



 **adapt**health

# Investor Presentation

May 2020

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# Transaction Summary

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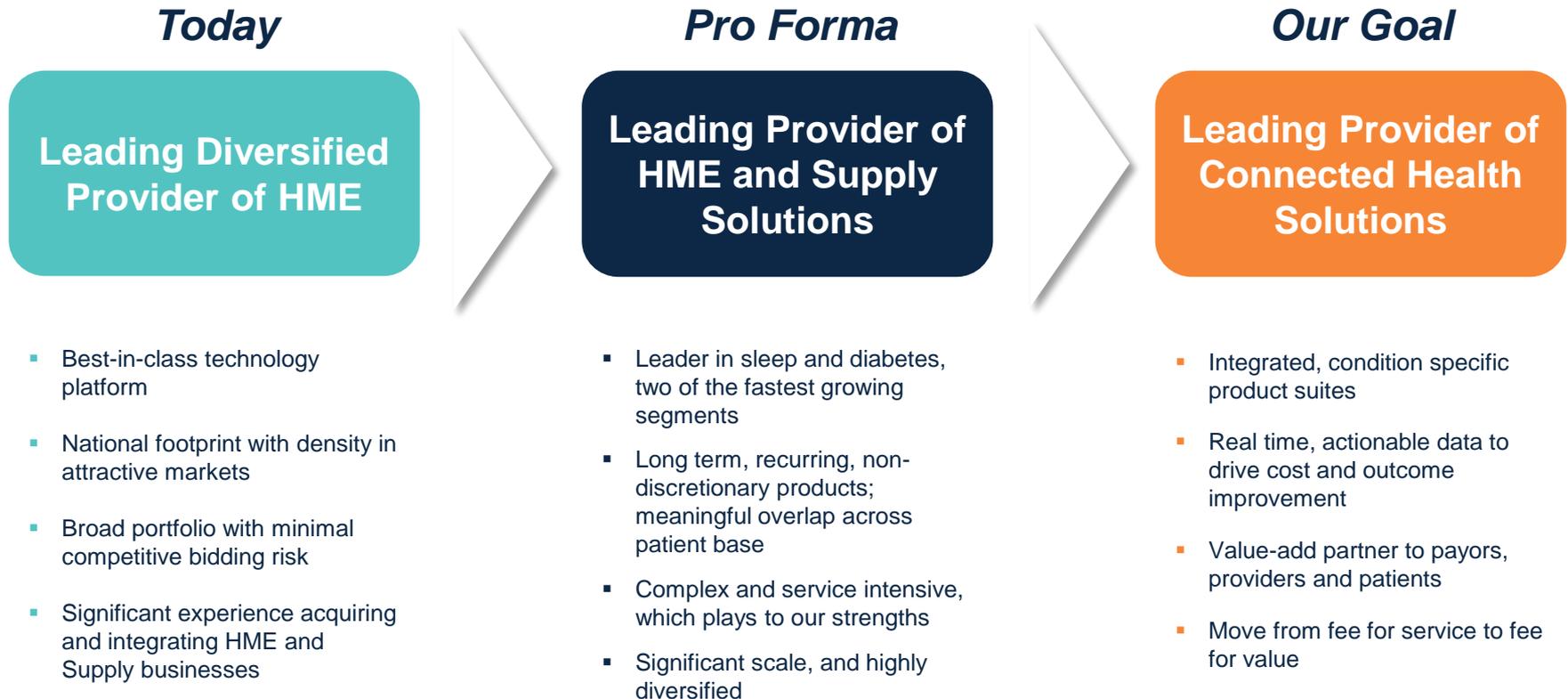
- **AdaptHealth has agreed to acquire two highly strategic and complementary recurring revenue supply businesses that are expected to be significantly accretive to growth, earnings and cash flow**
- **Solara Medical Supplies, LLC (“Solara”)** is the largest independent distributor of continuous glucose monitors (CGMs) and offers a comprehensive suite of diabetes management products
  - Transformative transaction that will establish AdaptHealth as a leader in the fast growing diabetes management vertical
  - Accretive to growth and highly synergistic with AdaptHealth’s sleep therapy business and resupply capabilities
  - Enhances AdaptHealth’s strategic value to payors and advances connected health strategy
  - Successful standalone platform with a best-in-class management team to drive organic and inorganic growth
- **ActivStyle, Inc. (“ActivStyle”)** is a leading DTC distributor of incontinence products and related home medical supplies
  - High quality business that accelerates growth, adds critical mass, and increases synergy capture within AdaptHealth PCS
  - Current ActivStyle CEO will lead a supply division within AdaptHealth PCS
- Existing and new investors and lenders have committed to financing the transactions at attractive terms with a balanced mix of debt and equity
- Funding will support AdaptHealth’s ability to execute on its robust growth pipeline

