

Healthcare Sector Update

February 2016

BY THE NUMBERS

The S&P Healthcare Services Index has decreased 2.1% over the last month, underperforming the S&P 500, which decreased 0.4% over the same period.

Over the past month:

- The best performing sector was Care Management / TPA (up 17.1%), driven by Abbott Labs' announcement on February 1, 2016 of its acquisition of Alere Inc. at a 43.3% premium
- The poorest performing sectors were Assisted / Independent Living (down 10.8%), HCIT (down 9.0%) and Specialty Managed Care (down 8.8%)

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.09x and 13.4x, respectively.

The sectors with the highest valuation multiples include:

- Healthcare REITs (11.87x LTM Revenue, 18.2x LTM EBITDA)
- Clinical Laboratories (5.50x LTM Revenue, 14.7x LTM EBITDA)
- HCIT (3.26x LTM Revenue, 27.5x LTM EBITDA)
- Pharmacy Management (0.91x LTM Revenue, 25.4x LTM EBITDA)

MARKET SECTOR	No. of Cos.	Ag. Eqty Mkt. Value	Average % Change		LTM Multiples		Earnings Ratio		PEG Ratio 2016E
			1 mo	12 mo	Rev	EBITDA	LTM	2016E	
Acute Care Hospitals	5	\$45,093	(3.0%)	(8.5%)	1.22x	8.2x	13.7x	12.1x	1.3x
Assisted / Independent Living	3	3,278	(10.8%)	(56.1%)	1.78x	11.4x	NM	NM	NM
Care Management / TPA	7	10,288	17.1%	(1.2%)	1.50x	11.8x	27.6x	27.3x	1.6x
Clinical Laboratories	5	26,447	0.1%	(9.8%)	5.50x	14.7x	26.2x	14.0x	1.4x
Consumer Directed Health and Wellness	9	16,166	2.9%	(1.1%)	3.14x	18.2x	24.9x	27.2x	1.5x
Contract Research Orgs	7	23,395	0.3%	4.5%	2.39x	12.6x	23.2x	16.1x	1.0x
Diagnostic Imaging	3	348	(3.9%)	(42.2%)	1.61x	6.2x	16.4x	12.5x	1.3x
Dialysis Services	2	39,422	(3.3%)	(2.1%)	1.83x	10.3x	25.0x	18.7x	1.5x
Distribution / Supply	7	101,147	(0.0%)	(13.8%)	0.65x	11.4x	24.7x	16.4x	1.6x
Emergency Services	2	2,221	3.3%	(9.6%)	2.32x	14.8x	13.3x	16.7x	0.7x
HCIT	17	37,913	(9.0%)	(20.5%)	3.26x	27.5x	38.4x	31.1x	1.9x
Healthcare REITs	18	86,031	(1.4%)	(19.6%)	11.87x	18.2x	27.4x	27.8x	5.6x
Healthcare Staffing	4	9,147	2.5%	(23.1%)	1.13x	12.6x	28.6x	15.3x	0.9x
Home Care / Hospice	7	6,107	(3.5%)	9.4%	0.94x	11.7x	19.7x	18.1x	1.5x
Skilled Nursing	6	3,247	(0.1%)	(22.8%)	0.78x	8.1x	20.5x	10.9x	0.9x
Managed Care – Commercial	7	252,681	4.0%	5.1%	0.62x	11.7x	19.1x	19.5x	1.2x
Managed Care – Government	3	14,381	4.2%	(4.4%)	0.24x	6.6x	25.8x	17.3x	0.8x
Other Services	4	12,329	(4.2%)	(11.1%)	2.06x	23.4x	41.4x	25.1x	1.5x
Pharmacy Management	4	48,852	(2.3%)	(17.1%)	0.91x	25.4x	24.2x	13.5x	0.9x
Physician Practice Mgmt	2	6,234	(3.5%)	(6.3%)	1.55x	9.3x	18.7x	15.5x	1.1x
Psychiatric Hospitals	3	6,847	(3.2%)	(12.0%)	0.36x	15.7x	38.1x	21.9x	1.0x
Specialty Managed Care	2	5,266	(8.8%)	18.9%	0.30x	8.8x	23.8x	14.6x	2.5x
Surgicenters / Rehabilitation	8	11,099	(4.9%)	(0.5%)	2.09x	10.8x	15.9x	16.8x	1.3x
Total / Average (\$MM)	135	\$767,940	(1.2%)	(10.6%)	2.09x	13.4x	24.4x	18.6x	1.5x

