Option Care Health, Inc. (NASDAQ: OPCH) Take Private

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January 25th, 2025

Executive Summary

Situation Overview	▪ WestPeak Research Association (**"We"** or the **"Team"**) is actively evaluating potential opportunities in the consolidator space and the Team has identified Option Care Health, Inc. (**"OPCH"** or the **"Company"**) as a potential take-private target
Opportunity	▪ OPCH is the largest independent provider of home and alternate-site infusion services in the United States. The company offers a comprehensive range of infusion therapies, covering both acute and chronic therapies ▪ The Company is **currently trading at $29.2 per share**, with a market capitalization of $5.0B(1) ▪ OPCH offers a compelling opportunity as a market leader in the fragmented home infusion industry, with significant buy-and-build potential. It is well-positioned to benefit from macro trends, including the cost-effectiveness, convenience, and safety of home infusion, an aging population, and the rising demand for specialty infusion drugs
Analysis	▪ We suggest offering OPCH **an equity cheque of $3.7B at $33.4 per share**, representing **a 14.6% premium** over the closing price on January 25th, 2025 on **a cash-free, debt-free basis** ▪ On the base case, OPCH is expected to generate **26.8% IRR and 3.3x MOIC** throughout the holding period with a 5.0x gross leverage ▪ Organic growth and margin profiles are consistent with the historical performance: mild gross margin improvement derived from acquisition integration and mid-single-digit SG&A inflation ▪ Assume minimal cash distribution to focus on M&As and debt repayment
Diligence Areas	The team will conduct further analysis on the following diligence areas: ▪ Financial assessment, including earnings quality, working capital analysis, and overall reporting integrity ▪ Legal and structural compliance to optimize tax outcomes and shareholder agreements ▪ Market and growth opportunities by analyzing industry trends, target segments, and pricing strategies ▪ Opportunities for acquisition and integration to support inorganic growth and scalability ▪ Reputation and risk management strategies to maintain customer trust and mitigate potential risks

Note: All numbers in million-dollar USD unless noted otherwise
(1) As of January 25th, 2025

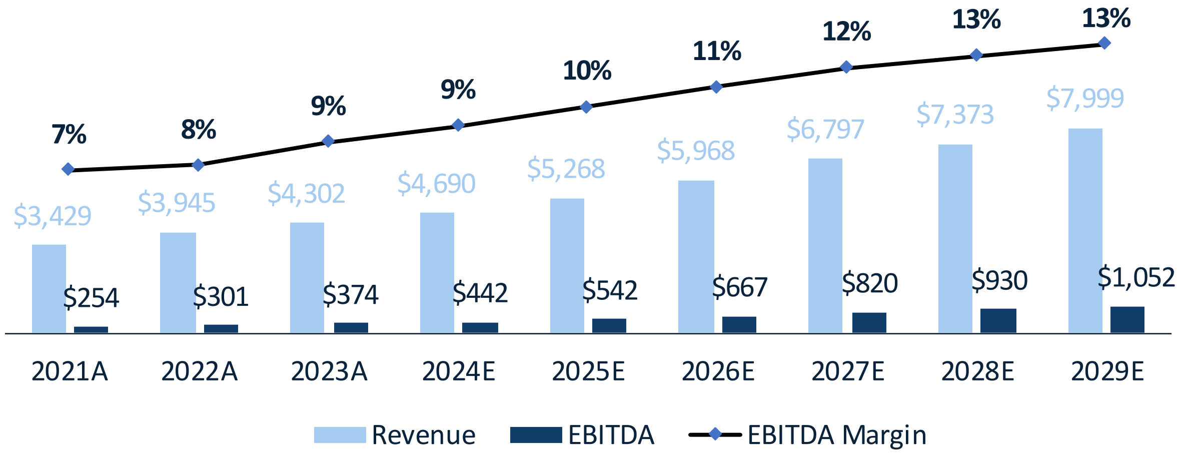
Company & Industry Overview

Proven market leader with actionable growth strategies and favorable healthcare industry tailwinds