# Transaction Summary (continued)

<b>Purchase Consideration</b>	<ul style="list-style-type: none"><li>▪ Solara purchase price of \$425 million<ul style="list-style-type: none"><li>▪ \$362.5 million in cash</li><li>▪ \$62.5 million in common stock issued to current owners including Linden Capital Management</li></ul></li><li>▪ ActivStyle purchase price of \$62 million paid in cash</li></ul>
<b>Financing Sources</b>	<ul style="list-style-type: none"><li>▪ Funded with a balanced mix of debt and equity on attractive terms, including commitments from new and existing equity investors and lenders, supporting future growth</li><li>▪ Committed debt financing from core lender group for a \$240 million incremental Term Loan A</li><li>▪ \$287.5 million in equity to be issued at a weighted average price of \$14.18 per share<ul style="list-style-type: none"><li>▪ \$225 million in common and non-voting stock from One Equity Partners and Deerfield Management</li><li>▪ \$62.5 million in common stock issued to Solara owners</li></ul></li></ul>
<b>Financial Highlights</b>	<ul style="list-style-type: none"><li>▪ Expected to be significantly accretive to growth, earnings and cash flow in the first full year</li><li>▪ Transactions expected to contribute Adjusted EBITDA and EBITDA less Patient Equipment Capex of approximately \$60 million and \$55 million, respectively, in 2021<ul style="list-style-type: none"><li>▪ Includes expected run-rate cost synergies of approximately \$7 million</li></ul></li><li>▪ Total Pro Forma LTM net leverage at close of approximately 2.9x<sup>1</sup></li></ul>
<b>Timing</b>	<ul style="list-style-type: none"><li>▪ Expected to close during Q3 2020</li></ul>

1. Includes full year impact of acquisitions and expected run-rate cost synergies

# Transactions Advance AdaptHealth's Strategic Vision



**We enable complex care in the home, and are playing an increasing role in health management**

# Compelling Industrial Logic for Acquisitions



Adds high quality, market leading platform assets, with management talent to further scale these business units



Leans into core competencies – resupply, technology advantages, payors and referral relationships, field sales



Increases exposure to relevant, high-cost categories for payors, with above market growth



Further increase scale and diversify AdaptHealth's revenue stream, with a focus on recurring revenue



Connected devices further our evolution from an HME provider to a chronic care management company



Financially compelling – highly accretive with meaningful synergies

# Solara Overview

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*Leader in diabetes management and the largest independent direct-to-patient distributor of CGMs*

- **\$225mm** est. run-rate Revenue
- **40,000+** active patients
- **300+** employees
- **25+** field sales
- **4** completed acquisitions
- **2002** founded, HQ in Chula Vista, CA

## Market Leader in a High Growth Segment

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Leader in diabetes management and the largest independent direct-to-patient distributor of CGMs

CGM adoption is ramping rapidly, and drives long term, recurring resupply revenue

## Flexible 'One-Stop-Shop' Capabilities

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Comprehensive line of diabetes management supplies; preferred partner to CGM & insulin pump manufacturers

Certified and credentialed to serve patients nationally, through DME or Rx channel (retail or national mail-order)

Diverse and growing referral base, and broad in-network commercial and government payor coverage

## Platform Asset for Growth

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Best-in-class management team that will continue to lead the business post acquisition

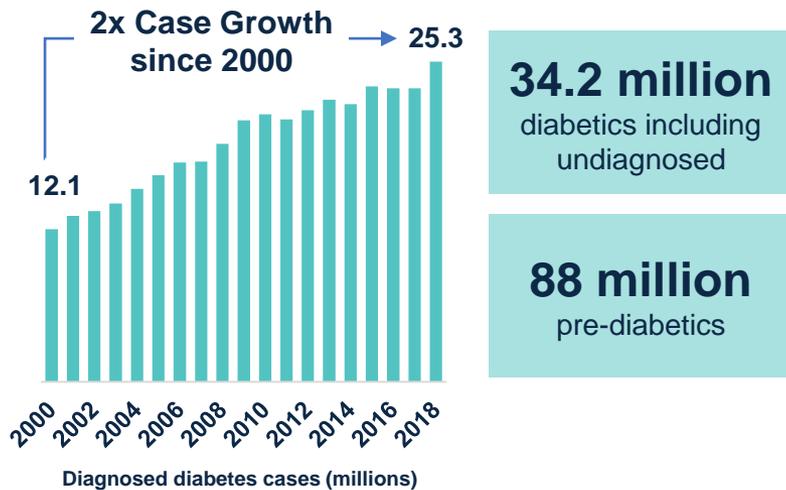
Well invested and scalable platform to support ongoing organic and inorganic growth within Adapt

