

Addus HomeCare Corporation (ADUS)

University of Wisconsin—Milwaukee | Lubar College of Business | Investment Management Certificate Program

Analyst:

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Recommendation: **BUY**

As of:

10/13/2026

Value Fit

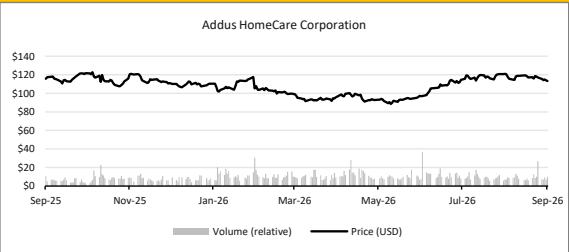
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Philosophy Fit

5 / 5

WISCONSIN VALUE FUND LENS — Maximize return by buying improving companies at reasonable valuations.

Performance level — ROIC (FY2026E) vs. ke	9.8% vs 7.8% → Above ke
Change in performance — ΔROIC	+0.9 pts, FY2026E vs FY2025A → Improving
Lifecycle phase	Phase III — highest expectations
Valuation gap — target vs. price	+16.6% → Price below our value



BUSINESS DESCRIPTION

Addus HomeCare Corp. engages in the provision of in-home personal care services. It operates through the following segments: Personal Care, Hospice, and Home Health. The Personal Care segment provides non-medical assistance with activities of daily living, primarily to persons who are at risk of hospitalization or institutionalization, such as the elderly, chronically ill or disabled. The Hospice segment includes physical, emotional, and spiritual care for people who are terminally ill as well as related services for its families. The Home Health segment offers services that are primarily medical in nature to individuals who may require assistance during an illness or after hospitalization and include skilled nursing and physical, occupational, and speech therapy. The company was founded 1979 and is headquartered in Frisco, TX.

INVESTMENT THESIS

Addus is a steady grower in home care for the elderly and disabled, and its returns on capital are improving. In Q2 2026 revenue rose 8.0% and adjusted EBITDA 11.9%, and bank debt is down to \$64.3 million, leaving room for larger acquisitions. Our model values the shares at \$128 to \$138 while holding margins flat and assuming no new deals, so margin expansion and value-creating acquisitions are upside to our \$132 target. The shares trade at a steep discount to peers on earnings and book value, which we believe more than compensates for Medicaid reimbursement and leadership risk. We rate the shares BUY.

MARKET SNAPSHOT

Current Price	\$113.19	Market Cap (\$B)	\$2.1	Beta	0.64
52-Week Range	\$88 – \$123	Inst. Ownership	106.5%	Insider Own.	2.9%
Shares Out. (mm)	18.1	Short Interest (% float)	4.9%	Dividend Yield	0.0%
Consensus L-T Growth	11.1%	Payout Ratio	0.0%	Cost of Equity	7.8%
Price Target	\$132.00	Upside to Target	16.6%	Value Range	\$128 – \$138

VALUATION SUMMARY — equity DCF, FCFE discounted at ke

Method	Value / Share	Upside	Terminal Assumption
Equity DCF — terminal P/E	\$127.74	12.9%	17.0x P/E
Equity DCF — terminal P/S	\$129.17	14.1%	1.3x P/S
Equity DCF — terminal P/B	\$131.35	16.0%	1.3x P/B
Equity DCF — constant growth	\$138.46	22.3%	2.5% g, 7.8% ke
Average of methods	\$131.68	16.3%	Equal-weighted
Analyst price target	\$132.00	16.6%	Blue = analyst override

PHILOSOPHY FIT — Five pillars · Score: 5 / 5

	Fit?
1. Fundamental improvement & valuation discipline	ΔROIC +0.9 pts; price is 0.86x our average value Yes
2. Investing through company cycles	Phase III; EBIT margin 10.5% → 10.5% Yes
3. Initial position sizing & risk limits	Initial position sized within fund limits; risk limits set at entry Yes
4. Capital allocation discipline	Net debt/invested capital 6.7%; net debt/EBIT 0.6x Yes
5. Identifiable catalysts & conservative underwriting	Three drivers, each with a monitor Yes

