



# Investor Presentation

August 2021

Improving health and  
well-being at home



# Forward-Looking Statements

Certain matters discussed in this presentation constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may be identified by words such as “preliminary,” “continue,” “expect,” and similar expressions. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effect on us. Forward-looking statements involve a number of risks and uncertainties that may cause actual results to differ materially from those expressed or implied by such forward-looking statements, including discretionary determinations by government officials, the consummation and integration of acquisitions, anticipated transition to managed care providers, our ability to successfully execute our growth strategy, unexpected increases in SG&A and other expenses, expected benefits and unexpected costs of acquisitions and dispositions, management plans related to dispositions, the possibility that expected benefits may not materialize as expected, the failure of the business to perform as expected, changes in reimbursement, changes in government regulations, changes in Addus HomeCare’s relationships with referral sources, increased competition for Addus HomeCare’s services, changes in the interpretation of government regulations, the uncertainty regarding the outcome of discussions with managed care organizations, changes in tax rates, the impact of adverse weather, higher than anticipated costs, lower than anticipated cost savings, estimation inaccuracies in future revenues, margins, earnings and growth, whether any anticipated receipt of payments will materialize, any future impact to our business operations, reimbursements and patient population due to the recent COVID-19 global pandemic, and other risks set forth in the Risk Factors section in Addus HomeCare’s Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on March 1, 2021, and other filings with the SEC, which are available at [www.sec.gov](http://www.sec.gov). The financial information described herein and the periods to which they relate are preliminary estimates that are subject to change and finalization. There is no assurance that the final amounts and adjustments will not differ materially from the amounts described above, or that additional adjustments will not be identified, the impact of which may be material.

Addus HomeCare undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In addition, these forward-looking statements necessarily depend upon assumptions, estimates and dates that may be incorrect or imprecise and involve known and unknown risks, uncertainties and other factors. Accordingly, any forward-looking statements included in this presentation do not purport to be predictions of future events or circumstances and may not be realized.



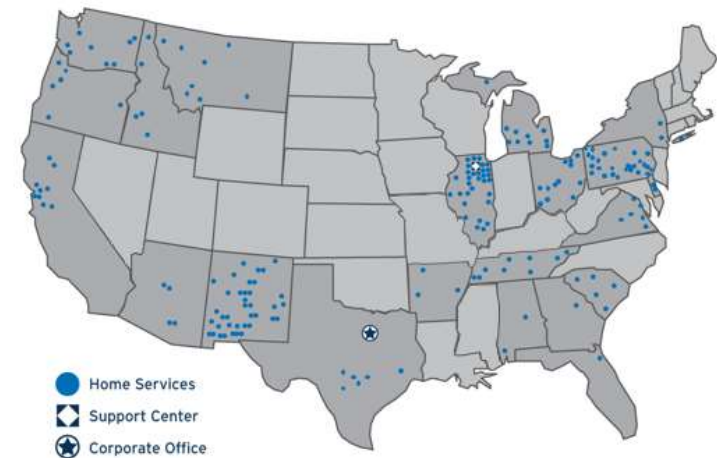
## Company Overview

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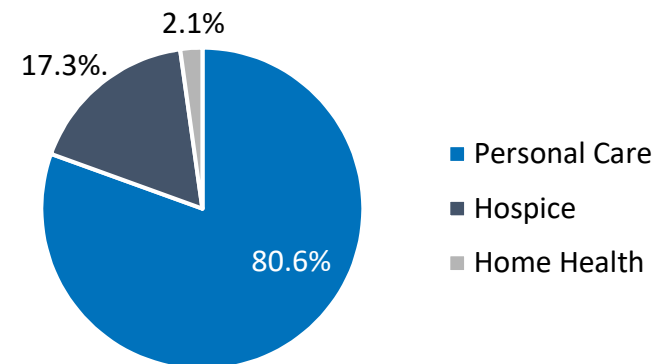
# Addus Snapshot

- A home care services provider primarily focused on personal care and hospice services
- Operates 210 locations in 22 states with over 30,000 employees
- Entry into hospice and home health complementary to personal care segment
- Serves approximately 44,000 consumers - typically elderly, chronically ill or disabled and at risk of hospitalization or institutionalization
- Provides primarily personal care (non-medical services) on a long-term continual basis, with an average duration of approximately 26 months per consumer
  - Without this care, consumers typically progress to nursing homes at more than 3x the cost
- Annualized revenues and adjusted EBITDA of \$846.4 million and \$90.1 million, respectively, (based on YTD 2021 results)
- Stated goal of revenue growth of at least 10% annually

## Geographic Footprint

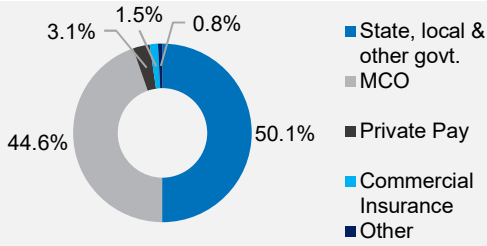
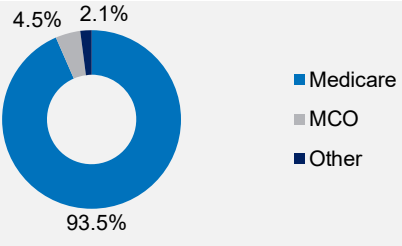
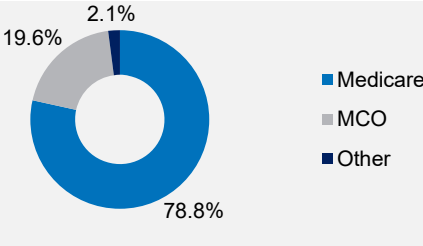


## YTD 2021 Revenue

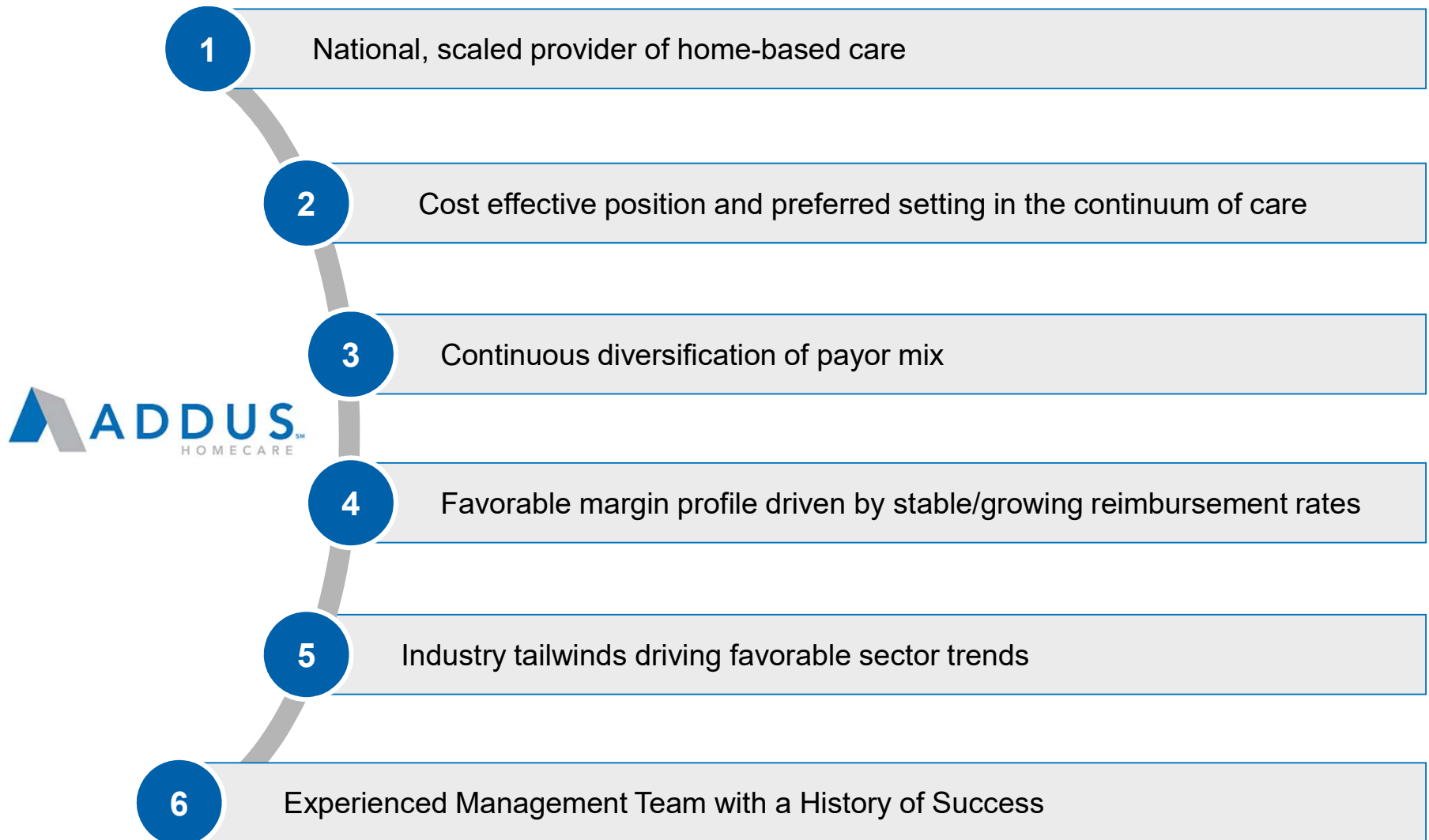


**Company Mission: Providing cost effective care and assistance that gives people the freedom to remain in their homes**

# Segment Overview

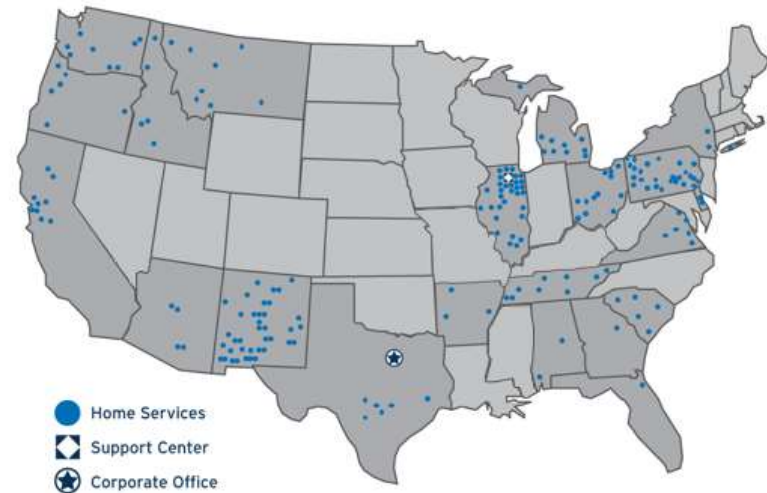
	Personal Care	Hospice	Home Health
<b>Description</b>	<ul style="list-style-type: none"> <li>Non-skilled attendant care for daily activities</li> </ul>	<ul style="list-style-type: none"> <li>End-of-life care for patients</li> </ul>	<ul style="list-style-type: none"> <li>Skilled nursing or rehabilitative services provided to homebound patients</li> </ul>
<b>Key Services</b>	<ul style="list-style-type: none"> <li>Personal hygiene</li> <li>Dressing</li> <li>Meal preparation</li> <li>Housekeeping</li> <li>Transportation services</li> </ul>	<ul style="list-style-type: none"> <li>Palliative nursing care</li> <li>Social work</li> <li>Spiritual counseling</li> <li>Homemaker services</li> <li>Bereavement counseling</li> </ul>	<ul style="list-style-type: none"> <li>Skilled nursing care</li> <li>Physical therapy</li> <li>Occupational therapy</li> <li>Speech therapy</li> </ul>
<b>Reimbursement</b>	Per-hour basis	Per-diem basis	Paid on 60-day episode driven by diagnosis and paid on 30-day intervals
<b>Payor Mix by Net Revenues <sup>(1)</sup></b>	 <p>             ■ State, local &amp; other govt.              ■ MCO              ■ Private Pay              ■ Commercial Insurance              ■ Other           </p>	 <p>             ■ Medicare              ■ MCO              ■ Other           </p>	 <p>             ■ Medicare              ■ MCO              ■ Other           </p>
<b>Annualized Net Revenues <sup>(1)</sup></b>	\$682.3 million	\$146.0 million	\$18.1 million
<b>% of Net Revenues</b>	80.6%	17.3%	2.1%

