

INDUSTRY INSIGHTS:

Healthcare Services Sector Update

December 2016



Q Highlights

The **S&P Healthcare Services** Index increased 1.2% over the last month, underperforming the S&P 500, which increased 1.8% over the same period.

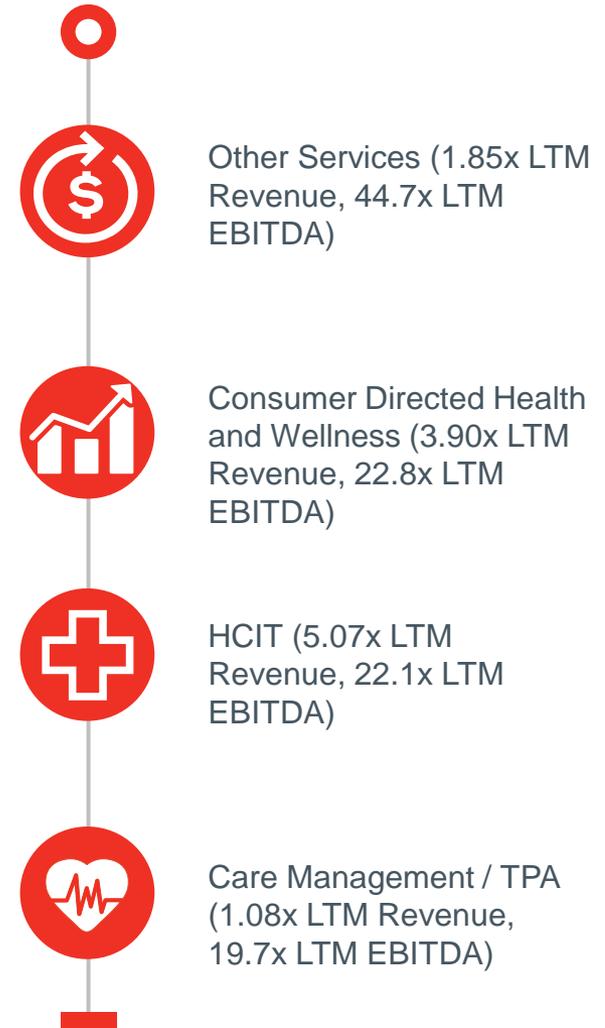
Over the past month:

The best performing sectors were Skilled Nursing (up 9.7%), Diagnostic Imaging (up 9.3%) and Home Care / Hospice (up 8.0%).

The poorest performing sectors were Pharmacy Management (down 9.0%), Psychiatric Hospitals (down 7.0%) and Consumer Directed Health and Wellness (down 5.6%).