VALUE CRITERIA — 10-Point Checklist · Score: 8 / 10

	Pass?
1. Catalyst / Investment Drivers	Yes
Driver 1 — Margins Growing Faster Than Revenue	Q2 2026 revenue rose 8.0%, while adjusted EBITDA rose 11.9%, reaching about 13.0% of revenue. Adding clients in existing states spreads fixed costs. Our model holds margins flat, so expansion is upside. Watch: adjusted EBITDA margin.
Driver 2 — Room on the Balance Sheet for Acquisitions	Addus cut bank debt to \$64.3 million and plans to pursue larger acquisitions. Our model assumes no new deals, so value-creating purchases would add to it. Watch: acquisition prices relative to Addus's roughly 12% return on capital.
Driver 3 — Steady Demand for Care at Home	Addus serves about 62,500 elderly, chronically ill and disabled clients in 24 states, many of whom would otherwise need hospital or nursing-home care. Watch: organic growth in personal care.
What does management say?	Management sees continued demand and plans to grow within its existing states and through larger acquisitions. Operations are led by an interim COO through July 2027, after the President and COO left in August.

2. Low P/E Ratio							Yes
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
EPS (model)	\$3.91	\$4.33	\$5.31	\$6.20	\$6.65	\$6.98	
P/E at current price	29.0x	26.2x	21.3x	18.3x	17.0x	16.2x	
Peer median P/E (FactSet, subject excl.)	42.3x	FY2026E P/E vs. peer median		(57%)			
3. Low Price / Cash Flow							No
FCFE / share	-\$1.60	-\$18.99	\$3.07	\$6.94	\$6.54	\$6.87	
Price / FCFE	NM	NM	36.9x	16.3x	17.3x	16.5x	
Peer median P/CF (FactSet, subject excl.)	20.8x	Price / FCFE (today) vs. peer median		+77%			
4. Low Price / Book Value							Yes
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Book value / share	\$44.18	\$57.07	\$60.12	\$66.46	\$73.24	\$80.35	
Price / Book	2.6x	2.0x	1.9x	1.7x	1.5x	1.4x	
ROE (EOY book)	8.8%	7.6%	8.8%	9.3%	9.1%	8.7%	
Peer median P/B (FactSet, subject excl.)	4.7x	Price / book (today) vs. peer median		(60%)			

Addus HomeCare Corporation (ADUS) — Value Criteria, continued

5. Financial Soundness							Yes
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Total debt (\$mm)	175	273	171	64	64	64	
Net debt (\$mm)	110	174	90	-41	-164	-294	
Total debt / equity (gross)	24.8%	28.1%	15.8%	5.3%	4.8%	4.4%	
Total debt / assets (gross)	17.1%	18.7%	11.6%	4.2%	3.9%	3.6%	
Net debt / invested capital	12.4%	13.2%	6.7%	-3.0%	-11.1%	-18.2%	
Net debt / EBIT	1.1x	1.5x	0.6x	-0.3x	-1.0x	-1.7x	
Tax rate	24.7%	Book equity (\$mm)		1,085			
6. Positive Earnings Dynamics							Yes
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Sales growth	11.3%	9.1%	23.2%	7.5%	5.2%	5.2%	
EBIT margin	9.2%	10.0%	10.5%	10.5%	10.5%	10.5%	
EPS growth	34.7%	10.7%	22.8%	16.7%	7.2%	5.1%	
7. Business Strategy & Segment Mix							Yes
Strategy	Grow density in existing states through personal care, and add hospice and home health services for the same clients. Acquisitions supplement organic growth, and bank debt is down to \$64.3 million.						
Segment / geography mix	Addus serves about 62,500 clients in 24 states, concentrated in a few core states, with Illinois historically the largest.						
8. Capable Management & Insider Ownership							No
Insider ownership	2.9%	Inst. ownership		106.5%	Buybacks, % of NOPAT (FY1E)		(4.1%)
Insider activity / governance	The COO left in August 2026, and the role is filled on an interim basis through July 2027. Insider ownership is only 2.9%						
9. Valuation — Value Creation (ROIC vs. ke)							Yes
ROIC (FY1E)	9.8%	Cost of equity (ke)		7.8%	EVA spread (ROIC – ke)		2.0%
Price target / upside	\$132.00	16.6%		Value / share range (low–high)		\$128 – \$138	
10. Uses of Capital — allocation discipline							Yes
Reinvestment -11% of NOPAT, dividends + buybacks -4% in FY2026E; no dividend and no large M&A — full detail in the Uses of Capital table below.							
VALUE FIT SCORE — criteria met							8 / 10

FINANCIAL SUMMARY (\$mm except per share)

