PACS Fundamental Analysis
Ramen Noodle Returns

Luke Hankins, Tyler Jackson, Cash Francis, Sydney Wood

10-19-2026

Investment Thesis

Company Overview

Company Name	PACS Group Inc.
Ticker	PACS
Current Price	$46.91
Current Date	10/18/2026
Target Price	$53.83
Target Date	10/18/2027
Industry	Health Care Facilities and Services
Sector	Health Care
Shares Outstanding	158 Million
Market Cap	7.4 Billion
Monthly Trading Volume	16 Million
Beta	0.67 (Levered)

PACS Group operates skilled nursing, assisted living, and other post-acute care facilities. Founded in 2013, the company went public on the NYSE in April 2024 and operates 355 facilities across 21 states, serving more than 33,400 patients daily. It grows by acquiring underperforming facilities and improving their clinical and financial performance. A majority of PACS revenue comes from Medicare, Medicaid, private insurance, and patient payments.

BUY $15,000 of PACS

PROS

- EV/EBITDA of 14.4x (Peer average 16.4x)
- Growing Op. Margin (5.9% to 8.9% YoY)
- Best operator among peers (95% Occupancy, 4.5*)

CONS

- DOJ Investigations & 2024 Revenue Restatement
- Revenue exposure to Medicaid/Medicare

DCF - WACC

WACC Calculations	
Capital Structure	
Total Debt	$238.00
Total Equity	$7,598.80
Debt-to-Total Capitalization	3.0%
Equity-to-Total Capitalization	97.0%

Cost of Debt	
Cost of Debt	*11.8%*
Tax Rate	*27.9%*
After-Tax Cost of Debt	8.5%

Cost of Equity	
Risk-free Rate	*5.1%*
Market Risk Premium	4.2%
Levered Beta	*0.67*
Cost of Equity	7.9%

WACC	7.9%

- **Capital Structure:** $238M of interest-bearing debt and ~7.5B MVE
- **Cost of Debt:** Interest expense divided by interest-bearing debt to get 11.8%
- **Cost of Equity:** Used 10-yr Treasury (10/16) and Damodaran's MRP of 4.23% with a levered beta of .67 to get 7.9%
- **WACC:** Using the 27.9% effective tax rate, we got a WACC of 7.9%

