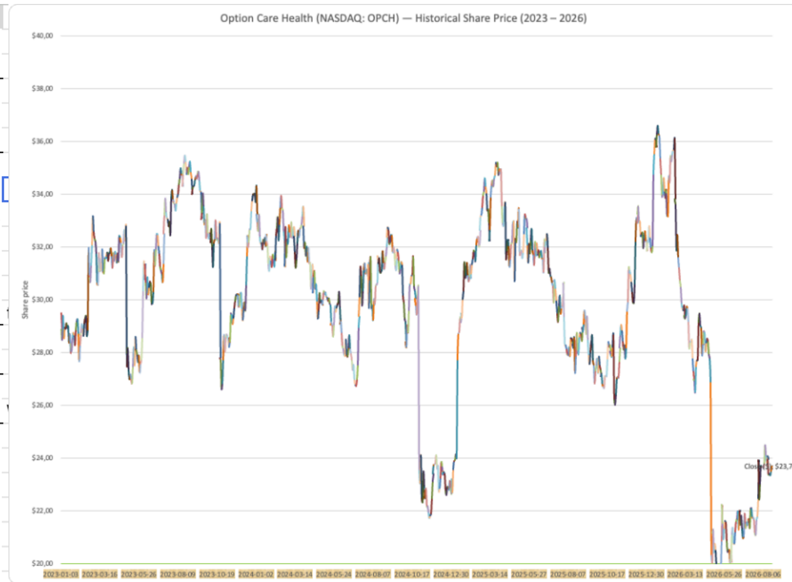
Option Care Health (Ticker: OPCH)

Célestine Tiesset
celestinetiesset@live.fr

Recommendation: **Long**

Option Care Health (OPCH)	
Share Price (as of 22.08.2026)	$23.70
Shares Out.	163,365.0
Market Cap	$3,871,751
Cash	$232,624
Debt	$1,160,832
TEV	$4,799,959
FY25 EBITDA	405,444
EV / FY25 EBITDA	11.8x
Base Case Valuation Summary:	
FY28 EBITDA:	550,925
Target Multiple	11.0x
EV	$6,060,178
Net Debt	$695,791
Market Cap	$5,364,387
Shares Out.	147419.5
3-Year Price Target	**$36.39**
Total Return:	54%
IRR	**15%**
DCF Valuation	**$36.22**
Total Return:	53%
IRR	**15%**
Blended PT:	**$36.30**
Total Return:	53.18%
IRR	**15.27%**



Executive Summary

Option Care Health (NASDAQ: OPCH) is the nation's largest independent provider of home and alternate-site infusion therapy services (~$5.65B revenue, ~22% national market share), trading at an attractive ~8.5% FCF yield, less than 12x EBITDA. Continued market turbulence regarding Medicare Part D redesign and payer drug spread dynamics has created an exceptional entry point. Following the successful operational integration of BioScrip, OPCH has positioned itself as the clear independent market leader. Under CEO John Rademacher, OPCH has optimized its clinical footprint, expanded its Ambulatory Infusion Suite (AIS) network, and secured Tier-1 preferred status across >800 health plans. OPCH should accelerate growth through 2028, driven by secular payer-mandated site-of-care shifts away from high-cost hospital outpatient settings (saving 50%–70% per treatment). It possesses strong operational leverage with expanding gross margins from multi-source biosimilar launches (e.g., Stelara). With an asset-light model (CapEx <0.8% of revenue) and a deleveraging balance sheet (Net Leverage falling from 3.2x to 1.3x), OPCH is executing a $\$250M$–$350M annual share repurchase program, retiring ~10% of float. We initiate a LONG recommendation with a 3-Year Base Case Price Target of $36.39 (+53.5% return / +15.4% IRR) and a Bull Case Target of $64.03 (+170.2% return / +39.2% IRR).