Source: Capital IQ

MARKET INDICES	Value at 2/29/16	% Change			
		1 mo	YTD	12 mo	36 mo
Dow Jones Industrial Average	16,516.5	0.3%	(5.2%)	(8.9%)	17.5%
S&P 500 Index	1,932.2	(0.4%)	(5.5%)	(8.2%)	27.6%
NASDAQ Composite Index	4,558.0	(1.2%)	(9.0%)	(8.2%)	44.2%
Russell 2000 Index	1,033.9	(0.1%)	(9.0%)	(16.2%)	13.5%
AMEX Sector Index - Healthcare	75.7	(2.3%)	(21.0%)	(34.1%)	(11.6%)
S&P Healthcare Facilities (Sub Ind) Index	288.0	(10.0%)	(17.3%)	(30.4%)	18.8%
S&P Healthcare Providers & Services (Industry) Index	560.2	(3.2%)	(8.7%)	(11.8%)	59.5%
S&P Managed Healthcare (Sub Ind) Index	410.4	(0.1%)	(5.0%)	(0.8%)	104.5%
S&P Healthcare Services	440.1	(2.1%)	(8.8%)	(1.8%)	38.9%

Source: Capital IQ

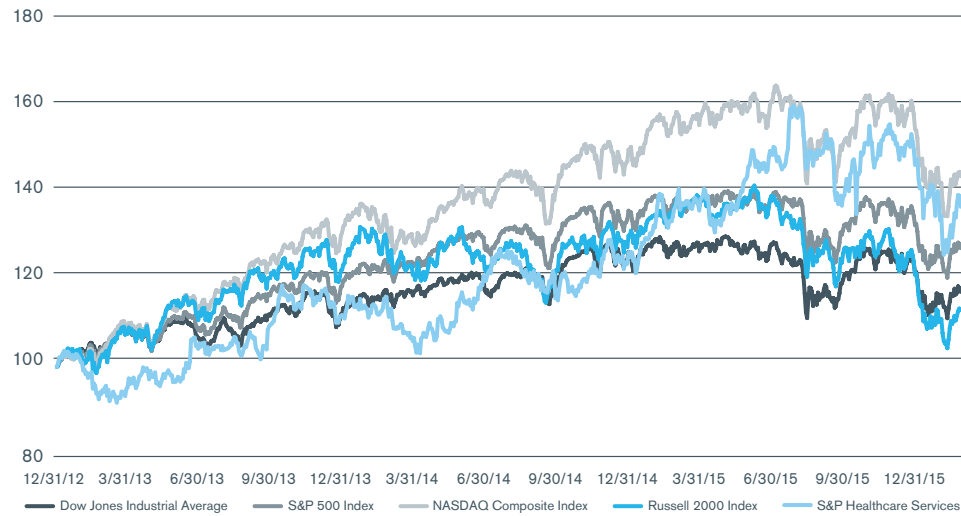
INTEREST RATES	Value at 2/29/16	1 mo ago	3 mo ago	12 mo ago
LIBOR – USD – 6 months	0.89%	0.86%	0.65%	0.38%
U.S. Treasury – 2 years	0.78%	0.76%	0.92%	0.66%
U.S. Treasury – 5 years	1.22%	1.34%	1.66%	1.50%
U.S. Treasury – 10 years	1.74%	1.93%	2.23%	2.00%
U.S. Treasury – 30 years	2.62%	2.76%	3.00%	3.00%
U.S. Prime Rate	3.50%	3.50%	3.25%	3.25%

Source: Capital IQ

CAPITALIZATION PROFILE	No. of Cos.	Ag. Eqty Mkt. Value	% Total No. of Cos.	% Ag. Eqty Mkt. Value	Average Stock Performance			
					1 mo	YTD	12 mo	36 mo
> \$5 billion	28	\$614,306	20.7%	80.0%	(0.7%)	(7.3%)	(8.1%)	56.2%
\$1 billion – \$5 billion	51	131,179	37.8%	17.1%	(1.7%)	(7.4%)	(8.8%)	42.3%
\$250 million – \$1 billion	34	20,615	25.2%	2.7%	0.2%	(10.6%)	(14.6%)	48.0%
\$100 million – \$250 million	7	1,235	5.2%	0.2%	3.0%	(8.2%)	(35.7%)	(20.0%)
< \$100 million	15	606	11.1%	0.1%	(8.9%)	(17.8%)	(53.1%)	(29.1%)
Total / Average (\$MM)	135	\$767,940	100.0%	100.0%	(1.6%)	(10.2%)	(24.1%)	19.5%

