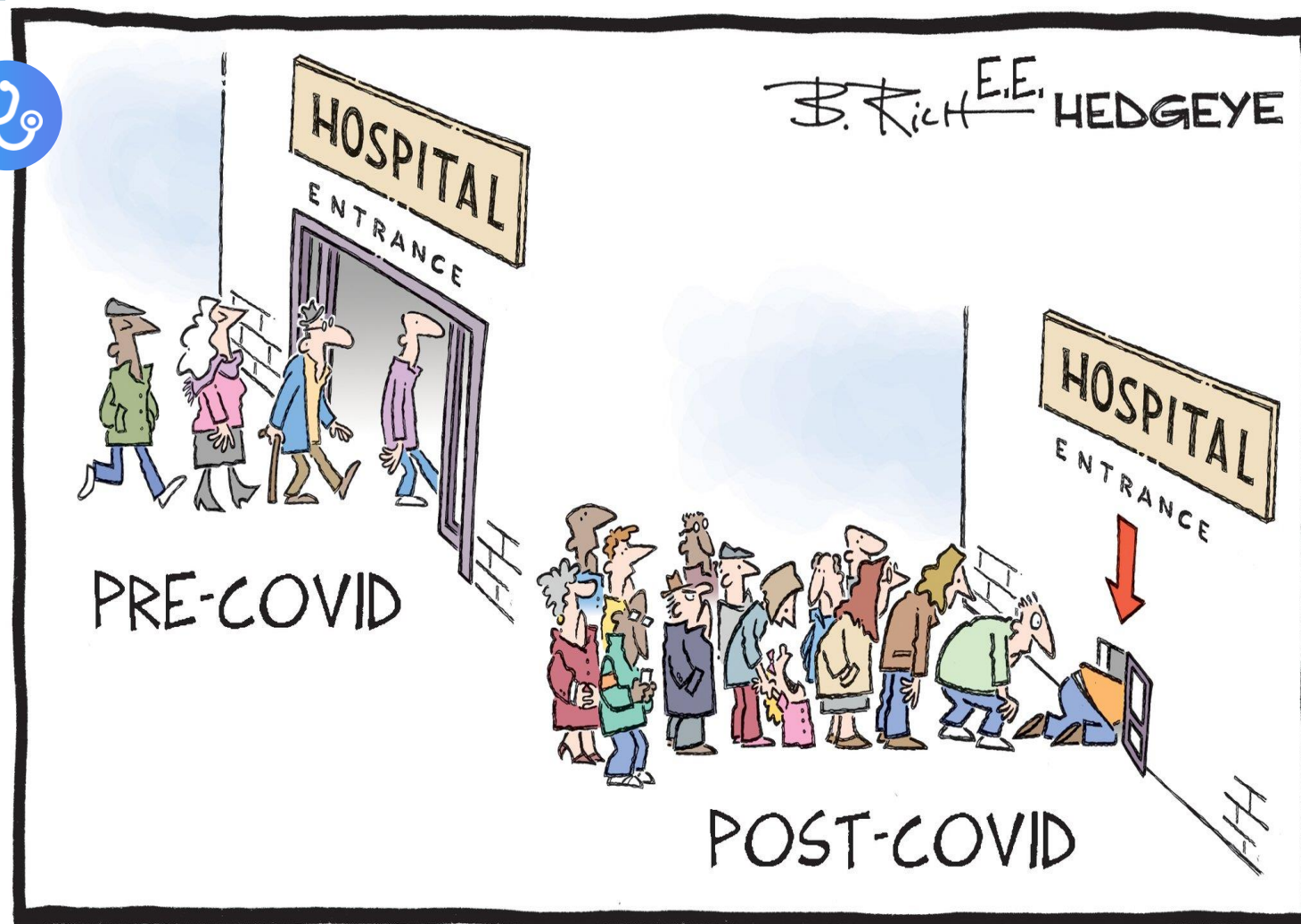


HEDGEYE



Best Idea Long | AMN

November 30, 2021



Hedgeye Health Care

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Stock Brief Tables

On our 2022 revenue estimate of \$4.2B, we expect the stock could reach ~\$179 at 2.0x EV/Sales

AMN Healthcare Services, Inc.		Key Statistics							
Ticker	AMN	Market Cap (M)	5,507.07						
Date	11/29/2021	Enterprise Value (M)	4,162.48						
Hedgeye Positioning	Active Long	Avg Daily Volume (3 Mo)	481,493.03						
Price (\$)	116.87	Short Interest Shares (M)	0.87						
52 Week Range (\$)	63.50 - 124.6	Shares Outstanding (M)	47.69						
		Short Interest (% of Total)	1.8%						
Balance Sheet Items		Other Metrics							
Cash & Equivalents	155.16	Inst. Ownership (% of Float)	96.3%						
Current Assets	899.50	Short Interest (% of Float)	1.9%						
Current Liabilities	641.20	Dividend Yield	0.00%						
Total Assets	2,709.00	Beta	0.711						
Total Debt	871.43	IPO Date	11/13/2001						
Shareholders' Equity	1,042.48								
AMN Stock Brief Table									
	1Q21A	2Q21A	3Q21A	4Q21E	2021E	1H22E	2H22E	2022E	2023E
Revenue, \$MM	\$885.9	\$857.4	\$877.8	\$1,145.5	\$3,766.7	\$2,164.6	\$2,106.2	\$4,270.8	\$4,776.7
Consensus, \$MM	\$810.3	\$824.8	\$783.1	\$1,144.4	\$3,685.5	\$1,977.1	\$1,669.8	\$3,646.9	\$3,530.3
Beat/Miss, %	9.3%	4.0%	12.1%	0.1%	2.2%	9.5%	26.1%	17.1%	35.3%

ANR

ANR Average

Revision Cycle

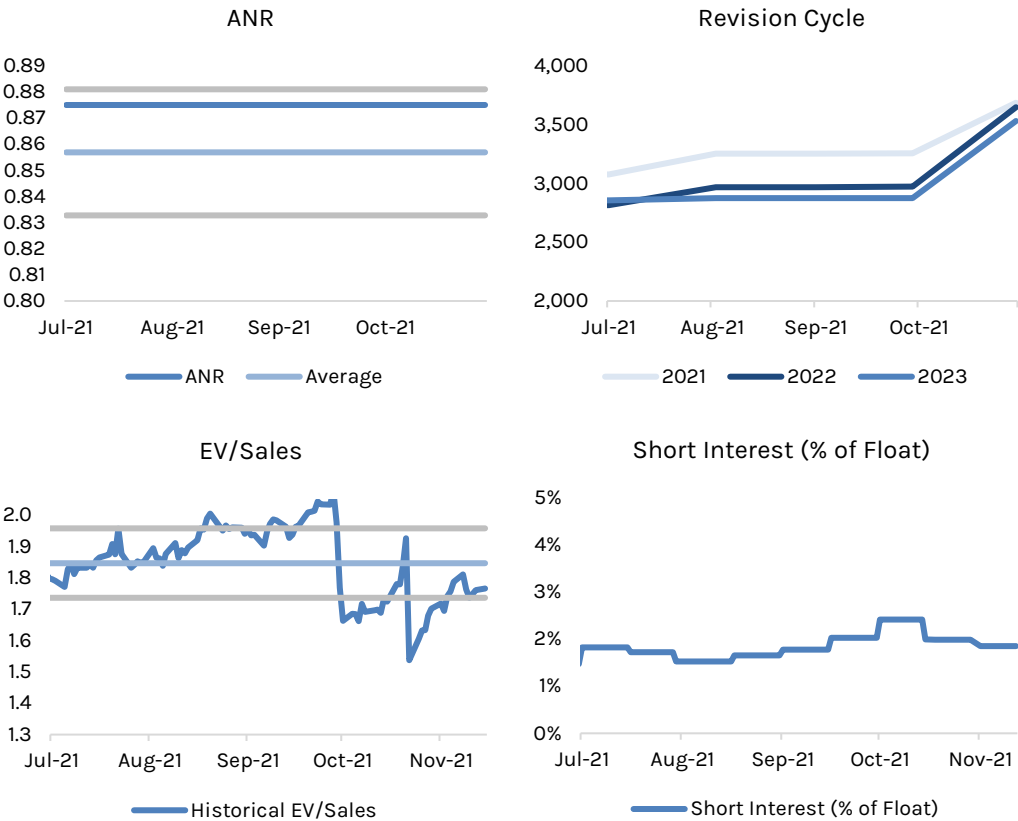
2021 2022 2023

EV/Sales

Historical EV/Sales

Short Interest (% of Float)

Short Interest (% of Float)



Key Takeaway

We've continued to think AMN can grow revenue into 2022 as a host of drivers keep Health Care labor demand elevated late into next year. Health Care labor demand remains constrained for a host of reasons, none of which appear likely to ease any time soon.