Business Overview

Option Care Health is a nationwide healthcare services provider delivering comprehensive infusion therapy to chronic and acute patients. It operates more than 170 clinical pharmacies and Ambulatory Infusion Suites across all 50 states, employing over 4,500 clinical pharmacists and specialized nurses, covering 96% of the U.S. population. Its therapy mix is ~75% chronic/specialty (Immunoglobulin/IVIG, biologic therapies for oncology/rheumatology, chronic inflammatory therapies, and parenteral/enteral clinical nutrition) and ~25% acute (anti-infectives and post-operative support). Infusion therapy is mission-critical for chronic patients, representing recurring life-sustaining treatment with high patient retention (~95%+).

OPCH was formed through the transformational 2019 merger of Option Care (formerly Walgreens Infusion Services) and BioScrip, and subsequently retired Walgreens' equity overhang to become a pure-play independent platform. The stock has experienced volatility due to regulatory headlines around drug pricing and reimbursement scrutiny. However, Option Care's value proposition is stronger than ever: hospital outpatient infusions cost commercial insurers $\$3,000$–$5,000 more per treatment than Option Care. The company's long-term financial targets outline 7%–9% organic revenue growth, expanding EBITDA margins to 7.6%–9.3%, and generating >$1.1B of cumulative Free Cash Flow through 2028.

Investment Thesis

1. Unrivaled Scale & Payer Site-of-Care Shift: OPCH provides an undeniable value proposition to commercial payers as the lowest-cost, highest-quality site of care for complex infused biologics. Hospital outpatient departments bill commercial insurers at 200%–400% of Average Sales Price (ASP). By shifting treatment to home or an AIS clinic, OPCH reduces overall payer cost by 50%–70% while maintaining 98%+ patient satisfaction and <0.2% adverse reaction rates. With >800 payer contracts, OPCH is 3x larger than any independent competitor, creating insurmountable scale advantages in biopharma procurement, cold-chain logistics, and clinical staffing.

2. Biosimilar Pipeline Unlocks Margin Expansion: The U.S. specialty biologic market is undergoing a historic biosimilar conversion wave. The launch of biosimilars for blockbuster infusible drugs (such as Stelara / ustekinumab in 2025–2026, followed by Entyvio and Prolia) allows OPCH to capture significant procurement discounts from competing manufacturers. This dynamic provides a multi-year gross margin expansion tailwind of +50 to +110 bps as multi-source competition reduces drug acquisition costs.

3. Precedent M&A; Transactions Provide Valuation Floor: As shown below from our Precedent Transaction Analysis, historical M&A; in the infusion therapy and specialty pharmacy sector consistently command 10.7x–15.2x EV/EBITDA and 1.00x–1.54x EV/Revenue multiples (e.g. BioRx at 15.2x EBITDA, Coram at $2.1B / 1.50x Revenue, CarePoint at 10.7x EBITDA). These benchmark transactions demonstrate that pure-play infusion platforms trade at significant premiums, providing a solid valuation floor for OPCH at its current 11.8x multiple.

Year	Target	Acquirer	Transaction Value	EV / EBITDA	EV / Revenue
2025	Intramed Plus	Option Care Health	$117M	N/A	N/A
2024	Paragon Healthcare	Elevance Health	Undisclosed	N/A	N/A
2024	Vital Care Infusion Services	Berkshire Partners / LGP	Undisclosed	N/A	N/A
2015	BioRx	Diplomat Pharmacy	$350M	15.2x	1.54x
2014	Coram	CVS Caremark	$2.1B	N/A	1.50x
2013	CarePoint Partners	BioScrip	$223M	10.7x	1.39x
2012	HomeChoice Partners	BioScrip	$70M	7.7x	1.00x

4. High FCF Conversion & Aggressive Share Repurchases: Unlike hospital networks or clinic chains, OPCH operates an asset-light model requiring minimal physical capital expenditure (CapEx is <0.8% of revenue, ~$45M$–55M/yr). Consequently, FCF conversion from EBITDA exceeds 68%, generating >$1.1B of cumulative FCF through 2028. Management is utilizing this cash to execute a $250M$–350M annual share buyback, creating a compounding EPS growth engine (+18.6% 3-year CAGR).