# A Leading Provider in Home-Based Care



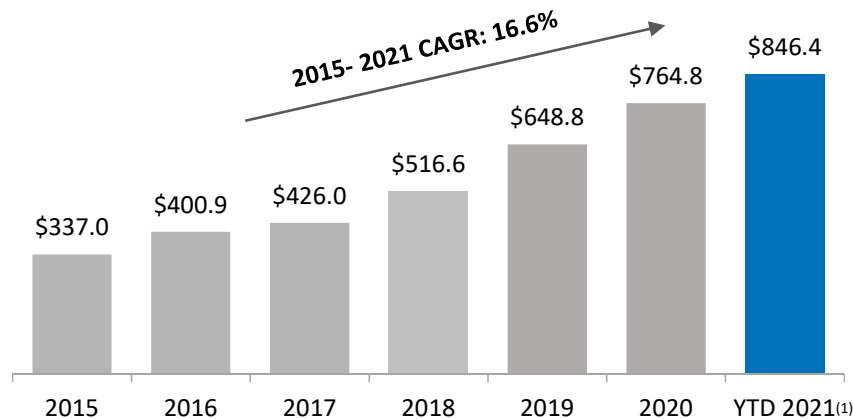
# Scaled, National Provider of Home-Based Care

- Addus is one of the fastest growing public home care companies
  - Provision of care in the home is preferred by consumers and reduces admissions to more costly settings, such as SNFs (3x cost)
- The Company currently provides services to approximately 44,000 consumers from 210 locations across 22 states
- From 2015 to 2021 Addus revenue and Adjusted EBITDA have grown at a CAGR of 16.6% and 25.8%, respectively <sup>(1)</sup>



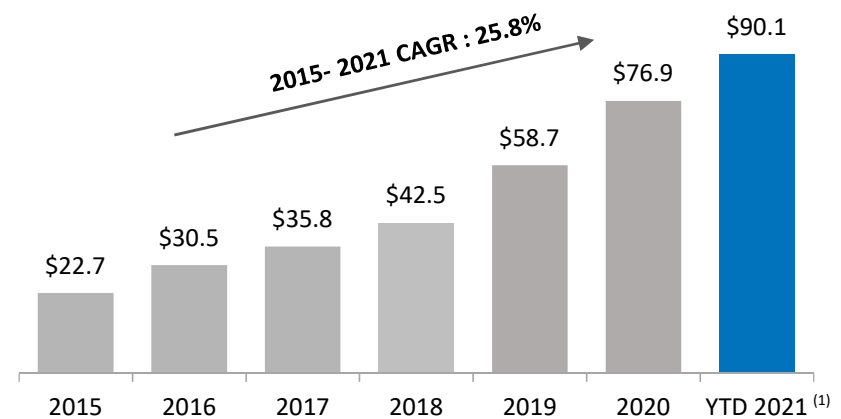
## Revenue Growth

(\$ in millions)



## Adjusted EBITDA Growth

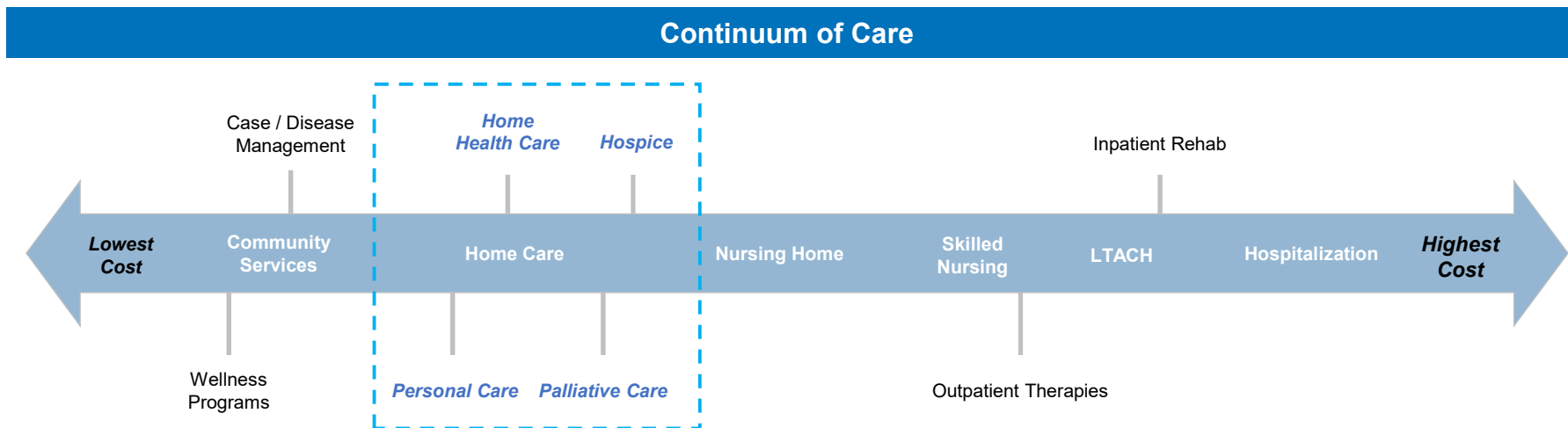
(\$ in millions)



# Cost Effective, Preferred Setting in Continuum of Care

*Addus's care model is designed to improve consumer outcomes and satisfaction in a preferred setting, as well as mitigate the need for high-cost acute care treatment.*

- The Company's overall model is valuable to MCOs that have the economic responsibility for both home and community-based services ("HCBS"), in addition to managing acute care expenditures
- Addus employees observe and report changes in conditions for the purpose of timely intervention
  - Consumer condition changes are evaluated by trained managers and referred to either medical personnel, including primary care physicians, or MCOs for treatment and follow-up
  - Caregivers use Interactive Voice Response ("IVR") and mobile applications for Electronic Visit Verification ("EVV") to report changes in health conditions to a manager for triage and evaluation
- Focus on providing both clinical and non clinical services in the home





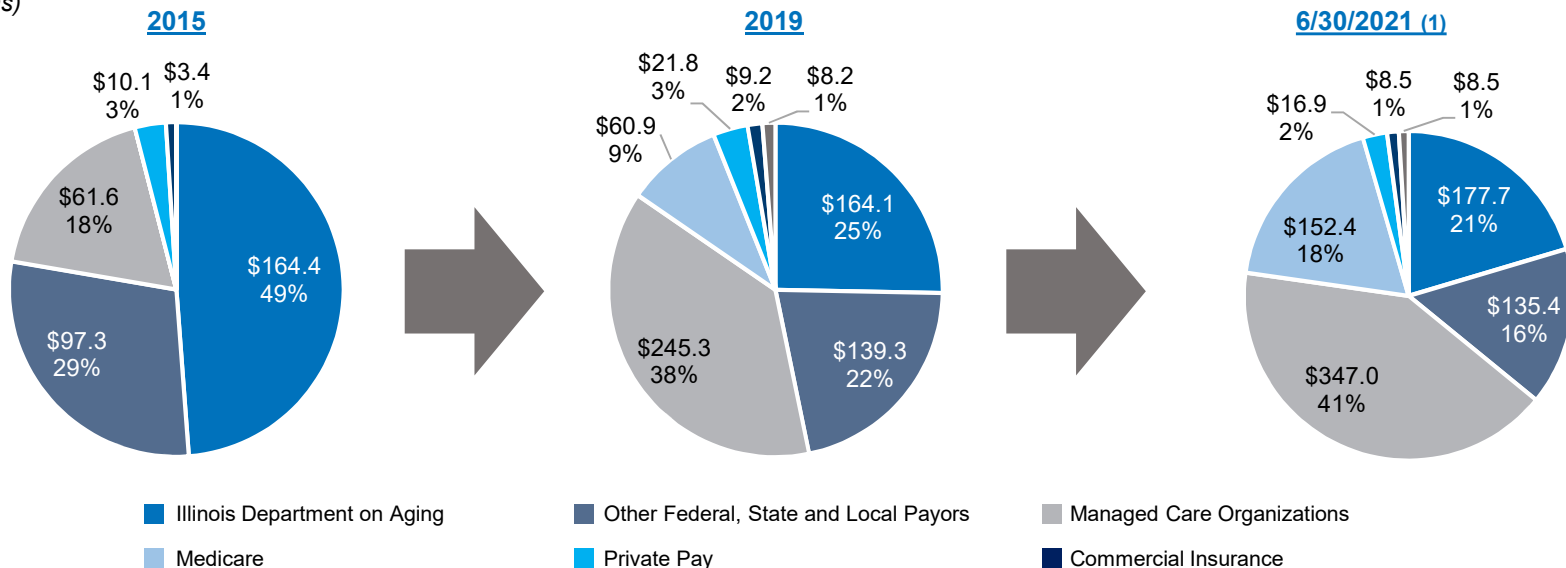
# Continuous Diversification of Payor Mix

*The Company's net service revenues are generated from five major payor categories, but are shifting to managed care plans, which may increase at a greater rate as MCOs narrow provider networks.*

- Continued payor base diversification and reduced revenue concentration with the Illinois Department on Aging
- Illinois remains an attractive market with roughly 2.6 million of the 12.7 million state population over 60 years old
- Addus is well positioned to benefit from broader growth in the shift to managed care
  - Healthcare systems and managed care will increasingly narrow networks to high quality, reliable providers of scale since MCOs have an incentive to better manage the health expenditures of their members, lower overall costs, and improve outcomes

## Continuous Diversification of Payor Base

(\$ in millions)



(1) Annualized for the YTD period ended June 30, 2021



# Well Positioned for Industry Shift to MCOs

*Expectations for providers are changing and will continue to lead to narrower networks.*

## Traditional Payors

### Industry Structure:

- Few large providers
- 18,000+ small individual providers
- Limited geographic distribution
- No outcomes requirements / reporting

### Economic Model:

- Paper driven
- Payments based on hours worked
- Wide disparity of utilization

## Managed Care Plans

### Industry Structure:

- Prefer larger and experienced providers
- Sophisticated technology and access to data
- Electronic visit verification
- Outcomes driven

