<table>
<thead>
<tr>
<th><strong>AGENDA</strong></th>
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<tr>
<td><strong>EXECUTIVE SUMMARY</strong></td>
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<td><strong>STREET’S VIEW</strong></td>
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<td><strong>VARIANT PERCEPTION</strong></td>
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<td><strong>GROWTH DRIVERS</strong></td>
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<td><strong>VALUATION</strong></td>
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</tbody>
</table>
Executive Summary

Comprehensive home and community-based services for people at risk of hospitalization

- Provide personal care and daily living assistance for the elderly, ill, and disabled
- 48.8% of revenue comes from Illinois, where Addus runs 5 adult day centers
- Clients include:
  i. Government Agencies
  ii. Care Organizations
  iii. Commercial Insurers
  iv. Private individuals

43,000 Customers
22 States
Executive Summary

Revenue Generation
Case Managers contracted by the government identify eligible consumers. Eligible consumers are given a list of approved providers to choose from. Addus charges on a per-hour basis. Hired on 1-2 year term.

21 months
Average duration of services

19,556
2015 total billable hours

$17.22
2015 average rev per billable hour

Costs
Majority of costs come from hourly wages for service providers.

<table>
<thead>
<tr>
<th>Typical Employee Titles</th>
<th>Average Wage Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home Health Aide</td>
<td>$8.21–$13.58</td>
</tr>
<tr>
<td>Personal/Home Care Aid</td>
<td>$8.24–$14.87</td>
</tr>
<tr>
<td>Certified Nurse Assistant</td>
<td>$8.81–$14.38</td>
</tr>
<tr>
<td>Service Coordinator</td>
<td>$9.53–$18.04</td>
</tr>
</tbody>
</table>
**Executive Summary**

**Industry Analysis**

**Home Care Market**

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**Traditional System**
- Many small providers – 30,000+ small providers current
- Limited geographic distribution
- No outcomes requirements/reporting

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**Managed Care**
- Few large providers with sophisticated technology and data driven approach to management
- Electronic visit certification
- Outcome driven decision making in industry

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**Medicare and Medicaid Spending Continues Rapid Growth**

<table>
<thead>
<tr>
<th>Year</th>
<th>MEDICARE</th>
<th>MEDICAID</th>
<th>COMBINED MEDICARE AND MEDICAID</th>
</tr>
</thead>
<tbody>
<tr>
<td>1962</td>
<td>$0</td>
<td>$0</td>
<td>$671.3 billion</td>
</tr>
<tr>
<td>1970</td>
<td>$428.6 billion</td>
<td>$242.7 billion</td>
<td></td>
</tr>
</tbody>
</table>

Source: Office of Management and Budget, Historical Tables: Budget of the United States Government, Fiscal Year 2012, Table 3.2, p. 57, and Table 12.3 p. 266.

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**Figure 6**

*Most States Are Participating in Multiple Medicaid Home and Community-Based Services Options (HCBS) Provided or Enhanced by the Affordable Care Act, April 2015*

Notes: Included options – Money Follows the Person Demonstration, the Balancing Incentive Program, the Section 1115 waiver, the HCBS state plan option, and the Section 1915(i) Community First Choice state plan option.

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Executive Summary | Industry Analysis | Company Analysis | Financials

COMPETITIVE LANDSCAPE & ADDUS’ NICHE

9,000,000
Dual Eligible Population

13% of Medicare and Medicaid Enrollees

27% of Medicare Spending

40% of Medicaid Spending

Industry Characteristics

• Over 33,000 homecare and hospice agencies in the United States (15,000 are Medicare certified, while the other 18,000 are just licensed)
• Industry is very fragmented, with no particular company having a significant portion of the market share since there are many small, local providers
• Advantage in that unlike 18,000 competitors, they can get customers through Medicare and Medicaid programs in states
• Focus on the niche of dual eligible, which their competitors do not- roughly 9 million dual eligible which makes up 13% of enrollees, but they account for 27% of Medicare spending and 40% of Medicaid
• Don’t have exclusive contracts with certain governmental payors, such as those in California
Variant Perception

Street’s Perception

- Budget conflict in state of Illinois between governor and legislature have negatively affected Addus’ accounts receivables
- Investors in earnings call expressed much concern for the fact that Illinois holds significant power over Addus’ revenue stream
- Missed earnings estimates because acquisitions did not grow as fast as predicted by management

Variant Perception

- Illinois political conflict has to be nearing its end because critical programs need to have funding
- Even growth in Illinois is faster than market growth
- Addus has been expanding into other states and diversifying its revenue streams
- Growth driver - Population that Addus targets is living longer, providing more opportunities for revenue growth in the long term
Illinois has yet to pass a budget for fiscal year 2016, which started on July 1, 2015. They are currently in talks to pass a budget for FY 2017.

Elected in 2014, Republican Governor Bruce Rauner proposed a “business friendly” budget for FY 2016, including across the board cuts and provisions to weaken the power of unions.