DCF – Assumptions Base

					Projected Annual Forecast				
	2022	2023	2024	2025	2026	2027	2028	2029	2030
Period					1	2	3	4	5
Revenue ($000s)	$2,421,994.0	$3,111,492.0	$4,089,734.0	$5,288,932.0	$6,021,765.5	$7,311,454.7	$8,432,960.5	$9,503,707.6	$10,729,256.1
Growth Rate (%)		*28.5%*	*31.4%*	*29.3%*	*13.9%*	*21.4%*	*15.3%*	*12.7%*	*12.9%*
Segments									
New Facility	$1,297,831.0	$1,072,774.0	$1,049,292.0	$1,154,880.0	*$713,566.00*	*$1,409,656.09*	*$1,012,363.41*	*$941,248.62*	*$973,661.43*
Growth Rate (%)		*(17.3%)*	*(2.2%)*	*10.1%*	*(38.2%)*	*97.6%*	*(28.2%)*	*(7.0%)*	*3.4%*
Ramping Facility	$141,542.0	$924,697.0	$1,521,162.0	$1,108,849.0	*$1,456,443.00*	*$891,983.82*	*$1,233,787.42*	*$1,602,993.36*	*$1,097,446.29*
Growth Rate (%)		*553.3%*	*64.5%*	*(27.1%)*	*31.3%*	*(38.8%)*	*38.3%*	*29.9%*	*(31.5%)*
Mature Facility	$951,936.0	$1,095,106.0	$1,443,958.0	$2,914,727.0	*$3,739,071.00*	*$4,894,875.57*	*$6,069,571.61*	*$6,839,882.80*	*$8,536,173.96*
Growth Rate (%)		*15.0%*	*31.9%*	*101.9%*	*28.3%*	*30.9%*	*24.0%*	*12.7%*	*24.8%*
Other	$30,685.0	$18,915.0	$75,322.0	$110,476.0	*$112,685.52*	*$114,939.23*	*$117,238.02*	*$119,582.78*	*$121,974.43*
Growth Rate (%)		*(38.4%)*	*298.2%*	*46.7%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*
Adjusted EBITDA	254,894	237,486	279,457	505,023	674,438	862,752	1,028,821	1,187,963	1,341,157
Adjusted EBITDA Margin (%)	*10.5%*	*7.6%*	*6.8%*	*9.5%*	*11.2%*	*11.8%*	*12.2%*	*12.5%*	*12.5%*
EBIT	229,360	207,772	123,073	309,595	534,830	699,535	834,579	970,787	1,093,849
EBIT Margin (%)	*9.5%*	*6.7%*	*3.0%*	*5.9%*	*8.9%*	*9.6%*	*9.9%*	*10.2%*	*10.2%*
Depreciation & Amortization	$22,311.0	$25,632.0	$40,809.0	$55,663.0	$79,390.0	$90,101.8	$109,912.5	$122,139.0	$140,015.1
D&A as a % of revenue	*0.9%*	*0.8%*	*1.0%*	*1.1%*	*1.3%*	*1.2%*	*1.3%*	*1.3%*	*1.3%*
Accounts Receivable Growth (%)		*47.7%*	*17.2%*	*-2.1%*	*15.6%*	*21.4%*	*15.3%*	*12.7%*	*12.9%*
Other receivables (%)		*6.22%*	*43.03%*	*-1.04%*	*30.3%*	*21.4%*	*15.3%*	*12.7%*	*12.9%*
Prepaid Expenses Growth (%)		*48.50%*	*31.65%*	*166.33%*	*9.3%*	*20.5%*	*14.9%*	*12.3%*	*12.9%*
Accounts Payable Growth (%)		*27.47%*	*24.20%*	*9.81%*	*10.2%*	*20.5%*	*14.9%*	*12.3%*	*12.9%*
Accrued Expenses Growth (%)		*-17.06%*	*92.12%*	*29.10%*	*10.2%*	*20.5%*	*14.9%*	*12.3%*	*12.9%*
Capital Expenditures Growth (%)		*100.25%*	*45.18%*	*58.59%*	*13.9%*	*21.4%*	*15.3%*	*12.7%*	*12.9%*
Acquisition of Facilities Growth (%)		*129.29%*	*123.06%*	*-49.27%*	*47.9%*	*(43.6%)*	*3.4%*	*3.4%*	*3.4%*

Base DCF

Sum of present values of FCFs	$1,266,657.6

Terminal Value	
Growth in perpetuity method:	
Long term growth rate	3.00%
WACC	7.9%
Free cash flow (t+1)	$539,915.0
Terminal Value	$10,998,169.8
Present Value of Terminal Value	$7,516,737.1

Enterprise Value to Equity Value	
Enterprise Value	$8,783,394.6
Less: Net debt	152,250.0
Equity Value	**$8,631,144.6**
Diluted Shares Outstanding	161,986,725
Equity Value Per Share	**$53.28**

- The 70+ age demographic is projected to grow at a 3% CAGR through 2035 (BLS)
- Primary demographic is 65+, with two-thirds of revenue coming from Medicare/Medicaid

DCF	Implied Share Price		
Approach	**Base**	**Downside**	**Upside**
Perpetuity	$53.28	$43.23	$60.61

Comparable Company Multiples

Comparable Companies

	Market and Financial Data						Valuation		
Company Name	Price	Market Cap (B)	Enterprise Value (M)	LTM Sales (M)	LTM EBITDA (M)	Earnings (M)	EV / Sales	EV / EBITDA	P/E
Target									
PACS	$ 46.910	$ 7.599	$ 7,751.047	$ 5,551.000	$ 537.500	$ 312.900	1.4x	14.4x	24.3x
Comparable companies									
National Healthcare Corporation (NHC)	222.50	3.48	3,188.00	1,559.00	190.40	121.30	2.0x	16.7x	28.7x
Ensign Group	174.30	10.16	9,976.86	5,486.70	621.28	387.00	1.8x	16.1x	26.2x
Pennant Group	40.14	1.40	1,584.23	1,101.70	72.34	37.30	1.4x	21.9x	37.6x
Encompass Health	122.58	12.09	15,690.00	6,206.00	1,447.00	579.10	2.5x	10.8x	20.9x