We have been expecting a resurgence in COVID cases over the coming 2021-2022 winter season in line with official forecasts that are expected to peak in 1Q22 even before news of the Nu Variant. Wage rates are rising even as the next COVID wave is in its very earliest stages.

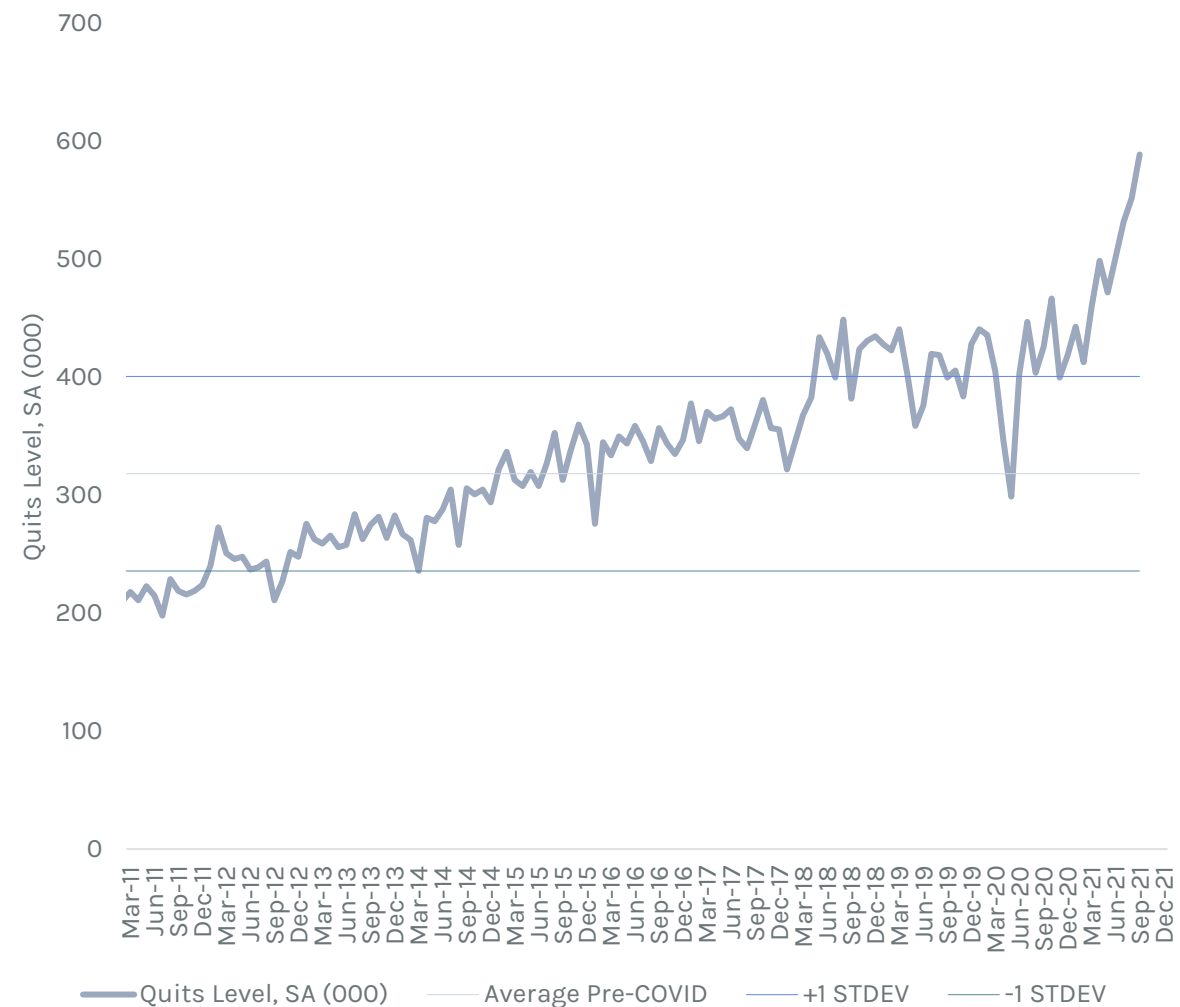
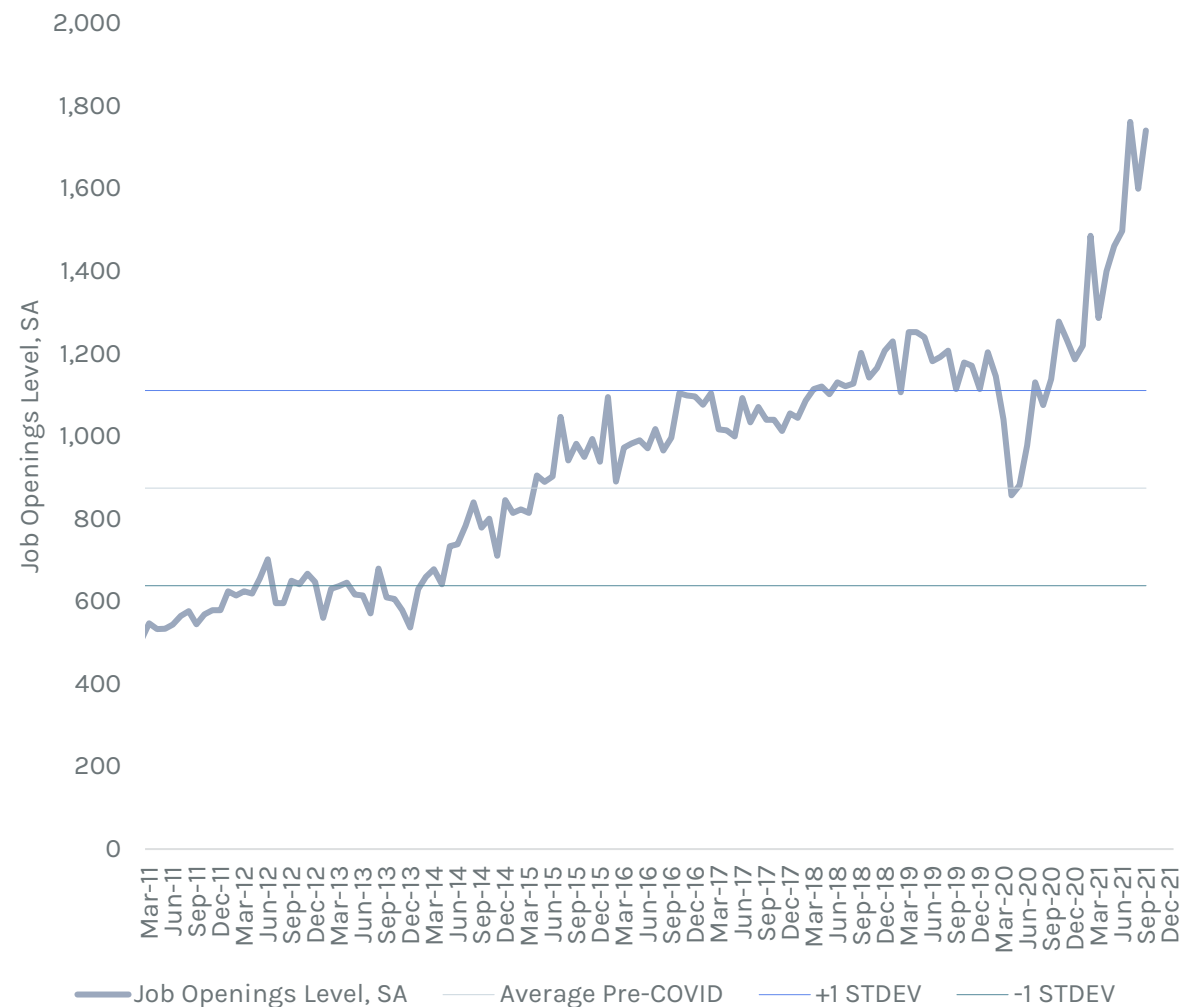
We expect deferred care to continue to emerge and as the data evolves, we think our current outlook could prove too conservative.