Highly synergistic with our resupply capabilities and integrates well with our core technology platform

# Diabetes Market Overview

## Diabetes Overview

- Diabetes is the most costly chronic disease in the US, with medical costs and lost productivity reaching \$327 billion annually
- \$1 out of every \$7 healthcare dollars is spent treating diabetes or a complication of the disease
- The number of diagnosed cases has doubled since 2000; approximately 34 million Americans have diabetes, while 88 million have developed prediabetes



Source: CDC, ADA, Wall Street Research, Solara Management, US Pharmacist

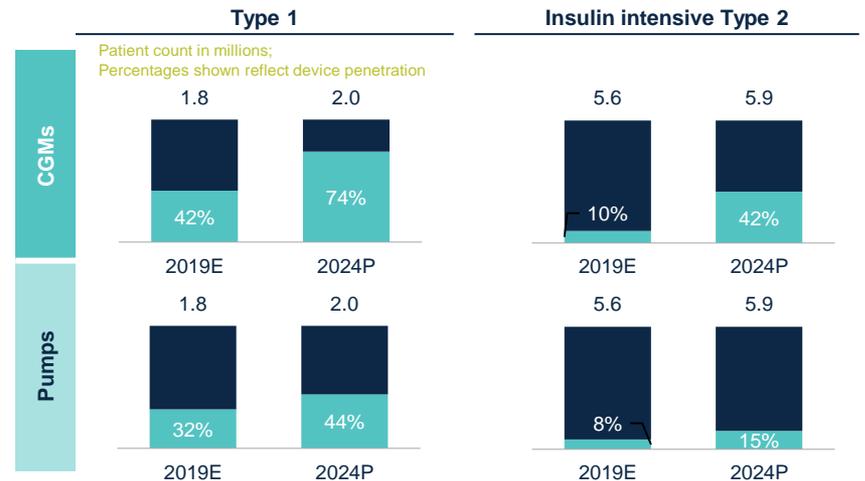
## U.S. Diabetes Device Market

- CGM technology has seen rapid adoption among diabetics due to innovative and easy to use new products and broadening reimbursement

### US Diabetes Device Market (in \$bn)



### Domestic Device Penetration



# Comprehensive Diabetes Management Portfolio

*Solara offers a comprehensive suite of options for the effective management of diabetes, including CGMs, pumps, and ancillary supplies from all manufacturers*

## Category & Representative Products

## Description

## Top Manufacturers

### Continuous Glucose Monitors



- Small sensor placed under the skin sends glucose levels to transmitter to monitor and display in real-time
- Increasingly the standard for effective blood glucose management

**Dexcom**

**Medtronic**

**Abbott**

### Insulin Pump Therapy



- Device delivers small doses of continuous insulin and variable amounts during a meal
- Excellent alternative to syringes with more precise and dynamic dosing

**Insulet Corporation**

**Medtronic** valeritas

**TANDEM**  
DIABETES CARE

### Other Diabetes Supplies



- Includes other supplies like glucose meters, test strips, lancets, syringes, alcohol swabs, adhesives, and pen tip needles