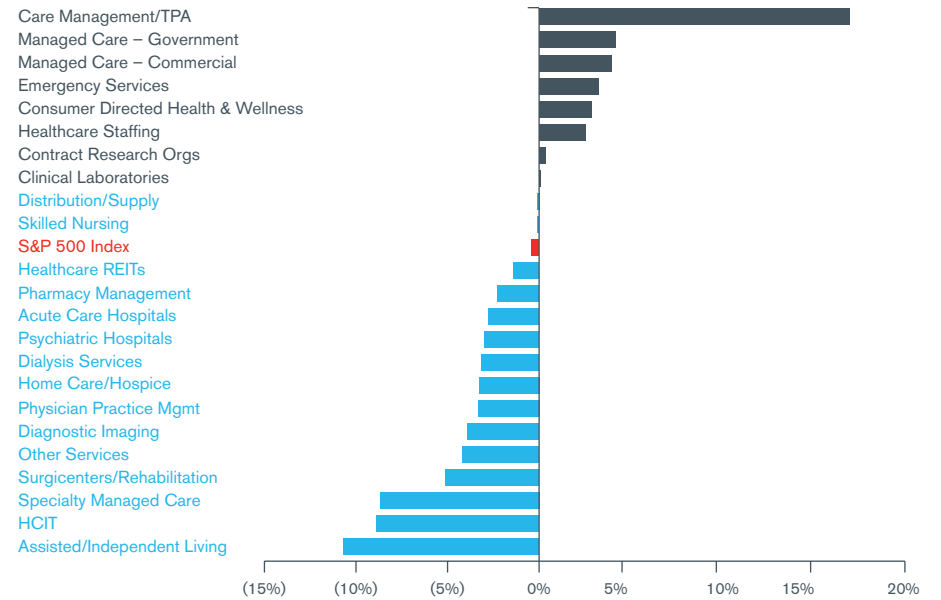
Source: Capital IQ

Performance of Market Indices for Latest 36 Months



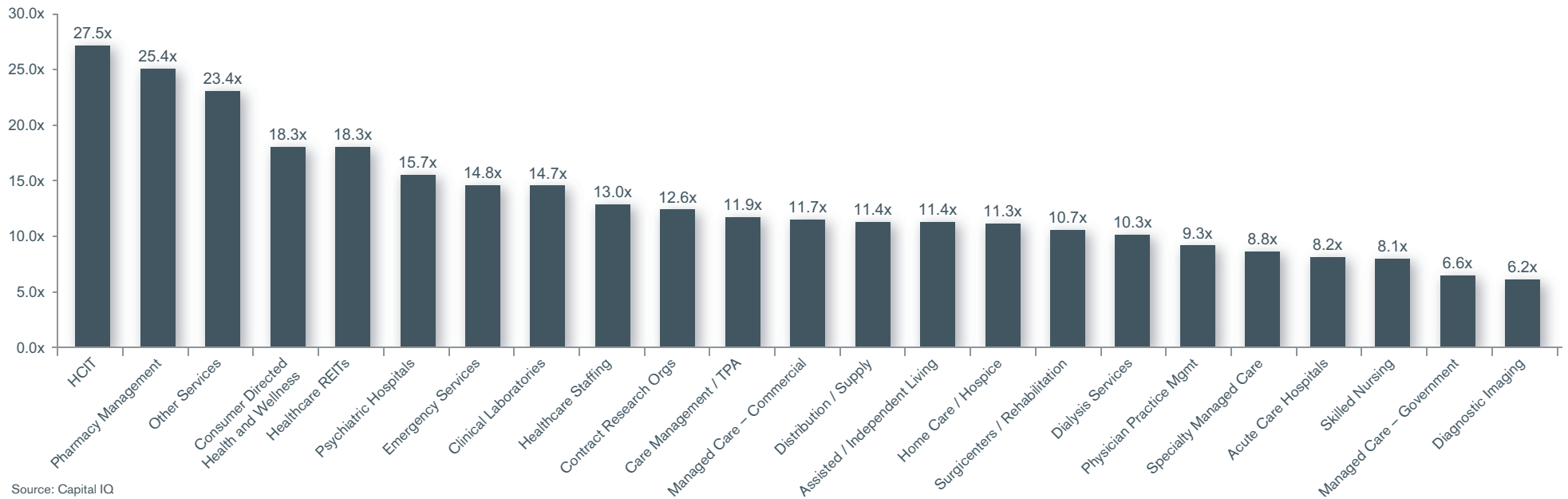
Source: Capital IQ

Average % Change — 1 Month



Source: Capital IQ

Overview of Subsector EV / LTM EBIDTA



Source: Capital IQ

For the detailed February trading multiples for individual healthcare services companies, please contact one of our professionals below.

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