Model Update

We expect revenue growth in 2022 and a return to the upper end of recent multiple range, or \$179 at 2.0X EV/Sales on our 2022 revenue estimate of \$4.2B.

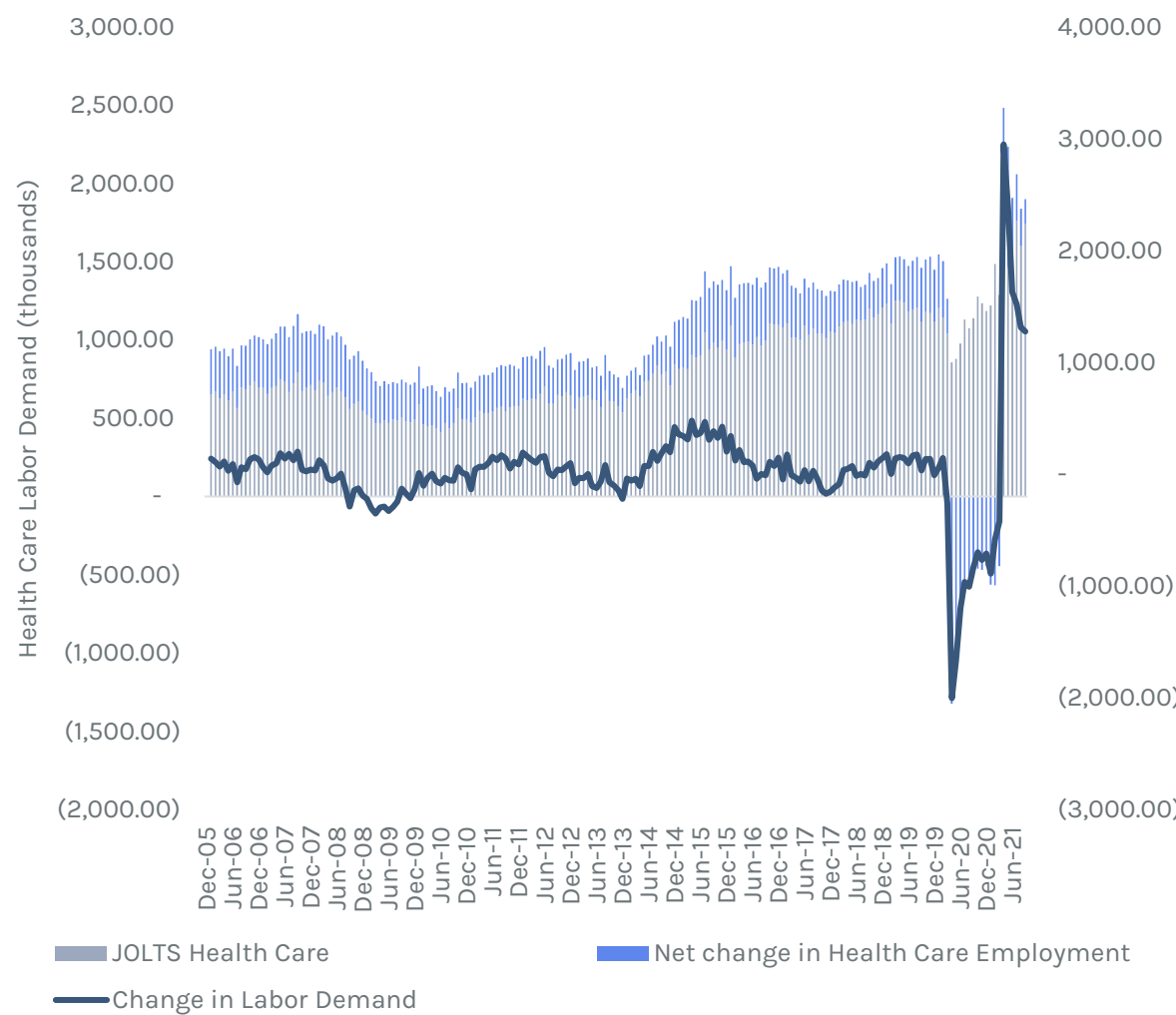
Health Care Job Openings and Quits

Both labor readings are +3.0 STDEV from the pre-COVID average

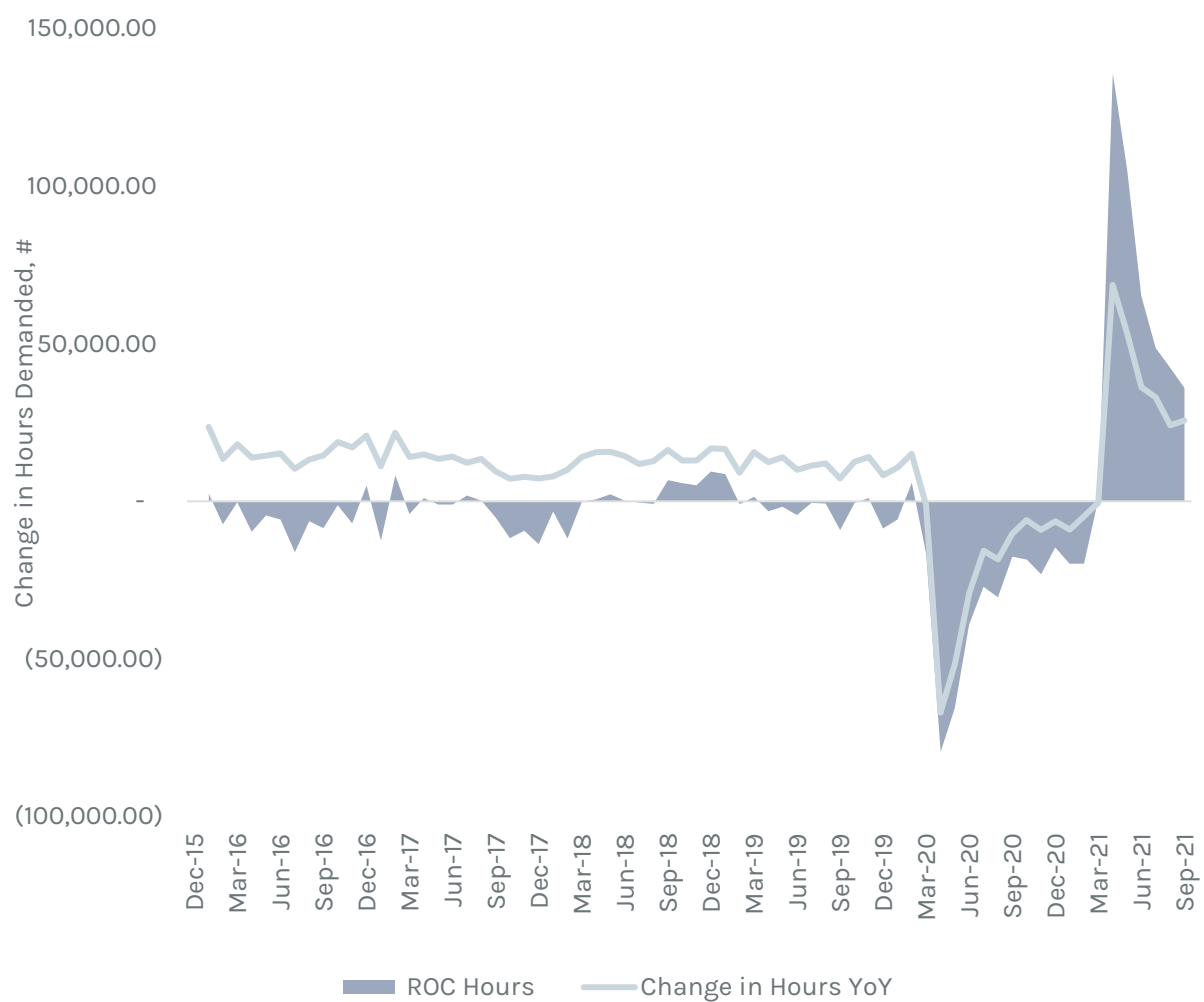


BLS and JOLTS Series

Healthcare Labor Demand = Openings + Hires



Change in Healthcare Hours Demanded



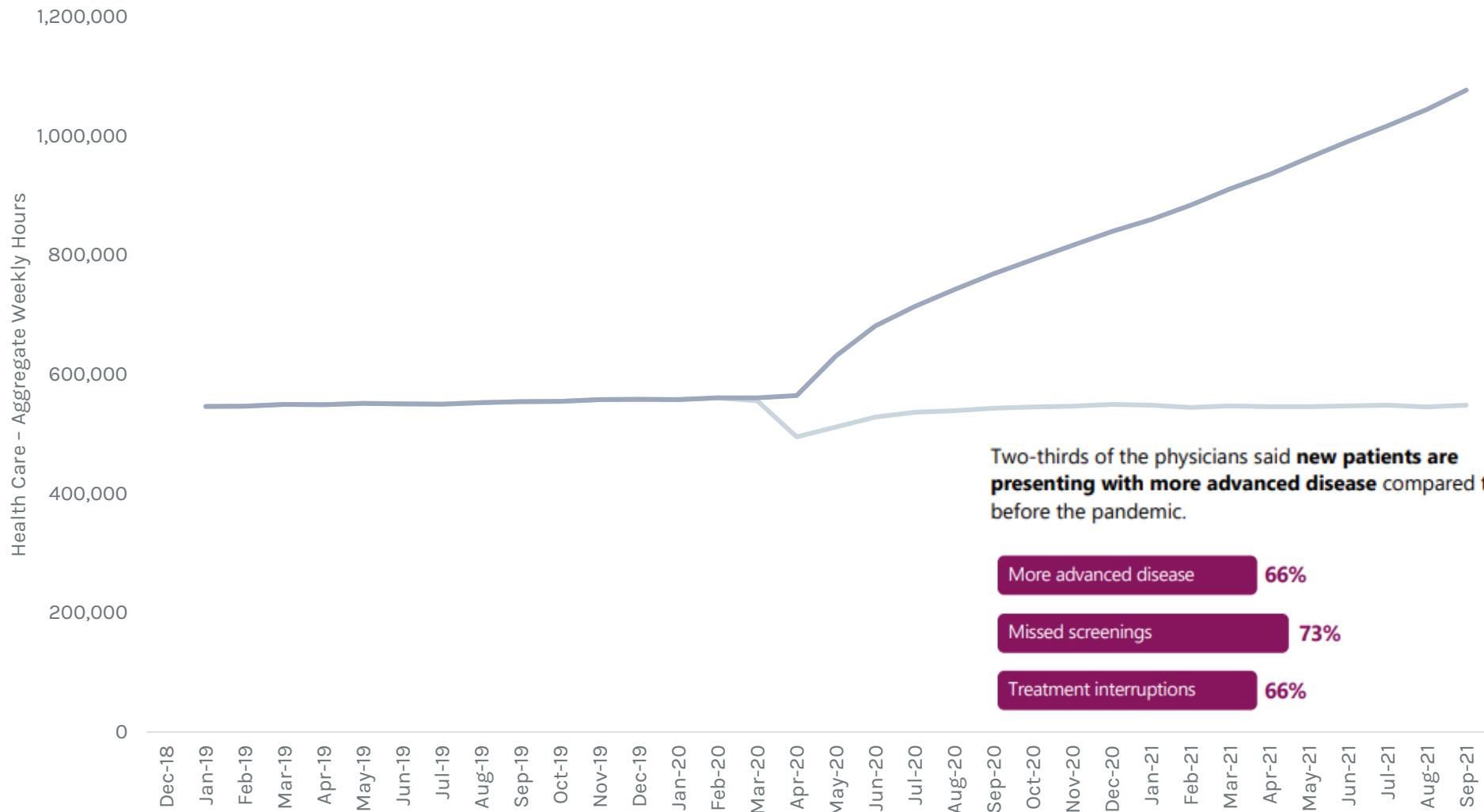
Medical Demand

Deferred Aggregate hours is resulting in more advanced disease

The arithmetic on the unmet medical need expressed in aggregate weekly hours sums to 2.0 billion monthly worker hours.

To work this theoretical backlog off in 1 month we need the equivalent of 13.2M workers. To fully recover in 1 year will take 1.1M workers. This compares to ~20M people employed in the US Medical Economy.

While we can't directly measure the level of unmet medical need, we can see the consequences for missed appointments in reports of more advanced disease for the patients who are coming in.