**Abbott** **ACCU-CHEK**

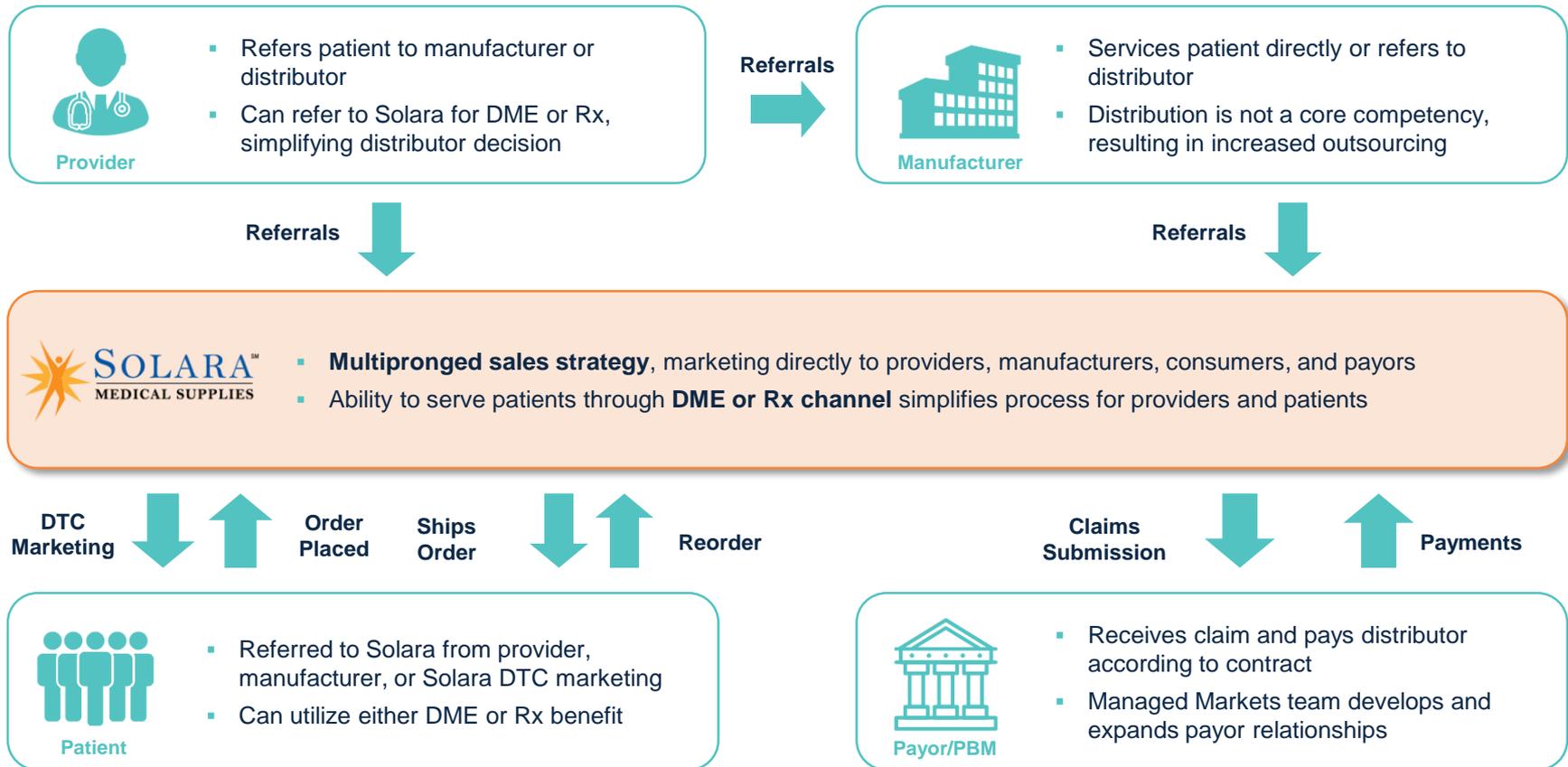
**LIFESCAN**  
a Johnson & Johnson company

**Roche**

**smith&nephew**

# One-Stop-Shop for All Constituents

*Solara covers the distribution market from all angles with a comprehensive approach to products, services, and sales strategy*



# ActivStyle Overview

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*Leading direct-to-consumer (“DTC”) supplier of incontinence and urological supplies*

- + **\$60mm** est. Revenue
- + **90%+** recurring Revenue
- + **~65,000** active patients
- + **900+** payor contracts
- + **17** locations, with national distribution
- + **1997** founded, HQ in Minneapolis, MN

## Market Leader in an Attractive Niche

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Leader in DTC incontinence (~80% of revenue) and urological supplies, together a \$3+ billion market

Consumable products for chronically ill patients drives significant recurring revenue

Patient preference for the convenience and discretion of home delivery continues to drive DTC growth

## Purpose-Built DTC Supply Platform

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Comprehensive product offering, including private label, and strong manufacturer relationships

Established brand, successful lead-gen engine, and efficient, technology enabled fulfillment and revenue cycle capabilities

## Highly Synergistic

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Complements and adds critical mass to incontinence and urology business lines acquired in the PCS transaction

Highly synergistic with AdaptHealth’s resupply capabilities and integrates well with core technology platform

Best-in-class management team that will continue to lead the business post acquisition

# Acquisitions Directly Aligned with Our Core Strengths

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## Technology Infrastructure

- Leverages current tech infrastructure (e.g. Brightree); enables relatively quick synergizing of complex acquisitions



## Fulfillment Logistics

- CGM is strong fit with our CPAP resupply capabilities and claims processing engine



## Patient Base

- Significant cross sell opportunities identified – many poly-chronic patients



## Payor Relationships

- Contracting advantages and national presence



## Sales Channel

- Broadens the aperture for our referral sources; leverages our 200+ field sales across complementary health system and physician call points



## Data & Analytics

- Additional connected devices enhance our value proposition

# Estimated Long-Term Growth Rates

*Our solutions play an important role in managing these chronic diseases in home*