### Economic Model:

- Data driven
- Value-based contracting
- Risk and gain sharing potential

# Stable Reimbursement Environment

- Personal care reimbursement rates vary by state and service type but are typically based on an hourly or fractional hour unit-of-service basis
- Hospice and home health reimbursement rates vary based on the severity of the patient's condition
  - In general, hospice rates are paid on a per diem basis, while home health is paid on a 60-day episode driven by diagnosis and paid on 30-day intervals
- States do not want to reduce the viability of HCBS since this is the lowest cost solution when compared to more expensive institutional services
  - Wage increases have been historically offset in total or in part by reimbursement rate increases
- The Company's reimbursement rates have been relatively stable
  - Occasionally incremental reimbursement rate adjustments are provided through the annual state budget process
  - This has been evidenced by stable-to-increasing gross margins and adjusted EBITDA margins

## Historical Margin Profile

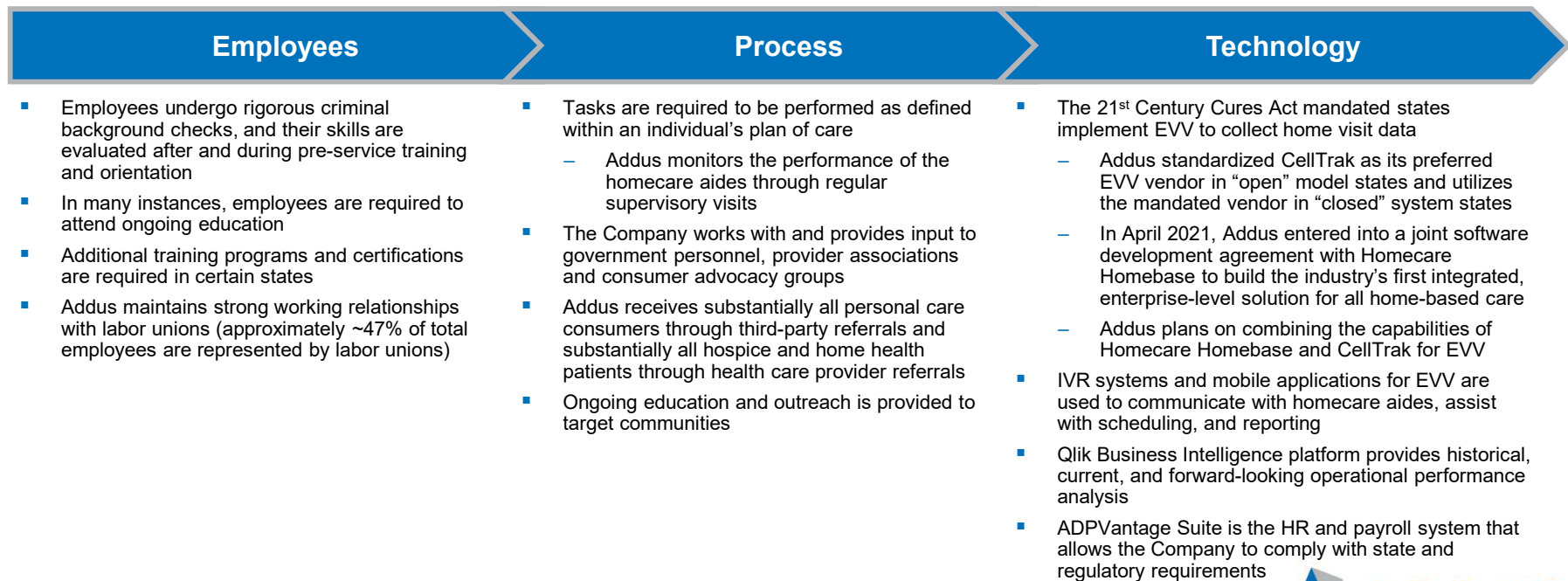
(\$ in millions)	2017	2018	2019	2020	Annualized 2021 YTD
Revenue	\$ 426.0	\$ 516.6	\$ 648.8	\$ 764.8	\$ 846.4
Gross Profit	115.9	136.6	179.2	226.3	260.0
Gross Margin	27.2%	26.4%	27.6%	29.6%	30.7%
Reported Adjusted EBITDA	\$ 35.8	\$ 42.5	\$ 58.7	\$ 76.9	\$ 90.1
Adjusted EBITDA Margin	8.4%	8.2%	9.0%	10.1%	10.7%

<sup>(1)</sup> Annualized for the YTD period ended June 30, 2021

# Regulatory, Quality, and Compliance

*Addus has a compliance-driven culture embedded at every level of the organization.*

- To participate in and qualify for reimbursement under Medicaid and Medicare programs, Addus is subject to various federal and state requirements
- Personal care, home health, and hospice services are authorized and/or licensed under various requirements
  - Personal care employees are generally not subject to licensure requirements, but certain states require training and certifications
- Addus has routine, periodic surveys and audits by various governmental agencies and other payors
- The HIPAA Administrative Simplification provisions require the use of uniform electronic data transmission to encourage electronic commerce in the U.S. healthcare industry
  - Covered entities must maintain privacy and security policies, train workforce members, maintain physical, administrative, and technical safeguards, enter into confidentiality agreements with business associates, and permit individuals to access and amend protected health information



# Recruitment and Hiring Strategy

*Addus has focused on its recruitment and hiring strategy as the U.S. employment landscape was impacted by COVID-19 and enhanced unemployment benefits.*

- Attracting and retaining labor has been a continued point of emphasis for management
  - Wages are the most significant component of Addus's total expenditures; however, the Company has a consistent track record of obtaining reimbursement increases to offset wage increases (often with margin)
  - Extension of enhanced unemployment benefits does make recruitment more challenging, but with the vaccination roll-out and certain states eliminating enhanced benefits applicant numbers have increased
- The onset of the COVID-19 pandemic raised new challenges in hiring for the healthcare industry, to which Addus proactively responded
  - The Company incentivized personal care employees to get both doses of the COVID-19 vaccine, as well as provided education materials on the vaccine's safety and efficacy
  - As of Q2 2021, fully vaccinated rates for Addus's Home Health and Hospice employees were approximately 60% and 55%, respectively
- Hiring numbers have improved with Q2 2021 hires per business day increasing 6.7% compared with Q2 2020
  - Positive hiring trends have persisted in recent months and management is encouraged in its ability to hire talent as the economy reopens, vaccination rates improve, and unemployment benefits scale back
  - Addus has employed a variety of strategies for hiring that include utilizing national job boards, frequently refreshing and updating its hiring advertisements, and local community recruitment efforts

# Highly Experienced Management Team

*In addition to the Company's executive management team, Addus has a deep and highly experienced bench of senior managers.*

								
<b>Name</b>	<b>Dirk Allison</b>	<b>Brad Bickham</b>	<b>Brian Poff</b>	<b>Sean Gaffney</b>	<b>Darby Anderson</b>	<b>David Tucker</b>	<b>Mike Wattenbarger</b>	<b>Robby Stevenson</b>
<b>Title</b>	Chairman and Chief Executive Officer	President and Chief Operating Officer	Chief Financial Officer	Chief Legal Officer	Chief Strategy Officer	Chief Development Officer	Chief Information Officer	Chief Human Resource Officer
<b>Joined Addus</b>	2016 <sup>(1)</sup>	2017	2016	2019	1996	2016	2018	2020
<b>Prior Experience</b>	<ul style="list-style-type: none"> <li>CEO, Correctional Healthcare</li> <li>CEO, CCS Medical</li> <li>CFO, Odyssey Healthcare</li> </ul>	<ul style="list-style-type: none"> <li>CLO, United Surgical Partners</li> <li>CLO, Correctional Healthcare</li> <li>SVP &amp; GC, Odyssey Healthcare</li> </ul>	<ul style="list-style-type: none"> <li>CFO, Oceans Healthcare</li> <li>CAO, CCS Medical</li> <li>Division CFO – Hospice Services, Gentiva Health Services</li> <li>Assistant Controller, Odyssey Healthcare</li> </ul>	<ul style="list-style-type: none"> <li>General Counsel of Home Health &amp; Hospice at Encompass Health</li> <li>EVP Corporate Development, General Counsel and Secretary – BroadJump, LLC</li> </ul>	<ul style="list-style-type: none"> <li>20+ year career at Addus in various roles</li> </ul>	<ul style="list-style-type: none"> <li>SVP of Business Development, Addus</li> <li>SVP of Business Development, CCS Medical</li> <li>VP Sales, Microlife</li> </ul>	<ul style="list-style-type: none"> <li>SVP of Information Technology, Addus</li> <li>CIO, LifeCare Management Services</li> </ul>	<ul style="list-style-type: none"> <li>SVP of Human Resources, Addus</li> <li>VP of Human Resources, Seasons Hospice and Palliative Care</li> </ul>

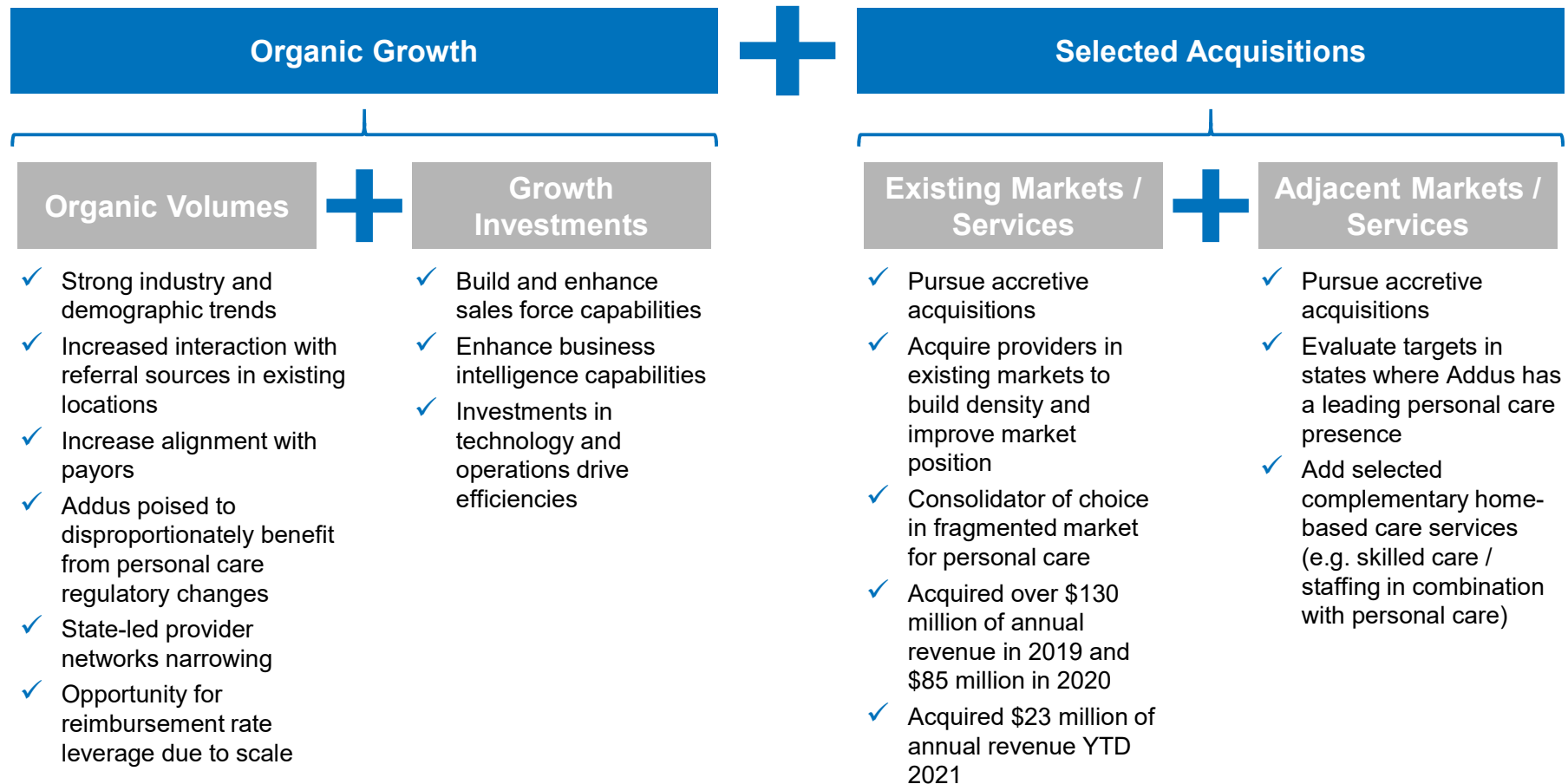


## Growth Strategies

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# Multiple Avenues to Drive Strong Growth

