

Company: Select Medical Holdings	Ticker: SEM	Current Price: \$22.41	Industry: Healthcare	Sub Industry: Healthcare Facilities
Target Price: \$28.60 Stop Loss: \$17.92 52 Week High/ Low: \$43.6/\$21.48	TTM P/E: 8.65 Forward P/E: 9.84 EPS: 2.57		Beta: 1.82 Credit Rating: B1 Rating Outlook: Stable	Market Cap: 2988.1M Avg Vol (12 M): 0.662M Dividend Yield: 2.24%

Company Background:

Select Medical is Leading provider of post-acute services with operations in 47 states and D.C. They have 4 major Business Segments: Critical Illness Recovery, Rehabilitation, Outpatient Rehabilitation and Concentra. Their core business strategies focus on joint ventures with large healthcare systems, expanding rehab programs and services, and increasing focus on occupational health.

Industry Outlook:

The industry has many drivers and shows a vast amount of growth potential. Firstly, this is a more labor intensive field. Additionally, this is a field that relies on those with health insurance and anyone over the age of 65. Currently, the aging population is the largest population, which can only allow for growth in this sector. Growth wise, this is a \$280.5 billion industry, valuation in 2020, and is expected to have a CAGR of 13.5% over the next 5 years

Investment Thesis:

SEM is and will remain to be one of the leaders in their industry. The company is currently undervalued and at a buy due to their vast amount of value drivers. The company has a diverse facility & treatment portfolio, they are leveraging mergers and acquisitions into economies of scale, innovating their rehabilitation techniques and are specialized in the industry with growth potential. All of these advancements towards technology and M&A will create large growth for the future of the company.

Investment Risks:

- The pandemic creates uncertainties about future operating results and financial conditions
- Decrease in workplace injuries due to work from home can cause Concentra;s results to be negatively effected
- Shortages of healthcare professionals oe union activity could negatively affect operations of the company

3-5 take away from last quarter investor call transcript:

- The company is working largely on staffing issues that are resulting from the pandemic, i.e. vaccine mandates, nurse shortages
- Concentra has been operating incredibly strong and they are working harder to see greater numbers. Also working on more M&A
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Financial Performance:

in millions	2017	2018	2019	2020	Q1-2021	Q2-2021	Q3-2021
Revenue	4365.2	5081.3	5453.9	5531.7	1546.5	1564	1534.2
Operating Profit	358.7	420.2	480.7	567.7	202	186	148
Net Income	126.6	141.0	168.2	245.2	106.8	81.9	72.6
Revenue Growth %	1.8%	16.4%	7.3%	1.4%	9.3%	26.9%	7.8%
EBITDA%	11.9%	12.2%	17.6%	19.0%	20.8%	19.6%	17.6%
Operating Profit %	8.21%	8.27%	8.81%	10.26%	13.1%	11.89%	9.64%
Net Income Margin	2.9%	2.8%	3.1%	4.4%	6.9%	5.2%	4.7%
D/E	173.47	195.58	236.72	272.4	251.67	229.11	228.0
EPS	.98	1.08	1.29	1.89	.82	.63	.56
PE Ratio	17.98	14.23	18.10	14.64div	17.70	16.87	14.05
Current Ratio	1.52	1.41	1.33	1.11	1.19	1.33	1.34
ROE	20.92%	16.39%	18.23%	27.31%	20.87%	37.28%	38.02%
ROA	3.53%	2.49%	2.23%	3.45%	4.21%	5.57%	5.52%
Dividend Per share	0	0	0	0	.125	.125	.125
FCF	4.9	326.9	288.1	881.6	200.2	86.4	50

Discounted Cash Flow

	2016-2020	2021-2025
Avg Revenue growth	8.24%	4.9%
Avg Gross Margin	14.96%	14.94%
Avg EBIT Margin	9.12%	8.94%
Avg NOPLAT Margin	7.16%	5.6%
Avg FCF / Margin	3.08%	6.16%
Tax Rate		21%
Hurdle Rate		9.0%
Perpetuity growth rate		3.0%

Analyst Opinion

Buy: 4	Hold: 1	Sell: 0
	Rating	Target
S&P Net Advantage	Buy	N/A
Bloomberg	Buy	41.60
Value Line	N/A	N/A

Relative Valuation

Total Return

	SEM	UHS	HCA	USPH	*Peer Group Average
P/E	8.65	10.57	13.51	28.11	15.21
P/B	2.62	1.67	N/A	4.24	2.84
Dividend Yield	2.24%	0.61%	0.95%	1.59%	1.35%
PEG Ratio	0.48	-4.64	4.68	17.77	4.57
EPS	1.89	7.21	17.49	2.95	7.39
Revn Grth	1.4%	1.6%	14%	-12.2%	1.20%
NI Grth	45.78%	-30.84%	44.14%	5.88%	16.24%
Operating Margin	10.26%	8.16%	16.48%	30.93%	16.46%
Debt / Equity	272.4	65.4	2440.1	27.0	701.2
Market Cap	2998.1M	10486M	73522.7M	1232.5M	22060M
Revenue TTM	6105.2	12453.8	58752	482.7	19448
Net Income TTM	336.2	1061.2	5750	43.8	1798
FCF TTM	503.2	-147	5382	77.7	1454

*Includes Companies Listed

	SEM	Healthcare	S&P 500
YTD	-23.6%	-6.14%	-5.60%
LTM	-18.68%	14.32%	14.87%
Last 3 Years	46.89%	48.25%	66.09%
Last 5 Years	75.23%	86.16%	94.85%

CSR Characteristics

	SEM	Peers
Governance Disclosure Score	16.12	20.25
ESG Disclosure:	1.55	6.01
Social Disclosure Score	14.04	19.74
Environmental Disclosure Score	51.79	53.58

Prepared by Alexis Davitashvili and Nick Kinsella using Bloomberg, Value Line, S&P Net Advantage, Morning Star, Yahoo Finance