The Democratic-controlled House and Senate strongly oppose the budget, causing the state to go without a budget since.

Addus receives 48.8% of its revenue from the Illinois Department of Aging, which has not paid the company for services since June 2015. This has limited reported revenue growth and increase accounts receivable by 24% YoY.

The Governor has proposed cuts to the Department of Aging, but Democratic Legislators argue the aging population needs more funding.
**Public Opinion Polls (Approve/Disapprove)**

- Governor Rauner: 41% / 50%
- Right-to-Work Laws: 61% / 33%

**Public Impact of Budget Impasse**

- Only 32% of respondents say they or someone in their immediate family has been affected by the budget crisis.
- There is a lack of political pressure across the board for lawmakers to fix the budget because many people don’t feel the impact.

Source: SIU
Executive Summary

ILLINOIS POLITICAL CONFLICT GOING FORWARD

Timeline

• Last week Rauner and legislators approved $600 million to prevent universities and community colleges from closing.
• Rauner hopes to pass a budget by May 31st to avoid needing a supermajority’s approval, but Democrats are not going to compromise easily.
• Programs have been using loans an one-time money to fill funding gap, which cannot last forever.
• Comptroller Leslie Munger announced in April 2016 that lawmakers would not have their monthly paychecks prioritized over unpaid bills. The role of legislator is a part-time job with a base salary of $67,836.
• The latest this may drag on would be past the general election, at which point the stalemate doesn’t help anyone.

Source: IL DoA

Signs of Optimism for Addus

- 60+ Population % of Total Population
- 85+ Population in Illinois

Source: IL DoA
Organic Growth

• US population of elderly people is growing rapidly; Elderly population is growing faster than the general national population

• Funding for Medicare and Medicaid is predicted to increase significantly in the future

Inorganic Growth

• Using acquisitions in order to enter new markets that it is not already in

• Primarily targeting states in which they are transitioning to greater use of managed care organizations
ADDUS HAS BEEN FOCUSING ON EXPANSION IN NEW GEOGRAPHIC REGION

New York Acquisition

• South Shore Home Health Services acquired in 2016 for purchase price of $20.5M
• $52 million in revenue from 2015 from state-licensed homecare services providing personal care
• Expansion seen as entry into a lucrative state

Services Added

• Consumer Directed Personal Assistance Program – self-directed care to help individuals
• Telehealth – Online assistance tool where patients sign in according to their chosen health plan

Executive Summary | Industry Analysis | Company Analysis | Financials
## Addus Comparable Companies Analysis

*($ in MM)*

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Addus</td>
<td>$215.3</td>
<td>3.5%</td>
<td>2.4x</td>
<td>8.5%</td>
<td>0.6x</td>
<td>12.5x</td>
</tr>
<tr>
<td>Almost Family</td>
<td>$432.0</td>
<td>3.8%</td>
<td>2.0x</td>
<td>8.0%</td>
<td>0.8x</td>
<td>15.4x</td>
</tr>
<tr>
<td>Amedisys</td>
<td>$1,710.0</td>
<td>-0.2%</td>
<td>1.0x</td>
<td>-0.8%</td>
<td>1.3x</td>
<td>24.2x</td>
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<tr>
<td>LHC Group</td>
<td>$733.5</td>
<td>4.0%</td>
<td>2.0x</td>
<td>9.5%</td>
<td>0.9x</td>
<td>19.7x</td>
</tr>
<tr>
<td>Surgical Care Affiliates</td>
<td>$1,430.0</td>
<td>11.0%</td>
<td>1.2x</td>
<td>36.6%</td>
<td>1.8x</td>
<td>19.9x</td>
</tr>
<tr>
<td>Max</td>
<td>$1,710.0</td>
<td>11.0%</td>
<td>2.0x</td>
<td>36.6%</td>
<td>1.8x</td>
<td>24.2x</td>
</tr>
<tr>
<td>75th Percentile</td>
<td>$1,500.0</td>
<td>5.8%</td>
<td>2.0x</td>
<td>16.3%</td>
<td>1.3x</td>
<td>19.9x</td>
</tr>
<tr>
<td>Median</td>
<td>$1,081.7</td>
<td>3.9%</td>
<td>1.6x</td>
<td>8.8%</td>
<td>0.9x</td>
<td>19.7x</td>
</tr>
<tr>
<td>Mean</td>
<td>$1,076.4</td>
<td>4.7%</td>
<td>1.6x</td>
<td>13.3%</td>
<td>1.1x</td>
<td>18.4x</td>
</tr>
<tr>
<td>25th Percentile</td>
<td>$658.1</td>
<td>2.8%</td>
<td>1.2x</td>
<td>5.8%</td>
<td>0.8x</td>
<td>15.4x</td>
</tr>
<tr>
<td>Min</td>
<td>$432.0</td>
<td>-0.2%</td>
<td>1.0x</td>
<td>-0.8%</td>
<td>0.6x</td>
<td>12.5x</td>
</tr>
</tbody>
</table>
Valuation

**Executive Summary**
- **Industry Analysis**
- **Company Analysis**
- **Financials**

**Current Price:** $18.50

**Bear:**
Slow to take advantage of synergies due to M&A, slower than projected census growth, large revenue hit due to Illinois crisis.