*Addus has a stated goal of revenue growth of at least 10% annually between organic growth and acquisitions.*



## Medicare Advantage Opportunity

- Medicare Advantage FY2019 Final Rule included personal care for reimbursement for the first time
- Represents long-term growth catalyst as payors look to realize cost savings of personal care services through an integrated care delivery model
- Addus contracting with national Medicare Advantage plans with updated ruling providing for future expanded benefits
- Represents significant upside opportunity in the next 3-5 years in value-based environment





# Home Health is an Attractive Area of Expansion

## Sector Tailwinds

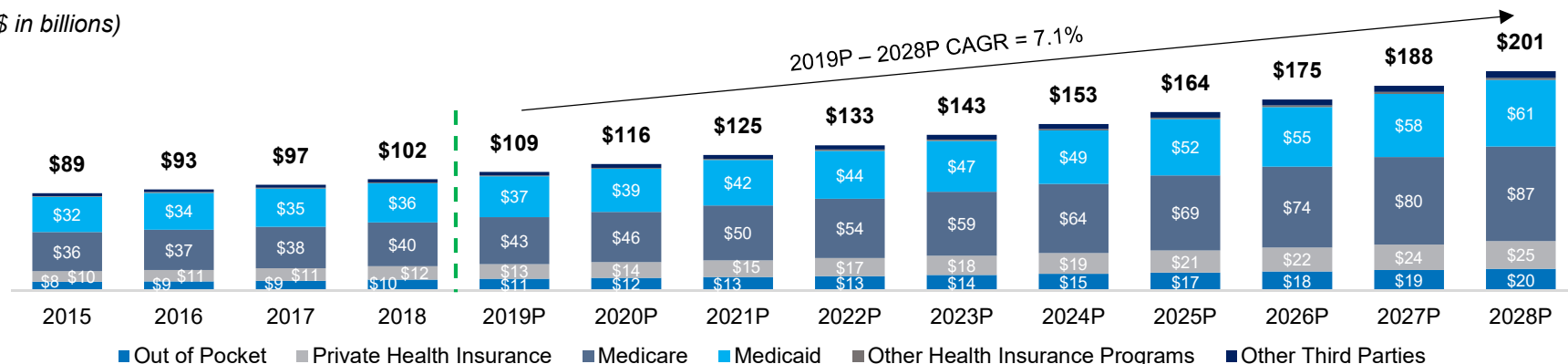
- **Population:** 65+ category expected to grow at a 1.4% CAGR from 56 million in 2020 to 98 million 2060
- **Payors:** Prefer experienced providers with sophisticated technology, strong reporting, and robust compliance infrastructure. Payor funding for home health is expected to grow at a CAGR of 7.1% from 2019P through 2028P
- **Government Support:** Ongoing recognition that where clinically appropriate, the home is the most cost-effective care setting
- **Individual Preference:** Pandemic increased the focus on high quality, individualized home-based care versus an institutionalized setting
- **Fragmented Market:** Approximately 11,000 home health agencies that are ripe for consolidation

## Addus Go-Forward Strategy

- Add clinical services (i.e. home health) in geographies where Addus currently has personal care services to take further advantage of value-based services
- Drive better partnerships with MCOs to further expand coverage
- Identify and execute on meaningful opportunities over the next 12 to 24 months
- Further enhance margins through Medicare-based services
- Ability to cross sell potential home health patients from the personal care and hospice population once Addus is live with Homecare Homebase
  - All patients/clients will be in one system, which can be used to identify services that may be appropriate or needed

## Home Health Expenditures Funding by Payor Source

(\$ in billions)



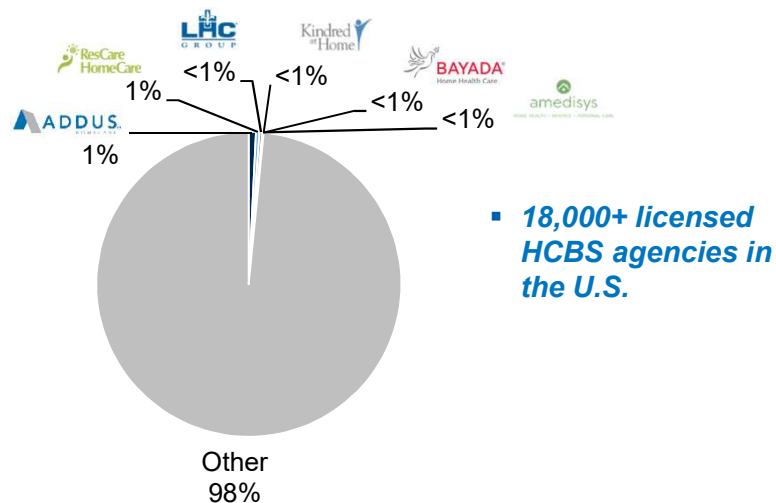
# Fragmented Industry Providing Tailwinds for Consolidation

*Addus is well-positioned as a consolidator of choice in the fragmented personal care and hospice market given its reputation, strong payor relationships, and integration of technology into its business model.*

## Highly Fragmented Market for Personal Care Services

### 2021 Personal Care Market Share

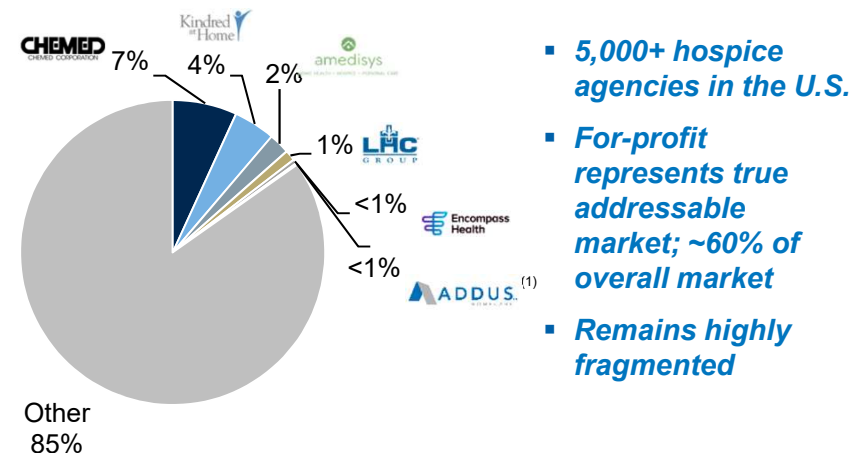
Market Size: \$60 - \$75BN



## Highly Fragmented Market for Hospice Services

### 2021 Hospice Market Share

Market Size: \$17BN



## Key Observations

- ✓ Large and growing market opportunity as the provision of care continues to move into lower cost settings
- ✓ Fragmented market with few platforms of scale represents robust consolidation opportunity
- ✓ Increasing cost and complexity of operations, along with increasing MCO participation, favors large providers
- ✓ Hospice market remains highly fragmented

# Acquisition Growth Strategy

## Acquisition Opportunities

- Rising consolidation pressure due to increased regulatory, operating, and technology requirements, compounded by transition to MCOs
- Addus operational and management changes have enhanced transaction and integration capabilities
- Acquisition goal of annualized net service revenue achieved for 2017
  - Acquired ~\$24 million of annual revenue
- Achieved target goal for 2018
  - Acquired over \$100 million of annual revenue
- Acquired over \$130 million of annual revenue in 2019
  - Acquired VIP Health Care Services (\$50 million annually) - closed June 1, 2019
  - Acquired Alliance Home Health Care, LLC. (\$19 million annually) and Foremost Home Care (\$6 million annually) on August 1, 2019
  - Acquired Hospice Partners of America, LLC (\$55 million annually) on October 1, 2019
- Acquired approximately \$85.0 million of annual revenue in 2020
  - Acquired A Plus Health Care, Inc. (\$10.4 million annually) on July 1, 2020
  - Acquired County HomeMakers (\$14.8 million annually) on November 1, 2020
  - Acquired SunLife Home Care (\$2.6 million annually) on December 1, 2020
  - Acquired Queen City Hospice (\$56.0 million annually) on December 4, 2020
- Acquired \$23.0 million year to date in 2021
  - Acquired Armada Skilled Home Health and Hospice on August 1, 2021

## Acquisition Profile












- Focused on growing markets with favorable demographics, in states that are fiscally well managed and have reasonable minimum wage environment
- Must have the potential to become one of the leading providers in the state, in support of our managed care strategy
- Thorough diligence process and disciplined approach to accretive acquisitions
- Will consider acquisitions that include personal care and/or hospice, home health and other businesses that center on the home and that are strategically complementary

## Liquidity and Borrowing Capacity

- At June 30, 2021, the Company had cash of \$139.4 million and bank debt of \$196.1 million, while availability under its revolving credit facility was \$112.8 million.
- On July 30, 2021, the Company expanded its existing credit facility which increased its revolving credit facility from \$300 million to \$600 million. The agreement also has an accordion feature that enables the credit facility to be expanded by an incremental \$125 million for funding acquisitions.

# Successful and Accretive Acquisition Strategy

Addus has completed 12 acquisitions since 2017, demonstrating efficient capital deployment.