Chronic Disease	Healthcare and Lost Productivity Costs (\$bn)	AdaptHealth Product
(in \$bn)		
Diabetes	\$327	CGM, Insulin Pumps, Test Strips
Heart Disease & Stroke	\$322	Oxygen, Supplies
Obstructive Sleep Apnea	\$150	CPAP, BiPAP
Obesity	\$147	PAP, Mobility, Supplies
COPD	\$49	Oxygen, NIV

Product Line	PF 2019 Net Revenue less BD	Estimated Long-Term Growth Rates
(in \$mm)		
Respiratory	\$128	3.0 – 5.0%
Sleep	340	7.0 – 9.0%
HME	111	2.0 – 4.0%
Diabetes	189	10.0 – 12.0%
Other Supply	248	2.0 – 4.0%
<b>Total</b>	<b>\$1,016</b>	<b>5.0 – 7.0%</b>

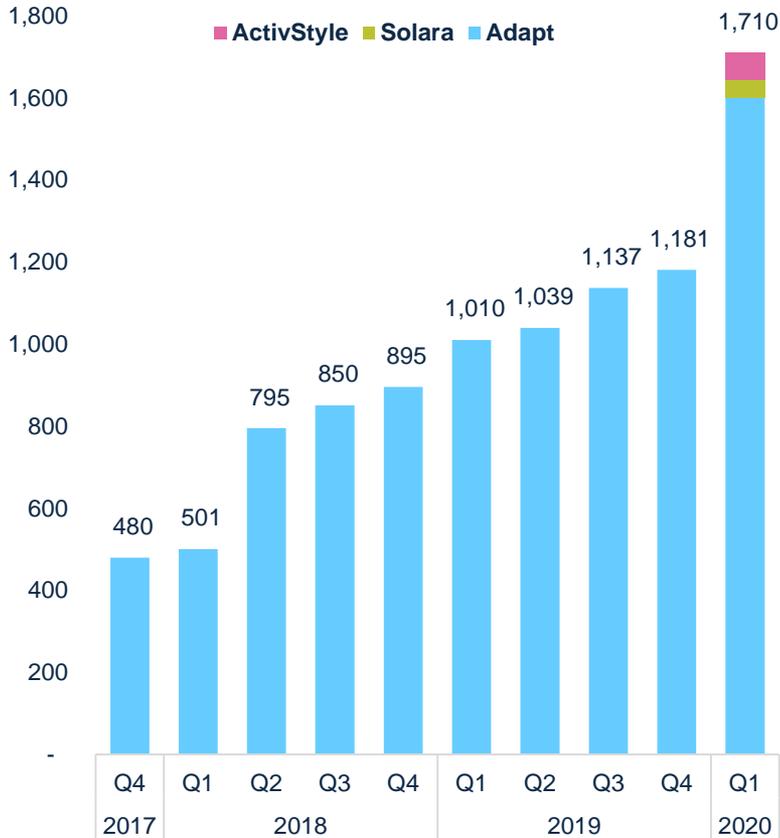
**Adapt distributes products and provides services to patients with high-cost, chronic diseases**

**Assuming 1-2% share capture, potential to grow at 7-10% organically**

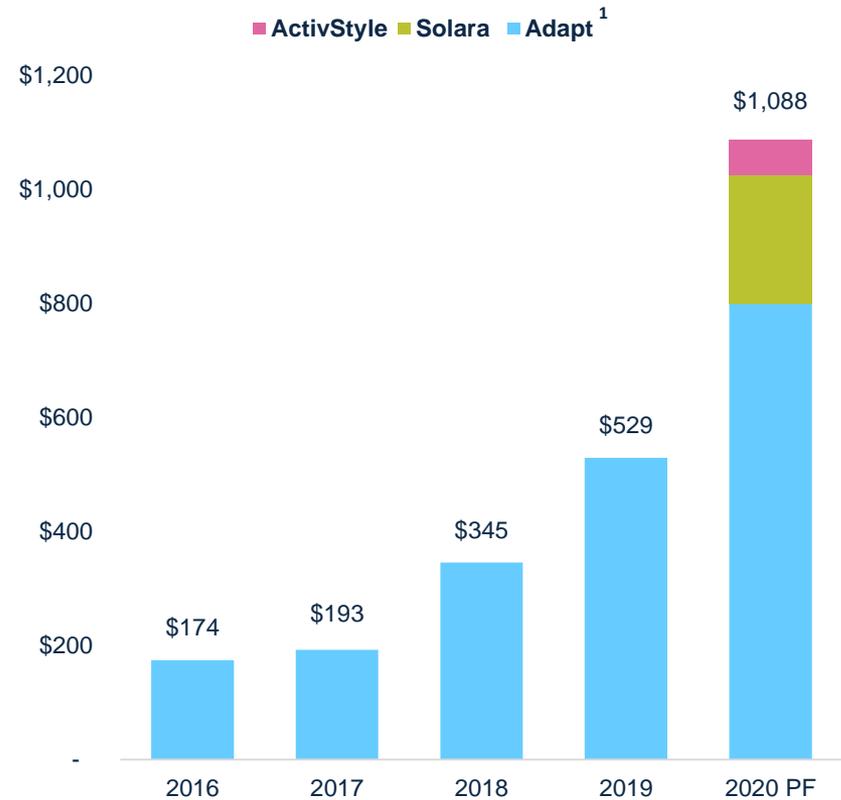
Source: American Diabetes Association, CDC, American Association of Sleep Medicine