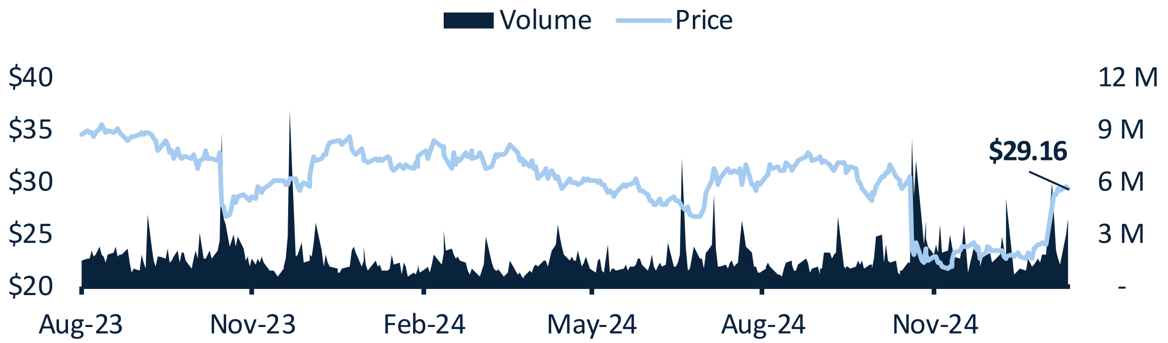
Overview

- Option Care Health is the largest independent provider of home and alternate-site infusion services in the United States, operating 177 locations across 45 states with a multidisciplinary team of 4,500 clinicians (1)
- The Company is positioned to benefit from shifting demographics in the United States; Home infusion is well placed to capitalize on this trend it's safer and 40-60% cheaper than inpatient counterparts
- OPCH is uniquely positioned to capitalize and dominate home infusion's inevitable rise due to its consistent cash flows, market dominance, and opportunities for market consolidation
- On the base case, the Company is expected to generate **26.8% IRR and 3.3x MOIC** throughout the holding period **with a platform 14.5x entry** multiple **and flat exit multiple,** exceeding the 20.0% IRR threshold
- Key risks include: (1) American healthcare's volatility (2) reliance on its two largest insurance customers that operate their own home infusion divisions, and (3) dependence on select exclusive branded drug contracts

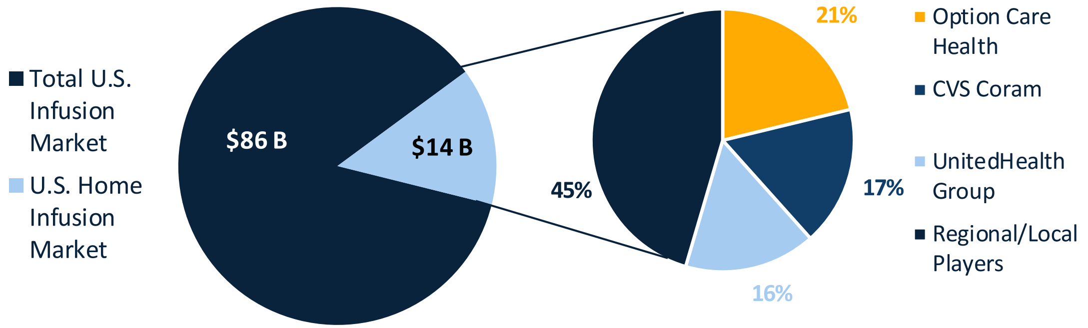
Robust Financial Performance with Premium Margins(1)



LTM Share Price Performance(2)



Home Infusion Market Share



Note: All numbers in million-dollar USD unless noted otherwise
(1) Company website, as of September 11th, 2024
(2) As of January 25th, 2025

