

AMN Healthcare (AMN)

\$49.23 (As of 06/05/20)

Price Target (6-12 Months): **\$42.00**

Long Term: 6-12 Months

Zacks Recommendation: Underperform

(Since: 06/04/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

5-Strong Sell

Zacks Style Scores:

VGM:B

Value: B

Growth: B

Momentum: F

Summary

AMN Healthcare exited the first quarter on a mixed note, with earnings meeting and revenues beating estimates. Due to the coronavirus pandemic, the company witnessed nationwide reduction in elective procedures and overall healthcare utilization from the second half of March. Contraction in operating margin adds to the woes. Over the past six months, the company has underperformed its industry. On a brighter note, AMN Healthcare gained from core operating segments in the first quarter. Management is upbeat about the latest Stratus Video and Advanced Medical buyouts, which are expected to expand the company's travel as well as school therapy and travel nurse staffing capabilities. The expansion in gross margin is also encouraging.

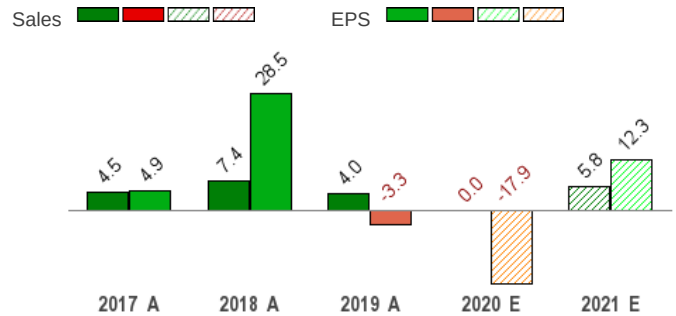
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$89.22 - \$36.65
20 Day Average Volume (sh)	844,854
Market Cap	\$2.3 B
YTD Price Change	-21.0%
Beta	0.40
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Medical Services
Zacks Industry Rank	Top 34% (86 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	0.0%
Last Sales Surprise	0.1%
EPS F1 Est- 4 week change	-21.4%
Expected Report Date	NA
Earnings ESP	0.0%
P/E TTM	15.3
P/E F1	18.9
PEG F1	1.5
P/S TTM	1.0

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	564 E	555 E	550 E	583 E	2,351 E
2020	602 A	560 E	513 E	548 E	2,223 E
2019	532 A	535 A	568 A	587 A	2,222 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.66 E	\$0.64 E	\$0.67 E	\$0.70 E	\$2.93 E
2020	\$0.79 A	\$0.63 E	\$0.55 E	\$0.64 E	\$2.61 E
2019	\$0.75 A	\$0.77 A	\$0.81 A	\$0.85 A	\$3.18 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 06/05/2020. The reports text is as of 06/08/2020.

Overview

Headquartered in San Diego, CA, AMN Healthcare Services is a travel healthcare staffing company. It recruits and places nurses, physicians, and other healthcare professionals in travel or permanent assignments in acute-care facilities, physician practice groups, and other healthcare facilities.

The company currently reports through three segments — **Nurse and Allied Solutions**, **Locum Tenens Solutions** and **Other Workforce Solutions**.

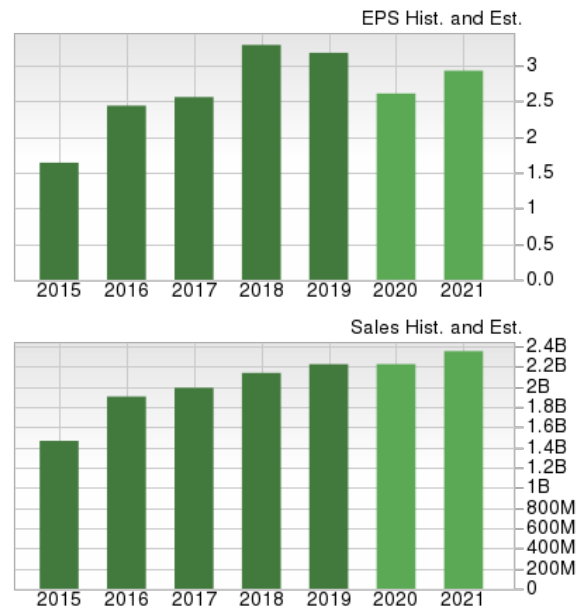
Nurse and Allied Solutions provides services for acute-care facility, permanent staff nurses for medical practice and experienced home care nurse staffing, interim nurse leaders.