# High Value Solutions that Enhance Our Scale

LTM Pro Forma Unique Patients Served (in thousands)

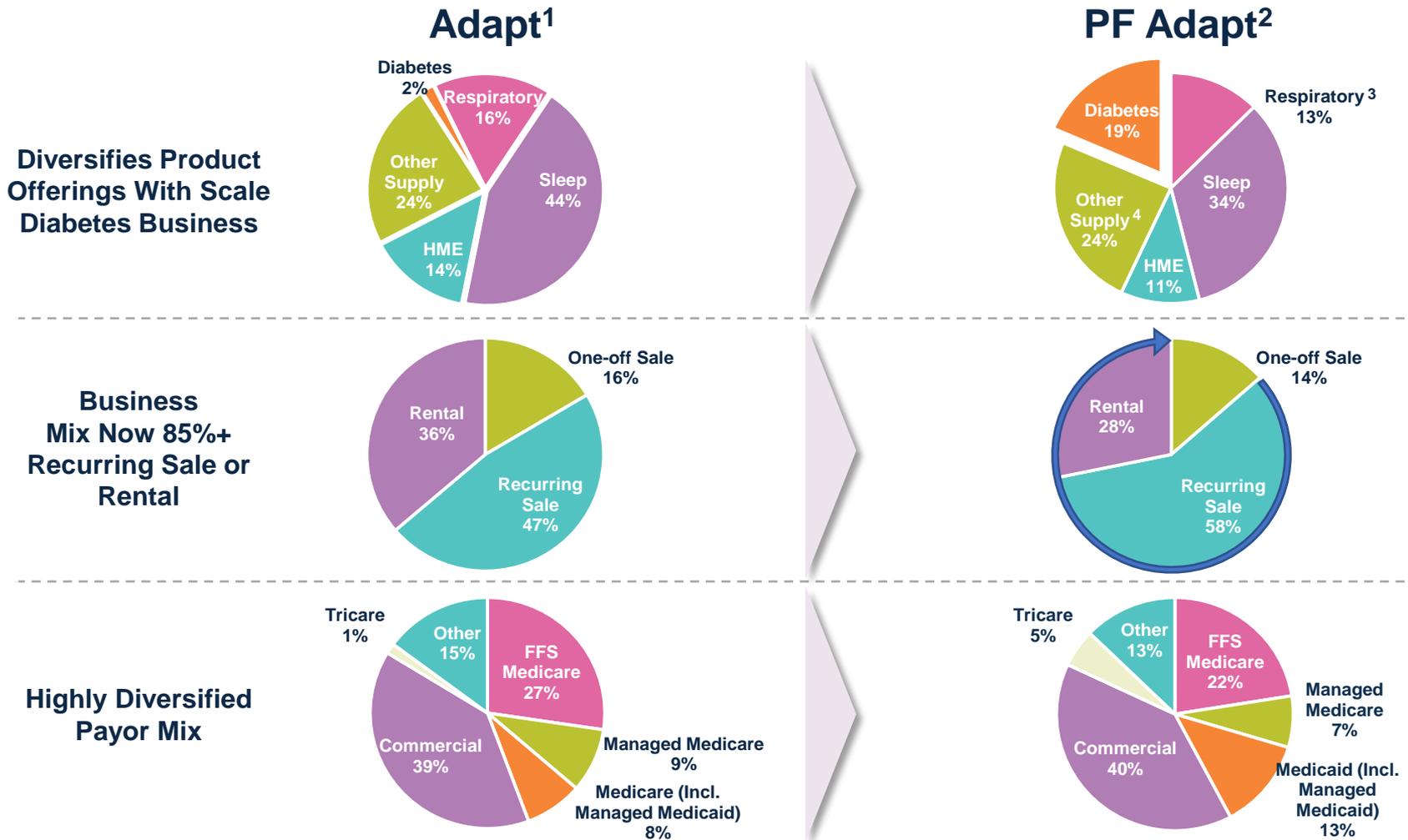


Revenue (\$ in millions)