Target	Acquisition Date	Transaction Summary <sup>(1)</sup>	Service Lines	Commentary
	August 1, 2021	<ul style="list-style-type: none"> <li>Purchase Price \$29MM</li> <li>Revenue: \$23MM</li> </ul>	<ul style="list-style-type: none"> <li>Home Health</li> <li>Hospice</li> </ul>	<ul style="list-style-type: none"> <li>✓ Expanded coverage in New Mexico market</li> <li>✓ Expected to be immediately accretive to earnings</li> </ul>
	December 4, 2020	<ul style="list-style-type: none"> <li>Purchase Price \$195MM</li> <li>Revenue: \$56MM</li> </ul>	<ul style="list-style-type: none"> <li>Hospice Care</li> </ul>	<ul style="list-style-type: none"> <li>✓ Expanded hospice coverage to Ohio market</li> <li>✓ Ohio now second state to have all three levels of home care</li> <li>✓ Immediately accretive to earnings</li> </ul>
	December 1, 2020	<ul style="list-style-type: none"> <li>Purchase Price: \$1.7MM</li> <li>Revenue \$2.6MM</li> </ul>	<ul style="list-style-type: none"> <li>Personal Care</li> </ul>	<ul style="list-style-type: none"> <li>✓ Expanded coverage in Arizona market</li> <li>✓ Integrated into existing Addus operations in the state</li> <li>✓ Immediately accretive to earnings</li> </ul>
	November 1, 2020	<ul style="list-style-type: none"> <li>Purchase Price: \$16MM</li> <li>Revenue: \$15MM</li> </ul>	<ul style="list-style-type: none"> <li>Personal Care</li> </ul>	<ul style="list-style-type: none"> <li>✓ Expanded coverage in Pennsylvania market</li> <li>✓ Immediately accretive to earnings</li> </ul>
	July 1, 2020	<ul style="list-style-type: none"> <li>Purchase Price: \$15MM</li> <li>Revenue: \$10MM</li> </ul>	<ul style="list-style-type: none"> <li>Personal Care</li> </ul>	<ul style="list-style-type: none"> <li>✓ Expanded coverage in Montana market</li> <li>✓ Immediately accretive to earnings</li> </ul>
	October 1, 2019	<ul style="list-style-type: none"> <li>Purchase Price \$130MM</li> <li>Revenue: \$55MM</li> </ul>	<ul style="list-style-type: none"> <li>Hospice Care</li> </ul>	<ul style="list-style-type: none"> <li>✓ Enhanced ability to establish national platform for hospice care</li> <li>✓ Provided entry into key Texas market</li> <li>✓ Immediately accretive to earnings</li> </ul>
	August 1, 2019	<ul style="list-style-type: none"> <li>Purchase Price: \$1.4MM</li> <li>Revenue: \$6MM</li> </ul>	<ul style="list-style-type: none"> <li>Personal Care</li> </ul>	<ul style="list-style-type: none"> <li>✓ Supported growth in New York City market</li> <li>✓ Consolidated with VIP Health Care Services</li> <li>✓ Immediately accretive to earnings</li> </ul>
	August 1, 2019	<ul style="list-style-type: none"> <li>Purchase Price: \$23MM</li> <li>Revenue: \$19MM</li> </ul>	<ul style="list-style-type: none"> <li>Hospice</li> <li>Personal Care</li> <li>Home Health</li> </ul>	<ul style="list-style-type: none"> <li>✓ Strengthened operations and expanded Addus footprint in New Mexico</li> <li>✓ Enhanced service offering for hospice care</li> <li>✓ Immediately accretive to earnings</li> </ul>
	June 1, 2019	<ul style="list-style-type: none"> <li>Purchase Price: \$28MM</li> <li>Revenue: \$50MM</li> </ul>	<ul style="list-style-type: none"> <li>Personal Care</li> </ul>	<ul style="list-style-type: none"> <li>✓ Expanded coverage in New York City</li> <li>✓ Immediately accretive to earnings</li> </ul>
	May 1, 2018	<ul style="list-style-type: none"> <li>Purchase Price: \$40MM</li> <li>Revenue: \$57MM</li> </ul>	<ul style="list-style-type: none"> <li>Hospice</li> <li>Personal Care</li> <li>Home Health</li> </ul>	<ul style="list-style-type: none"> <li>✓ Made Addus the largest provider of hospice in New Mexico</li> <li>✓ Supplemented service offerings with hospice and home health services</li> <li>✓ Immediately accretive to earnings</li> </ul>
	April 1, 2018	<ul style="list-style-type: none"> <li>Purchase Price: \$19MM</li> <li>Revenue: \$47MM</li> </ul>	<ul style="list-style-type: none"> <li>Personal Care</li> </ul>	<ul style="list-style-type: none"> <li>✓ Strengthened operations in 8 penetrated states and provided entry into 2 new states (Florida and Wisconsin)</li> <li>✓ Brought 2,300 consumers through 26 locations in 10 states</li> <li>✓ Immediately accretive to earnings</li> </ul>
	August 1, 2017	<ul style="list-style-type: none"> <li>Purchase Price: \$23MM</li> <li>Revenue: \$20MM</li> </ul>	<ul style="list-style-type: none"> <li>Personal Care</li> </ul>	<ul style="list-style-type: none"> <li>✓ Operations in 20+ counties in New Mexico, expanding the footprint of Addus' existing operations in the state</li> <li>✓ Made Addus the largest provider of personal care in New Mexico</li> <li>✓ Immediately accretive to earnings</li> </ul>

Sources: Company filings and Wall Street research

<sup>(1)</sup> Revenue presented on a trailing twelve-month basis at the time of acquisition.





## Industry Overview

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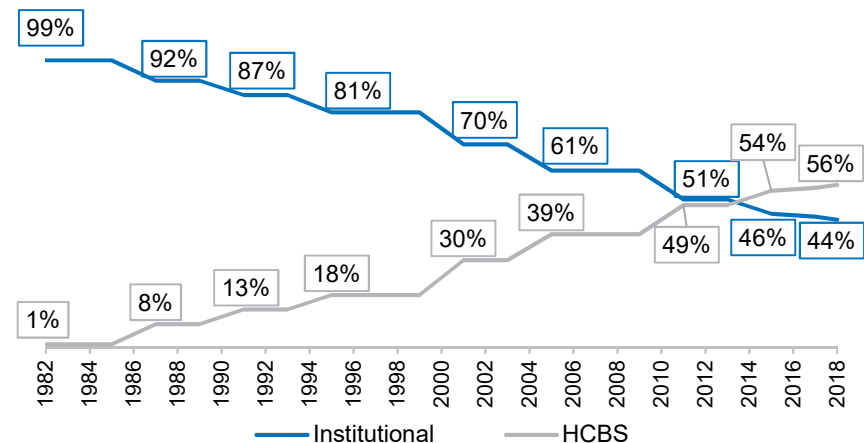
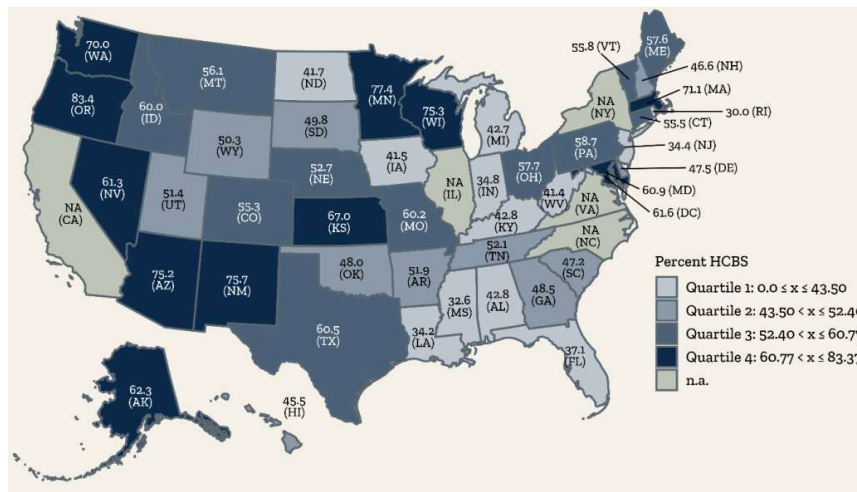
# Favorable Industry Dynamics

*Addus is well positioned to capitalize on a consolidating industry given its reputation in the market, strong payor relationships, and integration of technology into its business model.*

- HCBS is a highly fragmented market
- 18,000+ licensed HCBS agencies nationwide
- Healthcare systems and managed care will increasingly narrow networks in favor of high quality, reliable providers
- Industry-wide consolidation pressure driven by regulatory, operating and technology requirements
- Personal care services are cost effective versus expensive acute care and other patient settings
  - Preferred setting of care for patients, physicians, and payors

## HCBS Has Been the Highest Growth Area of LTSS And Is Exceeding Institutional Spending (e.g. SNF)

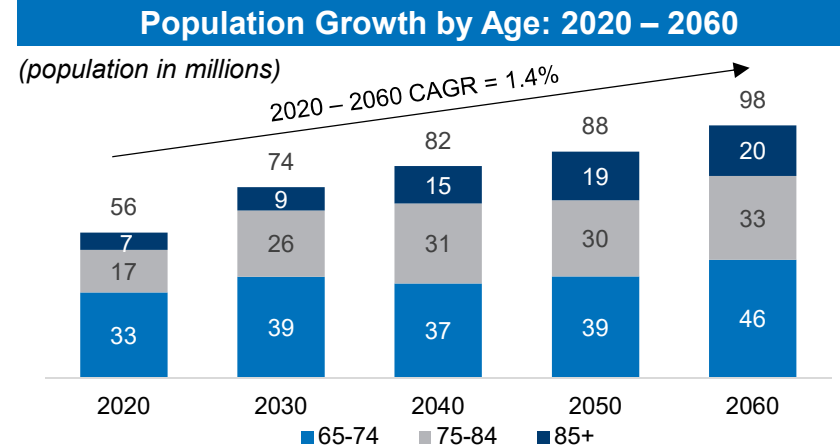
*Medicaid HCBS and Institutional LTSS Expenditures as a % of Total Medicaid LTSS Expenditures*



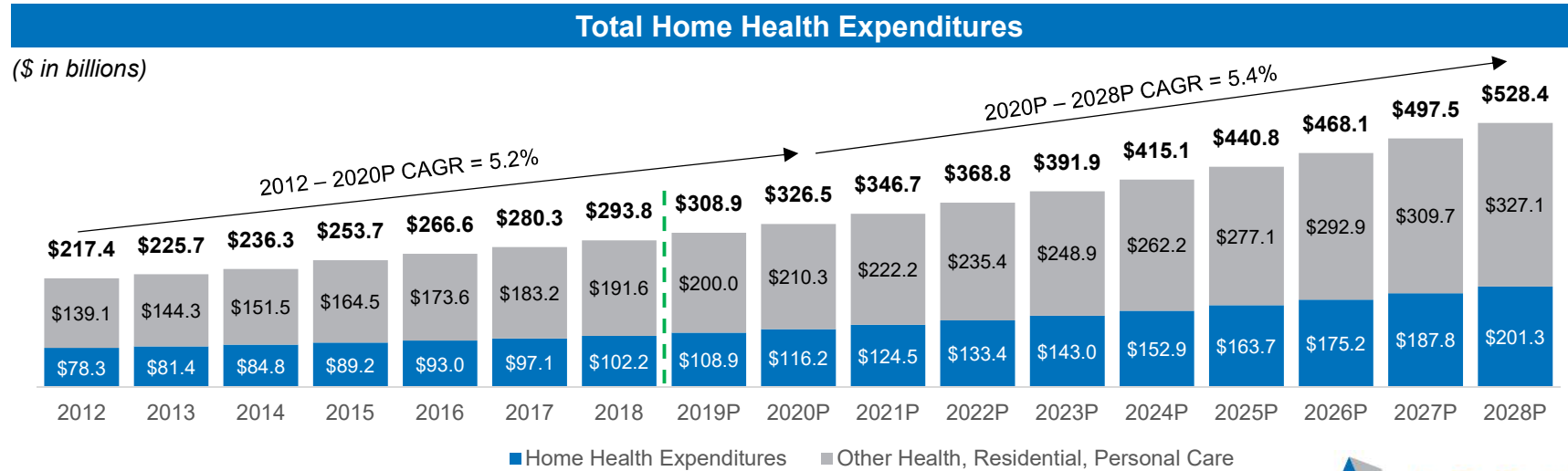
# Demographic Trends Driving Home Health Expenditures

