

INDUSTRY INSIGHTS

Healthcare Services Sector Update

September 2020



Q Highlights

The **S&P Healthcare Services Index** decreased by 0.1% over the last month, compared to the S&P 500 Index, which decreased 4.6% over the same period.

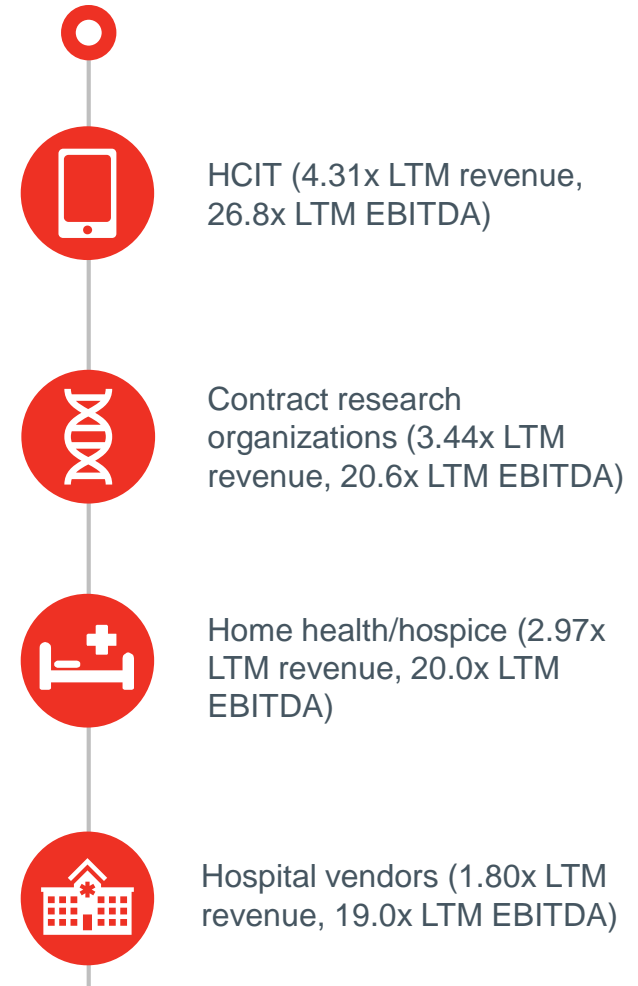
Over the past month:

The sectors that experienced the most growth were Behavioral Health (up 12.2%), Healthcare Staffing (up 8.7%) and Clinical Laboratories (up 6.5%).

The sectors that experienced the largest declines were Healthcare Consulting (down 11.0%), Assisted/Independent Living (down 8.7%) and Acute Care Hospitals (down 8.2%).

The current average Last Twelve Months (LTM) revenue and LTM EBITDA multiples for the healthcare services industry overall are 1.79x and 10.6x, respectively.

