

AMN Healthcare (AMN)

\$78.54 (As of 02/14/20)

Price Target (6-12 Months): **\$83.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 08/16/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

2-Buy

Zacks Style Scores:

VGM:A

Value: B

Growth: A

Momentum: A

Summary

AMN Healthcare exited the fourth quarter on a solid note. The company gained from its core Nurse and Allied Solutions and Other Workforce Solutions units in the 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. Expansion in gross margin is also encouraging. Reflective of these, the stock has outperformed the industry over the past year. However, the company's Locum Tenens Solutions performance has been lacking luster for a couple of quarters. Contraction in operating margin adds to the woes. Stiff competition in the Medical Services industry adds to the woes.

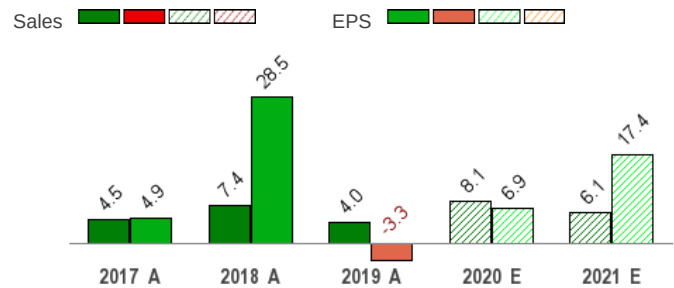
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$80.40 - \$45.04
20 Day Average Volume (sh)	270,127
Market Cap	\$3.7 B
YTD Price Change	26.1%
Beta	0.79
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Medical Services
Zacks Industry Rank	Top 45% (114 out of 255)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	14.9%
Last Sales Surprise	2.0%
EPS F1 Est- 4 week change	1.4%
Expected Report Date	NA
Earnings ESP	4.9%
P/E TTM	24.7
P/E F1	23.2
PEG F1	1.9
P/S TTM	1.7

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021					2,550 E
2020	591 E	594 E	605 E	612 E	2,403 E
2019	532 A	535 A	568 A	587 A	2,222 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.94 E	\$0.95 E	\$1.04 E	\$1.05 E	\$3.99 E
2020	\$0.82 E	\$0.84 E	\$0.86 E	\$0.88 E	\$3.40 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 02/14/2020. The reports text is as of 02/17/2020.

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**.

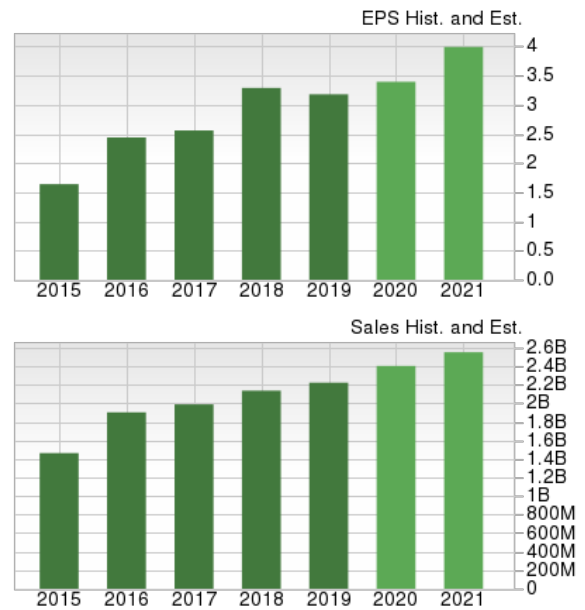
Nurse and Allied Solutions provides services for acute-care facility, permanent staff nurses for medical practice and experienced home care nurse staffing, interim nurse leaders.

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.

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 Buy:

- ▲ **Shares Up:** Over the past year, shares of AMN Healthcare have gained 41.4% against the industry's decline of 8.2%. Meanwhile, the S&P 500 index rallied 21%.

