

INDUSTRY INSIGHTS:

Healthcare Services Sector Update

April 2017



Q Highlights

The **S&P Healthcare Services Index** increased 1.0% over the last month, outperforming the S&P 500, which increased 0.9% over the same period.

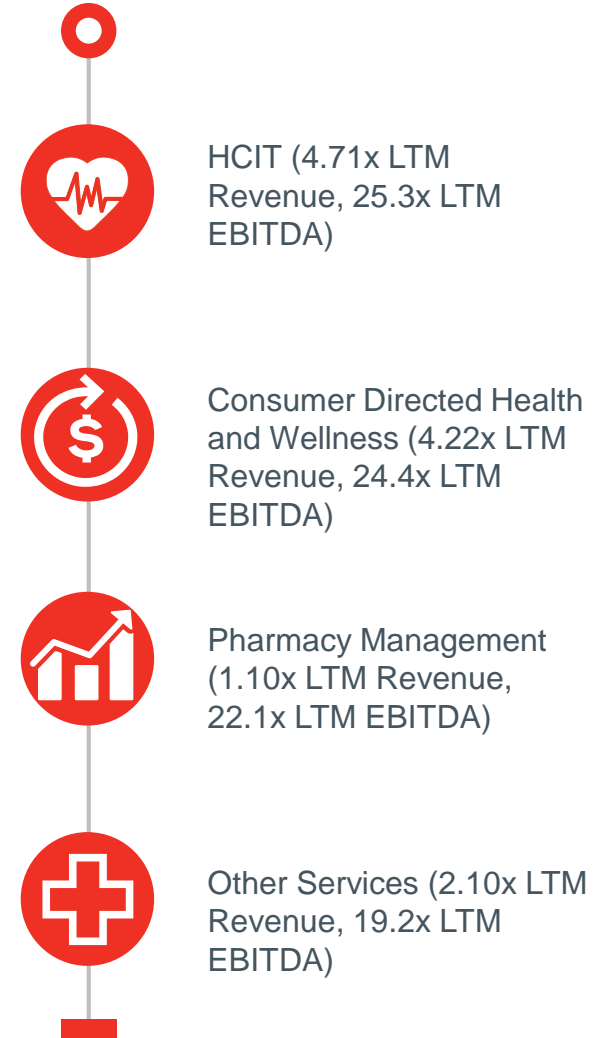
Over the past month:

The best performing sectors were Diagnostic Imaging (up 9.5%), Consumer Directed Health and Wellness (up 8.1%), and Managed Care - Commercial (up 6.2%).

The poorest performing sectors were Physician Practice Management (down 13.1%), Pharmacy Management (down 7.3%) and Healthcare Staffing (down 6.0%).

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.39x and 13.5x, respectively.

THE SECTORS WITH THE HIGHEST VALUATION MULTIPLES



Healthcare Services Sector Update ..