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.28x and 14.1x, 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	2016E	2016E
Acute Care Hospitals	5	\$42,443	(0.3%)	(0.7%)	1.11x	8.0x	15.3x	15.8x	1.7x
Assisted / Independent Living	3	2,926	6.7%	(30.3%)	1.74x	10.9x	NM	NM	NM
Care Management / TPA	5	5,186	2.0%	13.9%	1.08x	19.7x	23.4x	31.6x	2.3x
Clinical Laboratories	6	33,061	2.3%	17.0%	6.18x	12.8x	22.4x	21.9x	2.0x
Consumer Directed Health and Wellness	7	8,177	(5.6%)	10.7%	3.90x	22.8x	22.7x	32.9x	1.5x
Contract Research Orgs	7	36,908	2.1%	6.8%	2.90x	17.4x	26.3x	18.9x	1.4x
Diagnostic Imaging	3	421	9.3%	7.7%	1.75x	6.6x	35.0x	21.5x	1.7x
Dialysis Services	3	39,417	6.4%	(2.2%)	1.75x	9.0x	21.2x	20.0x	1.7x
Distribution / Supply	8	94,161	0.2%	(20.0%)	0.86x	11.5x	18.7x	16.7x	1.9x
Emergency Services	2	1,284	(3.2%)	(30.1%)	1.36x	8.5x	6.6x	9.1x	0.4x
HCIT	22	39,662	(2.3%)	(15.1%)	5.07x	22.1x	34.3x	28.5x	1.7x
Healthcare REITs	18	96,620	4.3%	2.2%	11.57x	16.8x	24.1x	30.1x	8.5x
Healthcare Staffing	4	13,038	3.1%	2.9%	1.72x	13.5x	19.2x	17.4x	1.2x
Home Care / Hospice	7	7,000	8.0%	4.4%	1.04x	12.5x	27.6x	23.3x	1.8x
Skilled Nursing	6	3,421	9.7%	3.1%	1.68x	10.9x	24.1x	13.5x	1.2x
Managed Care - Commercial	6	298,949	(0.6%)	21.4%	0.67x	11.9x	20.8x	17.4x	1.6x
Managed Care - Government	3	18,811	(0.5%)	15.4%	0.23x	5.4x	24.5x	19.3x	1.1x
Other Services	4	9,468	4.1%	(21.7%)	1.85x	44.7x	35.7x	26.7x	1.9x
Pharmacy Management	4	44,552	(9.0%)	(20.6%)	0.99x	15.9x	19.6x	15.4x	1.1x
Physician Practice Mgmt.	2	6,204	1.9%	(6.7%)	1.59x	13.6x	18.3x	16.5x	1.3x
Psychiatric Hospitals	3	4,817	(7.0%)	(22.5%)	0.90x	11.8x	26.3x	16.0x	0.8x
Specialty Managed Care	2	5,791	6.3%	12.8%	0.38x	6.5x	18.1x	22.1x	2.5x
Surgicenters / Rehabilitation	6	9,007	5.0%	14.0%	2.14x	11.8x	22.6x	24.5x	1.7x
Total / Average (\$MM)	136	\$821,325	1.9%	(1.6%)	2.28x	14.1x	23.0x	20.9x	1.9x

Source: Capital IQ as of December 31, 2016, 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			
	12/31/2016	1 mo	YTD	12 mo	36 mo
S&P 500 Index	2,238.8	1.8%	9.5%	9.5%	21.1%
NASDAQ Composite Index	5,383.1	1.1%	7.5%	7.5%	28.9%
Russell 2000 Index	1,357.1	2.6%	19.5%	19.5%	16.6%
S&P Composite 1500 Healthcare Facilities (Sub Ind) Index	210.6	0.8%	(6.1%)	(6.1%)	8.5%
S&P Composite 1500 Healthcare Providers & Services (Industry)	655.3	(0.9%)	1.8%	1.8%	42.8%
S&P Composite 1500 Managed Healthcare (Sub Ind)	989.8	(0.7%)	18.2%	18.2%	88.7%
S&P Healthcare Services Select Industry Index	7,834.8	1.2%	(8.4%)	(8.4%)	18.0%