Peer Group Relevance			
Industry	Sector	Largest Geographical Segment	Largest Revenue Segment
Health Care Services	Health Care	North America	Skilled Nursing
LTAC & Skilled Nursing	Health Care	North America	Skilled Nursing
Health Care Faciltiies	Health Care	North America	LTAC & Skilled Nusrisng
Nursing & Residentital Care	Health Care	North America	Home Health Care and Hospice
Specialty Facilties	Health Care	North America	Speciatly Facilties

Mean	2.0x	16.4x	28.36
Median	1.9x	16.4x	27.5x
25 Percentile	1.7x	14.8x	24.91
75 Percentile	2.2x	18.0x	30.94
Standard deviation	0.456	4.523	6.968

Comparable Company Multiples

SUMMARY						
Metrics	Comps	Implied EV	Net Debt	Equity Value	Shares	Share Price
EV/Sales						
25 Percentile	1.7x	9,566	152	9,414	162	58.11
75 Percentile	2.2x	12,022	152	11,870	162	73.28
Mean	2.0x	10,865	152	10,713	162	66.14
EV/EBITDA						
25 Percentile	14.8x	7,931	152	7,778	162	48.02
75 Percentile	18.0x	9,693	152	9,540	162	58.90
Mean	16.4x	8,808	152	8,655	162	53.43
P/E						
25 Percentile	24.9x	7,945	152	7,793	162	48.11
75 Percentile	30.9x	9,833	152	9,681	162	59.76
Mean	28.4x	9,026	152	8,874	162	54.78

Key Assumptions - PACS		
Current Price	$	46.91
Shares Outstanding (M)		162
Debt (M)		349
Cash (M)		197
Revenue (M)		5,551
EBITDA (M)		538
Earnings		313

Implied Stock Price	
25 Percentile	51.41
75 Percentile	63.98
Mean	58.12

Precedent Transactions

Precedent Transactions

Date	Target	Buyer	Target Business Descrption	Transcation Value	Revenue	EBITDA	AEV / Revenue	EV / EBITDA
3/2/2026	Select Medical Holding	Multiple Acquirers	Critical illness recovery, inpatient rehabilition, and outp	$3,900.00	$5,452.80	$713.50	0.72x	11.44x
11/19/2018	Legacy LifePoint Healtl	RegionalCare Hospita	Operate community hospitals, physician practices, and	5,297	6,291	726.50	0.86x	8.07x
5/20/2023	Mediclinic Group Ltd	Remgro Ltd	Provide specialist-oriented, multi-disiplianry actue care	4,096	3,618	572.00	1.78x	11.35x

Mean	1.1x	10.3x
Median	0.9x	11.4x
25 Percentile	0.8x	9.7x
75 Percentile	1.3x	11.4x
Standard deviation	0.6x	1.9x

Precedent Transactions

SUMMARY						
Metrics	Comps	Implied EV	Net Debt	Equity Value	Shares	Share Price
AEV / Revenue						
25 Percentile	0.8x	4,385	152	4,233	162	26.13
75 Percentile	1.3x	7,327	152	7,175	162	44.29
Mean	1.1x	6,217	152	6,065	162	37.44
EV/EBITDA						
25 Percentile	9.7x	5,219	152	5,067	162	31.28
75 Percentile	11.4x	6,125	152	5,973	162	36.87
Mean	10.3x	5,529	152	5,377	162	33.19

Key Assumptions - PACS	
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Cash (M)	197
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Earnings	313

Implied Stock Price	
25 Percentile	28.71
75 Percentile	40.58
Mean	35.32

Weighted Valuation

- **DCF:** Highest weight because PACS' revenue is mostly driven by the number of facilities and the acquisition of those facilities. Our DCF cases are built using facility count and acquisitions, giving us a strong estimate.
- **Comps:** There is a strong set of peers in the market who have similar business models to PACS. Remains lower in weight than DCF because peers are not perfect matches in size and market.
- **Precedent Transactions:** Precedents received lowest weight because small number of comparable deals and PACS is unlikely to be acquired or go bankrupt.

