

AMN Healthcare (AMN)

\$66.35 (As of 01/16/20)

Price Target (6-12 Months): **\$70.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 08/16/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: B

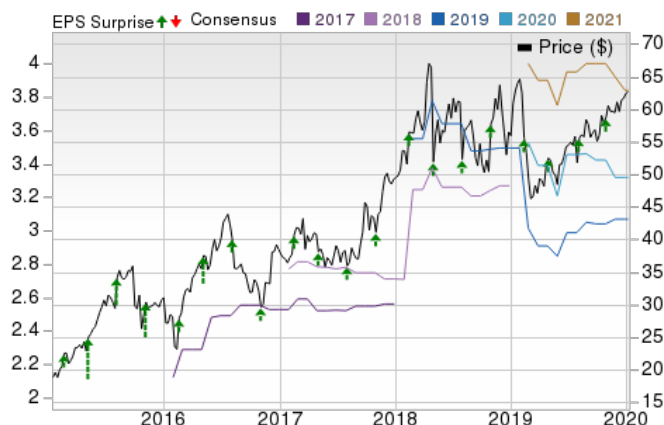
Growth: A

Momentum: B

Summary

AMN Healthcare gained from its core Nurse and Allied Solutions and Other Workforce Solutions units in the last reported quarter. Management is upbeat about the latest Advanced Medical buyout, which is expected to expand the company's travel as well as school therapy and travel nurse staffing capabilities. Expansion in gross margin is also encouraging. The stock has outperformed the industry in a year's time. However, the company's Locum Tenens Solutions has been witnessing lackluster performance for a couple of quarters now. In the third quarter of 2019, the company's bottom line declined on a year-over-year basis primarily due to lower contribution from the Locum Tenens unit. Contraction in operating margin adds to the woes.

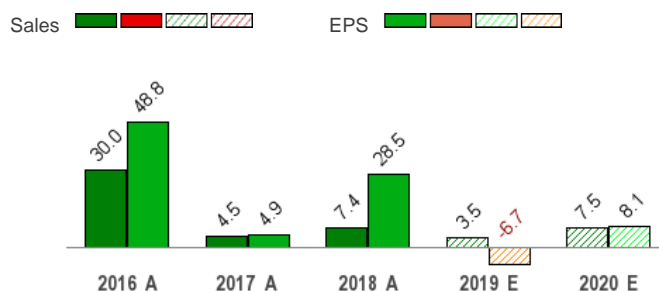
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$67.07 - \$45.04
20 Day Average Volume (sh)	234,706
Market Cap	\$3.1 B
YTD Price Change	6.5%
Beta	0.82
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Medical Services
Zacks Industry Rank	Top 20% (52 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	11.0%
Last Sales Surprise	0.8%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	02/13/2020
Earnings ESP	0.0%
P/E TTM	21.1
P/E F1	20.0
PEG F1	1.6
P/S TTM	1.4

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020	586 E	587 E	598 E	605 E	2,376 E
2019	532 A	535 A	568 A	576 E	2,211 E
2018	522 A	558 A	527 A	529 A	2,136 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	\$0.78 E	\$0.81 E	\$0.85 E	\$0.89 E	\$3.32 E
2019	\$0.75 A	\$0.77 A	\$0.81 A	\$0.74 E	\$3.07 E
2018	\$0.81 A	\$0.83 A	\$0.84 A	\$0.81 A	\$3.29 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 01/16/2020. The reports text is as of 01/17/2020.

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**.

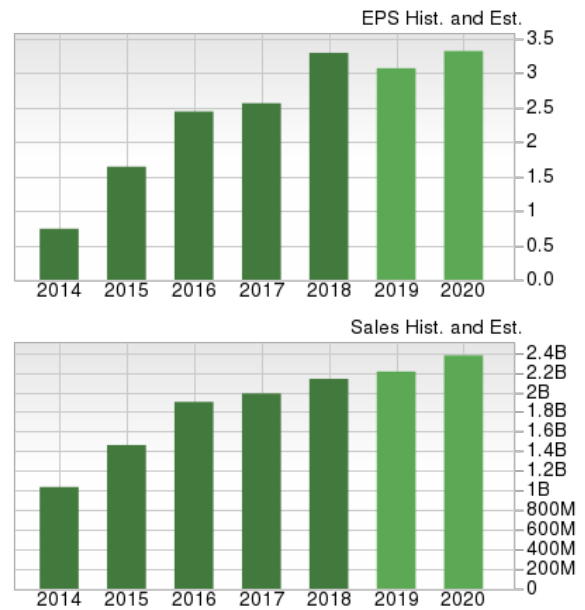
Nurse and Allied Solutions provides services for acute-care facility, permanent staff nurses for medical practice and experienced home care nurse staffing, interim nurse leaders.