Locums Tenens Solutions physicians can act during staffing gaps created by vacancies, vacations and periods of high demand. Meanwhile, Workforce Solutions offers the most comprehensive suite of innovative workforce solutions, ranging from traditional staffing and recruitment to managed services programs, vendor management systems, in-house resource pool management and recruitment process outsourcing.

2019 at a Glance

In 2019, revenues amounted to \$2.22 billion, up 4% from the 2018 figure.

Nurse and Allied Solutions revenues amounted to \$1.42 billion (63.9% of net sales). **Locum Tenens** revenues were \$0.3 million (14.6%) and **Other Work Force Solutions** revenues were \$0.5 million (21.5%).



Reasons To Sell:

- ▼ **Share Price Down:** In the past six months, the company has lost 18.4% compared with 2.7% decline of its industry. Within the Physician and Leadership Solutions segment, the Locum Tenens Solutions business started the year strong, only to be disrupted by the coronavirus pandemic and resulting cancellations. This business saw a revenue decline of 2% in the first quarter of 2020. Further, economic stagnation due to the pandemic has hampered the stock.
- ▼ **Dependence on Third Parties:** AMN Healthcare outsources and offshores certain critical applications or business processes to external providers, including cloud-based, credentialing and data processing services. Hence, the failure or inability to perform by one or more of these critical suppliers could cause significant disruptions and raise costs for the company.
- ▼ **Competition:** AMN Healthcare faces significant competition in the Medical Services industry. Notably, a large number of providers of healthcare recruiting and internet-based learning and research solutions for training pose stiff competition for the company which might weigh significantly on its margins.

A soft Locum Tenens business and dependence on third parties are discouraging.

Risks

- **Projections Bright:** For the second quarter of 2020, AMN Healthcare expects revenues in the range of \$550-\$570 million. Operating margin is expected above 6%, while adjusted EBITDA margin is likely to cross 12%.

Second quarter revenue for the company's Travel Nurse business is projected to grow from prior-year figure by around 25%. Overall, management expects the Nurse and Allied Solutions segment revenues to grow in the second quarter from prior-year figure by 7% to 10%.

For its Physician and Leadership Solutions and Technology and Workforce Solutions segments, April revenue for most service lines was below year-ago levels by about 10-30%. However, revenue has stabilized, and management expects demand to grow for these businesses as elective procedures resume and overall healthcare utilization improves.

- **Healthcare Managed Services Program ("MSP"):** AMN Healthcare's unique Healthcare Managed Services Program ("MSP") is helping the company gain market traction. Notably, the program helps streamline the entire workforce planning process which facilitates the delivery of improved patient care. This has resulted in a large network of improved patient care and improved efficiency.

It is encouraging to note that by 2019, AMN Healthcare had won new MSPs and expanded several existing MSP relationships amounting above \$150 million. This apart, the company's pipeline looks promising with eight new clients in contracting, which will add another \$160 million of gross spend to the company's portfolio.

Since mid-March, the company has deployed more than 10,000 health care professionals through AMN brands, its MSP and VMS affiliate partners and marketplace technology solutions. Within the Nurse and Allied segment, the company's first-quarter revenue mix in its MSP business was 70% while the same for second quarter has been projected to be around 75%.

- **Acquisitions:** AMN Healthcare has lately been gaining from a string of acquisitions.