Recent Headlines Favor the Bull Case

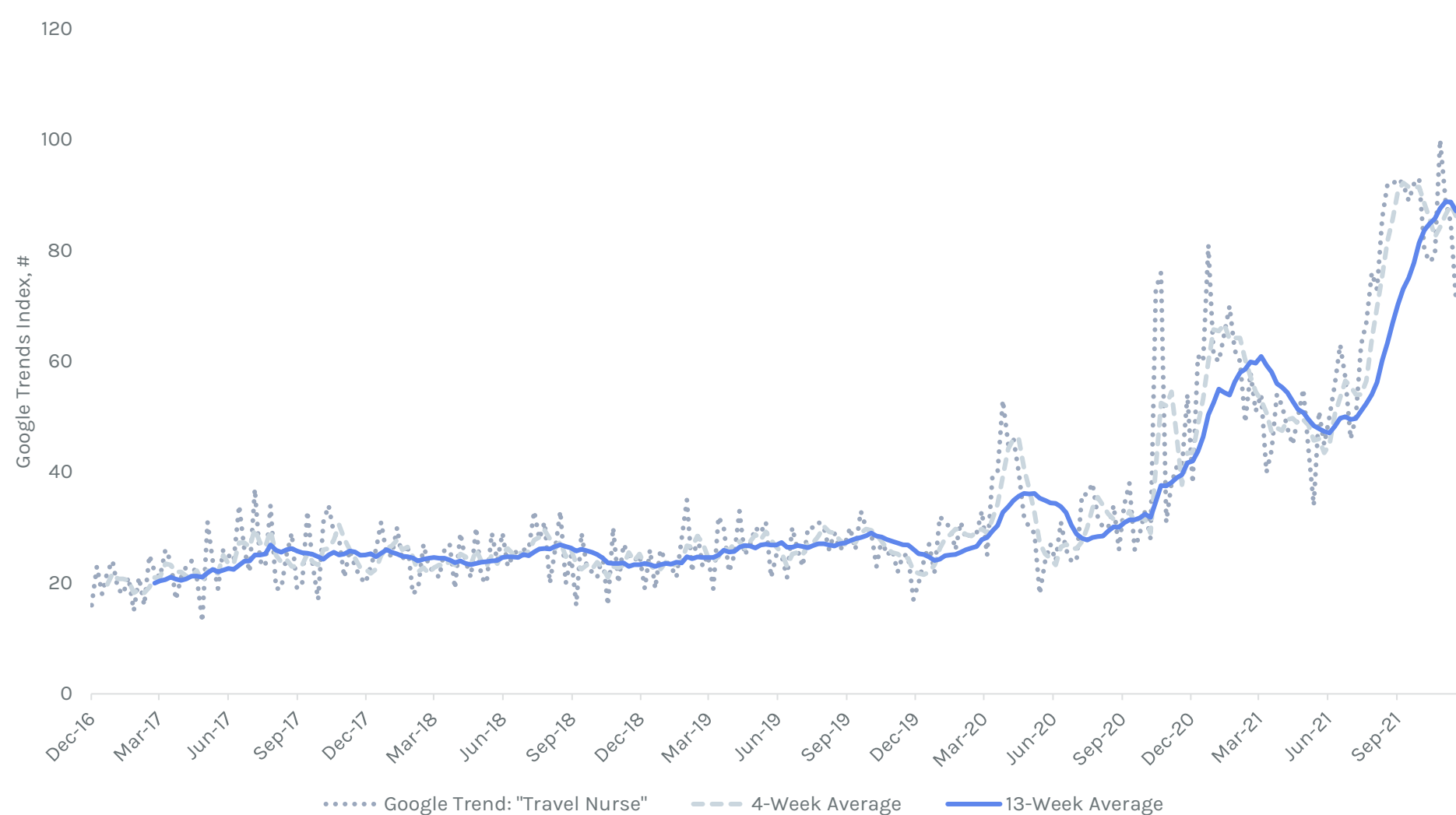
Hardly a day goes by without a relevant headline from somewhere in the U.S. highlighted in our morning note...

It's difficult to find commentary that suggests there's an end in sight for the labor/staffing issues that plague the US Medical Economy and benefit AMN. In addition to the ADP and BLS data that we regularly crunch, we're tracking attrition at ATIP, discussing wage pressure and clinician supply with mental health executives, and monitoring management presentations at conferences (UHS) and commentary on earnings calls (TALK) for clues about the duration of what's becoming a scarier problem by the day.

- **11/29: AMN Released its [2021 Survey of International Nurses](#)** (AMN). AMN's O'Grady-Peyton specializes in international recruitment for 24-36-month assignments at facilities across the US. It's a good, quick read. While international nurses are estimated to be ~8% of the overall nursing workforce, they often have >10 years of experience and are **"filling roles in high-need, high-stress environments such as Intensive Care Units (ICUs) at higher levels than all nurses."** The survey indicates that 19% of international nurses work in Intensive or Critical Care Units, compared to 15% of all nurses... and **"81% sometimes, often or always experience feelings of burnout."**
- **11/27: [Massachusetts calls on hospitals to reduce elective procedures amid staffing shortages](#)** (FierceHealthcare). This is important, in our opinion. A combination of staffing shortages and COVID-19 are to blame, as the virus continues to hammer the unvaccinated and you can only operate beds if you have the human capital to cover them. **"This staffing shortage has also contributed to the loss of approximately 500 medical/surgical and ICU hospital beds across the commonwealth,"** according to a release on the guidance."
- **11/23: [New York health system raises wages 14% for unionized RNs](#)** (Becker's). This was a retroactive increase and it's interesting to note the comment on wage pressure since August too. It's a quick, worthwhile read for context - it's no wonder nurses consider travel assignments at substantially higher hourly rates. "Samaritan Health reached an agreement with the New York State Nurses Association to raise wages for its unionized registered nurses by 14 percent, the health system announced Nov. 23. **The agreement, which affects 408 RNs at Samaritan Medical Center, is reflective of current market conditions and increases the starting RN hourly wage at Samaritan from \$30.41 to \$34.67,** according to Samaritan. The average annual compensation for a full-time Samaritan RN is about \$82,500."
- **11/19: [Nursing startup nabs \\$149M for healthcare staffing platform](#)** (FierceHealthcare). **+ for AMN.** As we've written multiple times, the employment gap - supply vs. staff needed - continues to expand due to the predicament we find ourselves in w/ SARS-Cov-2/COVID-19: **"By 2022, nursing shortages will far outweigh labor gaps in other professions,** with a projected need for 1.1 million new RNs, according to the U.S. Bureau of Labor Statistics. Other startups like Trusted have cropped up in response to the labor crisis, including [ShiftMed](#), which announced a \$45 million funding round for its mobile app that connects healthcare workers and providers."
- **11/17: Labor/Staffing: [Sparrow workers move forward with strike authorization vote](#)** (Becker's). **AMN shares are back up to ~\$115 in what's been a wild ride recently. The flip from MicroQuad 4 to 3 was timely for the model portfolio and somewhat reassuring overall, at least for the near term.** This is a quick reminder that strikes are, and likely always will be, a thing: Katie Pontifex, a nurse at Sparrow and president of the local union, said, **"While a strike is always a last resort, we are willing to do what it takes to make sure that we will always be able to provide the highest quality of care. We're advocating for our patients and our community."**
- **10/27: [Post-Acute Care Staffing Platform ShiftMed Raises \\$45 Million to Fuel Expansion](#)** (HHHC News). "Staffing issues in post-acute care and home-based care had been a pressing issue long before COVID-19 but were exacerbated during the pandemic. A recent ShiftMed report even found that [almost half of U.S. nurses were at least "somewhat likely" to leave their professions in the upcoming two years.](#) Of those workers, 38% planned to pursue non-patient facing roles in health care, while 31% planned on leaving health care altogether."

Google Trends Index

Search Term: “Travel Nurse”