*Demand for home health is expected to grow due to the aging of the U.S. population, increased life expectancy, and improved opportunities to receive homecare as an alternative to institutional care.*

- The population over the age of 65 nationally has been growing at a consistent rate and this demographic is expected to reach 98 million by 2060
  - According to the U.S. Census Bureau, all baby boomers will be older than 65 by 2030
- Over 80% of home health patients and over 90% of hospice patients are aged 65 and over
- From 2012 through 2020P total home health expenditures have grown by a CAGR of 5.2% to \$326.5 billion



Source: CDC National Population Projections



# Significant Federal Support for Home Care Services

*In March 2021, the American Rescue Plan Act was signed into law, which provides for \$1.9 trillion of COVID-19 relief. Many of the provisions favorably impact home care services.*

## ■ Home and Community-Based Services

- Additional 10% FMAP increase for states that “enhance, expand, or strengthen” HCBS, which means an additional \$12.7 billion in funding generated from April 1, 2021 to March 31, 2022, but available to be used by states until March 31, 2023
  - Prompted the state of Illinois to request approval from the federal government to accelerate the upcoming January 1, 2022 rate increase by 2 months making it effective November 1, 2021.
- States expected to use additional funds to address workforce issues of recruitment and retention through provider grants, rate increases, and other actions
- 10% matching rate is in addition to existing 6.2% increased FMAP that states will receive throughout the course of the public health emergency which is expected to be in place at least through December 31, 2021
- Stimulus bill also provides \$350 billion to states, local governments, territories and tribal governments to help with budget crises, which will benefit states facing tough decisions on budget cuts

## ■ Other HCBS and Homecare Proposals <sup>(1)</sup>

- Home care services of all types have enjoyed bi-partisan support given consumer preference and cost effectiveness. Due to disproportionate impact of the pandemic on nursing home residents, an even greater recognition of the benefits of home care exists among lawmakers and is leading to additional proposals to further invest in services, including:
  - \$400 billion infrastructure investment to eliminate waiting lists, workforce initiatives including increased rates for wages and benefits, further rebalancing of long-term care spending toward HCBS
  - HCBS Access Act to increase percentage of federal funding to states for HCBS
  - Skilled Nursing Facility (“SNF”) diversion program to deflect unnecessary SNF placements to home placement with home health and HCBS resources

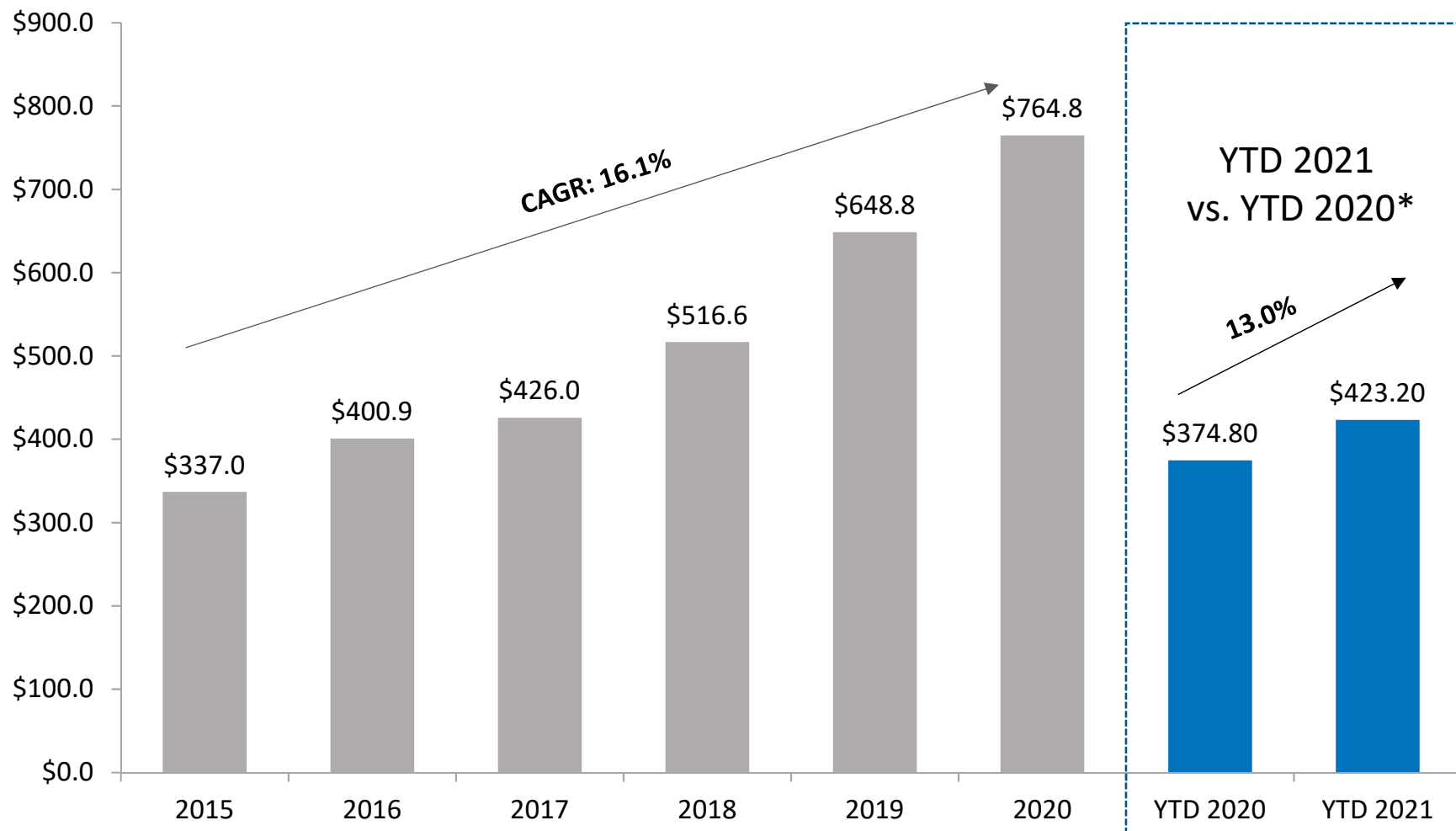




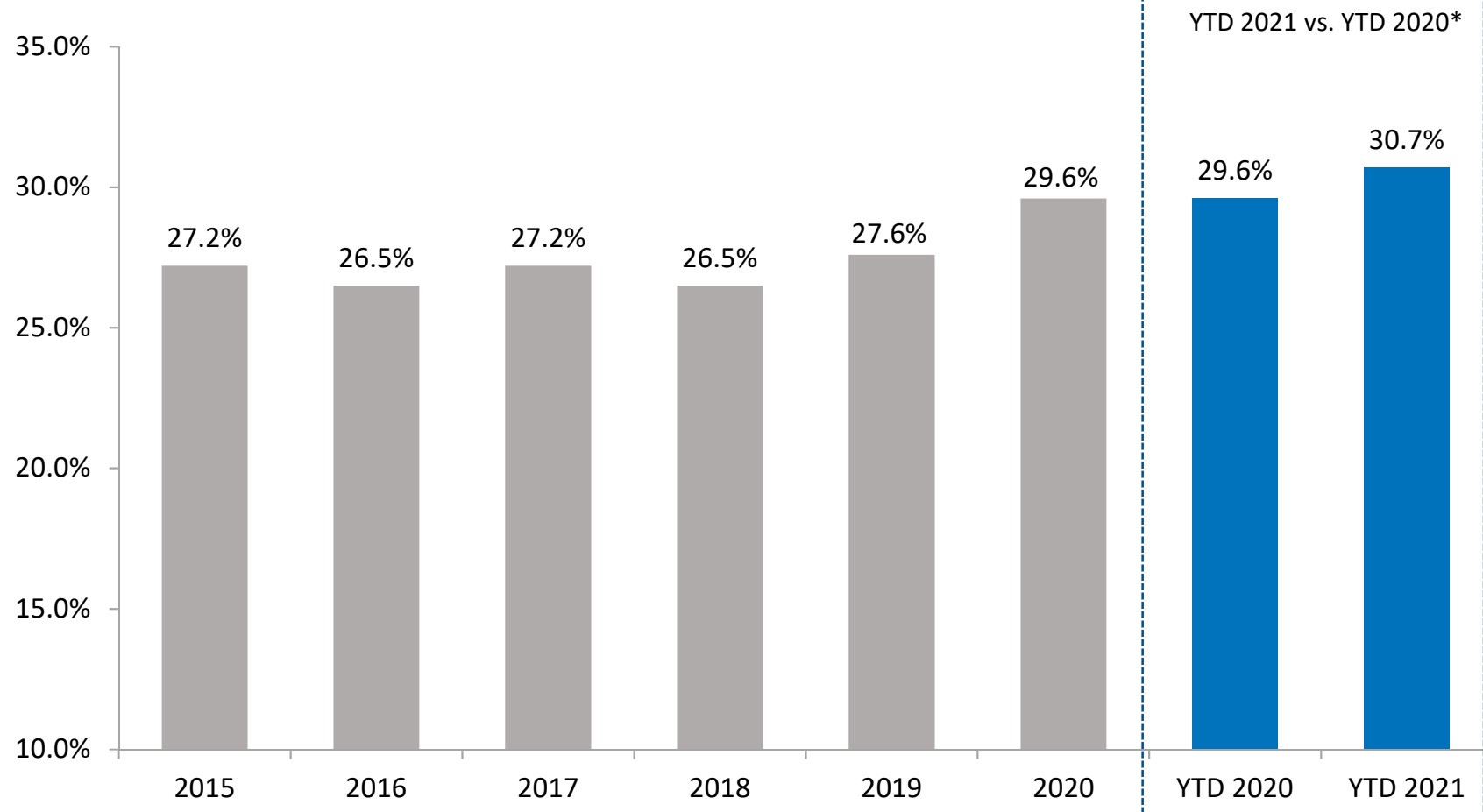
## Financial Overview

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## Net Service Revenues (\$ millions)