In recent times, the company acquired Silversheet, an emerging, cloud-based provider of credentialing and privileging software and services. The buyout is expected to enhance AMN Healthcare's workforce solutions offerings apart from helping clinicians engage with an easy-to-use, digital method of storing and tracking their medical credentials.

In recent past, the company announced the acquisitions of MedPartners, a leading national mid-revenue cycle firm, and two related brands in healthcare leadership solutions — Phillips DiPisa and Leaders For Today. It is encouraging to note that the MedPartners buyout has proven accretive to AMN Healthcare's Workforce Solutions unit in the fourth quarter.

Recently, AMN Healthcare inked a deal to acquire Advanced Medical Personnel Services, Inc. for a purchase price of \$200 million, with up to an additional \$20 million to be paid on the basis of the Advanced Medical's 2019 financial performance. The buyout will not only bolster the company's inorganic portfolio but also enhance offerings in some of the fastest growing and important care settings.

In the first quarter, Technology and Workforce Solutions segment revenues registered 84% year over year growth, primarily attributable to the company's recent acquisitions of b4health and Stratus Video. The company's newly-acquired language interpretation business, Stratus Video, accounted for \$14 million of revenues in the quarter.

In April 2020, the company inked a partnership with Randstad US to deliver the first comprehensive suite of workforce solutions for the healthcare community. These solutions address needs like direct patient care, allied services, and professional and technical support. The partnership is expected to boost AMN Healthcare's Other Workforce Solutions segment.

- **Staffing Service Strength:** AMN Healthcare's staffing services have been instrumental in driving its top line. The Nurse and Allied Solutions and Other Workforce Solutions units offers services like travel nurse staffing, allied staffing, rapid response nurse staffing and others.

In the first quarter of 2020, the Nurse and Allied Solutions segment's revenues grew 14% year over year. This was driven by 12% year-over-year growth in the Travel Nurse division revenues and a 41% rise in the Allied division.

- **Broad Array of Services:** AMN Healthcare's business has gradually evolved beyond traditional healthcare staffing.

Notably, the company has become a strategic workforce solutions partner with its clients. The company's service portfolio includes vendor management systems, MSP, predictive labor analytics, workforce optimization technology and consulting, clinical labor scheduling, recruitment process outsourcing, mid-revenue cycle management and credentialing software services.

In the first quarter, the company accelerated the launch of AMN Passport, its mobile app for healthcare experts. AMN Passport aids clinicians to access jobs, submit credentials and improve healthcare professionals' experience, all through an easy-to-use AMN branded app.

The company also launched AMN Cares, a telehealth platform that aids care teams to interface with employees or patients at home. The company also expanded its scalable VMS solution, enabling a wide array of health care facilities to quickly staff and manage their entire range of contingent talent.

Notably, the company's MSP business has continued to add clients.

- **Surge in Demand for Healthcare Professionals:** The healthcare sector is currently the largest employer in the United States. Additionally, the U.S. population continues to age, and medical technology advances are contributing to longer life expectancy. This has continuously enhanced the need to supply healthcare professionals in the nation.

Reflective of these, AMN Healthcare has been able to attract recruitment of healthcare professionals, which is critical to the company's success. The company recruits healthcare professionals, depending on the particular service line, under the following brands: American Mobile, Nursefinders, NurseChoice, NursesRx, HealthSource Global Staffing, Med Travelers, Club Staffing and others.

- **Balance Sheet View:** The company exited the first quarter of 2020 with cash and cash equivalents amounting to \$98 million, up from \$83 million sequentially. Meanwhile, the company's long-term debt came up to \$1.17 billion in the first quarter of 2020, noticeably up from \$708 million sequentially. The long-term debt level is significantly higher than the quarter's cash and cash equivalent level. However, we can see that the current debt level of \$21 million in the quarter, up from \$14 million sequentially, is in fact much lower than the short-term cash level. This is good news in terms of the company's solvency level as, at least during the year of economic downturn, the company has sufficient cash for debt repayment.
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Last Earnings Report

AMN Healthcare Q1 Earnings In Line With Estimates

AMN Healthcare Services Inc. reported first-quarter 2020 adjusted earnings per share of 79 cents, in line with the Zacks Consensus Estimate. The bottom line increased 5.3% year over year.