THE SECTORS WITH THE HIGHEST VALUATION MULTIPLES



Healthcare Services Sector Update .o

Market Sector	No. of Companies	Ag. Equity Mkt. Value (\$mn)	Average % Change		LTM Multiples		Earnings Ratio		PEG Ratio
			1 mo	12 mo	Rev	EBITDA	LTM	2020E	2020E
Providers									
Acute Care Hospitals	4	\$54,306	(8.2%)	(1.3%)	1.16x	9.0x	12.8x	9.7x	0.9x
Assisted/Independent Living	3	645	(8.7%)	(48.6%)	1.38x	13.9x	4.2x	2.5x	NM
Behavioral Health	3	17,413	12.2%	1.7%	1.17x	12.1x	21.4x	14.3x	1.5x
Dialysis Services	3	34,083	(0.2%)	31.7%	1.69x	9.6x	13.9x	12.5x	1.1x
Healthcare Staffing	2	2,991	8.7%	(1.6%)	0.98x	13.8x	32.1x	33.3x	3.5x
Home Health/Hospice	6	25,901	(1.5%)	54.8%	2.97x	20.0x	38.1x	34.0x	2.9x
Rehabilitation	4	10,611	(1.2%)	4.7%	2.86x	15.4x	25.2x	28.4x	2.2x
Skilled Nursing	3	4,051	(3.4%)	8.8%	1.17x	13.8x	18.0x	18.6x	1.2x
Providers – Other	4	3,246	(1.5%)	55.9%	4.13x	14.3x	NM	10.3x	7.9x
Payors/Managed Care									
Commercial Managed Care	5	\$483,331	(1.6%)	36.8%	2.48x	10.2x	14.3x	15.4x	1.2x
Government Managed Care	2	44,655	(2.8%)	42.6%	0.51x	7.9x	16.4x	13.7x	1.2x
Specialty Managed Care	2	1,073,693	(0.0%)	(0.0%)	0.49x	7.4x	14.2x	12.8x	NM
Consumer Directed Health/Wellness	5	\$7,038	(5.1%)	11.7%	2.42x	15.6x	NM	21.5x	3.2x
HCIT	26	\$114,382	2.0%	127.8%	4.31x	26.8x	30.8x	24.5x	2.3x
Other Outsourced Services									
Care Management/Third-Party Administrator	4	\$8,106	(0.6%)	(0.5%)	1.57x	13.8x	28.3x	17.9x	0.8x
Clinical Laboratories	7	52,105	6.5%	30.4%	2.78x	15.5x	25.4x	21.2x	1.6x
Contract Research Organizations	6	76,366	0.5%	16.7%	3.44x	20.6x	33.6x	26.5x	2.8x
Hospital Vendors	4	7,484	(1.7%)	16.6%	1.80x	19.0x	32.4x	30.3x	2.7x
Healthcare Consulting	1	848	(11.0%)	(35.9%)	1.32x	11.5x	NM	23.3x	NM
Product									
Distribution	7	\$71,232	(3.4%)	15.6%	0.66x	11.0x	18.6x	16.0x	2.4x
Healthcare REITS	15	\$79,831	(4.3%)	(29.1%)	11.00x	16.8x	27.7x	36.8x	NM