5. Proven Leadership & Operating Discipline: Led by CEO John Rademacher (former President of Cardinal Health's Ambulatory Care division and COO of CareFusion) and CFO Mike Shapiro (former finance executive at Catamaran PBM and Baxter). The leadership team has successfully deleveraged the company from 3.2x to 2.3x (headed to 1.3x by 2028) while navigating biopharma supply chains with precision

Management Team and Board of Directors

John C. Rademacher was appointed CEO and Director in 2018. He brings over 30 years of healthcare operating experience. Prior to OPCH, he served as President and COO of CareFusion (medical technology) and President of Cardinal Health's Ambulatory Care and Nuclear Pharmacy divisions. He successfully executed the BioScrip integration, expanded the AIS network, and drove gross profit past $1.1B.

Mike Shapiro has served as CFO since 2015. Prior to OPCH, he served as Senior Vice President of Finance at Catamaran Corporation (leading PBM acquired by UnitedHealth for $12.8B) and spent over 15 years at Baxter International in global financial management, corporate treasury, and commercial operations.

Valuation

	Base	*Bull*	*Bear*
	FY2028	FY2028	FY2028
Revenue	$7,249	$8,046	$7,539
3yr Growth	*8.7%*	*12.5%*	*10.1%*
Adj. EBITDA	$551	$748	$415
Margin	*7.6%*	*9.3%*	*5.5%*
FCF	$375	$479	$279
Margin	*5.2%*	*6.0%*	*3.7%*
Conversion	*68.1%*	*64.0%*	*67.2%*
EBITDA Multipl	**11.0x**	**13.5x**	**8.5x**
EV	$6,060	$10,102	$3,524
Net Debt	$696	$692	$642
Equity Value	**$5,364**	**$9,410**	**$2,882**
Sh. Out.	147.4	136.9	151.1
Price Target	**$36.39**	**$68.74**	**$19.07**
Upside/Downsi	53.5%	190.0%	-19.5%
IRR	**15.4%**	**42.6%**	**-7.0%**
Risk/Reward vs	**2.7x**	**9.7x**	

The base case assumes top-line revenue grows at an 8.7% 3-year CAGR to $7.25B, driven by steady mid-single-digit patient volume gains and biosimilar adoption. Gross margins hold stable at 19.4% and SG&A; achieves moderate leverage to 11.8%. Applying an unchanged 11.0x EBITDA multiple on FY28E EBITDA of $550.9M yields a 3-Year Price Target of $36.39 (+53.5% upside / +15.4% IRR).

The bull case assumes accelerated payer site-of-care steerage pushing revenue to $8.05B (+12.5% CAGR). High-margin Stelara biosimilars expand gross margin to 20.5%, driving EBITDA to $748.3M. Re-rating to a peer-justified 13.5x multiple yields a Price Target of $68.74 (+190.0% / 42.6% IRR).

The bear case assumes reimbursement pressure reduces gross margin to 18.0% and SG&A; deleverages to 12.5% due to clinical wage inflation. Multiple contraction to 8.5x on $414.6M EBITDA yields a Price Target of $19.07 (-19.5% downside / -7.0% IRR). Risk/Reward is highly attractive at 2.7x Base / 9.7x Bull.