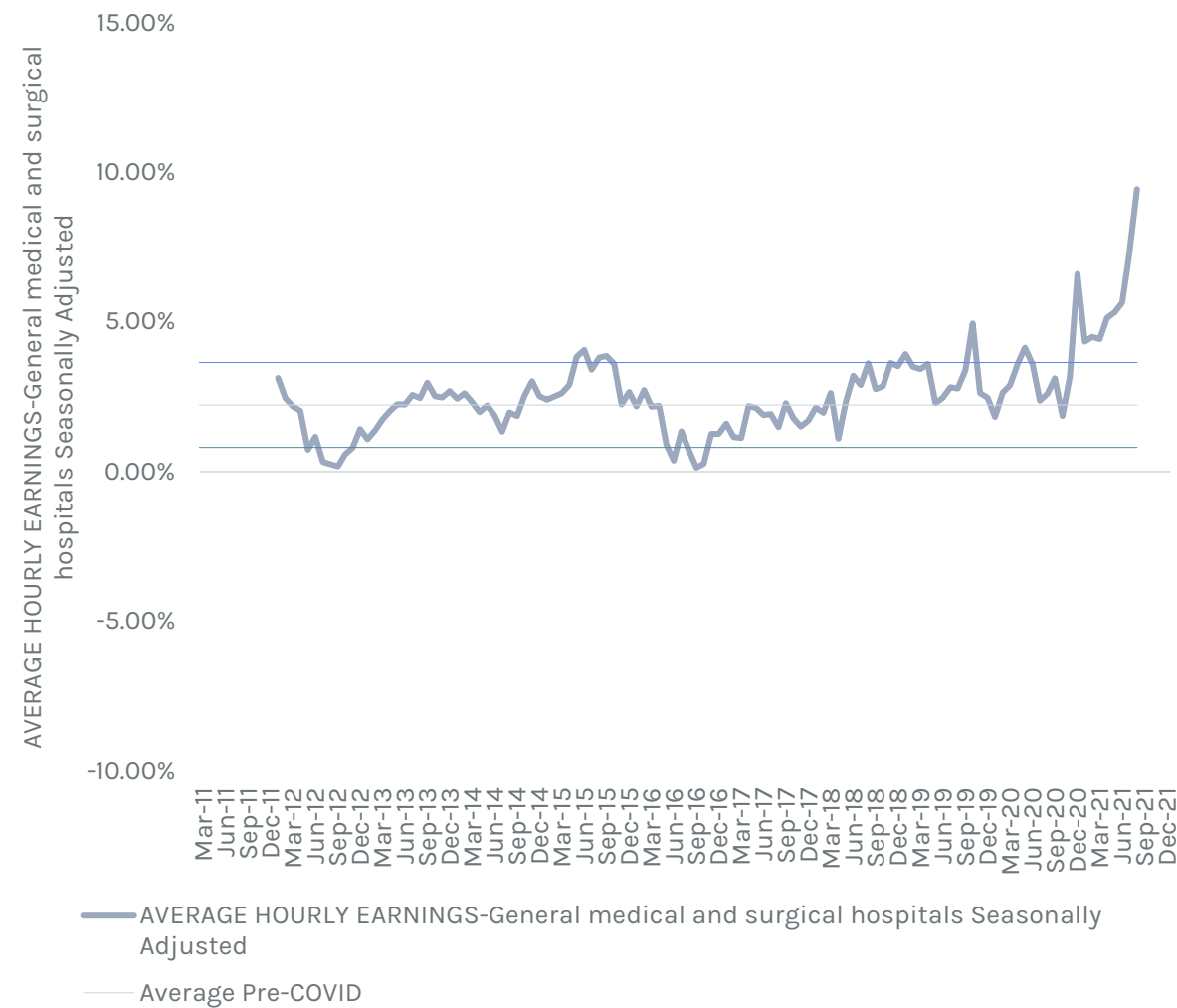


The risk of a wage spiral appears extremely high as travel nurse wages induce more labor to exit permanent positions, creating more vacancies, pressuring wages, and so on.

After many years of relative stability, the search term “travel nurse” has exploded to the upside suggesting high and rising interest among the nurse labor pool.

Average Hourly Earnings

General Medical and Surgical Hospitals



Medical Laboratories



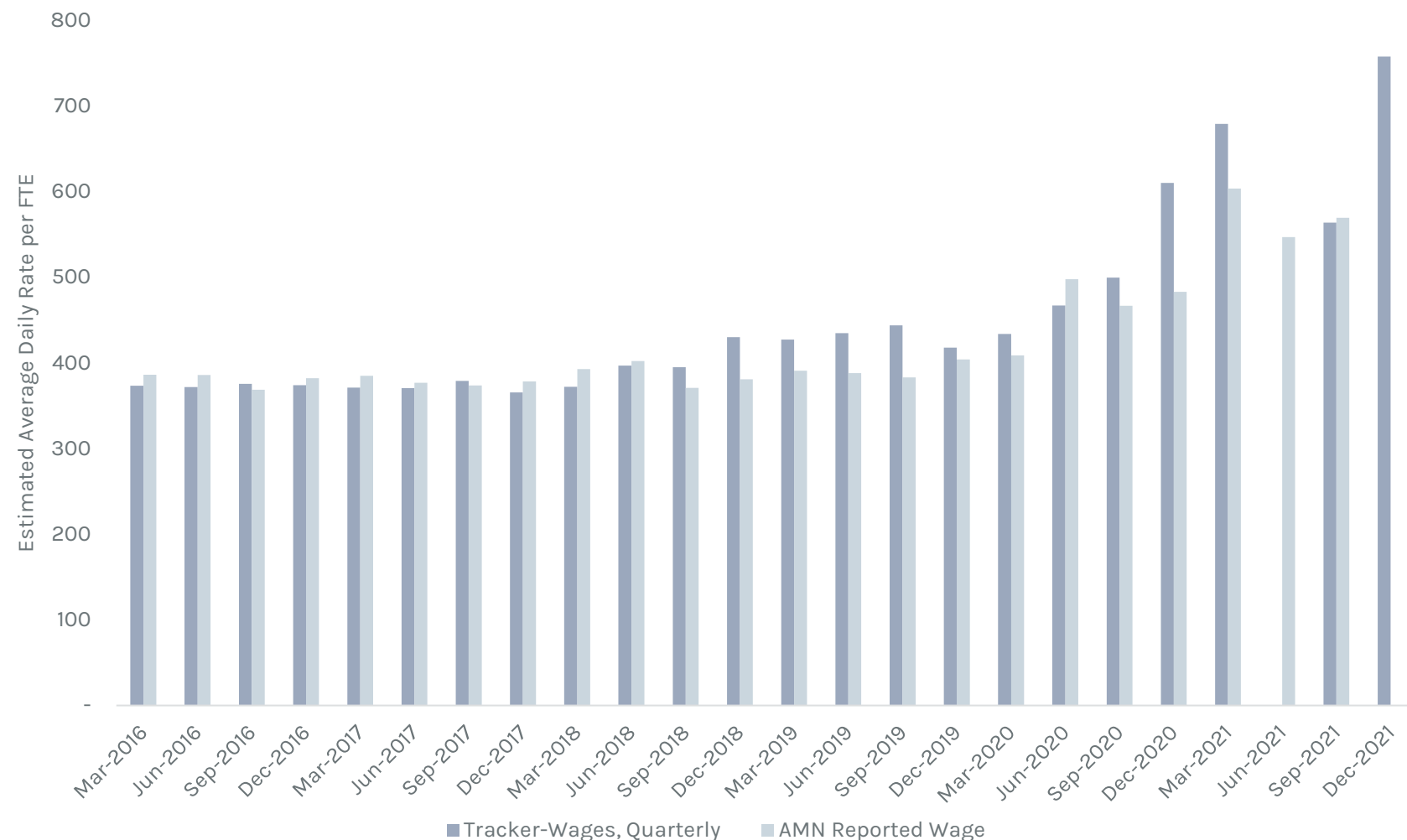
Wages Tracker | Pricing

Strong start to 4Q21 despite fears of slowing bill rate

Wages for travel staffing in early 4Q21 has been exceptionally strong in our tracking data. The ramp in occurring before the winter 2021-2022 COVID wave was underway and before news of the South African Nu variant broke over the Thanksgiving Holiday.