	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	CAGR 2023–2028
Sales	1,059	1,155	1,423	1,529	1,608	1,692	9.8%
Gross margin	31.0%	31.3%	31.3%	31.0%	31.0%	31.0%	
EBIT	97	116	149	161	169	178	12.9%
Net income	63	74	96	112	120	127	15.2%
EPS (basic)	\$3.91	\$4.33	\$5.31	\$6.20	\$6.65	\$6.98	12.3%
Dividend / share	—	—	—	—	—	—	
FCFE / share	-\$1.60	-\$18.99	\$3.07	\$6.94	\$6.54	\$6.87	NM
Invested capital	891	1,321	1,345	1,355	1,480	1,612	12.6%
ROIC	9.0%	7.0%	8.9%	9.8%	10.3%	10.8%	
NOPAT margin	7.0%	7.4%	7.9%	8.0%	8.0%	8.0%	
Sales / NWC	737.74x	62.75x	27.61x	40.00x	40.00x	40.00x	
Sales / NFA	1.28x	0.96x	1.17x	1.26x	1.33x	1.40x	
Sales / invested capital (ex cash)	1.28x	0.94x	1.13x	1.22x	1.28x	1.35x	

USES OF CAPITAL — full range, as % of cash generated (NOPAT)

	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	Avg 2023–2028
NOPAT before reinvestment (\$mm)	74	86	112	122	128	135	
<i>Uses, as % of NOPAT</i>							
CapEx & Acquisitions (Δ NFA)	146.7%	442.8%	6.6%	0.0%	0.0%	0.0%	99.3%
Working capital (Δ NWC)	(28.3%)	19.8%	29.5%	(10.9%)	1.5%	1.5%	2.2%
Dividends	—	—	—	—	—	—	—
Share buybacks	(14.3%)	(221.9%)	(16.9%)	(4.1%)	(3.9%)	(3.7%)	(44.1%)
Debt repaid (neg. = borrowing)	3.9%	(114.2%)	90.7%	87.8%	—	—	11.4%
Cash & securities build	(20.4%)	39.8%	(15.4%)	19.2%	96.2%	96.1%	35.9%
Interest & other (residual)	12.4%	(66.3%)	5.4%	8.1%	6.1%	6.0%	(4.7%)
Total uses of capital	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Discipline — reinvestment, % of NOPAT	118.4%	462.6%	36.2%	(10.9%)	1.5%	1.5%	101.6%
Dividends + buybacks, % of NOPAT	(14.3%)	(221.9%)	(16.9%)	(4.1%)	(3.9%)	(3.7%)	(44.1%)

Framework: the full range of capital allocation — CapEx/R&D/brand, dividends, buybacks, cash and debt. Cautious at the top of the cycle; invest for the future at the bottom, without over-levering. Total ties to 100% by construction, with interest and unallocated items in the residual.

COMPS OVERVIEW (current multiples, FactSet)

Ticker	Company	P/E	P/S	P/B	P/CF	EV/EBIT
EHAB	Enhabit, Inc					14.1x
AVAH	Aveanna Healthcare Holdings Inc	10.1x	1.1x	9.4x	16.8x	11.3x
PNTG	Pennant Group Inc	45.0x	1.3x	4.0x	27.5x	21.0x
BKD	Brookdale Senior Living Inc.		0.9x		12.1x	63.2x
BTSB	BrightSpring Health Services, Inc.	42.3x	0.9x	5.5x	24.8x	26.2x
SNDA	Sonida Senior Living, Inc.		3.4x	2.1x		
Median	Peer median (subject excluded)	42.3x	1.1x	4.7x	20.8x	21.0x
ADUS	Subject, at current price	21.3x	1.4x	1.9x	36.9x	14.3x
<i>Premium / (discount) to peer median</i>		(50%)	+34%	(60%)	+77%	(32%)

Peer set from AutoTearSheet-5PageID14:DI9. Median is of peers only and excludes blanks.

KEY RISKS

1. Medicaid funding and reimbursement. Most revenue comes from state Medicaid programs, so a rate cut, a federal funding change or a new caregiver wage mandate in a core state (Illinois has historically been the largest) could erase the upside quickly. Watch state budget cycles and rate announcements.
2. Leadership and acquisition execution. The COO role is filled on an interim basis through July 2027, just as management plans larger acquisitions, and the home health and hospice moratorium limits available targets. Overpaying for a deal would hurt returns on capital. Watch for a permanent COO and the prices paid for acquisitions.
3. Caregiver labor costs. Wages are the largest cost, and caregiver shortages or state minimum-wage increases can squeeze margins if reimbursement rates lag. The model holds EBIT margin flat at 10.5%. Watch adjusted EBITDA margin and caregiver hiring trends.

