Chemed Corporation (CHE)

Updated August 7th, 2025, by Yiannis Zourmpanos

Key Metrics

Current Price:	$429	**5 Year CAGR Estimate:**	13.0%	**Market Cap:**	$6.2 B
Fair Value Price:	$553	**5 Year Growth Estimate:**	7.0%	**Ex-Dividend Date:**	08/11/25
% Fair Value:	78%	**5 Year Valuation Multiple Estimate:**	5.2%	**Dividend Payment Date:**	08/29/25
Dividend Yield:	0.6%	**5 Year Price Target**	$775	**Years Of Dividend Growth:**	17
Dividend Risk Score:	B	**Sector:**	Health Care	**Rating:**	Hold

Overview & Current Events

Chemed Corporation (CHE) is a publicly traded company based in Cincinnati, Ohio, that operates two wholly owned subsidiaries: VITAS Healthcare Corporation and Roto-Rooter. The company was founded in 1970 and has established itself as a leading provider of healthcare equipment and services, primarily in end-of-life hospice care through VITAS and plumbing and drain services through Roto-Rooter. Chemed Corporation maintains a strong competitive position in the healthcare and plumbing markets, with revenues of $2.1 billion in 2022. The company's market share is substantial, with VITAS generating roughly 75% of Chemed Corporation's total revenue and Roto-Rooter accounting for the remaining 25%. The company has a strong management team. Its mission is to provide its customers with high-quality healthcare and plumbing services, making it a trusted and reliable partner in these industries.

On July 29th, 2025, the company announced results for the second quarter of 2025. CHE delivered solid quarterly results, with total revenue increasing 3.8% year-over-year to $618.8 million. CHE reported Q2 non-GAAP EPS of $4.27, beating market estimates by $0.71.

However, earnings came under pressure, with GAAP EPS falling 23.2% to $3.57 and adjusted EPS down 21.9% to $4.27. VITAS revenue rose 5.8% to $396.2 million, supported by a 6.1% increase in days-of-care and favorable Medicare rate adjustments. Yet, higher-than-expected Medicare Cap accruals—totaling $16.4 million in the quarter—dragged on segment margins and led to a 23.5% drop in adjusted net income to $38.2 million. Excluding Medicare Cap, adjusted EBITDA was flat at $66.8 million with a margin of 16.2%.

Roto-Rooter's performance was softer, with revenue inching up just 0.6% to $222.6 million. Commercial gains in excavation and water restoration were offset by declines in residential services and contractor revenue. Adjusted EBITDA fell 18.7% to $48.6 million, with margin contracting 517 basis points to 21.8%. Despite operational headwinds, Chemed remains debt-free with $249.9 million in cash and repurchased 75,000 shares for $42.9 million during the quarter. Management revised full-year EPS guidance sharply lower to $22.00–$22.30 (from $24.95–$25.45) amid heightened Medicare Cap exposure, though they remain optimistic about margin recovery into 2026.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$6.33	$6.48	$8.43	$11.93	$13.95	$18.08	$19.35	$19.70	$17.93	$19.89	***$22.12***	***$31.02***
DPS	$0.92	$1.00	$1.08	$1.16	$1.24	$1.32	$1.40	$1.48	$1.56	$1.80	***$2.40***	***$3.06***
Shares[1]	16.8	16.2	16.0	15.9	15.9	15.9	14.9	15.0	15.1	15.2	***15.0***	***14.2***

By 2030, 21% of the population is anticipated to be over 65. This suggests that many more Americans than today will require the healthcare services offered by VITAS. Chemed Corporation has effectively utilized the CARES Act during the pandemic and boosted its operating profits. However, these non-recurring benefits are gone, and we consider a growth rate in the high single digits to be more representative of its prospects. We matched the midpoint of analysts' estimates for 2025, forecasting an EPS of $22.12, and are using a projected annual growth of 7.0% for the next five years, which is lower than the company's 10-year CAGR of 13.6%, to get an EPS estimate of $31.02 by 2030. Moreover, Chemed

[1] In millions.

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Corporation's DPS had a 10-year and five-year CAGR of 7.7% and 12.7%, respectively. CHE has consistently increased its dividend distribution for the past 17 years, and we believe that DPS will grow slightly slower than EPS growth at an annual rate of 5.0%.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	20.9	21.5	24.2	25.2	26.8	26.0	24.8	24.5	29.7	29.0	***19.4***	***25.0***
Avg. Yld.	0.7%	0.7%	0.5%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	***0.6%***	***0.4%***

The company's largest revenue contributor, VITAS, has significant tailwinds, such as the aging US population, that will support its growth for the foreseeable future. Chemed Corporation is trading at a forward P/E of 19.4, lower than its five-year average of 26.8 and 10-year average of 25.3. However, considering the growth prospects, we have assumed a target P/E of 25.0 by 2030, close to its historical averages, suggesting a target price of $775.