Comparable Analysis

Ticker	Name	Last Price	USD (in B) Market Cap	USD (B) EV	% Chg 1Yr	% Chg YTD	USD (B) Sales	1Yr Sales GR	EV / EBITDA Crnt Yr	P/E Crnt Yr	P/E NY	EBIT Margin T12M (ENM)	Dvd Yield
OPCH	Option Care Health	23.70	3.55	4.62	-17.54%	-26.49%	5.69	13.00%	11.18	12.61	11.39	5.97%	0.00
BTSG	BrightSpring	58.87	11.65	13.48	136.71%	53.31%	14.37	28.20%	22.16	32.35	25.82	3.12%	0.00
AHCO	AdaptHealth	5.63	0.72	2.74	-41.42%	-41.78%	3.36	-0.61%	9.49	N/M	N/M	-3.97%	0.00
PNTG	The Pennant Group	38.88	1.36	1.84	54.47%	39.71%	1.10	36.31%	25.01	27.77	24.45	5.75%	0.00
	Comp Group Average	34.46	4.58	6.02	49.92%	17.08%	6.28	21.30%	18.89	30.06	25.14	1.63%	0.00
	Comp Group Median	38.88	1.36	2.74	54.47%	39.71%	3.36	28.20%	22.16	30.06	25.14	3.12%	0.00

While precedent transactions in the infusion sector suffer from stale vintage (2012–2015 disclosed multiples ranging from 10.7x to 15.2x EBITDA) and disclosure limitations on recent 2024–2025 private deals (Paragon, Vital Care), they confirm that strategic acquirers historically pay 11.0x–15.0x EBITDA for infusion networks. At 11.8x EBITDA, OPCH trades at the low end of historical M&A takeout valuations, providing strong downside protection and making OPCH an attractive private-equity or payer buyout target.

Risks

- **Payer Vertical Integration & Network Steering:** Commercial insurers (OptumRx/UnitedHealth, CVS Caremark) expanding captive specialty pharmacies and restricting out-of-network patient flow.
- **Medicare Part B / IRA Reimbursement Scrutiny:** Drug price negotiation lowering statutory ASP, which could compress per-infusion dollar procurement spreads.
- **Hospital Health System Resistance:** Health systems lobbying against white-bagging bans to retain high-margin outpatient infusion markups.
- **Specialized Clinical Nurse Labor Shortages:** Inflation in specialized infusion nurse wages could increase cost-to-serve if clinical retention costs escalate.

Financials

	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E
Revenue	$4,302	$4,998	$5,650	$6,101	$6,681	$7,249	$7,793	$8,299
Growth		16.2%	13.0%	8.0%	9.5%	8.5%	7.5%	6.5%
Gross Profit	$981	$1,013	$1,088	$1,159	$1,283	$1,406	$1,527	$1,643
Margin	22.8%	20.3%	19.3%	19.0%	19.2%	19.4%	19.6%	19.8%
SG&A	$607	$630	$682	$720	$795	$855	$912	$963
Margin	14.12%	12.61%	12.08%	11.80%	11.90%	11.80%	11.70%	11.60%
EBITDA	$374	$383	$405	$439	$488	$551	$616	$681
Margin	8.7%	7.7%	7.2%	7.2%	7.3%	7.6%	7.9%	8.2%
D&A	$59	$61	$68	$72	$75	$78	$81	$70
Margin	1.4%	1.2%	1.2%	1.2%	1.1%	1.1%	1.0%	0.8%
Operating Income	$315	$322	$338	$367	$413	$473	$534	$610
Margin	7.3%	6.4%	6.0%	6.0%	6.2%	6.5%	6.9%	7.4%
Interest Expense	-$51	-$49	-$55	-$59	-$52	-$50	-$56	-$55
EBT	$359	$284	$283	$317	$369	$431	$487	$565
Tax	$92	$72	$75	$82	$96	$112	$127	$147
Net Income	$267	$212	$208	$234	$273	$319	$360	$418
Sh. Out.	180.4	172.8	163.4	157.4	152.2	147.4	143.1	144.3
EPS	$1.48	$1.23	$1.27	$1.49	$1.79	$2.16	$2.52	$2.90
FCF	$329	$288	$217	$312	$329	$375	$420	$467
Net Leverage	1.9x	1.8x	2.3x	2.0x	1.7x	1.3x	0.9x	0.1x