Company Comparable & Multiple Trend

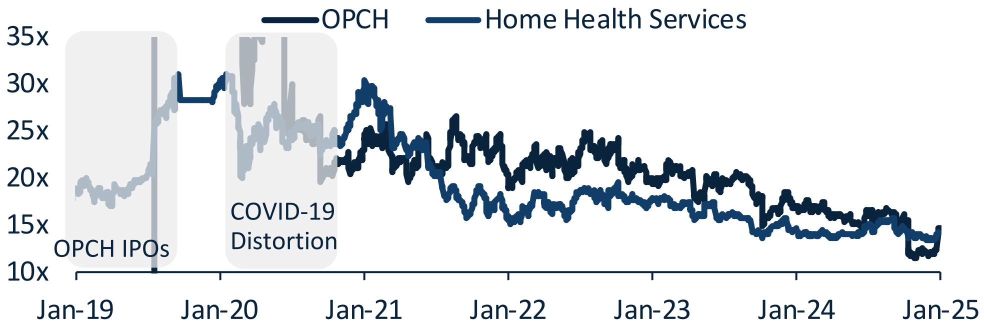
OPCH is trading at the peer group's multiple of 12.7x 2024E EBITDA

Comparable Companies

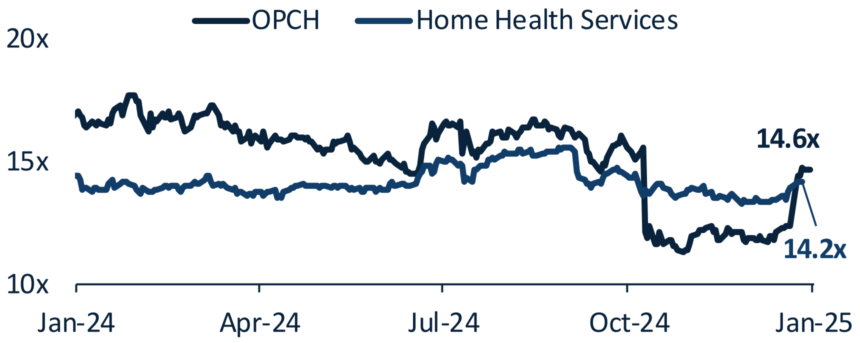
In US$ Million	2024 November GAAP Adj. Market Cap	TEV [(1)]	TEV / EBITDA LTM	TEV / EBITDA 24E	Revenue CAGR 19A-23A	Revenue CAGR 24E-26E	EBITDA Margin LTM	EBITDA Margin 24E	EBITDA Margin 25E	Cash Conversion [(2)] LTM	Cash Conversion [(2)] 24E	Cash Conversion [(2)] 25E	Leverage Ratio [(3)] LTM	Leverage Ratio [(3)] 24E
Home Health Services														
Amedisys, Inc.	$3,010	$3,200	13.7x	12.8x	3.4%	5.6%	10.1%	10.7%	10.7%	97%	97%	97%	0.9x	1.2x
Addus HomeCare Corporation	$2,401	$2,178	18.1x	15.6x	13.0%	15.1%	10.6%	12.2%	12.4%	92%	95%	92%	N/A	0.9x
Aveanna Healthcare Holdings Inc.	$898	$2,274	16.9x	13.5x	8.2%	5.1%	6.8%	8.4%	8.6%	95%	96%	95%	10.6x	7.7x
Encompass Health Corporation	$9,545	$12,741	11.4x	11.8x	1.0%	8.8%	21.4%	20.2%	20.2%	40%	46%	52%	2.4x	2.2x
BrightSpring Health Services, Inc.	$3,230	$5,886	11.6x	10.0x	18.2%	9.0%	4.8%	5.2%	4.9%	84%	85%	83%	5.8x	4.2x
Average	$3,817	$5,256	14.3x	12.7x	8.8%	8.7%	10.7%	11.3%	11.4%	82%	84%	84%	4.9x	3.2x
Median	$3,010	$3,200	13.7x	12.8x	8.2%	8.8%	10.1%	10.7%	10.7%	92%	95%	92%	4.1x	2.2x
Option Care Health, Inc.	**$4,962**	**$5,584**	**14.6x**	**12.7x**	**16.8%**	**14.6%**	**8.0%**	**8.9%**	**8.0%**	**88%**	**90%**	**90%**	**1.9x**	**1.6x**
Consolidator Average	**$3,817**	**$5,256**	**14.3x**	**12.7x**	**8.8%**	**8.7%**	**10.7%**	**11.3%**	**11.4%**	**82%**	**84%**	**84%**	**4.9x**	**3.2x**