Safety, Quality, Competitive Advantage, & Recession Resiliency

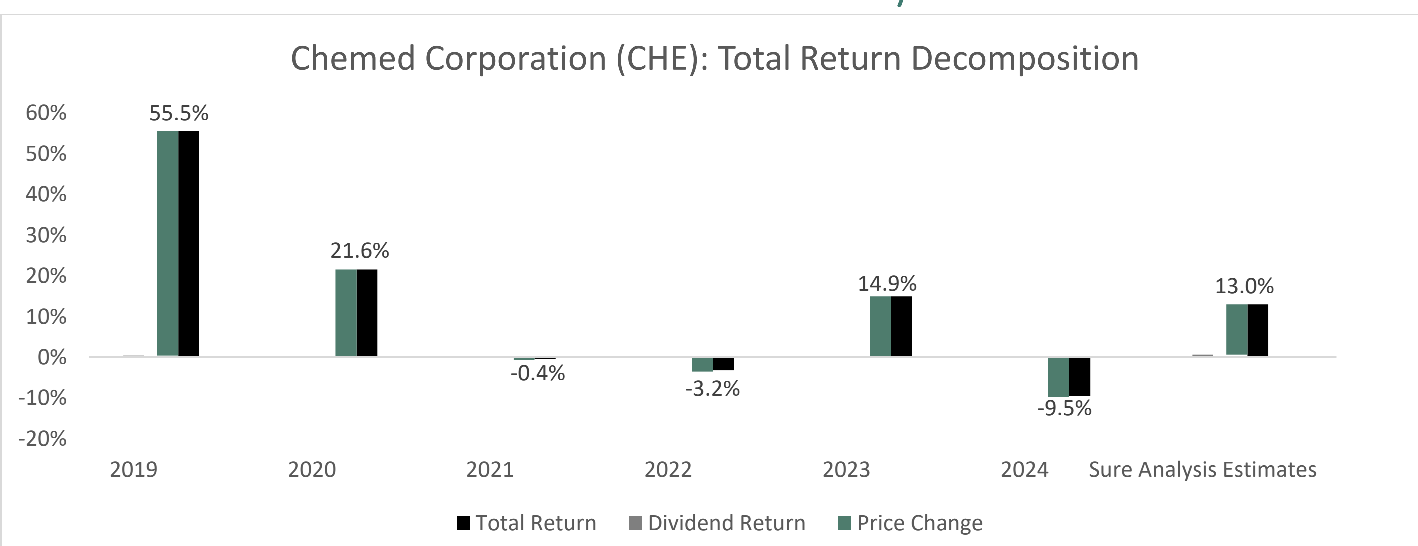
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	15%	15%	13%	10%	9%	7%	7%	8%	9%	9%	***11%***	***10%***

The company's competitive advantage lies in its ability to provide high-quality hospice care to terminally ill patients through VITAS, one of the largest hospice care providers in the US. The company's recession performance has been relatively stable due to the essential nature of its healthcare services, and it has demonstrated consistent revenue growth and profitability over the years. Chemed Corporation has a moderate level of debt, with a debt-to-equity ratio of around 12.3%, indicating that it has utilized debt financing to some extent but has yet to over-leverage its balance sheet. During Q2, Chemed repurchased 75,000 shares during the quarter for $42.9 million, reflecting ongoing shareholder return despite margin pressures.

Final Thoughts & Recommendation

We remain confident in Chemed Corporation's prospects, as its outlook is still favorable, and there are some strong tailwinds. However, we believe that investors should wait for a better entry point. Thus, the hold rating is premised upon the 13.0% annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 7.0%, the 0.6% dividend yield, and a small valuation tailwind.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	1,543	1,577	1,667	1,783	1,939	2,080	2,139	2,135	2,264	2,431
Gross Profit	456	461	516	555	617	701	770	765	799	854
Gross Margin	29.5%	29.3%	31.0%	31.1%	31.8%	33.7%	36.0%	35.8%	35.3%	35.1%
SG&A Exp.	238	248	277	271	306	330	367	359	395	426
D&A Exp.	33	35	36	39	45	57	59	59	61	63
Operating Profit	184	179	204	245	267	390	344	347	343	367
Op. Margin	12.0%	11.3%	12.2%	13.7%	13.7%	18.7%	16.1%	16.3%	15.2%	15.1%
Net Profit	110	109	98	206	220	319	269	250	273	302
Net Margin	7.1%	6.9%	5.9%	11.5%	11.3%	15.4%	12.6%	11.7%	12.1%	13.4%
Free Cash Flow	127	96	98	234	248	430	250	253	273	368
Income Tax	70	68	19	34	42	77	82	80	78	97

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	852	880	920	976	1,268	1,435	1,343	1,442	1,668	1,669
Cash & Equivalents	15	15	11	5	6	163	33	74	264	178
Acc. Receivable	106	132	114	120	144	127	137	139	182	171
Inventories	6	6	5	6	7	7	10	10	12	8.2
Goodwill & Int.	527	527	532	579	704	697	687	681	675	759
Total Liabilities	339	356	380	384	542	534	719	643	560	550
Accounts Payable	44	40	48	50	51	54	73	42	48	44
Long-Term Debt	91	109	101	89	90	-	185	98	16	-
Total Equity	513	524	540	591	727	901	623	799	1,108	1,119
LTD/E Ratio	0.18	0.21	0.19	0.15	0.12	-	0.30	0.12	0.01	-

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	12.9%	12.6%	10.9%	21.7%	19.6%	23.6%	19.3%	17.9%	17.5%	18.1%
Return on Equity	22.9%	21.0%	18.4%	36.3%	33.4%	39.3%	35.2%	35.1%	28.6%	27.1%
ROIC	18.3%	17.6%	15.4%	31.1%	29.4%	37.2%	31.4%	29.3%	27.0%	27.1%
Shares Out.	16.8	16.2	16.0	15.9	15.9	15.9	14.9	15.0	15.2	15.2
Revenue/Share	88.59	93.92	99.55	106.09	117.30	126.82	134.22	141.40	148.97	160.1
FCF/Share	7.31	5.70	5.87	13.94	15.02	26.25	15.68	16.73	17.99	24.23

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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