**Base:**
Initial increase in operating expenses, population grows at projected rate, business in Illinois does not decrease.

**Bull:**
Able to attain synergies from M&A and automation immediately, business in Illinois does not decrease, and expansion plans go well.

**Probability**
- **Bear Case:** $15.73 (-15%)
- **Base Case:** $24.28 (31%)
- **Bull Case:** $28.05 (52%)

**Upside**
- 25%
- 60%
- 15%

**Current Price:** $18.50

**Probability**
- **Bear Case:** $15.73 (-15%)
- **Base Case:** $24.28 (31%)
- **Bull Case:** $28.05 (52%)

**Upside**
- 25%
- 60%
- 15%

**$22.71 (23%)**

**Bear Case:** $15.73 (-15%)

**Base Case:** $24.28 (31%)

**Bull Case:** $28.05 (52%)
APPENDIX
ELDERLY ILLINOIS POPULATION

Living Alone by Sex

Age 60+ Living Alone by Planning and Service Area

Age 60+ Income

Elderly Illinois Population

Living Alone by Sex

No Income
$1 to $9,999
$10,000 to $19,999
$20,000 to $39,999
$40,000 to $74,999
$75,000 and over

Planning and Service Areas

% of 60+ Pop.
Medicare And Medicaid Spending On Home And Community-Based Services, Millions Of Dollars, 1987–1995

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</thead>
<tbody>
<tr>
<td>Medicare home health</td>
<td>$1,792</td>
<td>$1,946</td>
<td>$2,432</td>
<td>$3,714</td>
<td>$5,369</td>
<td>$7,397</td>
<td>$9,726</td>
<td>$12,661</td>
<td>$17,192</td>
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<tr>
<td>Percent growth</td>
<td>8.6%</td>
<td>25.0%</td>
<td>52.7%</td>
<td>44.6%</td>
<td>37.8%</td>
<td>31.5%</td>
<td>30.2%</td>
<td>25.4%</td>
<td>15.6%</td>
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<tr>
<td>Total Medicaid</td>
<td>2,069</td>
<td>$2,449</td>
<td>$3,257</td>
<td>$3,926</td>
<td>$4,758</td>
<td>$5,761</td>
<td>$6,894</td>
<td>$8,393</td>
<td>$9,702</td>
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<tr>
<td>Percent growth</td>
<td>18.3%</td>
<td>33.0%</td>
<td>20.5%</td>
<td>21.2%</td>
<td>21.1%</td>
<td>16.2%</td>
<td>15.4%</td>
<td>15.6%</td>
<td>15.6%</td>
</tr>
<tr>
<td>Medicaid home health</td>
<td>440</td>
<td>$524</td>
<td>$657</td>
<td>$814</td>
<td>$1,041</td>
<td>$1,259</td>
<td>$1,445</td>
<td>$1,643</td>
<td>$1,935</td>
</tr>
<tr>
<td>Percent growth</td>
<td>19.1%</td>
<td>25.4%</td>
<td>23.9%</td>
<td>27.9%</td>
<td>20.9%</td>
<td>14.8%</td>
<td>13.7%</td>
<td>13.7%</td>
<td>17.8%</td>
</tr>
<tr>
<td>Personal care</td>
<td>1,178</td>
<td>$1,292</td>
<td>$1,657</td>
<td>$1,865</td>
<td>$2,110</td>
<td>$2,349</td>
<td>$2,470</td>
<td>$2,996</td>
<td>$2,967</td>
</tr>
<tr>
<td>Percent growth</td>
<td>9.7%</td>
<td>28.3%</td>
<td>12.6%</td>
<td>13.1%</td>
<td>11.3%</td>
<td>5.2%</td>
<td>23.1%</td>
<td>-1.0%</td>
<td>-1.0%</td>
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<tr>
<td>Waiver (^a)</td>
<td>$451</td>
<td>$633</td>
<td>$943</td>
<td>$1,247</td>
<td>$1,607</td>
<td>$2,153</td>
<td>$2,779</td>
<td>$3,754</td>
<td>$4,802</td>
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<tr>
<td>Percent growth</td>
<td>40.4%</td>
<td>49.0%</td>
<td>32.2%</td>
<td>28.9%</td>
<td>34.0%</td>
<td>29.1%</td>
<td>35.1%</td>
<td>27.9%</td>
<td>27.9%</td>
</tr>
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</table>

NOTE: Total LTSS expenditures include spending on residential care facilities, nursing homes, home health services, and home and community-based waiver services. Expenditures also include spending on ambulance providers and some post-acute care. This chart does not include Medicare spending on post-acute care ($74.1 billion in 2013). All home and community-based waiver services are attributed to Medicaid.