Implied Stock Price	
Total DCF	$53.28
Comparables	$58.12
Precedent Transactions	$35.32

Weights	
DCF	65%
Comparables	30%
Precedent Transactions	5%

Target Price	53.83

Current price	46.91

Football Field Data

	Low bar	Difference	High Bar
Comps	51.41	12.56	63.98
Precedents	28.71	11.88	40.58
DCF	$43.23	17.17	$60.40
52 wk high/low	10.31	39.18	49.49

Risk Management

1) Legal Liability

- PACS has identified material weaknesses within its internal control over financial reporting, posing a risk of significant financial or other penalties, affecting the value of its common stock and financial condition
- PACS is currently subject to litigation, which can result in significant legal costs and large settlement amounts, and self-insurance programs may expose us to significant and unexpected costs.

2) Government Spending

- PACS relies on government and private insurers to get paid, so changes in reimbursement rules, patient mix, or bundle payments can cut revenue.
- Medicare and Medicaid can cut or restructure payments at any time through budget decisions or new containment rules.
- Medicare and Medicaid as a whole may have significant budget alterations due to governmental decision-making.

3) Leasing Risk

- PACS leases most of its facilities, therefore landlords can raise rent, add charges, or decline to renew, and long-term leases makes it hard to exit underperforming locations

Conclusion

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Market Cap	7.4 Billion
Monthly Trading Volume	16 Million
Beta	0.67 (Levered)

PACS Group operates skilled nursing, assisted living, and other post-acute care facilities. Founded in 2013, the company went public on the NYSE in April 2024 and operates 355 facilities across 21 states, serving more than 33,400 patients daily. It grows by acquiring underperforming facilities and improving their clinical and financial performance. A majority of PACS revenue comes from Medicare, Medicaid, private insurance, and patient payments.

BUY $15,000 of PACS

PROS

- EV/EBITDA of 14.4x (Peer average 16.4x)
- Growing Op. Margin (5.9% to 8.9% YoY)
- Best operator among peers (95% Occupancy, 4.5*)

CONS

- DOJ Investigations & 2024 Revenue Restatement
- Revenue exposure to Medicaid/Medicare

Appendix

Bear DCF

Terminal Value

Growth in perpetuity method:	
Long term growth rate	3.00%
WACC	7.9%
Free cash flow (t+1)	$427,887.8
Terminal Value	$8,716,153.7
Present Value of Terminal Value	$5,957,085.3

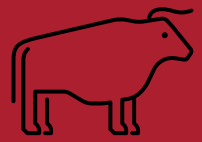
Enterprise Value to Equity Value

Enterprise Value	$7,154,193.8
Less: Net debt	152,250.0
Equity Value	**$7,001,943.8**
Diluted Shares Outstanding	161,986,725
Equity Value Per Share	**$43.23**

- The 70+ age demographic is projected to grow at a 3% CAGR through 2035 (BLS)
- Primary demographic is 65+, with two-thirds of revenue coming from Medicare/Medicaid

DCF	Implied Share Price		
Approach	**Base**	**Downside**	**Upside**
Perpetuity	$53.28	$43.23	$60.61

Bull DCF



Terminal Value

Growth in perpetuity method:	
Long term growth rate	3.00%
WACC	7.9%
Free cash flow (t+1)	$626,969.2
Terminal Value	$12,771,480.3
Present Value of Terminal Value	$8,728,712.3

Enterprise Value to Equity Value

Enterprise Value	$9,970,924.9
Less: Net debt	152,250.0
Equity Value	**$9,818,674.9**
Diluted Shares Outstanding	161,986,725
Equity Value Per Share	**$60.61**

- The 70+ age demographic is projected to grow at a 3% CAGR through 2035 (BLS)
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DCF	Implied Share Price		
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DCF – Revenue Projections

Assumptions

Facility Definition

- New Facilities (0-1.5 yr)
- Ramping Facilities (1.5-3 yr)
- Mature Facilities (3+ yr)

Revenue per facility

- Average of past six quarters, scaled by 3.4% inflation
- New: $3745.22
- Ramping: $4374.87
- Mature: $4996.26

Acquisition rate

- Bear: 0 facilities/year
- Base: 36 facilities/year
- Bull: 72 facilities/year (historical average)

DCF – Cost Projections

Assumptions

Operating Expenditure

- Regressed OpEx on # of facilities (by type)
- Assume output OpEx per facility type holds in the future
- Apply inflation of 3.4% to estimates in projections

Depreciation & Amortization

- Regressed D&A on historical # of facilities
- Assume output D&A per facility
- Apply inflation of 3.4% to estimates in projections

Other expenses

- Historical % of revenue multiplied by projected revenue that year

Business Model

PACS Group is a post-acute care provider that delivers skilled nursing and rehabilitation services, generates revenue through Medicare and Medicaid, and drives growth by acquisition.