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.

2018 at a Glance

On a full-year basis, AMN Healthcare's revenues totaled \$2.14 billion, up 7.4% from 2017.

- Nurse and Allied Solutions' 2018 revenues totaled \$1.31 billion (61.2% of net sales)
- Locum Tenens Solutions' revenues were \$393.4 million (18.4%)
- Other Workforce Solutions' revenues grossed \$436.2 million (20.4%).



Reasons To Buy:

- ▲ **Shares Up:** Over the past year, shares of AMN Healthcare have gained 5.7% against the industry's decline of 10.3%.

A series of profitable acquisitions and an impressive third-quarter performance aid the stock. A bright projection for the fourth quarter buoys optimism.

A unique Managed Services Program, strong array of staffing services and lucrative acquisitions aid the stock.

- ▲ **Projections Bright:** For the fourth quarter of 2019, AMN Healthcare expects revenues within \$573-\$579 million. The Zacks Consensus Estimate of \$585.7 million lies above the projected range.

Notably, Nurse and Allied segment revenues are expected to rise between 11% and 13% while revenues at the Other Workforce Solutions segment are expected to climb 4-5% year over year.

Gross margin is expected at 33.5%, while operating margin is estimated at 8.2%.

Adjusted EBITDA is projected at 12%.

- ▲ **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 so far in 2019, AMN Healthcare 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. In the fourth quarter of 2018, Tenet Healthcare selected AMN Healthcare as the MSP provider in regions like California and Arizona.

- ▲ **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.

- ▲ **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 third quarter of 2019, Nurse and Allied Solutions revenues totaled \$362.5 million, up 18.4% year over year. Other Workforce Solutions revenues came in at \$120.9 million, up 1.2% year over year. Notably, the Leadership and Search division grew 6% year over year on segmental growth.

In fact, the company's largest business, Travel Nurse Staffing, grew 10% year over year on 4% organic growth in the third quarter.

- ▲ **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.

Notably, the company's MSP business continued to add clients in the first quarter.

- ▲ **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.

Reasons To Sell:

▼ **Locum Tenens Business Down:** In the third quarter of 2019, Locum Tenens business revenues amounted to \$84.2 million, down 16.8% from the prior-year quarter. The company continues to make efforts. Consequently, fourth-quarter 2019 Locum Tenens revenues are expected to decline 3-4% on a year-over-year basis.

▼ **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.

Last Earnings Report

AMN Healthcare Q3 Earnings Top Estimates, Projections Bright

AMN Healthcare reported third-quarter 2019 adjusted earnings per share (EPS) of 81 cents, which outpaced the Zacks Consensus Estimate of 73 cents. However, the bottom line declined 7.2% year over year.

The company reported revenues worth \$567.6 million, which surpassed the Zacks Consensus Estimate of \$563.3 million. However, on a year-over-year basis, revenues climbed 7.7%.

Segment Details

Nurse and Allied Solutions

In the third quarter of 2019, the segment's revenues totaled \$362.5 million, up 18.4% year over year.

Locum Tenens Solutions

The segment's revenues amounted to \$84.2 million, down 16.8% from the prior-year quarter.

Other Workforce Solutions

In the quarter under review, the segment's revenues came in at \$120.9 million, up 1.2% year over year.

Margin

In the third quarter, gross profit totaled \$190 million, up 8.5% year over year. As a percentage of revenues, gross margin was 33.5%, which expanded 30 basis points (bps).

Total operating expenses in the quarter were \$150.3 million, up 13.4% year over year. Operating income in the quarter was \$39.7 million, down 6.8%. As a percentage of revenues, operating margin was 7%, down 110 bps.

Guidance

For the fourth quarter of 2019, AMN Healthcare expects revenues within \$573-\$579 million.

Gross margin is expected at 33.5%, while operating margin is estimated at 8.2%.

Adjusted EBITDA is projected at 12%.

Quarter Ending **09/2019**

Report Date	Oct 31, 2019
Sales Surprise	0.76%
EPS Surprise	10.96%
Quarterly EPS	0.81
Annual EPS (TTM)	3.14

Valuation

AMN Healthcare's shares are up 20.3% and 5.7% in the past six months period and the trailing 12-month periods, respectively. Stocks in the Zacks sub-industry are up 7.4% while the Zacks Medical Market is up 7.2% in the past six months. Over the past year, the Zacks sub-industry is down 10.3% and sector is up 4.3%.

The S&P 500 index is up 10.5% in the year-to-date period and up 22.3% in the past year.

The stock is currently trading at 19.86X Forward 12-months earnings, which compares to 32.25X for the Zacks sub-industry, 21.74X for the Zacks sector and 18.97X for the S&P 500 index.