North American Consolidator Average	12.7x

Historical Share Price & EV / LTM EBITDA Trend



LTM



Commentary

- Comparable companies are selected based on the following criteria:
  1. Geography: Based in North America
  2. Business Model: Hospice/Home Healthcare
  3. Size: Roughly the same EV ($2B < EV < $13B)
- OPCH (12.7x 2024E EBITDA) is comparatively valued to industry peers (12.7x average 2024E EBITDA)
- Comparable companies' average revenue **CAGR is 8.9%**, supporting our baseline assumption that revenue will grow at 8.5% during the holding period
- OPCH's **lower leverage ratio of 1.9x** vs the industry's average of 4.9x indicates that it has capacity to successfully undergo an LBO, and conduct a buy-to-build strategy post acquisition
- OPCH's lower EBITDA margin of 8% compared to peer's 10.7% highlights room for operational improvement post acquisition
- Multiples have declined over the past 5 years as Home Healthcare becomes an increasingly established industry

Source: Company Fillings; S&P Capital IQ
(1) Total Enterprise Value before IFRS 16 lease adjustment; EBITDA adjusted on the same basis
(2) Cash Conversion defined as (EBITDA – CAPEX) / EBITDA
(3) Leverage Ratio defined as Net Debt / EBITDA

Precedent Transactions & Case Studies

Further Consolidation of Big Players in Home Infusion/Healthcare

Year	Target	Buyer	Transaction Value	EV / LTM EBITDA
2024	Amedisys, Inc.	Optum, Inc.	$3,904M	15.6x
2021	Humana	Clayton, Dubilier & Rice	$3,400M	12.0x
2022	LHC Group	Optum, Inc.	$6,163M	22.5x
2021	American Renal Associates Holdings, Inc.	Innovative Renal Care, LLC	$1,392M	20.0x
2018	Simplura Health Group	Providence Service Corporation	$566M	11.4x
Median Multiple				**15.6x**

Selected Case Studies

Transaction Overview: All-cash arrangement agreement for 100% ownership at $170/share

Transaction Rationales
- Enhances reach in the growing home care market by acquiring LHC Group, a significant player
- Improves outcomes with integrated, cost-effective in-home solutions

Premium Analysis
- 8.12% premium to one-day unaffected price

Transaction Overview: All-cash arrangement agreement for 60% ownership at a 12x multiple

Transaction Rationales
- Humana will concentrate on its core business operations, whilst maintaining a minority stake in its Hospice and Personal Care divisions
- CD&R has an impressive track record of enhancing growth and operational efficiency in its acquisitions

Transaction Overview: Cash arrangement agreement for 100% ownership at $11.5/share

Transaction Rationales
- Allows IRC to significantly broaden its network
- American Renal Association's dialysis services utility can be maximized by Innovative Renal Care's operations

Premium Analysis
- 66% premium to one-day unaffected price

Source: Company Fillings; Corporate Press Releases; Capital IQ

Investment Highlights & Risks

OPCH exhibits compelling characteristics and growth opportunities with appropriate downside risks

Investment Highlights

1. Market Leader with Proven Business Model and Reliable Growth

- OPCH has established itself as the leading independent provider of home infusion services in the U.S., consistently delivering strong and growing cash flows in the rapidly expanding healthcare sector

2. Scalable M&A Strategy to Consolidate the Fragmented Market

- OPCH's successful track record of strategic acquisitions, including the BioScrip merger, positions it to continue consolidating the fragmented home infusion market and achieve operational efficiencies

3. Favorable Demographic and Industry Tailwinds Supporting Long-Term Growth

- Aging U.S. population and the rising prevalence of chronic conditions requiring infusion therapy are driving increased demand for home infusion services, which are 40-60% cheaper and more convenient than hospital-based care