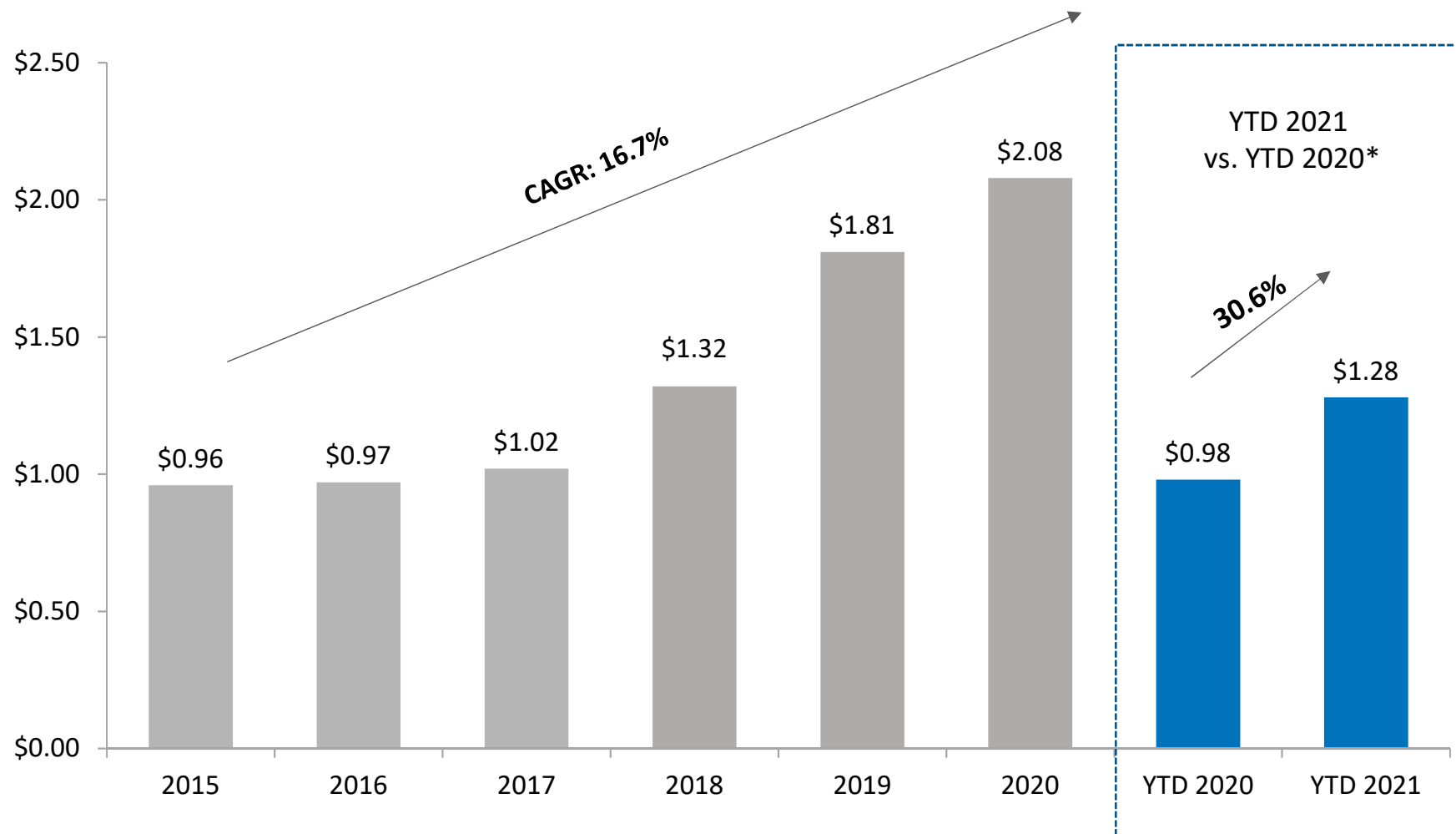


## Gross Margin



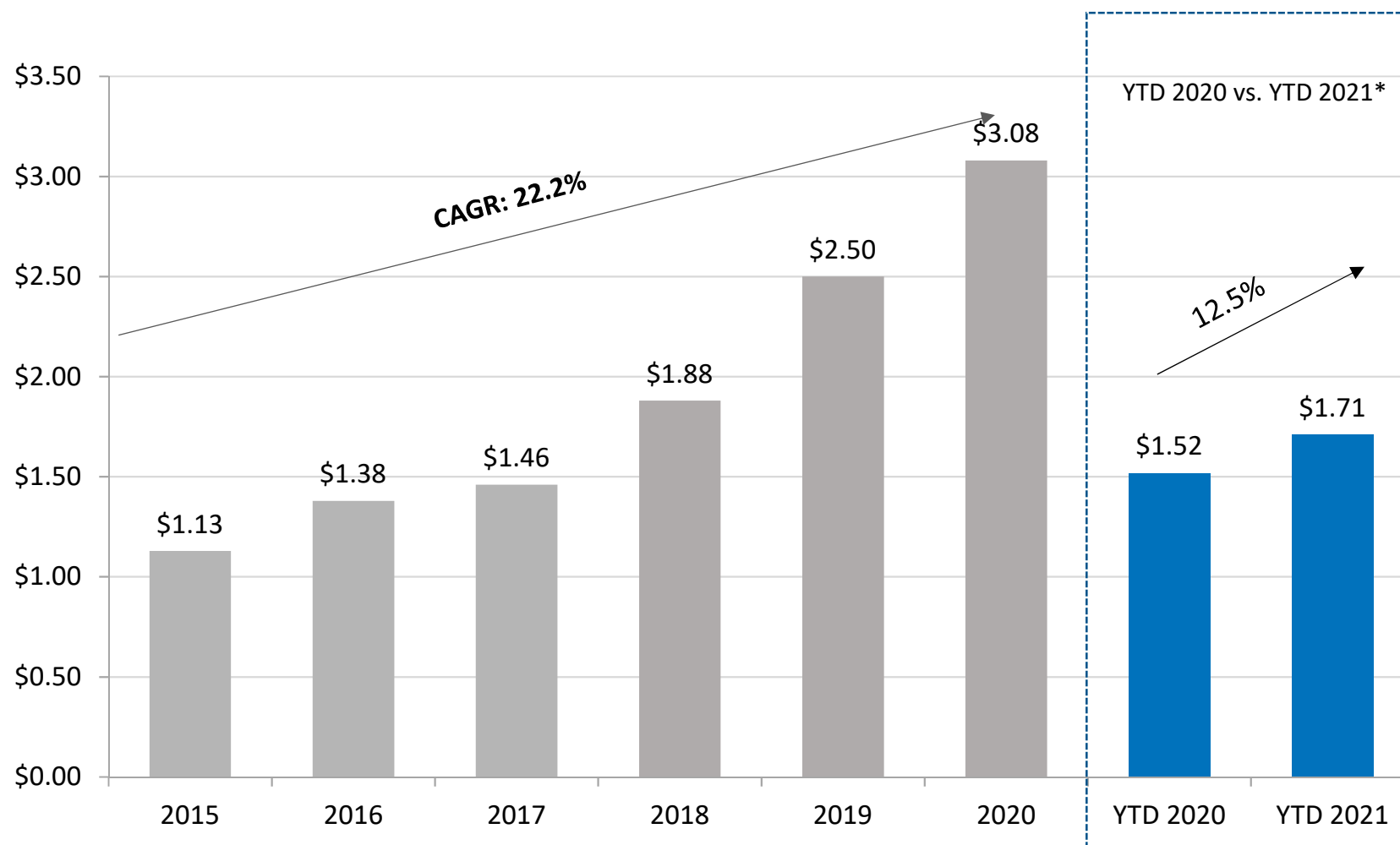
\*For the six months ended June 30, 2020, and 2021

## Net Income from Continuing Operations per Diluted Share



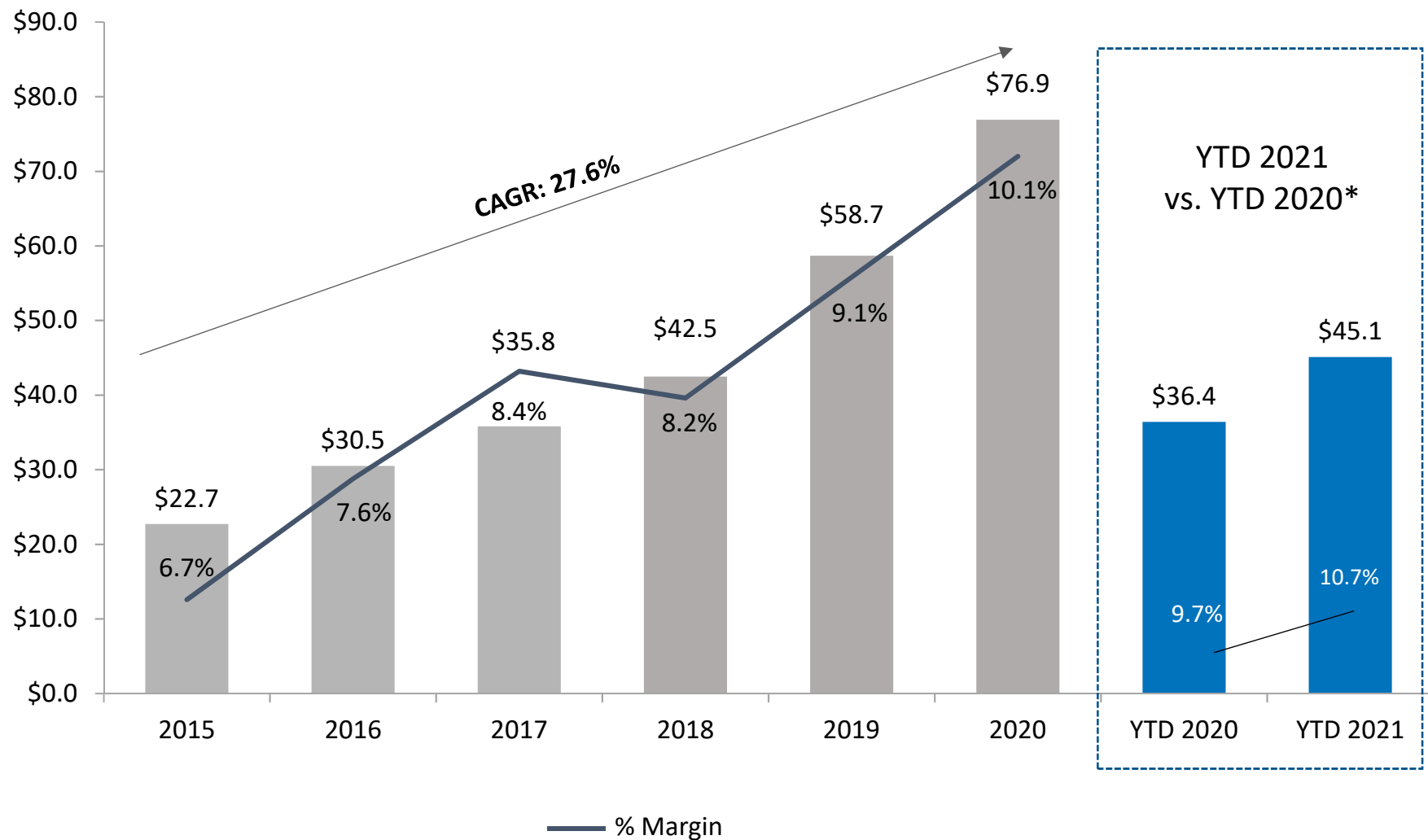
\*For the six months ended June 30, 2020, and 2021