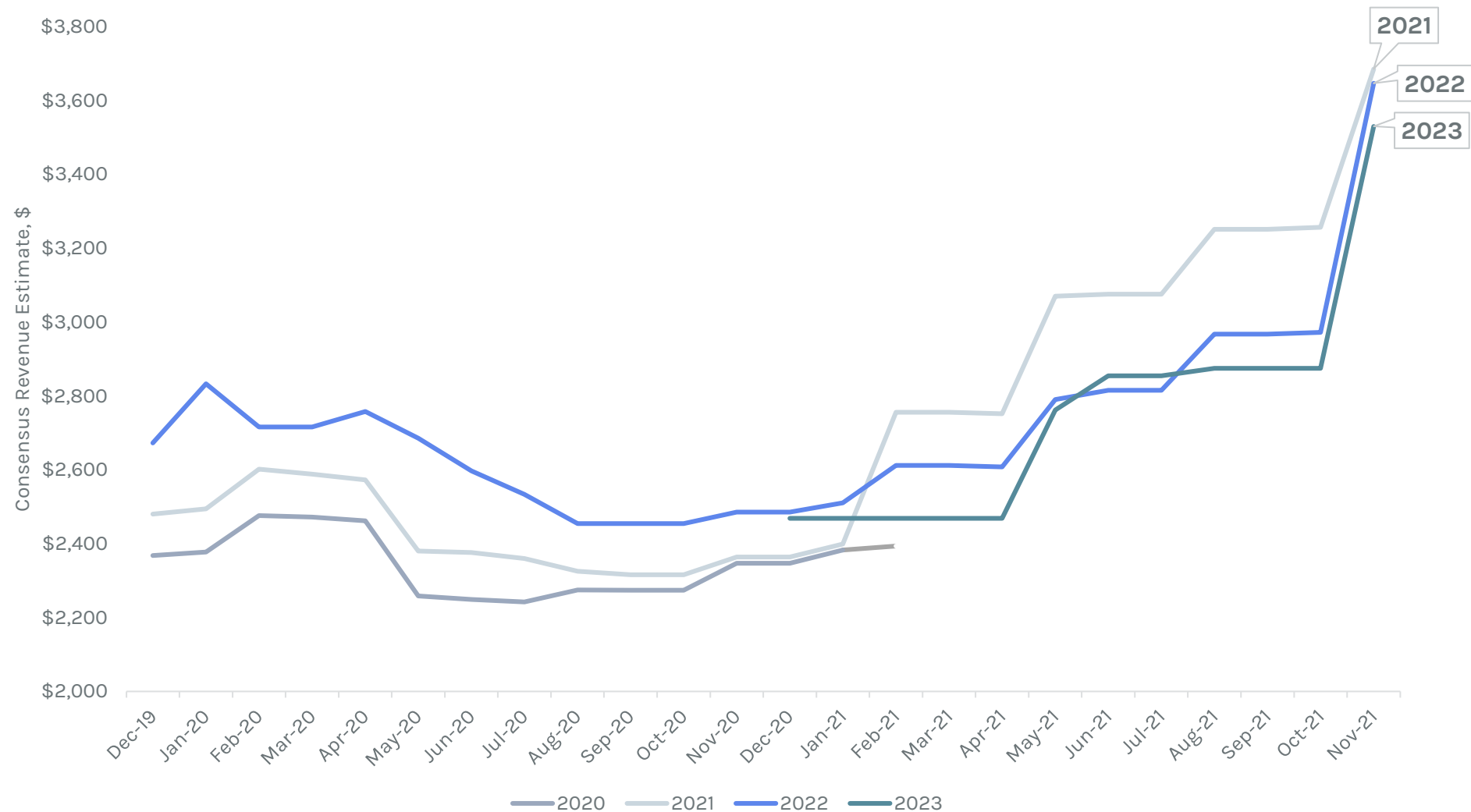
For AMN, consensus estimates that 2022 will be a down year due to wage rates reverting toward pre-COVID levels. **AMN stated on their 3Q21 earnings call to expect wages to revert to 20-30% above 2019.**

The data continues to break out to the upside here in 4Q21, pushing a down wage environment well into the future. As cases ramp through 1Q22, and with the addition of the Om with or without the Nu variant, wages appear likely to comp the comp in 1Q22 and almost certainly sealing 2022 as a year of growth for AMN.



Consensus Estimates

Despite moving higher for a year, consensus consistently calling for a peak



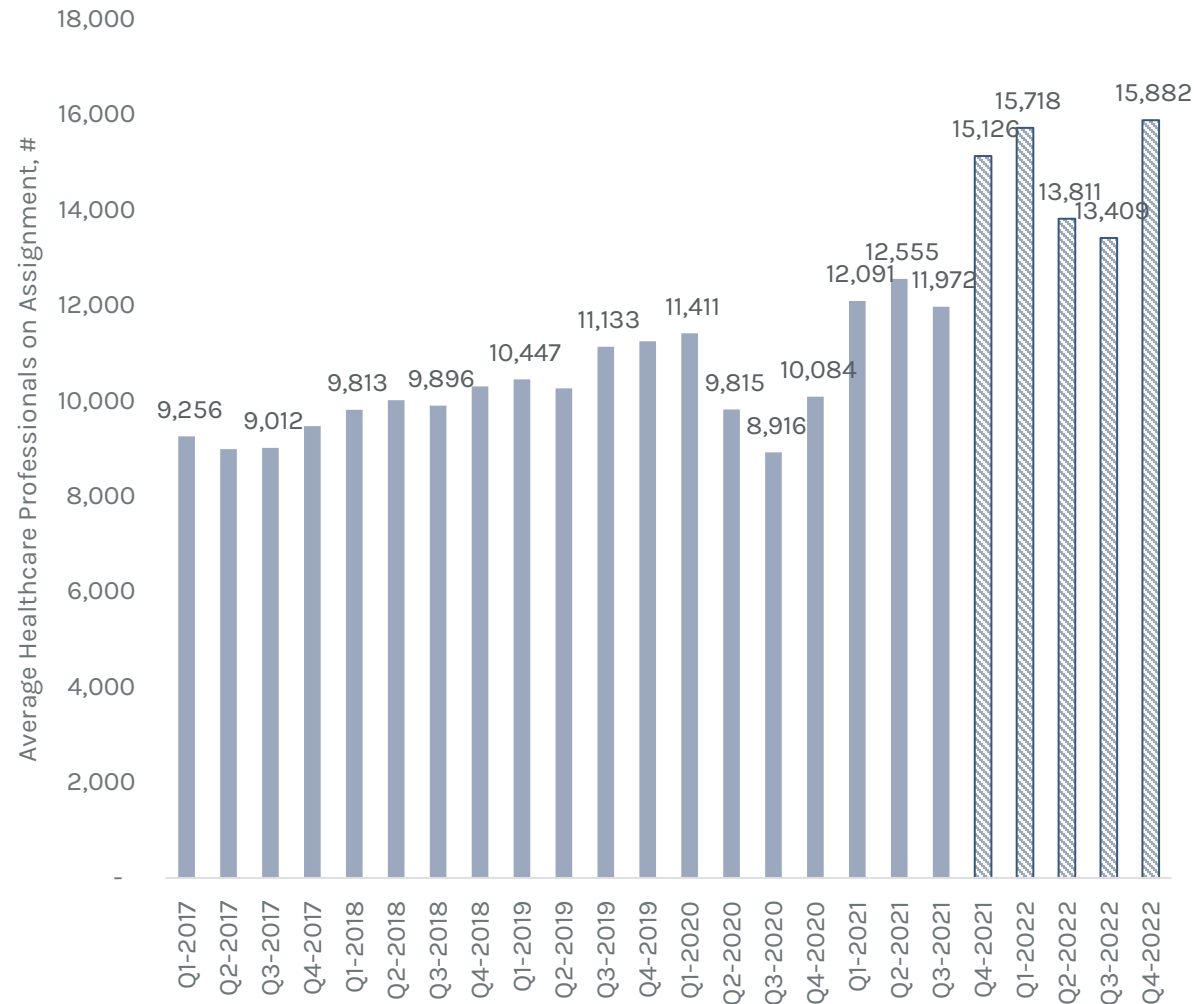
AMN's continues to be met with an expectation that the current environment is the peak. Although, as of November 2021, the gap between 2021, 2022, and 2023 is the narrowest.

A forecast of declining revenue is a problem for the multiple investors are willing to pay for AMN shares.