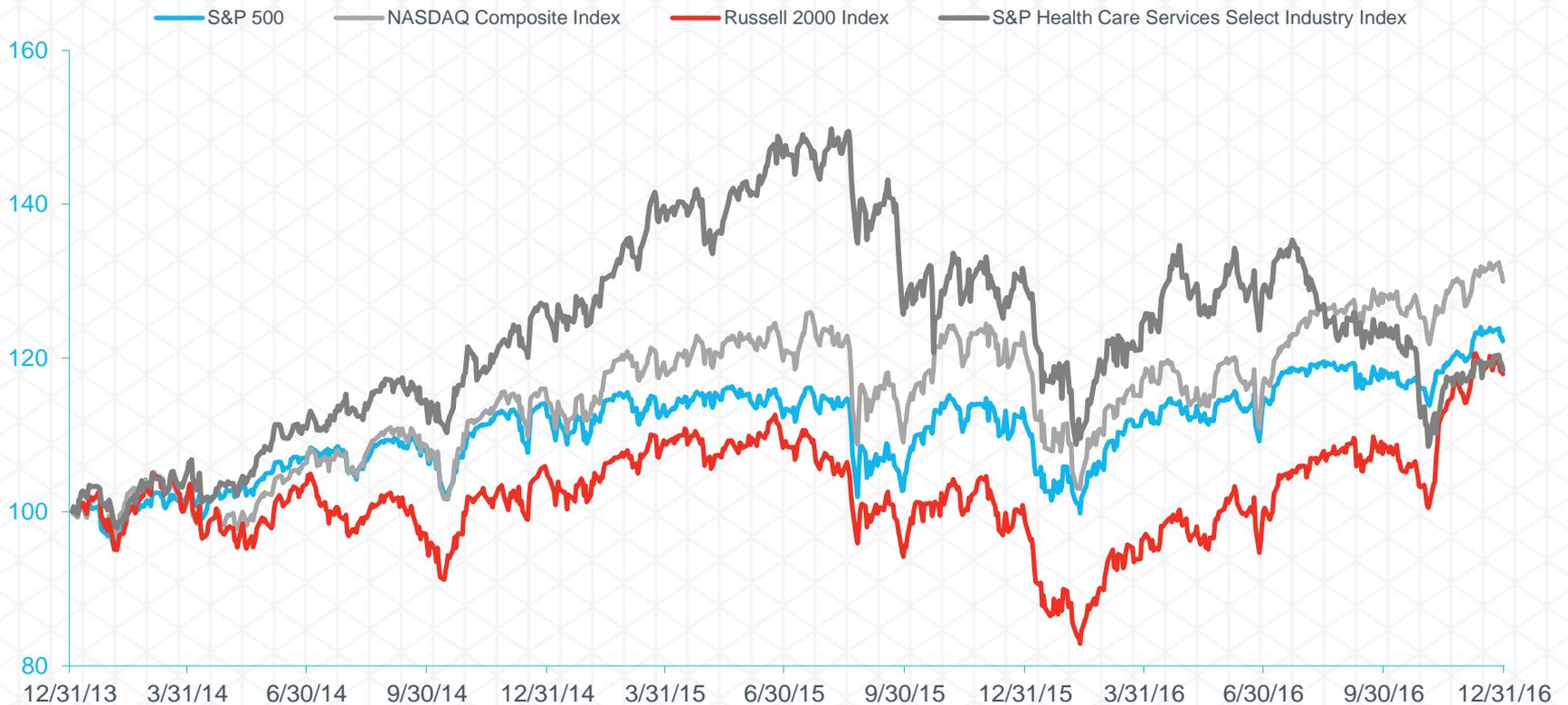
Interest rates	Value at 12/31/2016	1 mo ago	3 mo ago	12 mo ago
LIBOR - USD - 6 months	1.32%	1.29%	1.24%	0.85%
U.S. Treasury - 2 years	1.20%	1.11%	0.77%	1.06%
U.S. Treasury - 5 years	1.91%	1.84%	1.15%	1.78%
U.S. Treasury - 10 years	2.43%	2.37%	1.61%	2.28%
U.S. Treasury - 30 years	3.05%	3.02%	2.34%	2.34%
U.S. Prime Rate	3.75%	3.50%	3.50%	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	29	\$676,420	21.3%	82.4%	0.4%	0.1%	0.1%	33.8%
\$1 billion - \$5 billion	48	120,485	35.3%	14.7%	1.3%	(1.2%)	(1.2%)	19.8%
\$250 million - \$1 billion	37	22,506	27.2%	2.7%	5.4%	5.1%	5.1%	27.6%
\$100 million - \$250 million	10	1,586	7.4%	0.2%	3.8%	(9.4%)	(9.4%)	(32.5%)
< \$100 million	12	329	8.8%	0.0%	10.0%	(17.8%)	(17.8%)	(26.4%)
Total / Average (\$MM)	136	\$821,325	100.0%	100.0%	4.2%	(4.7%)	(4.7%)	4.5%

Source: Capital IQ as December 31, 2016, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