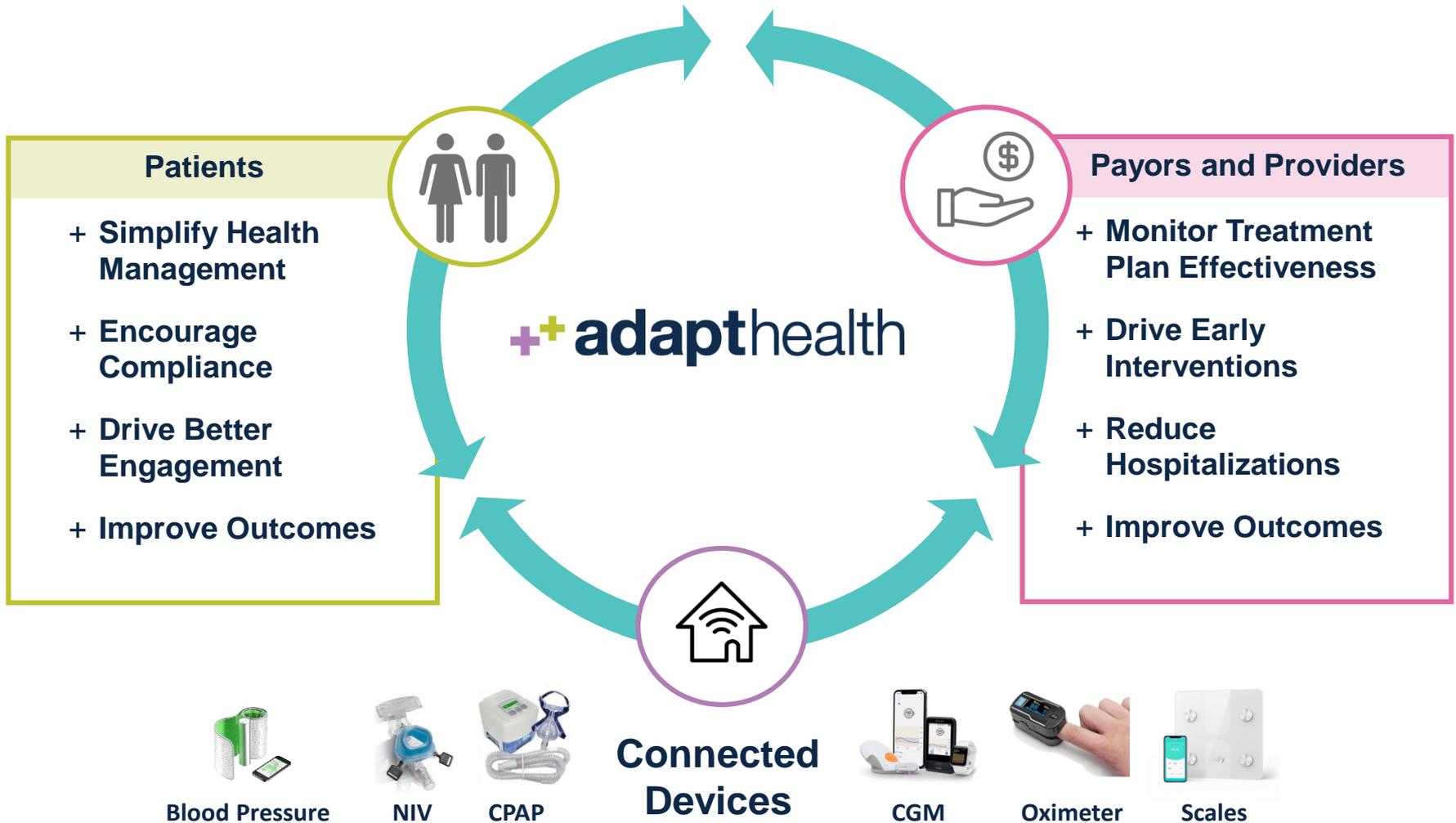
1. Based on midpoint of 2020E management guidance presented during Q1 2020 earnings call