4. Strong Cash Flow and Valuation Supporting Take-Private Potential

- OPCH's robust free cash flow provides a compelling case for a leveraged buyout, with ample room for further growth and value creation through consolidation

5. Resilient Business Model Aligned with Evolving Healthcare Needs

- OPCH's diversified revenue base, including both acute and chronic therapies, ensures resilience and growth potential even amid changing healthcare policies and economic conditions

Investment Risks

1. Execution risks in scaling M&A and integrating acquisitions
2. Dependence on key stakeholders and reimbursement policies
3. Exposure to high fixed costs and operational efficiency risks
4. Potential impact of regulatory changes and healthcare-related volatility
5. Reliance on specialty drugs and supplier concentration

What We Need To Believe

1. Success in identifying and integrating M&As in the fragmented market
2. Shifting North American demographics with Baby Boomers' transition to their sunset years
3. Mgmt. is working on cost-optimizing initiatives to streamline operations and drive margins
4. Home infusion will remain a cost-effective and convenient alternative to inpatient care
5. OPCH's relationships with key stakeholders will remain intact, supporting revenue stability

LBO Analysis

OPCH is expected to generate 26.8% IRR and 3.3x MOIC throughout the 5-year holding period

Input & Key Assumptions

Financial Forecast

- Organic revenue is expected to continue to grow at 8.5% throughout the holding period
- Inorganic growth increases revenue growth from 2025E-2027E
- Three acquisitions are anticipated to drive significant top-line and EBITDA growth, with notable COGS and SG&A synergies

Free Cash Flow

- Assumes 1.6% of annual maintenance capital expenditure as a percentage of revenue due to low capital intensity
- Assumes minimal net working capital needs due to a capital-light business model and a focus on pre-need services

Other Assumptions

- Platform entry multiple of 14.5x with flat exit
- Capital structure consists of 71% equity and 29% debt, with a 5.0x gross leverage ratio based on 2023A leverageable EBITDA
- Assumes $380m of M&As, accelerating the historical trend

IRR Sensitivity

Entry Multiple \ Exit Multiple	12.5x	13.5x	14.5x	15.5x	16.5x
12.5x	28.4%	30.4%	32.3%	34.1%	35.8%
13.5x	25.6%	27.5%	29.4%	31.1%	32.8%
14.5x	23.0%	24.9%	26.8%	28.5%	30.1%
15.5x	20.8%	22.7%	24.4%	26.1%	27.7%
16.5x	18.7%	20.6%	22.4%	24.0%	25.6%

Financial Summary	2024E	2025E	2026E	2027E	2028E	2029E
Revenue		**$5,267.6**	**$5,967.9**	**$6,797.2**	**$7,372.7**	**$7,998.6**
Growth %		*12.3%*	*13.3%*	*13.9%*	*8.5%*	*8.5%*
EBITDA		**$542.4**	**$667.1**	**$820.4**	**$930.3**	**$1,051.9**
Margin %		*10.3%*	*11.2%*	*12.1%*	*12.6%*	*13.2%*
Less: D&A		($83.4)	($94.5)	($107.6)	($116.7)	($126.7)
Less: Interest		($133.2)	($106.6)	($79.4)	($56.6)	($44.2)
Less: Tax (28%)		($71.7)	($102.5)	($139.3)	($166.5)	($193.8)
Net Income		**$254.1**	**$363.5**	**$494.0**	**$590.4**	**$687.1**
Plus: D&A		$83.4	$94.5	$107.6	$116.7	$126.7
Less: CapEx		($80.9)	($88.2)	($96.2)	($104.8)	($114.3)
Less: M&A		($75.0)	($125.0)	($180.0)	-	-
Plus: M&A Financing		$75.0	$125.0	$180.0	-	-
Less: Change in NWC		($62.1)	($69.3)	($77.4)	($86.5)	($96.6)
Free Cash Flow		**$194.5**	**$300.4**	**$428.1**	**$515.9**	**$603.0**
Less: Debt Payment		($193.7)	($299.2)	($426.3)	($469.1)	-
Ownership Adjustment: 80% equity						
Free Cash Flow to Equity		**-**	**-**	**-**	**$50.0**	**$603.0**
Entry Exit Equity Ticket	($3,692.6)					$11,564.5
Equity IRR						**26.8%**
Equity MOIC						**3.3x**