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

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

- ▲ **Projections Bright:** For the first quarter of 2020, AMN Healthcare expects revenues in the range of \$598-\$605 million. This also includes \$15-million revenues from the Stratus Video acquisition.

For the first quarter, Nurse and Allied revenues are expected within 14-16% on organic growth. Meanwhile, Other Workforce Solutions are expected to grow 15-16% in the quarter.

Gross margin is expected in the range of 33.3-33.5%, while operating margin is projected between 6.8% and 7%.

- ▲ **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.

- ▲ **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 fourth quarter of 2019, Nurse and Allied Solutions revenues totaled \$388.8 million, up 18.1% year over year. Other Workforce Solutions revenues came in at \$120.2 million, up 2.3% year over year.

- ▲ **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 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.

Reasons To Sell:

▼ **Locum Tenens Business Down:** In the fourth quarter of 2019, Locum Tenens business revenues amounted to \$77.9 million, down 4.8% from the prior-year quarter. The company continues to make efforts. Consequently, first-quarter 2020 Locum Tenens revenues are expected to remain flat on a year-over-year basis.

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

▼ **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.

Last Earnings Report

AMN Healthcare Q4 Earnings and Revenues Beat Estimates

AMN Healthcare reported fourth-quarter 2019 adjusted EPS of 85 cents, which outpaced the Zacks Consensus Estimate of 74 cents. Also, the bottom line increased 4.9% year over year.

The company reported revenues worth \$586.9 million, which surpassed the Zacks Consensus Estimate of \$575.5 million. On a year-over-year basis, revenues increased 11%.

Segment Details

Nurse and Allied Solutions

In the fourth quarter of 2019, the segment's revenues totaled \$388.8 million, up 18.1% year over year.

Locum Tenens Solutions

The segment's revenues amounted to \$77.9 million, down 4.8% from the prior-year quarter's figure.

Other Workforce Solutions

In the quarter under review, the segment's revenues came in at \$120.2 million, up 2.3% year over year.

Margin

In the third quarter, gross profit totaled \$197.1 million, up 14.3% year over year. As a percentage of revenues, gross margin was 33.6%, which expanded 100 basis points (bps).

Total operating expenses in the quarter were \$150.2 million, up 22.8% year over year. Operating income in the quarter was \$27.5 million, down 22.8%. As a percentage of revenues, operating margin was 4.7%, down 200 bps.

Guidance

For the first quarter of 2020, AMN Healthcare expects revenues in the range of \$598-\$605 million.

Gross margin is expected in the range of 33.3-33.5%, while operating margin is projected between 6.8% and 7%.

Quarter Ending **12/2019**

Report Date	Feb 13, 2020
Sales Surprise	1.98%
EPS Surprise	14.86%
Quarterly EPS	0.85
Annual EPS (TTM)	3.18

Recent News

On Jan 29, AMN Healthcare announced a definitive agreement to acquire Stratus Video for a purchase price of \$475 million.

Valuation

AMN Healthcare's shares are up 26.1% and 41.4% in the past six months period and the trailing 12-month periods, respectively. Stocks in the Zacks sub-industry are up 15.8% while the Zacks Medical Market is up 2.1% in the year-to-date period. Over the past year, the Zacks sub-industry is down 8.2% and sector is up 1.8%.

The S&P 500 index is up 4.9% in the year-to-date period and up 21% in the past year.

The stock is currently trading at 22.62 Forward 12-months earnings, which compares to 30.01X for the Zacks sub-industry, 21.38X for the Zacks sector and 19.36X 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 \$83 price target reflects 23.7X 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	22.62	30.01	21.38	19.36
	5-Year High	26.66	44.02	21.38	19.36
	5-Year Low	10.78	25.68	15.83	15.18
	5-Year Median	16.79	30.43	18.9	17.47
P/S F12M	Current	1.52	3.3	2.84	3.58
	5-Year High	1.52	3.92	3.83	3.58
	5-Year Low	0.62	2.37	2.45	2.54
	5-Year Median	1.03	2.83	2.96	3
P/CF	Current	16.62	30.08	15.74	26.88
	5-Year High	42.28	30.08	19.46	26.88
	5-Year Low	9.75	12.08	12.5	11.78
	5-Year Median	16.97	22.74	15.09	16.29