Healthcare Services Sector Update

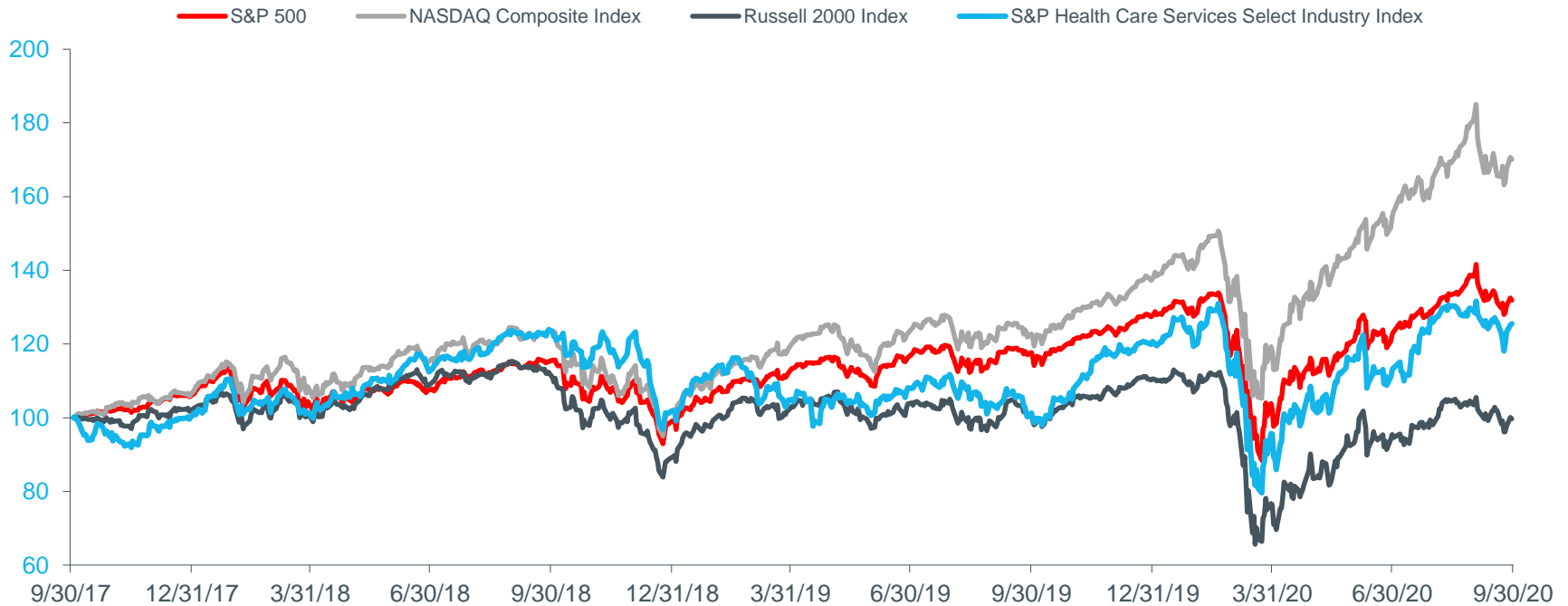
Market Indices	Value at 9/30/2020	% Change			
		1 mo	YTD	12 mo	36 mo
S&P 500	3,363.0	(4.6%)	4.1%	13.0%	33.5%
NASDAQ Composite Index	11,167.5	(6.5%)	24.5%	39.6%	71.9%
Russell 2000 Index	1,507.7	(4.5%)	(9.6%)	(1.0%)	1.1%
S&P Composite 1500 Health Care Facilities (Sub Ind)	313.1	(5.5%)	(15.6%)	(1.2%)	32.8%
S&P Composite 1500 Health Care Providers & Services (Industry)	1,010.6	(1.6%)	(2.4%)	22.6%	32.0%
S&P Composite 1500 Managed Health Care (Sub Ind)	1,897.6	(1.0%)	3.0%	38.3%	50.4%
S&P Health Care Services Select Industry Index	11,793.2	(0.1%)	6.3%	26.6%	29.4%

Interest Rates	Value at 9/30/2020	1 mo ago	3 mo ago	12 mo ago
LIBOR - USD - 6 months	0.26%	0.30%	0.38%	2.06%
U.S. Treasury - 2 years	0.13%	0.13%	0.17%	1.56%
U.S. Treasury - 5 years	0.28%	0.25%	0.31%	1.50%
U.S. Treasury - 10 years	0.68%	0.67%	0.68%	1.65%
U.S. Treasury - 30 years	1.45%	1.42%	1.43%	2.11%
U.S. Prime Rate	3.25%	3.25%	3.25%	5.00%

Capitalization Profile	No. of Co's	Ag. Equity Mkt. Value	% Total No. of Co's	% Ag. Equity Mkt. Value	Average Stock Performance			
					1 mo	YTD	12 mo	36 mo
> \$5 billion	41	\$1,000,871	35.3%	90.2%	(0.5%)	22.9%	42.8%	65.5%
\$1 billion - \$5 billion	42	95,021	36.2%	8.6%	0.9%	9.7%	22.9%	32.9%
\$250 million - \$1 billion	21	12,471	18.1%	1.1%	(6.4%)	(2.6%)	7.7%	37.1%
\$100 million - \$250 million	7	1,330	6.0%	0.1%	(7.0%)	(4.0%)	0.1%	0.7%
< \$100 million	5	162	4.3%	0.0%	(10.5%)	(42.4%)	(34.5%)	(50.9%)
Total/Average (\$mn)	116	\$1,109,855	100.0%	100.0%	(4.7%)	(3.3%)	7.8%	17.1%