Sources	EBITDA x	Value $mm
Equity Value		$3,692.6
Seller Rollover		$923.2
Senior Debt	4.0x	$1,495.2
Junior Debt	1.0x	$373.8
Total Sources		**$6,484.7**

Uses	EBITDA x	Value $mm
EV	14.5x	$6,398.3
Transaction fee		$64.0
Financing Fee		$22.4
Total Sources		**$6,484.7**

Entry Analysis	Weight %	EBITDA x	Value $mm
Comps Val.	40.0%	12.8x	$5,652.7
Precedent Val.	60.0%	15.6x	$6,895.4
Implied EV	**100.0%**	**14.5x**	**$6,398.3**

Multiple Analysis	EBITDA x
EV / 2025 EBITDA	12.3x
EV / 2026 EBITDA	10.6x

Note: All numbers in million-dollar USD unless noted otherwise

Appendix

Alternative Assets

WESTPEAK
RESEARCH ASSOCIATION
EST. 2014

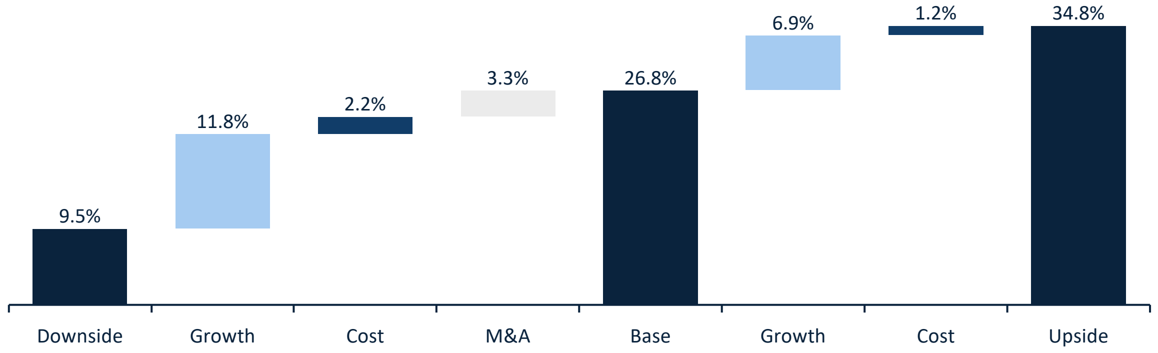
Appendix A - Sensitivity Analysis

Return is sensitive to M&A, entry/exit multiples, exit timing, and leverage

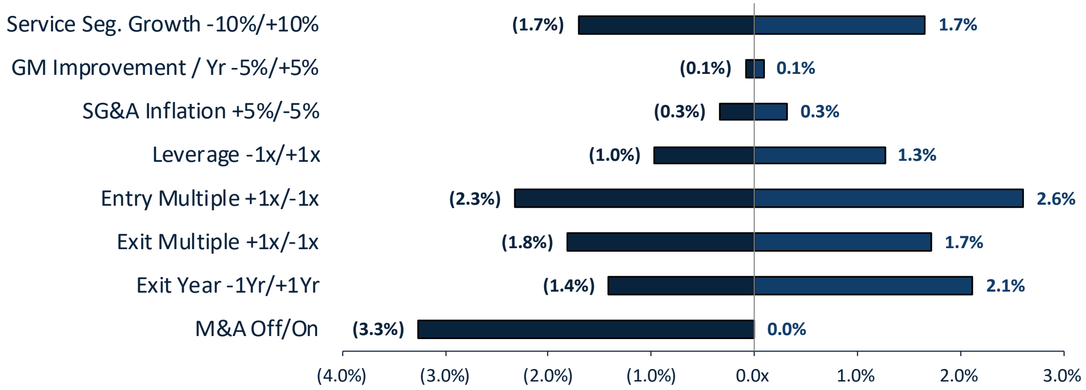
Illustrative Bidding Continuum

		Preferred Bidding Range				Pass On Range	
	Current	(20%)	(15%)	(10%)	15%	25%	40%
Share Price	**$33.4**	**$26.7**	**$28.4**	**$30.1**	**$38.4**	**$41.8**	**$46.8**
Implied Premium to Share Price	***14.6%***	***-8.3%***	***-2.6%***	***3.2%***	***31.8%***	***43.3%***	***60.5%***
FD Shares Outstanding	170.2	170.2	170.2	170.2	170.2	170.2	170.2
Market Capitalization	**$5,688.4**	**$4,550.7**	**$4,835.1**	**$5,119.5**	**$6,541.6**	**$7,110.5**	**$7,963.7**
Plus: Net Debt	$709.9	$709.9	$709.9	$709.9	$709.9	$709.9	$709.9
Enterprise Value	**$6,398.3**	**$5,260.6**	**$5,545.1**	**$5,829.5**	**$7,251.6**	**$7,820.4**	**$8,673.7**
IRR	**26.8%**	**34.2%**	**32.1%**	**30.2%**	**22.5%**	**20.1%**	**16.9%**
MOIC	**3.3x**	**4.4x**	**4.0x**	**3.7x**	**2.8x**	**2.5x**	**2.2x**
EV / 2024E EBITDA	14.5x	11.9x	12.5x	13.2x	16.4x	17.7x	19.6x
EV / 2025E EBITDA	12.3x	10.1x	10.7x	11.2x	14.0x	15.1x	16.7x

IRR Bridge



Return Sensitivities



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Appendix B - Next Steps

The team is requesting a budget from IC to engage advisors for due diligence in the following areas

Due Diligence Workstreams

Financial Due Diligence	Legal / Structuring	Market & Growth Analysis	Inorganic Growth	Operational Efficiency	Reputation & Risk Management