- PACS Group is a leading post-acute healthcare company primarily focused on delivering high-quality skilled nursing care through a portfolio of independently operated facilities
- PACS Group serves patients and residents requiring skilled nursing, assisted living, memory care, and transitional care. This list also includes hospitals and health systems, families and caregivers, and payers and insurers.
- PACS provides patient care services including skilled nursing, post-acute rehabilitation, and senior living and memory care. They provide their facilities with technology and financial services and perform the operations of the facility
- Each facility is run by its own legally separate subsidiary with a local administrator and director of nursing, while the central services company provides back-office support.
- Revenue is earned on a per-patient-day basis; therefore, it depends on occupied beds and reimbursement rates
- Their payer mix of Medicare, Medicaid, and “skilled mix” drives profitability. Medicare pays the highest daily rates for short-term patients, while Medicaid covers most long-term residents
- Their growth is driven by acquisition of underperforming long-term custodial care skilled nursing facilities and transforming them into higher acuity, high value-add short-term transitional care skilled nursing facilities
- PACS tracks its facilities in cohorts of “New,” “Ramping,” and “Mature” as they progress through their turnaround process.
- PACS has limited pricing power due to Medicare and Medicaid programs, along with a patient’s clinical needs, which determine rates.

Historical Financial Performance

Historical Financials

$ in millions, except growth and margin

Metric	2023	2024	2025	1H 2026
Revenue	$3,111.5	$4,089.7	$5,288.9	$2,848.5
Revenue Growth	28.5%	31.4%	29.3%	10.1%
Operating Income	$207.8	$123.1	$309.6	$229.4
Operating Margin	6.7%	3.0%	5.9%	8.1%
Net Income	$112.9	$55.3	$191.5	$157.0
Operating Cash Flow	$63.7	$367.3	$404.2	$371.8
Capex	($45.8)	($66.5)	($105.4)	($48.4)
Free Cash Flow	$17.9	$300.9	$298.8	$322.7

Source: PACS 2025 Form 10-K; PACS Q2 2026 earnings release.

What the Historical Tell Us

1) Cash generation is strong

Free cash flow has held around $300 million per year since 2024 and is on pace to exceed that in 2026, though much is used in acquisitions.

2) Margins are improving

Operating margin stayed between 3% and 7% because of high costs. As those fall, margins have increased in the first half of 2026.

3) Growth is strong but unlinear

Growth is driven by acquisition. Revenue grew by about 28-31% per year from 2023 to 2025, but it slowed to about 10% in 2026 after buying fewer facilities in 2025.

Industry Overview

PACS

The post-acute care industry serves individuals who need additional help recuperating from acute conditions, illnesses, or serious medical procedures after they have been discharged from the hospital. Care settings range from high-acuity, high-cost options to lower-acuity, low-cost options. Skilled nursing facilities sit at the center of this system, offering cost-efficient, 24-hour care. The industry is large and growing, and CMS projects total SNF spending to rise to $283.3 billion by 2031 (4.3% compounded annual growth rate)

Major Events in Industry

- **New Medicare Payment Model (2018):** CMS finalized the PDPM, which pays SNFs based on patients' clinical needs and it took effect Oct. 1, 2019
- **Federal Nursing Home Reform Agenda (2022)**: The White House announced nursing home reforms to strengthen safety, oversight, and transparency
- **Ownership Transparency Rule (2023):** CMS began requiring SNFs to disclose ownership details, including private equity and REIT owners
- **Minimum Staffing Mandate (2024):** CMS set minimum staffing standards requiring 3.48 nursing hours per resident per day, among other requirements

Current Industry Trends/Outlook

- **Lighter Regulation, Strong Investment:** Federal oversight has eased since 2025, and investors are returning to skilled nursing as better Medicaid rates and strong state budgets lift deal activity and cash flow
- **Medicaid Cuts and Slower Rate** Growth: The OBBBA is expected to cut about $1 trillion from Medicaid over 10 years, while Medicare Part A rates rise only 2,4% in FY 2027, making revenue growth more difficult
- **Recovery with a Widening Gap:** Occupancy has rebounded to about 83% from its 2021 low, but margins are splitting between well-run operators that can reinvest in staff, technology, and facilities and weaker ones are barely breaking even.