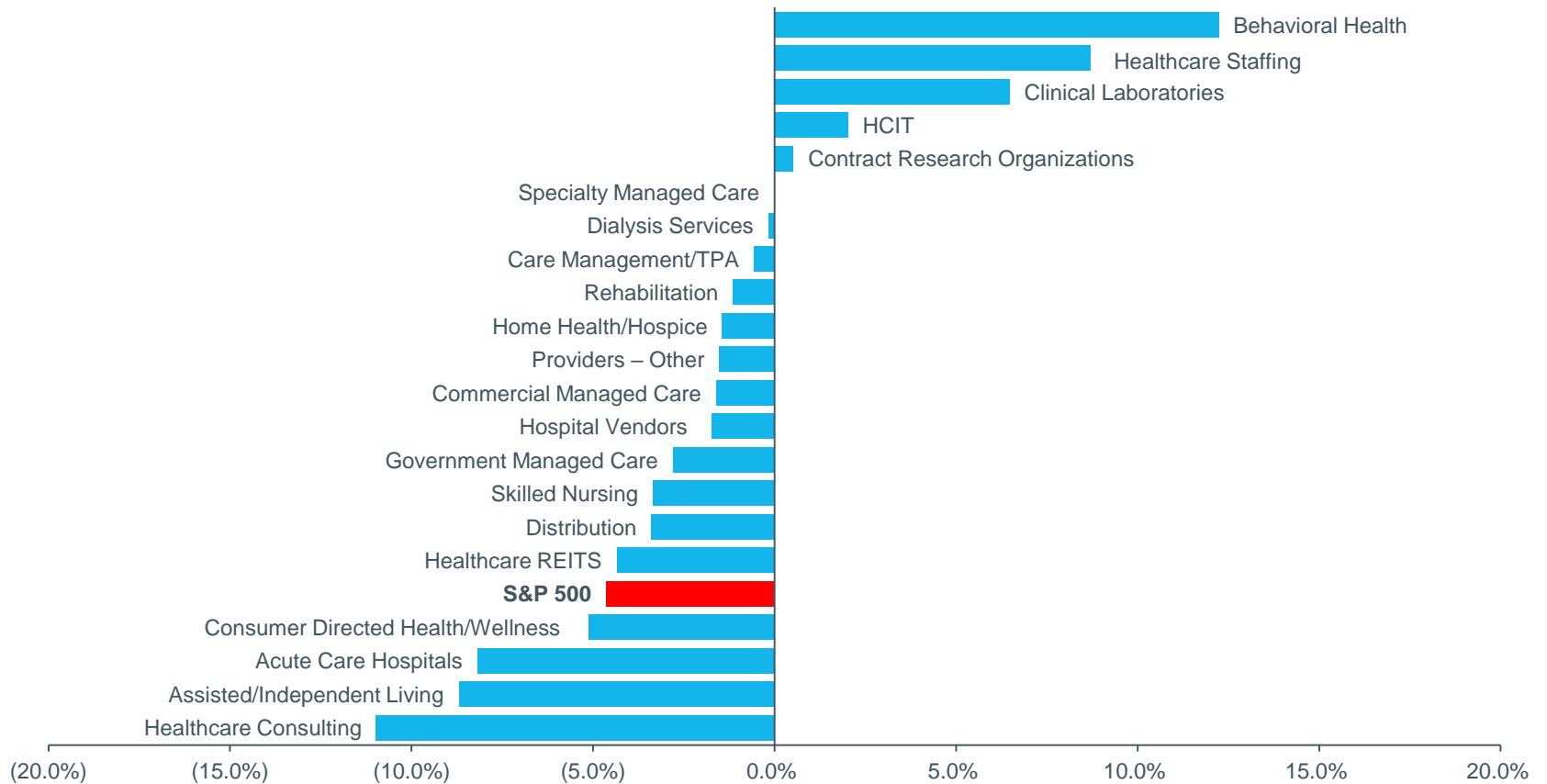
Healthcare Services Market Performance

Performance of Market Indices for Last 36 Months



Healthcare Services Sector Change

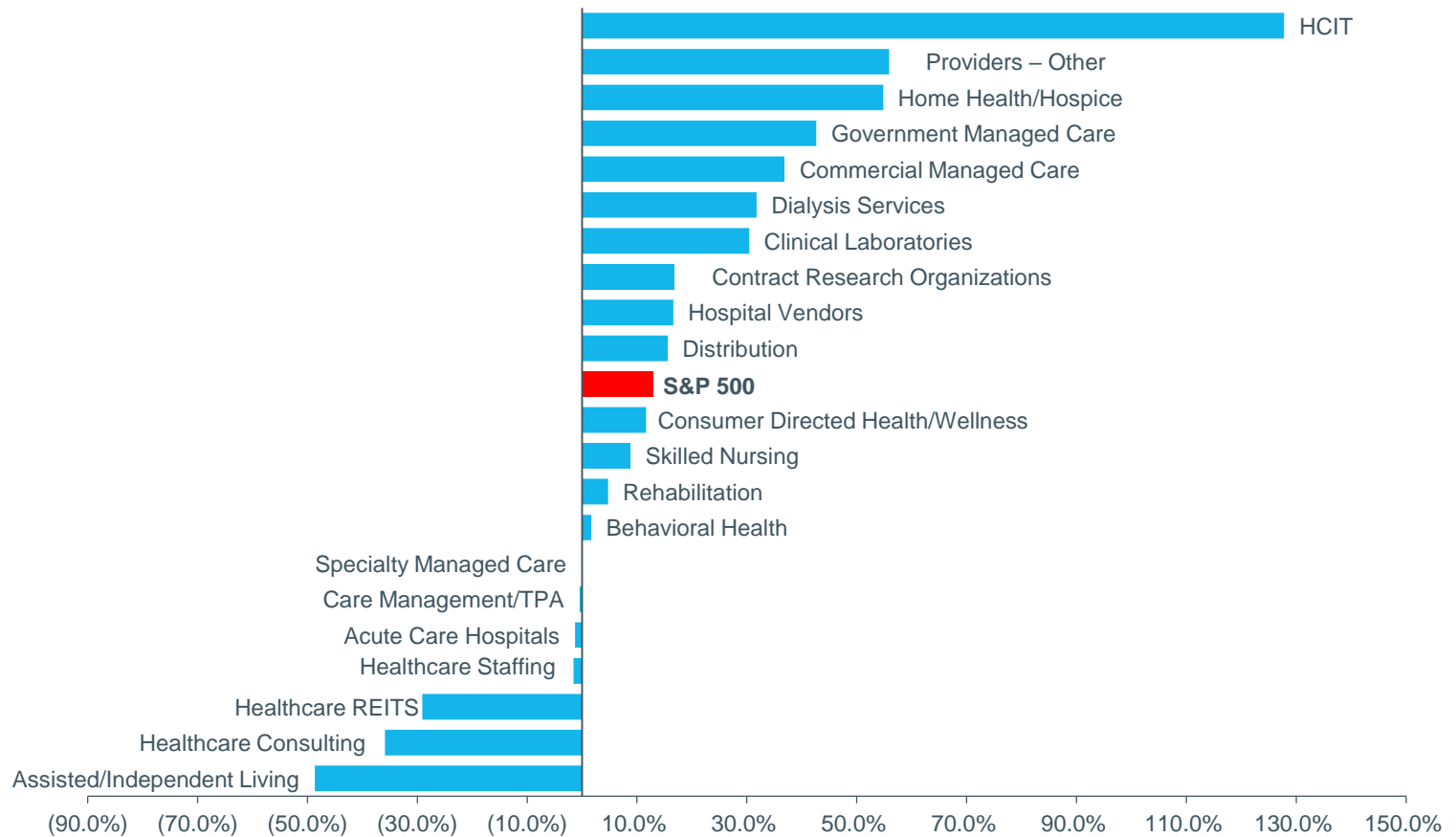
1 Month % Change



Source: S&P Global Market Intelligence as of September 30, 2020. It includes the most actively traded healthcare companies, for respective covered sectors and excludes most microcap companies.