▪ Engage advisors to perform diligence on the quality of earnings, including sell-side adjustments and various one-time expenses/add-backs ▪ Compare the company financial statements with corporate journal vouchers and customer invoices to formulate a view on the reporting integrity ▪ Perform diligence on the working capital items, including various payables and receivables, prepaid/ accrued expenses, and inventory to determine normal level of net working capital and the corresponding cash compensation/ reimbursement	▪ Engage the in-house legal team to ensure compliance with government reporting and filing requirements ▪ Engage legal advisor on tax structuring to prevent double taxation and to minimize seller's capital gains tax ▪ Develop an earn-out and break fee to incentivize the shareholders and management support throughout the transaction and integration phase ▪ Negotiate and communicate with major shareholders on the potential equity roll-over in the form of common equity/preferred equity	▪ Leverage prior market analyses to evaluate the home infusion sector's total addressable market (TAM), growth trends, and segmentation ▪ Initiate a commercial feasibility study to examine OPCH's positioning, including pricing and product bundling opportunities ▪ Analyze potential exit route with comparable large-cap buyers in the industry (United Health, CVS etc.)	▪ Identify acquisition targets within the fragmented home infusion market, focusing on local and regional players ▪ Assess the scalability of current operations to support a buy-and-build strategy ▪ Review the strength of OPCH's corporate development team and identify areas requiring enhancement	▪ Review vendor agreements for software, IT, and healthcare supplies to ensure alignment with the business model and operational goals ▪ Analyze headcount and the potential for consolidating roles or streamlining operations post-acquisition ▪ Identify redundant assets for potential sale to support the acquisition financing strategy	▪ Initiate customer surveys and expert calls to assess the current Net Promoter Score (NPS) and evaluate the potential impact of this transaction on franchise reputation ▪ Create a decentralized model and local operating strategy to manage reputation risks and maintain customer trust on a small, community-focused scale ▪ Evaluate relationships with key payors like United Health Group and Aetna, focusing on contract renewals and competitive positioning