As of 02/14/2020

Industry Analysis Zacks Industry Rank: Top 45% (114 out of 255)



Top Peers

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

Industry Comparison Industry: Medical Services				Industry Peers		
	AMN Neutral	X Industry	S&P 500	FCN Neutral	HTA Neutral	NSP Neutral
VGM Score	A	-	-	A	D	A
Market Cap	3.67 B	223.49 M	24.61 B	4.76 B	6.94 B	2.89 B
# of Analysts	4	4	13	2	7	4
Dividend Yield	0.00%	0.00%	1.78%	0.00%	3.76%	1.63%
Value Score	B	-	-	C	F	B
Cash/Price	0.01	0.05	0.04	0.06	0.00	0.10
EV/EBITDA	17.77	-0.55	14.06	17.65	16.26	13.40
PEG Ratio	1.85	1.85	2.09	NA	7.53	1.25
Price/Book (P/B)	5.20	5.15	3.29	3.26	2.16	709.69
Price/Cash Flow (P/CF)	18.29	16.24	13.65	24.45	14.19	16.35
P/E (F1)	23.17	23.10	19.21	21.87	19.58	18.72
Price/Sales (P/S)	1.65	2.86	2.70	2.11	10.03	0.67
Earnings Yield	4.32%	3.66%	5.19%	4.57%	5.10%	5.35%
Debt/Equity	1.00	0.06	0.71	0.30	0.83	66.05
Cash Flow (\$/share)	4.29	-0.02	6.92	5.17	2.36	4.50
Growth Score	A	-	-	A	D	A
Hist. EPS Growth (3-5 yrs)	31.21%	26.58%	10.85%	28.64%	2.36%	47.17%
Proj. EPS Growth (F1/F0)	6.76%	26.09%	7.17%	-2.12%	4.35%	-5.36%
Curr. Cash Flow Growth	26.76%	4.25%	8.56%	47.51%	60.06%	9.40%
Hist. Cash Flow Growth (3-5 yrs)	34.07%	16.71%	8.36%	-3.38%	27.58%	23.19%
Current Ratio	1.47	1.46	1.23	2.00	1.46	1.12
Debt/Capital	50.03%	33.67%	42.91%	23.32%	45.33%	98.51%
Net Margin	5.13%	-9.85%	11.81%	9.37%	4.36%	3.50%
Return on Equity	22.36%	-18.45%	16.86%	15.79%	1.62%	202.04%
Sales/Assets	1.24	0.75	0.54	0.89	0.11	3.22
Proj. Sales Growth (F1/F0)	8.14%	11.33%	3.85%	3.82%	5.37%	6.60%
Momentum Score	A	-	-	B	B	B
Daily Price Chg	9.11%	0.00%	0.06%	1.40%	2.57%	0.66%
1 Week Price Chg	3.52%	2.54%	2.47%	1.48%	-0.12%	-0.32%
4 Week Price Chg	18.37%	-3.20%	0.59%	8.64%	7.99%	-21.61%
12 Week Price Chg	32.09%	5.40%	6.98%	16.83%	13.94%	-0.26%
52 Week Price Chg	20.83%	-8.33%	16.62%	78.29%	18.66%	-41.24%
20 Day Average Volume	270,127	155,269	2,020,569	168,537	997,350	570,759
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	-16.08%
(F1) EPS Est 4 week change	1.36%	0.00%	-0.05%	0.00%	-0.08%	-16.08%
(F1) EPS Est 12 week change	1.36%	0.05%	-0.17%	0.00%	0.75%	-16.08%
(Q1) EPS Est Mthly Chg	3.22%	0.00%	-0.24%	0.00%	-0.47%	-1.30%

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	A
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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