Revenues of \$602.5 million surpassed the Zacks Consensus Estimate by 0.1%. On a year-over-year basis, revenues increased 13.2%.

Segment Details

In the first quarter of 2020, the Nurse and Allied Solutions segment's revenues totaled \$424.3 million, up 14% year over year and 3% on an organic basis. This was driven by 12% year-over-year growth in the Travel Nurse division revenues and a 41% rise in the Allied division.

The Physician and Leadership Solutions segment's revenues totaled \$137.8million, up 0.6% year over year.

Technology and Workforce Solutions segment revenues came in at \$40.3 million, up 84% year over year and 13% on an organic basis, primarily attributable to the company's recent acquisitions of b4health and Stratus Video.

Margin

In the first quarter, gross profit totaled \$202.1 million, up 14.3% year over year. As a percentage of revenues, gross margin was 33.5%, expanding 34 basis points (bps).

Adjusted operating profit in the quarter was \$55.8 million, down 1.6%. As a percentage of revenues, adjusted operating margin was 9.3%, down 139 bps.

Guidance

For the second quarter of 2020, AMN Healthcare expects revenues in the range of \$550-\$570million.

Operating margin is expected above 6%, while adjusted EBITDA margin is expected to cross 12%.

Quarter Ending 03/2020

Report Date	May 11, 2020
Sales Surprise	0.13%
EPS Surprise	0.00%
Quarterly EPS	0.79
Annual EPS (TTM)	3.22

Recent News

On **Apr 26**, AMN Healthcare inked a partnership with Randstad US to deliver the first comprehensive suite of workforce solutions for healthcare

Valuation

AMN Healthcare's shares are down 21% and down 5.8% in the year-to-date period and trailing 12-month periods, respectively. Stocks in the Zacks sub-industry and Zacks Medical Market are down 4.6% and 0.9% in the year-to-date period, respectively. Over the past year, stocks in the Zacks sub-industry and sector are down 18.3% and up 2.1%, respectively.

The S&P 500 index is down 1.1% in the year-to-date period while up 10.4% in the past year.

The stock is currently trading at 17.9X Forward 12-months earnings, which compares to 36.7X for the Zacks sub-industry, 23.1X for the Zacks sector and 23.1X for the S&P 500 index.

Over the past five years, the stock has traded as high as 26.7X and as low as 10.8X, with a 5-year median of 16.7X.

Our Underperform recommendation indicates that the stock will perform below the market. Our \$42 price target reflects 15.2X forward 12-months earnings.

The table below shows summary valuation data for AMN.

Valuation Multiples - AMN					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	17.91	36.69	23.13	23.08
	5-Year High	26.66	36.69	23.13	23.08
	5-Year Low	10.78	21.25	15.92	15.23
	5-Year Median	16.67	26.66	18.95	17.49
P/S F12M	Current	1.02	3.19	2.80	3.59
	5-Year High	1.54	3.19	3.75	3.59
	5-Year Low	0.62	1.98	2.21	2.53
	5-Year Median	1.06	2.51	2.92	3.02
P/CF	Current	9.77	22.32	14.52	16.27
	5-Year High	42.28	23.67	19.11	22.72
	5-Year Low	7.45	8.29	11.05	11.69
	5-Year Median	15.94	17.65	14.91	16.36

As of 06/05/2020

Industry Analysis Zacks Industry Rank: Top 34% (86 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Booz Allen Hamilton Holding Corporation (BAH)	Neutral	3
FTI Consulting, Inc. (FCN)	Neutral	4
HealthEquity, Inc. (HQY)	Neutral	3
Healthcare Trust of America, Inc. (HTA)	Neutral	3
ICF International, Inc. (ICFI)	Neutral	4
Insperty, Inc. (NSP)	Neutral	4
PRA Health Sciences, Inc. (PRAH)	Neutral	4
Teladoc Health, Inc. (TDOC)	Neutral	3