Healthcare Services Sector Change

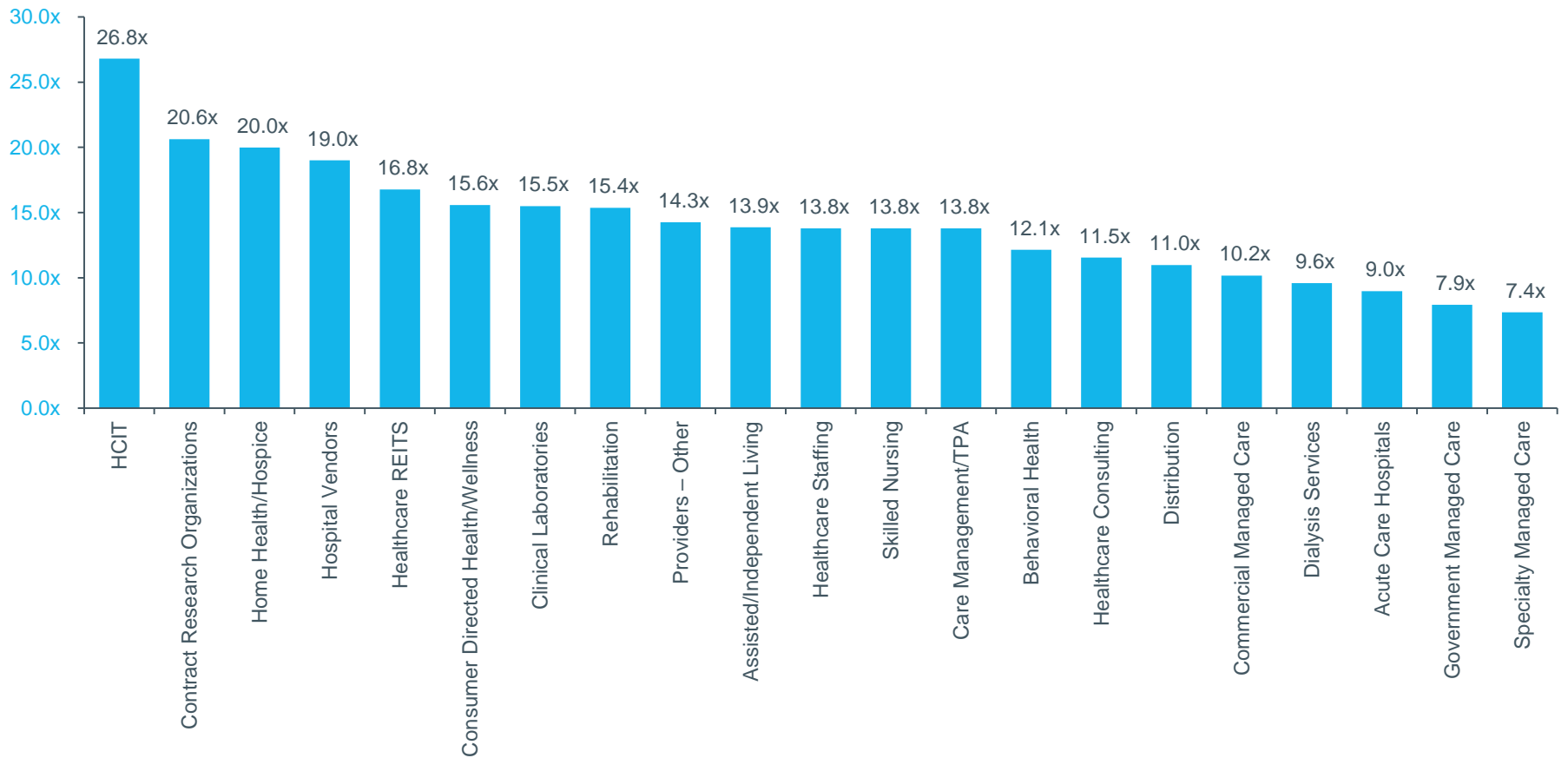
12 Month % Change



Source: S&P Global Market Intelligence as of September 30, 2020: It includes the most actively traded healthcare companies, for respective covered sectors and excludes most microcap companies.