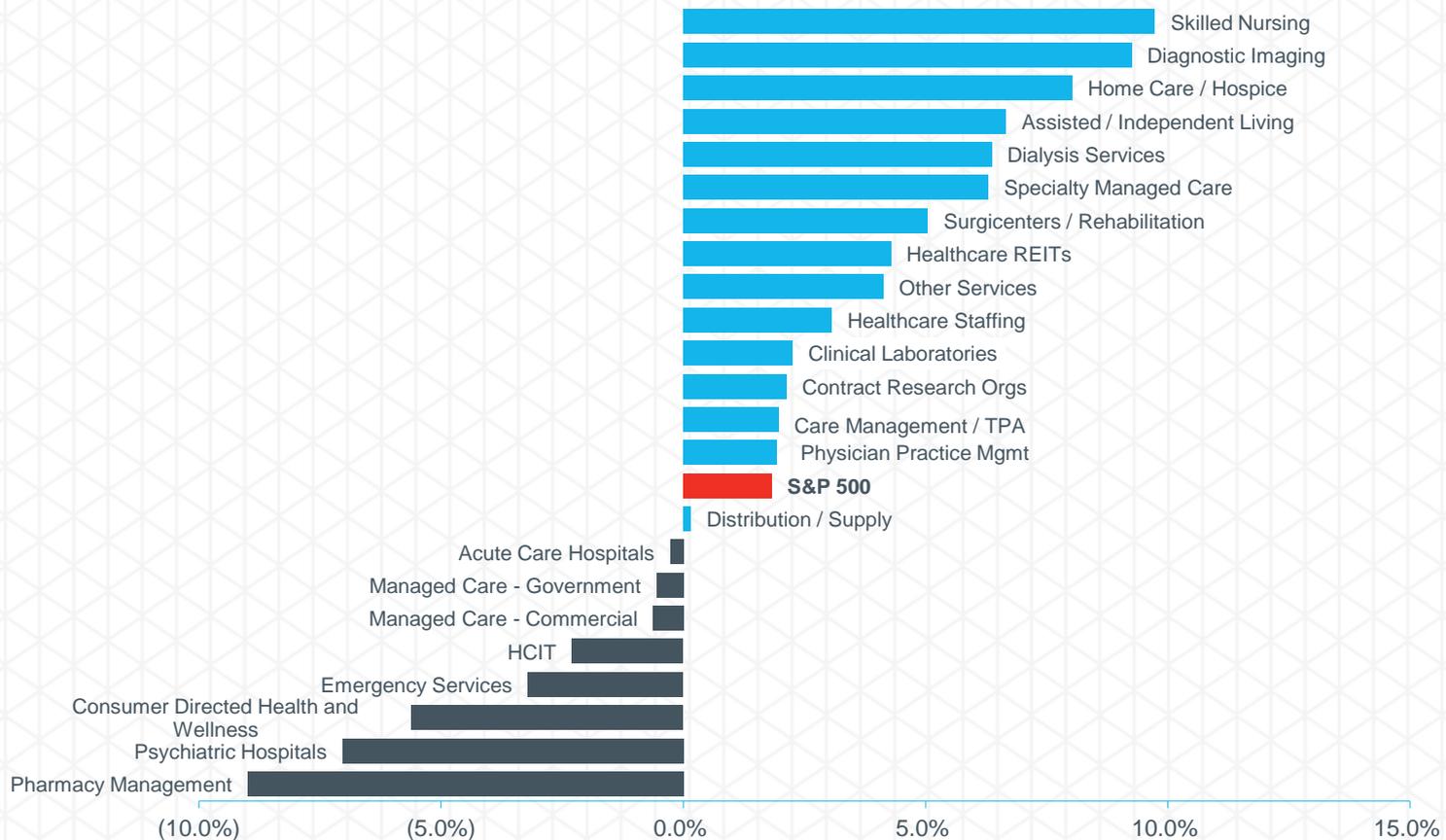
Healthcare Services Sector Update .oo

Performance of Market Indices for Latest 36 Months



Healthcare Services Sector Update o.o

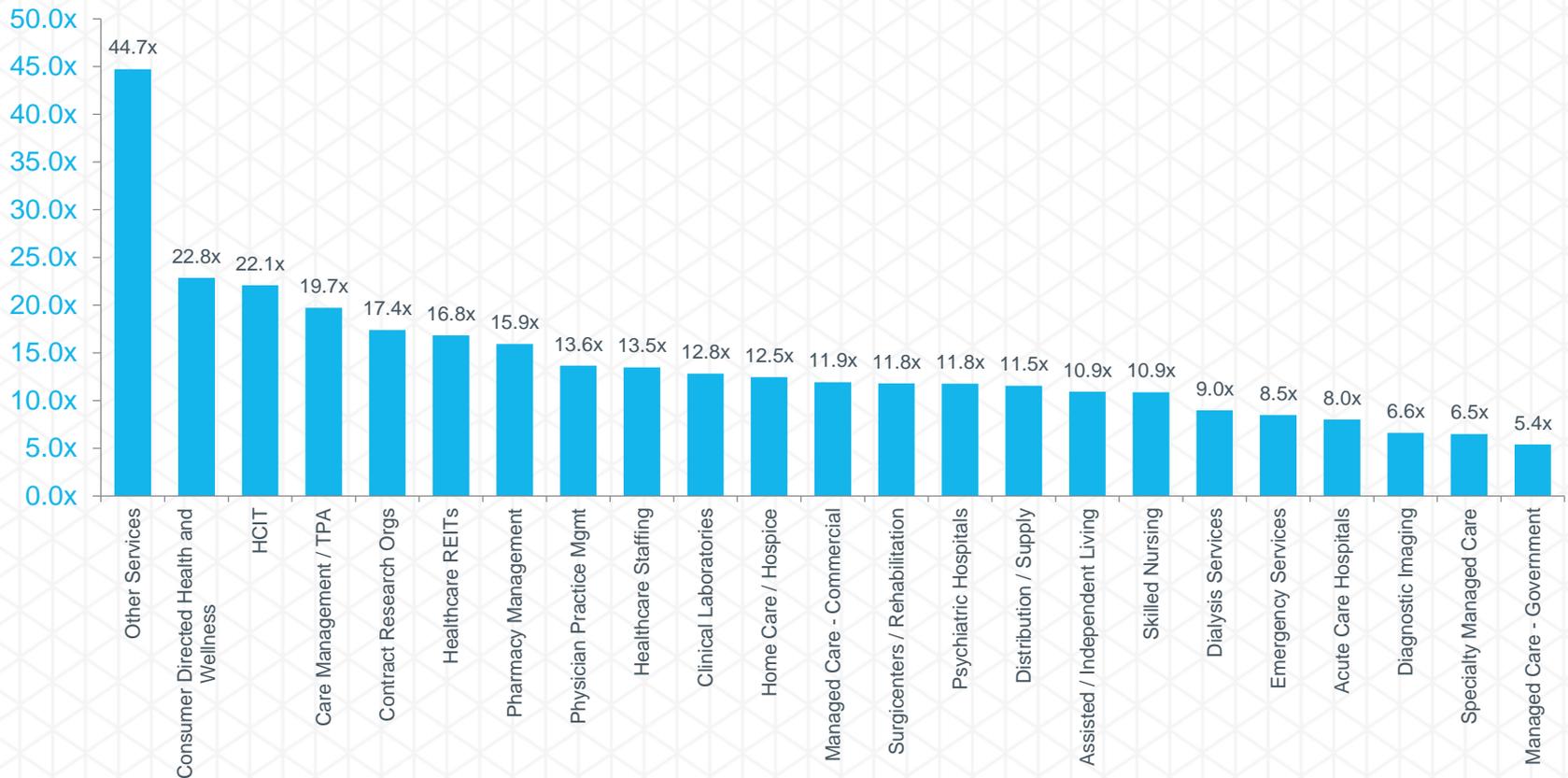
Average % - 1 Month



Source: Capital IQ as of December 31, 2016, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

Healthcare Services Sector Update oo

Overview of Subsector EV/LTM EBITDA



For the detailed December 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

Jordan Lampos

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

West Clark

Vice President
New York
+1 212 871 9739
west.clark@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 advisory services are provided in a number of European countries through Duff & Phelps Securities Ltd, UK, which includes branches in Ireland and Germany. Duff & Phelps Securities Ltd, UK, is regulated by the Financial Conduct Authority.