## Adjusted Net Income from Continuing Operations per Diluted Share



\*For the six months ended June 30, 2020, and 2021

## Adjusted EBITDA (\$ millions)



\*For the six months ended June 30, 2020, and 2021

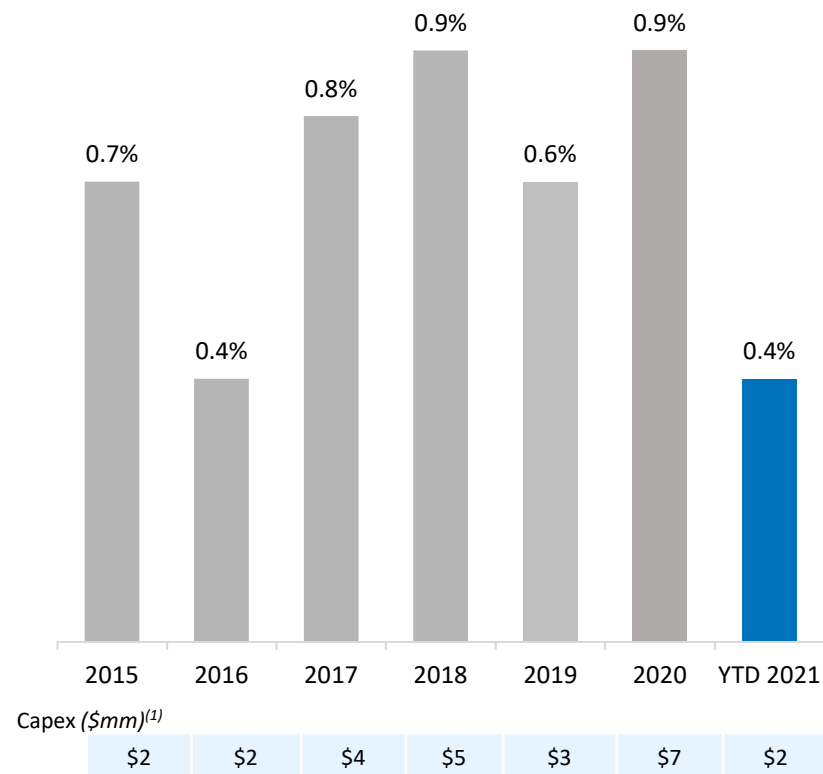
# Strong and Stable Cash Flow Profile

## Predictable capital needs and improving DSO trends

### Minimal Capex Requirements<sup>(1)</sup>

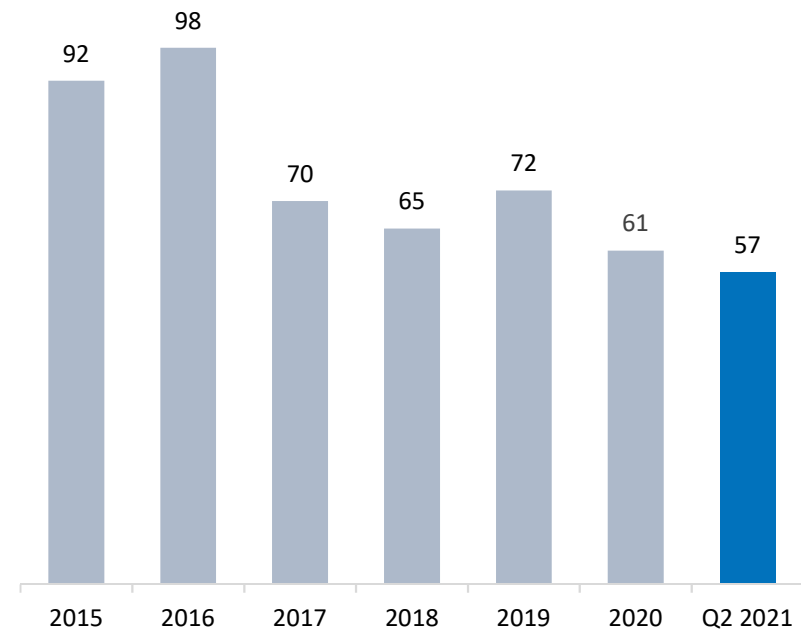
(Capex as % of revenue)

- Consistent and predictable capital needs allows for high free cash flow conversion



### Improving DSO Trends

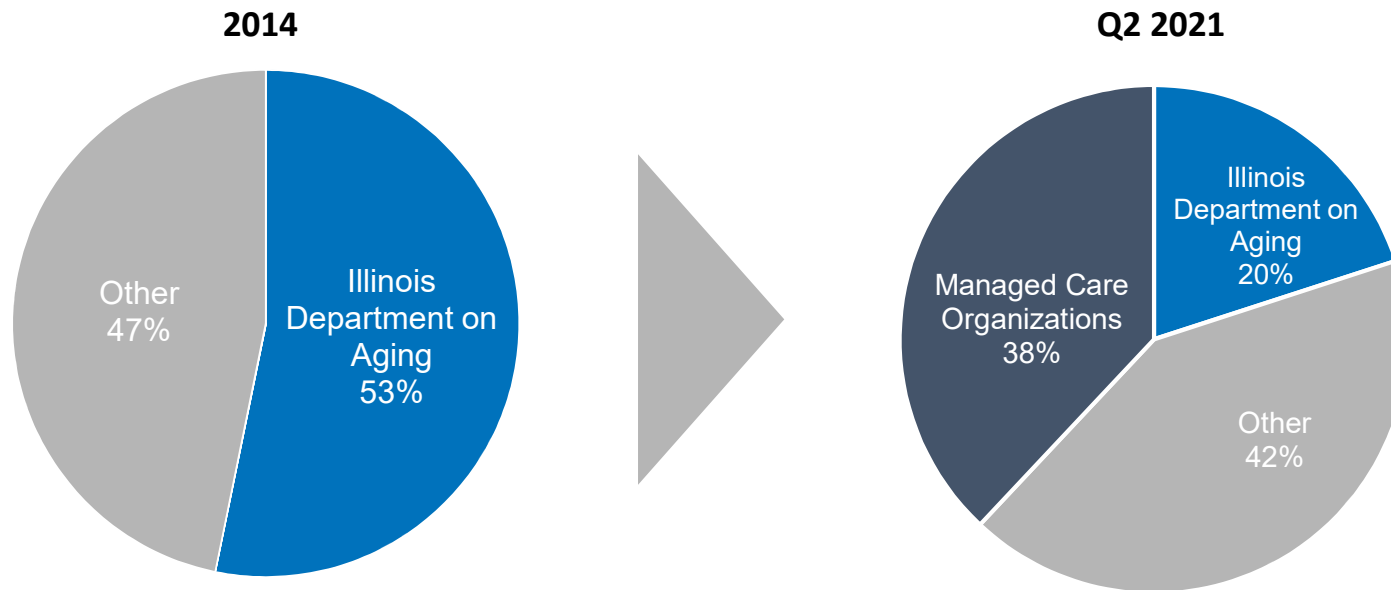
(# of days)



(1) Purchase of Property, Plant and Equipment. Excludes acquisition spending.

# Payor Mix Evolution

Continued payor diversification driven by increasing penetration of managed care



## Key Observations

- Continued payor base diversification and reduced revenue concentration with the State of Illinois
- Illinois remains an attractive market with roughly 2.6 million of the approximately 12.9 million state population over 60 years old
- Addus is well positioned to benefit from broader growth in Managed Medicare / Managed Medicaid
  - Healthcare systems and managed care will increasingly narrow networks to high quality, reliable providers



## Strong Balance Sheet

(\$ millions)	June 30, 2021
Cash	\$ 139.4
Working capital	\$ 173.5
Total assets	\$ 889.2
Total bank debt, net of debt issuance costs	\$ 196.1
Total stockholders' equity	\$ 544.1
Total bank debt/total equity	36%
Net debt (Bank debt less cash) / LTM adjusted EBITDA	0.65X
Availability on revolving credit facility	\$ 112.8

## Appendix

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# Reconciliation of Non-GAAP to GAAP Items

Adjusted EBITDA to Net Income (\$ in thousands)

Year Ended December 31,

	2015	2016	2017	2018	2019	2020	YTD 2020*	YTD 2021*
Net income	\$11,062	\$11,070	\$ 11,953	\$16,433	\$25,237	33,133	15,565	20,491
Less: (Earnings) loss from discontinued operations, net of tax	(270)	(97)	(147)	(126)	574	-	-	-
Net income from continuing operations	10,792	10,973	11,806	\$16,307	\$25,811	33,133	15,565	20,491
Interest expense, net	739	2,332	3,083	4,451	2,233	2,565	1,140	2,425
Interest income from Illinois	-	(2,812)	-	(2,253)	(651)	-	-	-
Secondary offering costs	-	-	-	189	127	-	-	-
Write off of debt issuance costs	-	-	1,323	226	-	-	-	-
Write down of deferred tax asset due to tax reform	-	-	2,000	-	-	-	-	-
Loss (gain) on sale of assets	-	-	(2,467)	38	-	294	353	16
Other non-operating income	-	(206)	(217)	-	-	-	-	-
Income tax expense from continuing operations	3,568	3,363	7,258	4,096	7,359	8,809	3,563	6,302
Depreciation and amortization	4,717	6,647	6,663	8,642	10,574	12,051	5,827	7,188
Acquisition and de novo expenses	1,013	1,122	2,116	4,989	4,775	6,956	3,544	3,720
COVID-19 adjustment, net	-	-	-	-	-	1,480	526	(591)
Stock-based compensation expense	1,573	1,072	2,552	4,109	5,766	6,005	2,525	4,764
Costs associated with IRS accrual	300	-	-	-	-	-	-	-
Restructure and other costs	-	8,018	1,665	1,682	2,703	5,614	3,392	754
<b>Adjusted EBITDA</b>	<b>\$22,702</b>	<b>\$30,509</b>	<b>\$35,782</b>	<b>\$42,476</b>	<b>\$58,697</b>	<b>\$76,907</b>	<b>\$36,435</b>	<b>\$45,069</b>

# Reconciliation of Non-GAAP to GAAP Items

## Adjusted net income per diluted share to net income per diluted share

Year Ended December 31,									
	2015	2016	2017	2018	2019	2020		YTD 2020*	YTD 2021*
Net income per diluted share	\$0.96	\$0.97	\$1.02	\$1.32	\$1.81	\$2.08		\$0.98	1.28
Interest income from Illinois	-	(0.17)	-	(0.14)	(0.03)	-		-	-
Write down of deferred tax asset due to tax reform	-	-	0.12	-	-	-		-	-
Write off of debt issuance costs	-	-	0.09	-	-	-		-	-
Gain on sale of adult day service centers	-	-	(0.12)	-	-	-		-	-
Gain on sale of joint venture divestiture	-	-	(0.01)	-	-	-		-	-
Normalization of effective tax rate	-	(0.06)	-	-	-	-		-	-
Loss on sale off assets	-	-	-	-	-	0.01		0.02	
COVID-19 adjustment	-	-	-	-	-	0.07		0.03	(0.03)
Acquisition and de novo expenses	0.07	0.07	0.12	0.32	0.26	0.34		0.18	0.20
Restructure and other costs	-	0.50	0.09	0.12	0.14	0.28		0.18	0.04
Stock-based compensation expense	0.10	0.07	0.15	0.26	0.32	0.30		0.13	0.22
<b>Adjusted net income</b>	<b>\$1.13</b>	<b>\$1.38</b>	<b>\$1.46</b>	<b>\$1.88</b>	<b>\$2.50</b>	<b>\$3.08</b>		<b>\$1.52</b>	<b>\$1.71</b>

\*For the six months ended June 30, 2020, and 2021



[www.addus.com](http://www.addus.com)