Market Sector	# of	Ag. Equity	Average % Change		LTM Multiples		Earnings Ratio		PEG Ratio
	Co's	Mkt. Value	1 mo	12 mo	Rev	EBITDA	LTM	2017E	2017E
Acute Care Hospitals	5	\$47,909	(5.5%)	(2.6%)	1.17x	8.4x	14.8x	13.9x	1.3x
Assisted / Independent Living	3	2,924	(1.4%)	(29.5%)	1.66x	11.0x	NM	NM	NM
Care Management / TPA	4	5,703	(0.4%)	20.0%	1.44x	18.0x	22.8x	22.4x	1.6x
Clinical Laboratories	6	36,472	1.2%	23.1%	5.57x	11.3x	18.3x	20.1x	2.5x
Consumer Directed Health and Wellness	7	8,835	8.1%	38.1%	4.22x	24.4x	25.9x	39.8x	2.1x
Contract Research Orgs	7	39,044	3.6%	19.2%	2.82x	16.4x	25.7x	17.5x	1.3x
Diagnostic Imaging	3	451	9.5%	44.5%	1.82x	6.5x	33.2x	22.8x	1.8x
Dialysis Services	3	41,167	3.8%	(1.2%)	1.68x	8.8x	18.6x	22.6x	1.8x
Distribution / Supply	8	95,002	(5.2%)	(6.4%)	0.94x	12.9x	20.1x	16.7x	2.4x
HCIT	21	47,851	4.8%	14.2%	4.71x	25.3x	31.0x	28.2x	1.8x
Healthcare REITs	17	103,236	0.9%	3.8%	12.45x	18.2x	27.1x	33.6x	11.2x
Healthcare Staffing	3	8,977	(6.0%)	4.0%	1.51x	12.9x	19.0x	16.3x	1.2x
Home Care / Hospice	7	8,383	4.7%	30.0%	1.20x	14.5x	33.6x	24.3x	2.1x
Skilled Nursing	6	3,184	2.8%	(9.5%)	1.51x	9.7x	20.6x	15.6x	1.4x
Managed Care - Commercial	5	332,712	6.2%	27.1%	0.82x	11.2x	20.6x	16.9x	1.5x
Managed Care - Government	3	22,482	5.9%	32.4%	0.22x	5.4x	23.3x	21.2x	1.2x
Other Services	4	10,711	5.3%	(0.7%)	2.10x	19.2x	41.6x	28.2x	2.3x
Pharmacy Management	4	38,854	(7.3%)	(14.8%)	1.10x	22.1x	22.7x	17.2x	1.3x
Physician Practice Mgmt	1	5,549	(13.1%)	(15.3%)	2.20x	11.1x	17.3x	15.4x	1.2x
Psychiatric Hospitals	3	5,631	(1.0%)	(23.8%)	0.85x	10.8x	20.1x	16.0x	1.0x
Specialty Managed Care	2	5,768	1.1%	10.4%	0.45x	8.5x	18.0x	16.8x	1.3x
Surgicenters / Rehabilitation	5	7,711	5.2%	11.8%	2.09x	11.5x	22.4x	22.5x	1.6x
Total / Average (\$MM)	127	\$878,559	1.1%	7.9%	2.39x	13.5x	23.7x	21.3x	2.1x

Source: Capital IQ as of April 30, 2017, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

Healthcare Services Sector Update ..

Market Indices	Value at	% Change			
	04/30/2017	1 mo	YTD	12 mo	36 mo
S&P 500 Index	2,384.2	0.9%	6.5%	15.4%	26.6%
NASDAQ Composite Index	6,047.6	2.3%	12.3%	26.6%	47.0%
Russell 2000 Index	1,400.4	1.0%	3.2%	23.8%	24.3%
S&P Composite 1500 Healthcare Facilities (Sub Ind) Index	241.5	(2.7%)	14.7%	(1.5%)	23.3%
S&P Composite 1500 Healthcare Providers & Services (Industry)	712.9	2.1%	8.8%	11.3%	54.0%
S&P Composite 1500 Managed Healthcare (Sub Ind)	1,111.1	6.7%	12.3%	26.7%	108.6%
S&P Healthcare Services Select Industry Index	8,752.7	1.0%	11.7%	1.4%	27.7%