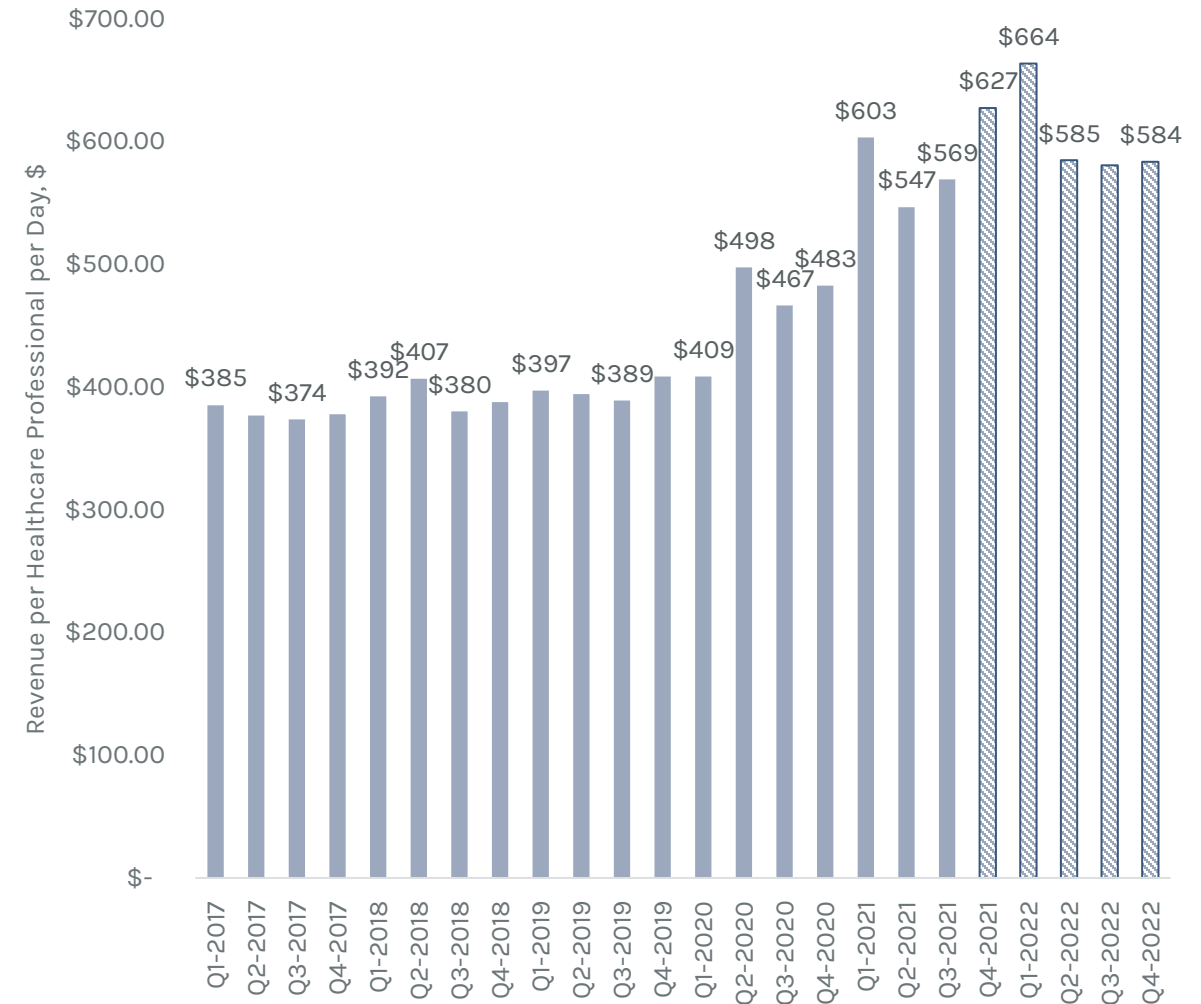
We expect the current cycle will last and support year on year growth into 2023. What will end the current cycle is a drop in marginal demand, which we don't see developing until pent up demand has been dramatically reduced.

Volume and Pricing

Average FTE's, Quarterly (#)

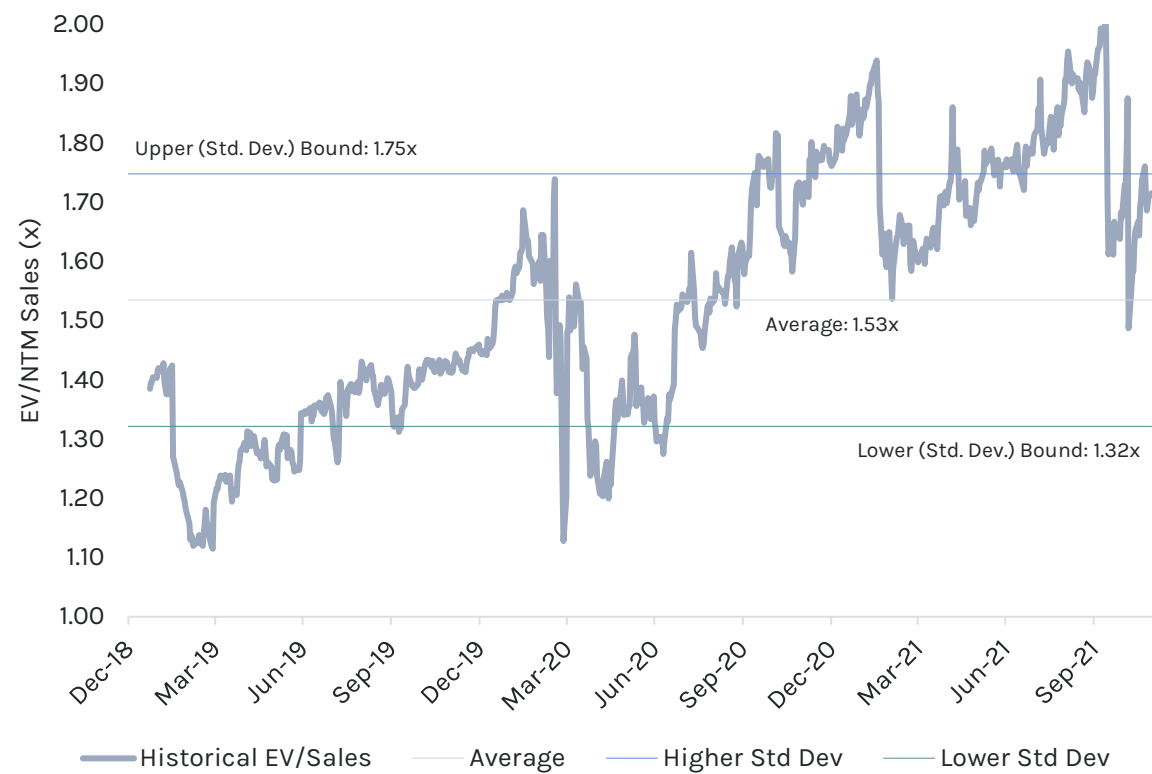


Average Revenue per Day, Quarterly (\$)



Upside Scenario Maintained, 25%-50%

EV/NTM Sales



2022 EV/Sales	2022 Sales					
	\$ 3,750	\$ 3,900	\$ 4,050	\$ 4,200	\$ 4,350	\$ 4,500
	1.00x	62.94	66.02	69.09	72.17	75.25
	1.25x	82.17	86.02	89.87	93.71	97.56
	1.50x	101.41	106.02	110.64	115.26	119.87
	1.75x	120.64	126.03	131.41	136.80	142.19
	2.00x	139.88	146.03	152.19	158.34	164.50
2.25x	159.11	166.04	172.96	179.89	186.81	193.73

2023 EV/Sales	2023 Sales					
	\$ 4,250	\$ 4,400	\$ 4,550	\$ 4,700	\$ 4,850	\$ 5,000
	1.00x	73.20	76.27	79.35	82.43	85.51
	1.25x	95.00	98.84	102.69	106.54	110.38
	1.50x	116.80	121.41	126.03	130.64	135.26
	1.75x	138.59	143.98	149.37	154.75	160.14
	2.00x	160.39	166.55	172.70	178.86	185.01
2.25x	182.19	189.12	196.04	202.97	209.89	216.82

With the twin drivers of in person care and COVID likely providing a tailwind to demand, we expect another wave of COVID, particularly one with the uncertainty of the Nu Variant, to put incremental pressure on labor supply. We're already seeing strong pricing trends which have yet to peak. We think shares can retest the upper band of the multiple ranges with continued accelerating volume and pricing and we think there is upside to \$150 - \$180, or 25% to 50% from here.

For more information, contact us at:

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