Industry Analysis

Porter's five forces model

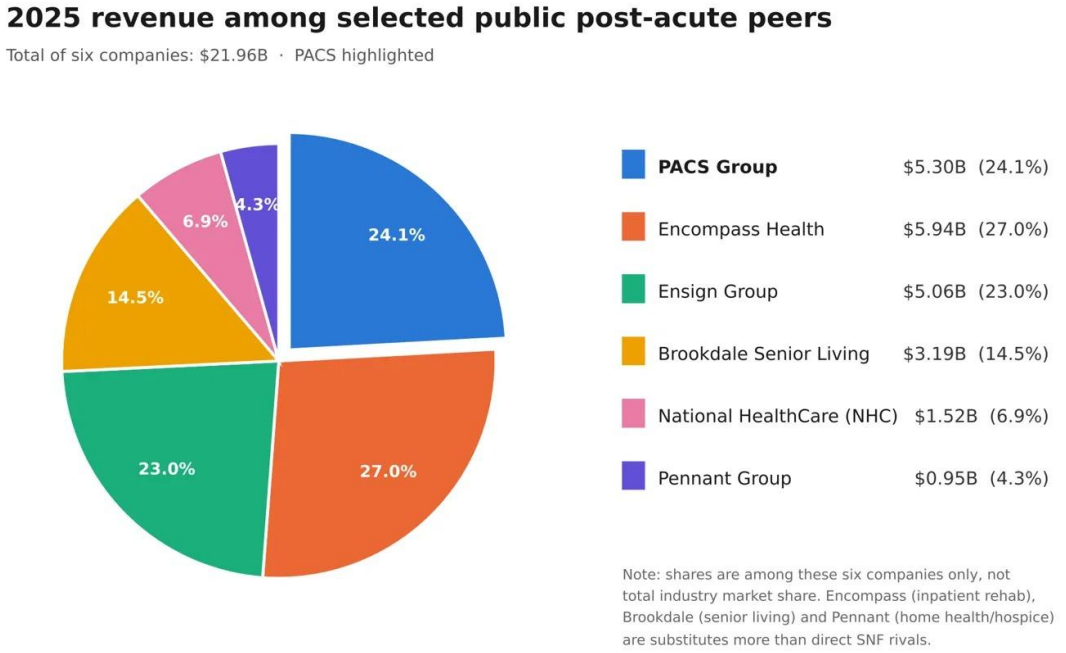
***Competitive Rivalry**: MEDIUM - The industry is highly fragmented, with the top 10 operators holding only about 11% of facilities and roughly 5,000 smaller operators making up the rest. PACS differentiates on quality and occupancy, averaging 89% occupancy and a 4.1 CMS star rating vs. industry averages of 79% and 3.5*

***Buyer Power:** HIGH – Medicare and Medicaid account for 74% of PACS routine revenue, and these government payers set reimbursement rates rather than negotiating. However, PACS's scale gives it some leverage with managed care patients.*

***Supplier Power:** MEDIUM – PACS depends on roughly 27,700 clinicians amid a nationwide nursing shortage, and about 6,300 employees are unionized, putting upward pressure on wages. The company also leases most of its facilities, though it has negotiated favorable terms.*

***Threat of New Entrants:** LOW- New operators face Certificate of Need laws, complex licensing, and heavy capital requirements. As a result, the number of SNFs has fallen from about 15,650 in 2017 to 14,740 in 2025, and growth comes primarily from established players acquiring existing facilities.*

***Threat of Substitutes:** MEDIUM- Home health and community-based care providers increasingly keep seniors out of facility settings. However, SNFs remain the lowest-cost facility-based option, and the 65+ population is expected to double by 2060*



**data from individual company's 10k, competitors are those listed in PACS 10k*

Management and Employees



Jason Murray



Mark Hancock

PACS Track Record & Future Potential

Wins:

- **Acquisition & Turnaround Model:** Since 2013, PACS has acquired and integrated 300+ underperforming nursing homes, transforming them into higher-acuity, short-term care facilities with stronger star ratings and occupancy
- **IPO & Prestige Acquisition:** In 2024, PACS raised $450 million in an upsized IPO at $21 per share and agreed to acquire 53 Prestige facilities across 8 western states
- **Strong Recent Results:** In Q2 2026, revenue grew 9.1% to $1.43 billion, while net income jumped 49.8% to $76.3 million

Losses:

- **Hindenburg Report & Revenue Restatement:** In Nov. 2024, Hindenburg Research accused PACS of Medicare fraud, sending shares down 28% in one day; PACS later admitted it overstated Medicare Part B revenue by roughly $60 million in the first half of 2024 and proceeded to restate its financials
- **Ongoing Federal Investigations:** PACS faces DOJ and U.S. Attorney investigations into possible False Claims Act violations, plus a DOJ Criminal Division subpoena over potential false statements to the government, with outcomes still uncertain and legal costs mounting

Company Structure & Culture

- **Board Quality:** The six-member board is staggered into three classes, and co-founders Jason Murray and Mark Hancock hold about 70% of voting power, making PACS a controlled company that is exempt from some NYSE governance rules and allows the founders to remove directors at any time
- **Recent Changes:** After CFO Derick Apt left in Sep. 2025, co-founder Mark Hancock served as interim CFO until Carey Hendrickson took over in Apr. 2026, strengthening financial oversight after the restatement
- **Compensation:** Executive pay is heavily performance- and stock-based. Base salaries are modest, but stock awards and a quarterly bonus pool tied to Adj. EBITDA are added
- **Culture & Employees:** PACS employs 47,000 people, including 27,000 clinicians and 6,000 union members, and runs a locally led model where each facility administrator acts as a local CEO.
- **Competitive Advantage:** PACS's mature facilities average 95% occupancy and a 4.4 CMS star rating vs. industry averages of 79% and a 3.5 rating.

SWOT Analysis

Strengths

PACS outperforms the industry, with mature facilities averaging 95% occupancy and a 4.4 CMS star rating. Its proven playbook has turned over 300 underperforming facilities into higher-value care centers, and its locally led model ties administrator pay to quality and results. Ongoing investment in technology and facilities, plus its size and scale, give PACS leverage with hospitals, payers, and landlords.

Weaknesses

PACS depends heavily on government payors, with Medicare and Medicaid making up about 74% of routine revenue, leaving it exposed to rate cuts and billing changes. It identified material weaknesses in its internal financial control, which contributed to its 2024 revenue restatement, and its reliance on acquisitions brings integration risk. PACS also leases most of its facilities, which are controlled by the original owners.

Opportunities

An aging population is driving demand, with Americans 65+ expected to nearly double by 2060 and SNF spending projected to reach $283.3 billion by 2031. Meanwhile, the number of SNFs is shrinking, and the industry remains highly fragmented, giving PACS a steady supply of struggling operators to acquire. PACS can also grow by filling its newer facilities.

Threats

Federal Medicaid cuts under the OBBBA threatened a payor that makes up 40% of PACS's revenue, while ongoing DOJ investigations into its Medicare billing could lead to fines or penalties. A nationwide shortage of nurses and growing union activity could push labor costs higher, and stricter CMS enforcement or a return of federal staffing mandates would add compliance costs.

Summary & Recommendation

- **Investment Thesis:** BUY $15,000 PACS Group
- **Business Model:** Skilled nursing operator that **acquires and transforms underperforming facilities**, with **355 facilities** and **$5.3B in 2025 revenue**
- **Industry Analysis: Fragmented, growing industry** with **high barriers to entry** and an aging population driving demand
- **Risks & Growth:** DOJ investigations and Medicaid cuts, offset by **29% revenue growth in 2025** and a steady acquisition pipeline
- **Governance:** Founders hold **70% of voting power**; leadership **rebuilt finance and compliance** after the 2024 restatement
- **Valuation: $53.83 implied share price**, representing **14.75% upside**
- **Recommendation: BUY $15,000 of PACS (319.8 shares)**
  - **Target Price:** $53.83
  - **Target Date:** 10/18/2027

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