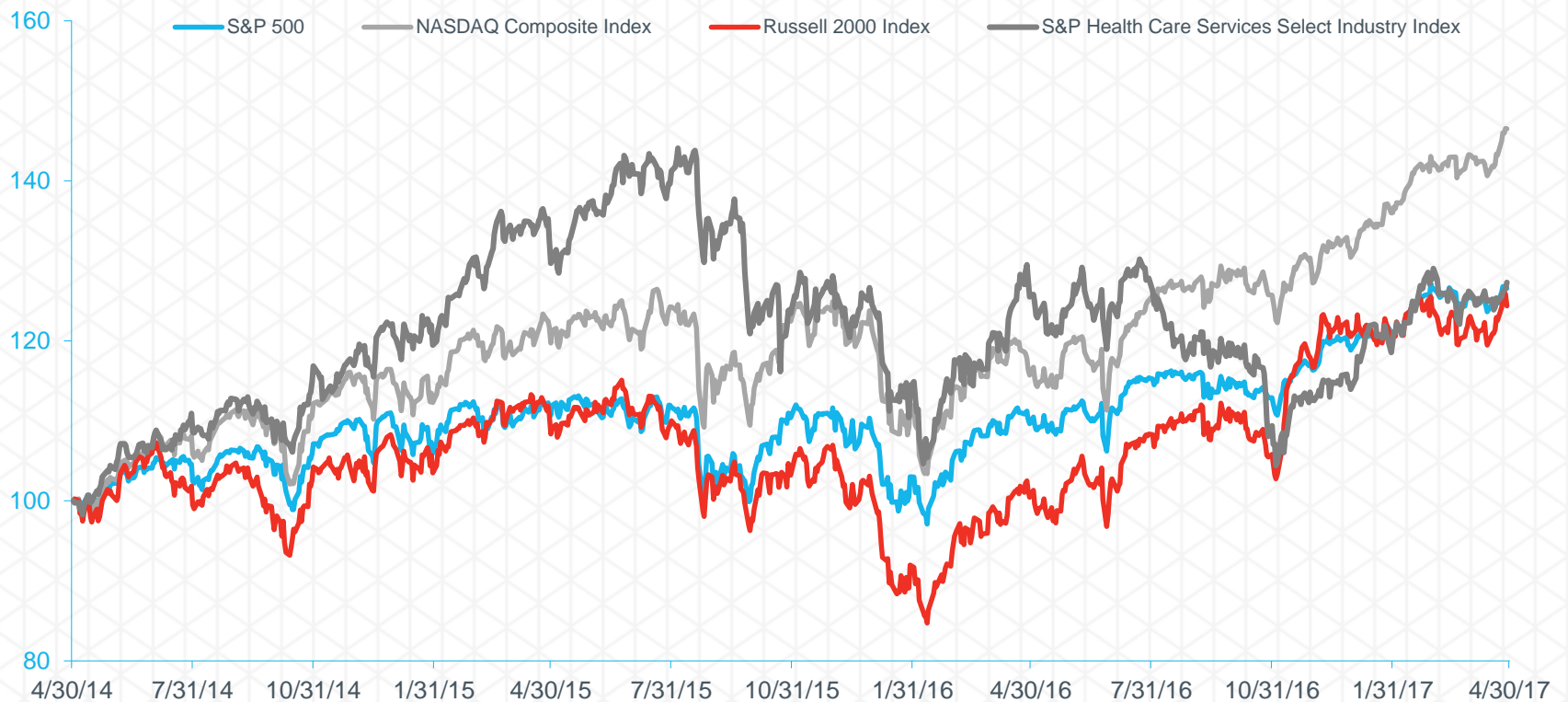
Interest rates	Value at	1 mo	3 mo	12 mo
	04/30/2017	Ago	ago	ago
LIBOR - USD - 6 months	1.43%	1.42%	1.36%	0.90%
U.S. Treasury - 2 years	1.28%	1.28%	1.22%	0.77%
U.S. Treasury - 5 years	1.82%	1.96%	1.93%	1.28%
U.S. Treasury - 10 years	2.28%	2.42%	2.48%	1.82%
U.S. Treasury - 30 years	2.95%	3.03%	3.08%	3.08%
U.S. Prime Rate	4.00%	4.00%	3.75%	3.50%

Capitalization Profile	No. of Co's	Ag. Equity Mkt. Value	% Total No. of Co's	%Ag. Eqty Mkt. Value	Average Stock Performance			
					1 mo	YTD	12 mo	36 mo
> \$5 billion	30	\$732,743	23.6%	83.4%	0.6%	8.8%	9.1%	40.3%
\$1 billion - \$5 billion	45	122,806	35.4%	14.0%	2.4%	11.9%	13.6%	40.0%
\$250 million - \$1 billion	33	21,171	26.0%	2.4%	1.2%	1.0%	5.0%	14.4%
\$100 million - \$250 million	8	1,430	6.3%	0.2%	(3.7%)	(3.2%)	5.1%	(37.0%)
< \$100 million	11	409	8.7%	0.0%	1.3%	(2.3%)	(9.4%)	(26.5%)
Total / Average (\$MM)	127	\$878,559	100.0%	100.0%	0.3%	3.2%	4.7%	6.2%

Source: Capital IQ as of April 30, 2017, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

