM	32.33	66.05%	34.0	17.7	253.62M	1.2	21.8	\$ 326.0	\$ 225.1	\$ 22.7	0.64	9.92
Amedisys Inc.	AMED	14.63	-17.53%	18.7	8.8	525.85M	-6.3	N/A	\$ 1,330.0	\$ 542.4	\$ 52.8	0.41	10.27
Chemed Corp.	CHE	76.62	6.42%	86.4	61.7	1.53B	4.2	20.8	\$ 1,410.0	\$ 1,620.0	\$ 184.5	1.15	8.78
Gentiva Health Services Inc.	GTIV	12.41	0.49%	13.9	8.5	319.37M	-18.8	N/A	\$ 1,730.0	\$ 1,400.0	\$ 102.9	0.81	13.61
LHC Group, Inc.	LHCG	24.04	1.52%	26.9	19.1	387.13M	1.3	17.4	\$ 644.4	\$ 390.0	\$ 55.1	0.61	7.08
Average			5.63%									0.78	10.64

Overall, our index of home health companies has seen on average a 5.63% increase, while the Dow Jones Industrial Average rose 9.1%, the S&P 500 gained 9.1%, and the NASDAQ increased 9.4%.

Despite the poor performance of Addus HomeCare Corporation and Amedisys Inc.'s stocks, of which plunged 23.2% and 17.5% during Q4, the index was raised by the 66.1% gain of Almost Family Inc.

Addus HomeCare Corporation reported strong earnings for the nine months ended September 30, 2013. Revenues were \$196.1 million, representing an 8.6% increase compared to \$180.5 million for the same prior year period. Net income from continuing operations for the nine months ended September 30, 2013 rose 39.0% to \$8.0 million, or \$0.73 per diluted share, compared to \$5.8 million, or \$0.54 per diluted share, in the prior year period. In addition, the company has entered two definitive acquisition agreements to purchase all of the Private Duty operations of the Medi Home Private Care Division of Medical Services of America and assets from Coordinated Home Health Care, LLC. In spite of the strong financial performance and potential future growth through strategy acquisitions, the company's stock lost momentum in Q4 as investors started claiming profit at the year end and becoming more cautious moving into 2014.

Amedisys Inc. presented a third-quarter loss of \$91 million, or \$2.89 per share. Revenue fell 17% to \$301.6 million from \$364.3 million. It also reported it would pay \$150 million to resolve a federal investigation and it foresees at least some uncertainty about how legal issues could affect its earnings going forward. Consequently, the investors were scared away and the stock price declined 17.5% for the quarter.

Almost Family Inc. announced net service revenues for the third quarter of \$88.8 million, a 5.9% increase from \$83.9 million reported in the third quarter of 2012. Despite continuing headwinds in health care services general, the company is continuing to drive growth both organically as well as through acquisition activities as evidenced by the mid-quarter acquisition of Indiana Home Care Network positively impacted the company's results. Furthermore, the company is going to acquire SunCrest HealthCare, the largest acquisition in the company's history. The total purchase for the stock is \$75.5 million. The positive financial results and prospective growth are well received by the investors, who bid up the stock price over 66.0% for the quarter.



2013 M&A Update *Home Health and Hospice*

OTHER MARKET NEWS

Maine Beginning Pilot Program providing Ambulance Services for House Calls

Twelve counties in Maine are beginning a program in which ambulance service staff will provide non-emergency home visits to patients referred by their physicians in an effort to reduce health care costs associated with emergency room care, ambulance calls, hospital admissions and re-admissions. The focus of the program are patients that have recently been released from the hospital, those that have had recent surgeries, have chronic conditions or have safety issues in their homes.

California Enacts New Home-Care Regulations

Gov. Brown recently signed California home-care regulation legislation. It has drawn a mixed reaction from the independently operated California Association for Health Services at Home that represents over 500 agencies within the State.

It includes licensing requirements for providers, criminal background checks for anyone providing services to elderly or disabled individuals, minimum training requirements, certain health requirements for service providers and maintenance of a registry.

The association applauds that the regulations help distinguish legitimate agencies from services offered on websites like Craigslist; but is concerned with a provider registry that must be updated every time a service provider leaves as there is so much turnover in the industry.

The Gov. indicated that implementation may be delayed until 2016 to provide agencies time to comply.

Verizon Launches Home Health Platform

Called a “Converged Health Management System,” it was cleared by the FDA in August, 2013. It is a wireless home-based monitoring hub that Verizon intends to sell to self-insured employers, insurance companies and hospitals. They in turn can prescribe the devices to patients to provide real-time monitoring of various health markers through various connected devices and/or sensors. The data is designed to tie into a patient’s overall data to allow hospitals and insurers to obtain better results from their own analytics processes.



Lawrence, Evans & Co., LLC provides investment banking, finance, and consulting services for small and middle market healthcare providers and services companies. We are very active on the buy-side, sell-side, capital raising and restructuring of home health, hospice, infusion and related ancillaries.

SERVICES

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- Debt Restructuring/Refinancing
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- Chief Restructuring Officer (CRO)
- Bankruptcy Planning/ 363 Sales
- Receivership/Trustee

Consulting

- Strategic Options Analysis
- Valuations & Financial Assessments
- Interim CEO/CFO
- Strategic Planning
- Organizational Reviews
- Expert Testimony & Opinions

REPRESENTATIVE TRANSACTIONS

Home Health Agency
Midwest

Buy Side Acquisition

Acted as advisor

Home Infusion
Ohio

\$7,500,000
Refinancing
Term Note and Revolver

Acted as advisor

Home Infusion
Ohio

Strategic Option Analysis

Acted as advisor

Home Infusion & Specialty Pharmacy
Midwest

Sale of Company
To
Strategic Buyer

Acted as advisor

Home Health Agency
Upper Midwest

\$10,000,000
Sale of Company
To
Strategic Buyer

Acted as advisor

Homecare Agency
Midwest

Bridge Loan
Refinancing

Acted as advisor

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