Industry Comparison Industry: Medical Services				Industry Peers		
	AMN	X Industry	S&P 500	FCN	HTA	NSP
Zacks Recommendation (Long Term)	Underperform	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	5	-	-	4	3	4
VGM Score	B	-	-	D	B	A
Market Cap	2.31 B	221.60 M	23.09 B	4.22 B	6.01 B	2.43 B
# of Analysts	4	3	14	2	6	4
Dividend Yield	0.00%	0.00%	1.82%	0.00%	4.58%	2.55%
Value Score	B	-	-	D	D	B
Cash/Price	0.05	0.09	0.06	0.05	0.00	0.24
EV/EBITDA	14.40	-0.31	13.17	12.56	21.98	10.33
PEG Ratio	1.51	2.61	3.13	NA	NA	1.18
Price/Book (P/B)	3.08	4.47	3.15	2.88	1.77	NA
Price/Cash Flow (P/CF)	10.98	16.35	12.43	15.81	17.88	14.00
P/E (F1)	18.86	27.16	22.80	20.55	16.65	17.73
Price/Sales (P/S)	1.01	3.06	2.52	1.75	8.49	0.55
Earnings Yield	5.30%	2.61%	4.19%	4.87%	5.99%	5.64%
Debt/Equity	1.56	0.10	0.76	0.33	0.87	-111.60
Cash Flow (\$/share)	4.49	-0.01	7.01	7.20	1.54	4.48
Growth Score	B	-	-	F	A	B
Hist. EPS Growth (3-5 yrs)	20.45%	23.34%	10.87%	33.55%	1.74%	40.36%
Proj. EPS Growth (F1/F0)	-17.92%	1.18%	-10.79%	-4.48%	0.81%	-14.70%
Curr. Cash Flow Growth	4.09%	4.25%	5.48%	36.49%	-31.25%	9.10%
Hist. Cash Flow Growth (3-5 yrs)	31.76%	14.98%	8.55%	18.21%	12.80%	27.33%
Current Ratio	1.61	1.55	1.29	2.36	0.00	1.21
Debt/Capital	61.01%	25.29%	44.75%	25.08%	46.50%	98.51%
Net Margin	4.05%	-1.72%	10.59%	8.76%	4.88%	3.12%
Return on Equity	21.35%	-10.60%	16.26%	14.89%	1.71%	310.00%
Sales/Assets	1.13	0.65	0.55	0.90	0.11	3.18
Proj. Sales Growth (F1/F0)	0.03%	0.00%	-2.61%	2.06%	7.98%	-3.87%
Momentum Score	F	-	-	A	A	B
Daily Price Chg	9.01%	0.00%	2.89%	-5.45%	1.77%	9.66%
1 Week Price Chg	0.91%	0.00%	4.60%	4.38%	-0.68%	4.54%
4 Week Price Chg	16.25%	4.26%	15.60%	-7.67%	11.10%	18.11%
12 Week Price Chg	-24.93%	23.25%	29.34%	3.12%	-1.64%	24.85%
52 Week Price Chg	-3.41%	-15.48%	2.76%	32.32%	-4.77%	-47.09%
20 Day Average Volume	844,854	179,407	2,537,324	400,598	2,102,435	411,095
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	-21.39%	0.00%	-0.08%	0.00%	-1.00%	0.00%
(F1) EPS Est 12 week change	-24.95%	-24.95%	-16.19%	-3.82%	-3.31%	-19.79%
(Q1) EPS Est Mthly Chg	-24.78%	-0.13%	0.00%	0.00%	-4.82%	0.00%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	B
Growth Score	B
Momentum Score	F
VGM Score	B

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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