Over the past five years, the stock has traded as high as 26.66X and as low as 10.78X, with a 5-year median of 16.79X.

Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$70 price target reflects 20.96X 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	19.86	32.25	21.74	18.97
	5-Year High	26.66	44.02	21.74	19.34
	5-Year Low	10.78	25.61	15.88	15.17
	5-Year Median	16.79	30.53	18.95	17.44
P/S F12M	Current	1.3	3.14	2.87	3.53
	5-Year High	1.46	3.91	3.81	3.53
	5-Year Low	0.62	2.36	2.42	2.54
	5-Year Median	1.02	2.78	2.93	3
P/CF	Current	15.4	26.78	15.56	23.07
	5-Year High	42.28	29.02	19.36	23.07
	5-Year Low	9.75	12.09	12.43	11.78
	5-Year Median	17.54	22.48	15	16.25

As of 01/16/2020

Industry Analysis Zacks Industry Rank: Top 20% (52 out of 254)



Top Peers

HealthEquity, Inc. (HXY)	Outperform
Booz Allen Hamilton Holding Corporation (BAH)	Neutral
FTI Consulting, Inc. (FCN)	Neutral
ICF International, Inc. (ICFI)	Neutral
Insperty, Inc. (NSP)	Neutral
PRA Health Sciences, Inc. (PRAH)	Neutral
Teladoc Health, Inc. (TDOC)	Neutral
Intrexon Corporation (XON)	Neutral

Industry Comparison Industry: Medical Services				Industry Peers		
	AMN Neutral	X Industry	S&P 500	FCN Neutral	NSP Neutral	XON Neutral
VGM Score	A	-	-	A	D	F
Market Cap	3.10 B	232.25 M	24.61 B	4.38 B	3.75 B	1.01 B
# of Analysts	4	4	13	2	4	3
Dividend Yield	0.00%	0.00%	1.74%	0.00%	1.28%	0.00%
Value Score	B	-	-	C	B	F
Cash/Price	0.01	0.08	0.04	0.06	0.10	0.09
EV/EBITDA	15.44	-0.65	14.24	16.30	17.34	-2.48
PEG Ratio	1.61	1.70	2.07	NA	1.35	NA
Price/Book (P/B)	4.40	4.41	3.38	3.00	91.51	4.41
Price/Cash Flow (P/CF)	15.45	16.12	13.75	22.50	23.85	NA
P/E (F1)	20.18	21.60	19.09	20.13	20.21	NA
Price/Sales (P/S)	1.43	3.09	2.68	1.94	0.89	8.05
Earnings Yield	5.00%	3.65%	5.24%	4.97%	4.95%	-12.88%
Debt/Equity	1.00	0.06	0.72	0.30	5.84	0.97
Cash Flow (\$/share)	4.29	-0.02	6.94	5.17	3.93	-0.81
Growth Score	A	-	-	A	F	F
Hist. EPS Growth (3-5 yrs)	31.21%	26.58%	10.56%	28.64%	47.17%	NA
Proj. EPS Growth (F1/F0)	8.15%	24.83%	7.57%	-2.12%	12.28%	36.40%
Curr. Cash Flow Growth	26.76%	10.80%	14.73%	47.51%	55.89%	37.10%
Hist. Cash Flow Growth (3-5 yrs)	34.07%	16.71%	9.00%	-3.38%	23.19%	NA
Current Ratio	1.47	1.48	1.24	2.00	1.17	1.92
Debt/Capital	50.03%	33.67%	42.99%	23.32%	85.38%	49.31%
Net Margin	5.64%	-8.43%	11.14%	9.37%	3.69%	-393.13%
Return on Equity	22.47%	-20.19%	17.16%	15.79%	166.72%	-45.51%
Sales/Assets	1.26	0.73	0.55	0.89	3.27	0.19
Proj. Sales Growth (F1/F0)	7.47%	10.61%	4.16%	3.82%	9.67%	-60.04%
Momentum Score	B	-	-	C	F	A
Daily Price Chg	2.71%	1.16%	0.89%	0.47%	1.95%	-8.68%
1 Week Price Chg	0.37%	0.28%	0.39%	0.59%	3.46%	8.74%
4 Week Price Chg	9.16%	5.87%	2.65%	4.15%	8.81%	3.85%
12 Week Price Chg	14.59%	11.52%	7.55%	-0.57%	-12.27%	22.73%
52 Week Price Chg	7.43%	-2.36%	22.12%	69.57%	-5.15%	-26.16%
20 Day Average Volume	234,706	137,569	1,536,375	178,791	424,303	1,392,642
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 12 week change	-3.07%	-1.75%	-0.40%	4.14%	-17.97%	-6.71%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	0.00%	0.00%	NA

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	A
Momentum Score	B
VGM Score	A

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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