Healthcare Services Multiples

Overview of Subsector EV/LTM EBITDA



Appendix | Selected Companies .o

Acute Care Hospitals (4)

Community Health Systems, Inc. (NYSE:CYH), HCA Healthcare, Inc. (NYSE:HCA), Tenet Healthcare Corporation (NYSE:THC), Universal Health Services, Inc. (NYSE:UHS)

Assisted/Independent Living (3)

Brookdale Senior Living Inc. (NYSE:BKD), Capital Senior Living Corporation (NYSE:CSU), Five Star Senior Living Inc. (NasdaqCM:FVE)

Behavioral Health (3)

Acadia Healthcare Company, Inc. (NasdaqGS:ACHC), Magellan Health, Inc. (NasdaqGS:MGLN), Oak Street Health, Inc. (NYSE:OSH)

Dialysis Services (3)

American Renal Associates Holdings, Inc. (NYSE:ARA), DaVita Inc. (NYSE:DVA), Fresenius Medical Care AG & Co. KGaA (DB:FME)

Healthcare Staffing (2)

AMN Healthcare Services, Inc. (NYSE:AMN), Cross Country Healthcare, Inc. (NasdaqGS:CCRN)

Home Health/Hospice (6)

Addus HomeCare Corporation (NasdaqGS:ADUS), Amedisys, Inc. (NasdaqGS:AMED), Chemed Corporation (NYSE:CHE), LHC Group, Inc. (NasdaqGS:LHCG), Pennant Group, Inc. (NasdaqGS:PNTG), The Providence Service Corporation (NasdaqGS:PRSC)

Rehabilitation (4)

Encompass Health Corporation (NYSE:EHC), The Joint Corp. (NasdaqCM:JYNT), Select Medical Holdings Corporation (NYSE:SEM), U.S. Physical Therapy, Inc. (NYSE:USPH)

Skilled Nursing (3)

Genesis Healthcare, Inc. (NYSE:GEN), National HealthCare Corporation (AMEX:NHC), The Ensign Group, Inc. (NasdaqGS:ENSG)

Providers – Other (4)

1Life Healthcare, Inc. (NasdaqGS:ONEM), MEDNAX, Inc. (NYSE:MD), RadNet, Inc. (NasdaqGM:RDNT), Surgery Partners, Inc. (NasdaqGS:SGRY)

Commercial Managed Care (5)

Anthem, Inc. (NYSE:ANTM), Cigna Corporation (NYSE:CI), Humana Inc. (NYSE:HUM), Progyny, Inc. (NasdaqGS:PGNY), UnitedHealth Group Incorporated (NYSE:UNH)

Government Managed Care (2)

Centene Corporation (NYSE:CNC), Molina Healthcare, Inc. (NYSE:MOH)

Specialty Managed Care (2)

Assurant, Inc. (NYSE:AIZ), Triple-S Management Corporation (NYSE:GTS)

Appendix | Selected Companies

Consumer Directed Health and Wellness (5)

Benefitfocus, Inc. (NasdaqGM:BNFT), Castlight Health, Inc. (NYSE:CSLT), Fitbit, Inc. (NYSE:FIT), HealthEquity, Inc. (NasdaqGS:HQY), Tivity Health, Inc. (NasdaqGS:TVTY)

HCIT (26)