# Pro Forma Adapt is Significantly Diversified



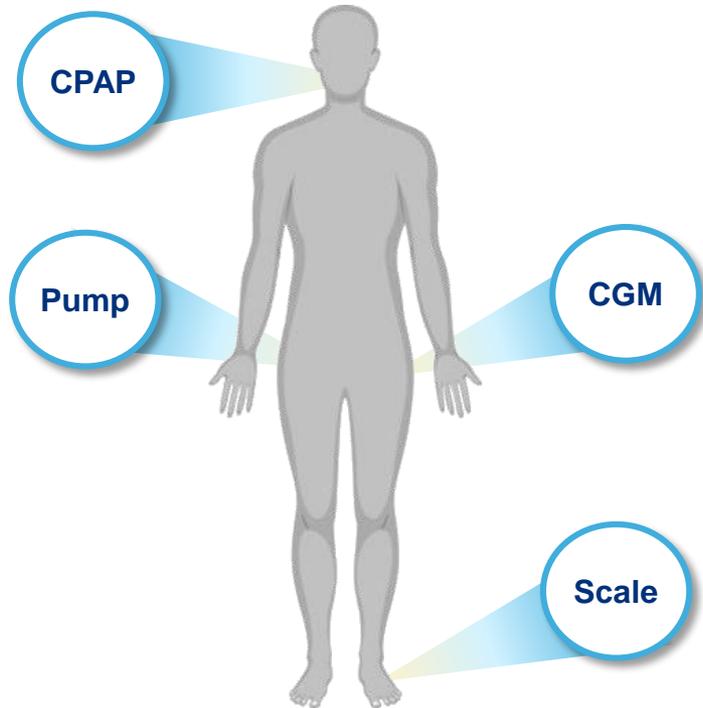
1. Based on CY 2019 net revenue less bad debt including PCS, AHC, and HL on a PF basis 2. Includes Solara, ActivStyle 3. Includes Oxygen / Vents 4. Includes Urology, Ostomy, Wound Care, Incontinence, Other (Ortho / Breast Pump / Enteral)

# Positioned to Lead the Shift to Connected Healthcare



# Case Study: Diabetic Patient on CGM and Sleep Therapy

## Illustrative Diabetic Patient Needs



## AdaptHealth Platform

- ✚ Allows the Company to monitor:
  - Real-time insulin levels
  - Real-time information on sleep quality
  - Weight fluctuation
- ✚ Patient data can be compared to a baseline and used to:
  - Measure the effectiveness of social and clinical interventions (i.e. diet, weight loss and the impact of that on sleep and insulin levels)
  - Identify risks that may require clinical intervention

We estimate that a meaningful amount of our PAP patients may be a Type 1 or Type 2 diabetic

# Appendix



# Transaction Details

## Sources and Uses of Funds

	(in \$mm)	
Sources	Incremental TLA	\$240
	One Equity Investment	\$190
	Deerfield Investment	\$35
	Solara Shareholder Equity	\$63
	<b>Total Sources</b>	<b>\$528</b>

Uses	Purchase of Solara	\$425
	Purchase of ActivStyle	\$62
	Est. fees, OID, and other exp.	\$12
	Cash to Balance Sheet	\$29
	<b>Total Uses</b>	<b>\$528</b>

## Pro Forma FDSO Calculation

	(in mm)
Standalone FDSO <sup>1</sup>	77.8
One Equity Partners Shares	13.8
Incremental Deerfield Shares	2.5
Solara Shares	3.9
<b>Total PF FDSO<sup>1</sup></b>	<b>98.1</b>

1. Calculated using Treasury Stock Method for outstanding warrants and options. Share price of \$16.65 as of 5/22/20; Excludes the impact of any earnouts

# Equity Investment Terms

	One Equity Partners	Deerfield Mgmt.	Solara Shareholders	Total
<b>Investment Amount</b>	\$190.0 million	\$35.0 million	\$62.5 million	\$287.5 million
<b>Form of Equity</b>	Common Stock and Non-Voting Stock	Non-Voting Stock	Common Stock	
<b>Price Per Share</b>	\$13.75	\$13.75	\$16.00	\$14.18 <sup>4</sup>
<b>Premium / (Discount) to 30 Day VWAP<sup>1</sup></b>	(13.8%)	(13.8%)	0.3%	(11.1%)
<b>Shares Issued</b>	13.8mm	2.5mm	3.9mm	20.3mm
<b>Percentage of Pro Forma FDSO<sup>2</sup></b>	14.1%	2.6%	4.0%	
<b>Governance</b>	One board seat	No change	None	
<b>Other terms<sup>3</sup></b>	Company has option to reduce investment amount by up to \$50 million with proceeds from an equity offering pre-closing	N/A	N/A	

1. As of 5/22/20

2. Pro Forma FDSO (98.1mm) is equal to current FDSO (77.8mm) as of 5/1/20 + One Equity Partners Shares (13.8mm) + Deerfield Management Shares (2.5mm) + Solara Shareholder Shares (3.9mm). Current FDSO assumes treasury stock method for outstanding warrants and options. Share price of \$16.65 as of 5/22/20. Excludes the impact of any earnouts; For Deerfield reflects only newly issued shares

3. Common shares issued will have customary rights and lock-ups

4. Weighted average

**Thank You**