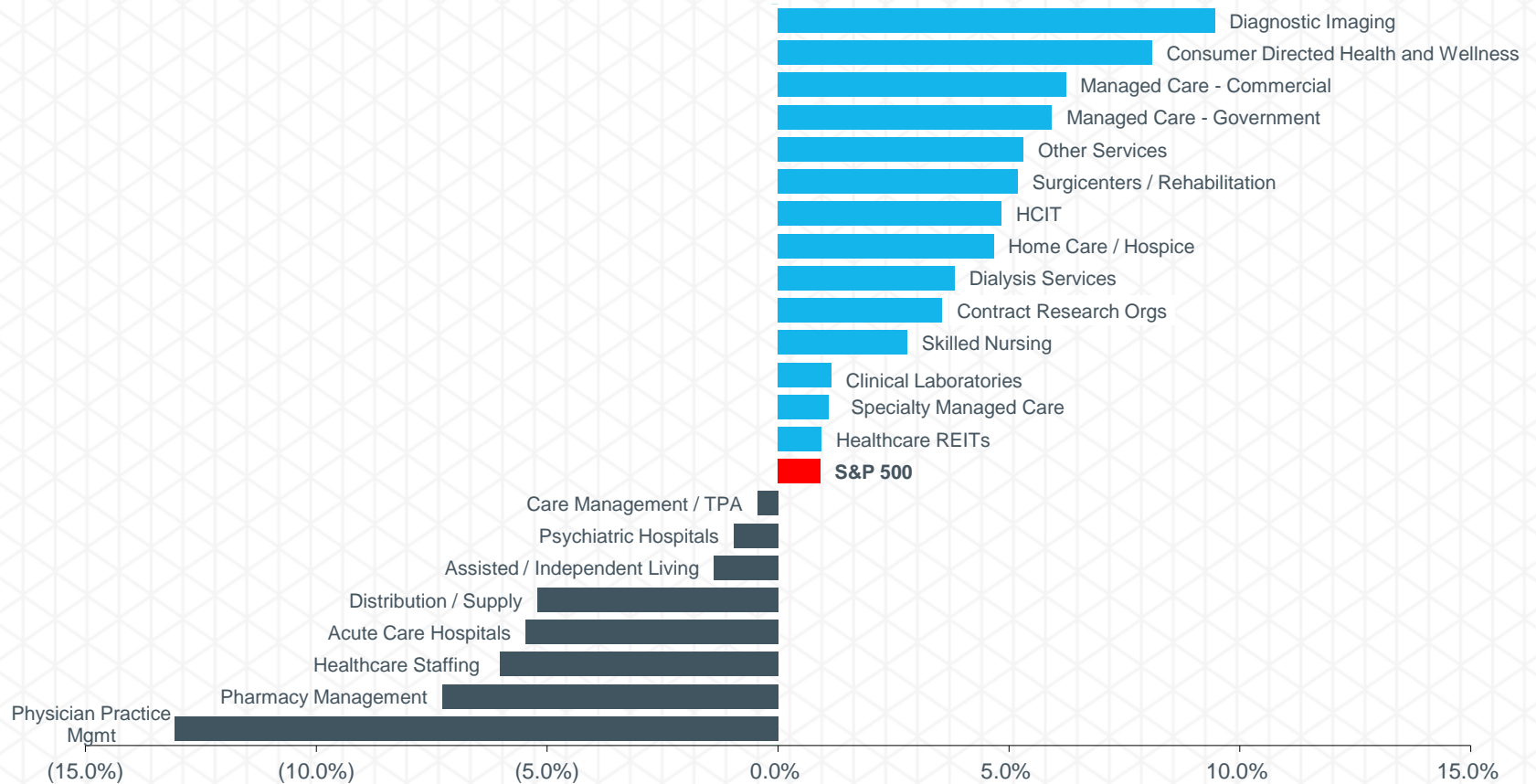
Healthcare Services Sector Update .oo

Performance of Market Indices for Latest 36 Months



Healthcare Services Sector Update

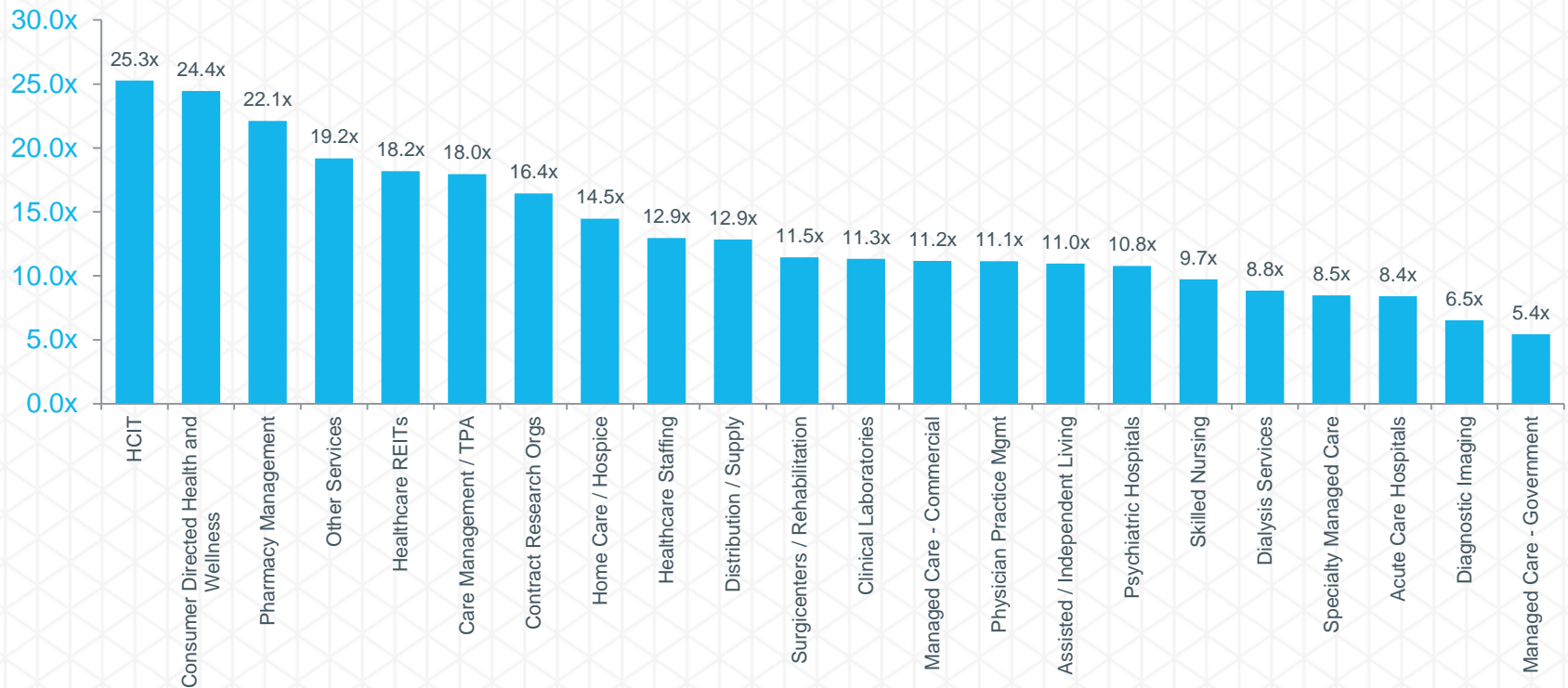
Average % - 1 Month



Source: Capital IQ as of April 30, 2017, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

Healthcare Services Sector Update

Overview of Subsector EV/LTM EBITDA



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

Brooks Dexter

Managing Director
 Head of Healthcare M&A
 Los Angeles
 +1 424 249 1646
brooks.dexter@duffandphelps.com

Eric Coburn

Managing Director
 New York
 +1 212 450 2839
eric.coburn@duffandphelps.com

Laca Wong-Hammond

Managing Director
 New York
 +1 212 871 3915
laca.wong-hammond@duffandphelps.com

Philip Smith

Managing Director
 Minneapolis
 +1 651 393 4052
philip.smith@duffandphelps.com

Jordan Lampos

Director
 Los Angeles
 +1 424 249 1668
jordan.lampos@duffandphelps.com

Adam Stormoen

Director
 Minneapolis
 +1 612 720 8136
adam.stormoen@duffandphelps.com

About Duff & Phelps

Duff & Phelps is the premier global valuation and corporate finance advisor with expertise in complex valuation, disputes and investigations, M&A, real estate, restructuring, and compliance and regulatory consulting. The firm's more than 2,000 employees serve a diverse range of clients from offices around the world.

M&A advisory, capital raising and secondary market advisory services in the United States are provided by Duff & Phelps Securities, LLC. Member FINRA/SIPC. Pagemill Partners is a Division of Duff & Phelps Securities, LLC. M&A advisory and capital raising services in Canada are provided by Duff & Phelps Securities Canada Ltd., a registered Exempt Market Dealer. M&A advisory and capital raising services in the United Kingdom and across Europe are provided by Duff & Phelps Securities Ltd. (DPSL), which is authorized and regulated by the Financial Conduct Authority. In Germany M&A advisory and capital raising services are also provided by Duff & Phelps GmbH, which is a Tied Agent of DPSL. Valuation Advisory Services in India are provided by Duff & Phelps India Private Limited under a category 1 merchant banker license issued by the Securities and Exchange Board of India.