Accolade, Inc. (NasdaqGS:ACCD), Allscripts Healthcare Solutions, Inc. (NasdaqGS:MDRX), American Well Corporation (NYSE:AMWL), Cerner Corporation (NasdaqGS:CERN), Change Healthcare Inc. (NasdaqGS:CHNG), Computer Programs and Systems, Inc. (NasdaqGS:CPSI), Craneware plc (AIM:CRW), Evolent Health, Inc. (NYSE:EVH), GoodRx Holdings, Inc. (NasdaqGS:GDRX), Health Catalyst, Inc. (NasdaqGS:HCAT), HealthStream, Inc. (NasdaqGS:HSTM), HMS Holdings Corp. (NasdaqGS:HMSY), Inovalon Holdings, Inc. (NasdaqGS:INOV), Livongo Health, Inc. (NasdaqGS:LVGO), Medica Group Plc (LSE:MGP), NantHealth, Inc. (NasdaqGS:NH), National Research Corporation (NasdaqGS:NRC), NextGen Healthcare, Inc. (NASDAQ:NXGN), Omnicell, Inc. (NasdaqGS:OMCL), OptimizeRx Corporation (NASDAQ:OPRX), Phreesia, Inc. (NYSE:PHR), Premier, Inc. (NasdaqGS:PINC), R1 RCM Inc. (NasdaqGS:RCM), Streamline Health Solutions, Inc. (NasdaqCM:STRM), Tabula Rasa HealthCare, Inc. (NasdaqGM:TRHC), Teladoc Health, Inc. (NYSE:TDOC)

Care Management/TPA (4)

CorVel Corporation (NasdaqGS:CRVL), Crawford & Company (NYSE:CRD.B), eHealth, Inc. (NasdaqGS:EHTH), MAXIMUS, Inc. (NYSE:MMS)

Clinical Laboratories (7)

Fulgent Genetics, Inc. (NasdaqGM:FLGT), Invitae Corporation (NYSE:NVTA), Laboratory Corporation of America Holdings (NYSE:LH), Progenity, Inc. (NasdaqGM:PROG), Psychemedics Corporation (NasdaqCM:PMD), Quest Diagnostics Incorporated (NYSE:DGX), Sonic Healthcare Limited (ASX:SHL)

Contract Research Organizations (6)

Charles River Laboratories International, Inc. (NYSE:CRL), ICON Public Limited Company (NasdaqGS:ICLR), Syneos Health, Inc. (NasdaqGS:SYNH), PPD (NasdaqGS:PPD), PRA Health Sciences, Inc. (NasdaqGS:PRAH), IQVIA Holdings Inc. (NYSE:IQV)

Hospital Vendors (4)

American Shared Hospital Services (AMEX:AMS), Healthcare Services Group, Inc. (NasdaqGS:HCSG), Sharps Compliance Corp. (NasdaqCM:SMED), Stericycle, Inc. (NasdaqGS:SRCL)

Healthcare Consulting (1)

Huron Consulting Group Inc. (NASDAQ:HURN)

Distribution (7)

AdaptHealth Corp. (NasdaqCM:AHCO), AmerisourceBergen Corporation (NYSE:ABC), Cardinal Health, Inc. (NYSE:CAH), Henry Schein, Inc. (NasdaqGS:HSIC), McKesson Corporation (NYSE:MCK), Owens & Minor, Inc. (NYSE:OMI), Patterson Companies, Inc. (NasdaqGS:PDCO)

Healthcare REITs (15)

CareTrust REIT, Inc. (NasdaqGS:CTRE), Community Healthcare Trust Incorporated (NYSE:CHCT), Healthcare Realty Trust Incorporated (NYSE:HR), Healthcare Trust of America, Inc. (NYSE:HTA), LTC Properties, Inc. (NYSE:LTC), Medical Properties Trust, Inc. (NYSE:MPW), National Health Investors, Inc. (NYSE:NHI), New Senior Investment Group Inc. (NYSE:SNR), Omega Healthcare Investors, Inc. (NYSE:OHI), Physicians Realty Trust (NYSE:DOC), Sabra Health Care REIT, Inc. (NasdaqGS:SBRA), Diversified Healthcare Trust (NasdaqGS:DHC), Universal Health Realty Income Trust (NYSE:UHT), Ventas, Inc. (NYSE:VTR), Welltower Inc.

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