

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.

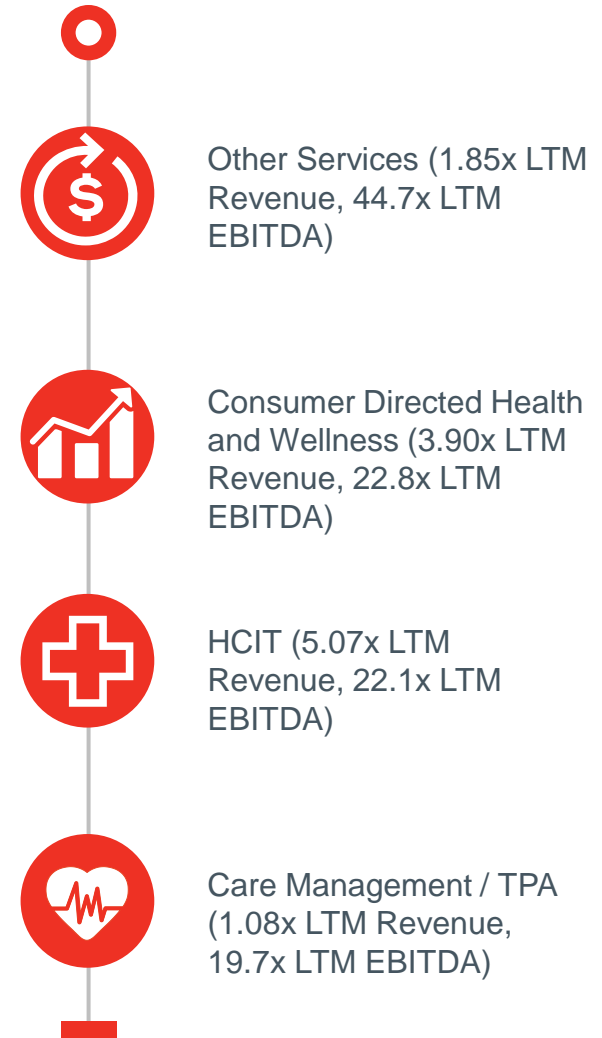
## Over the past month:

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
<b>Total / Average (\$MM)</b>	<b>136</b>	<b>\$821,325</b>	<b>1.9%</b>	<b>(1.6%)</b>	<b>2.28x</b>	<b>14.1x</b>	<b>23.0x</b>	<b>20.9x</b>	<b>1.9x</b>

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%
<b>S&amp;P Healthcare Services Select Industry Index</b>	<b>7,834.8</b>	<b>1.2%</b>	<b>(8.4%)</b>	<b>(8.4%)</b>	<b>18.0%</b>

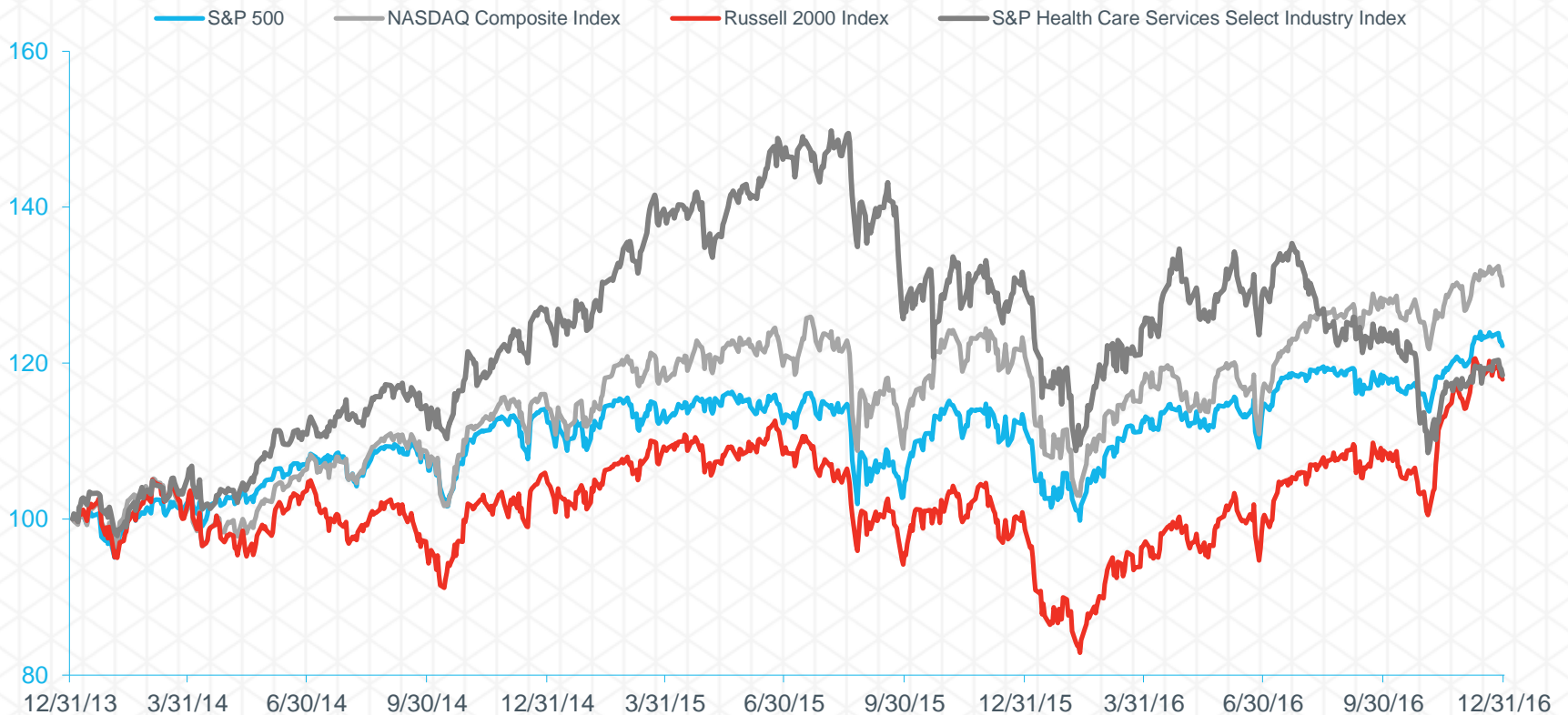
Interest rates	Value at 12/31/2016	1 mo ago	3 mo ago	12 mo ago
LIBOR - USD - 6 months	1.32%	1.29%	1.24%	0.85%
U.S. Treasury - 2 years	1.20%	1.11%	0.77%	1.06%
U.S. Treasury - 5 years	1.91%	1.84%	1.15%	1.78%
U.S. Treasury - 10 years	2.43%	2.37%	1.61%	2.28%
U.S. Treasury - 30 years	3.05%	3.02%	2.34%	2.34%
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%)
<b>Total / Average (\$MM)</b>	<b>136</b>	<b>\$821,325</b>	<b>100.0%</b>	<b>100.0%</b>	<b>4.2%</b>	<b>(4.7%)</b>	<b>(4.7%)</b>	<b>4.5%</b>

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

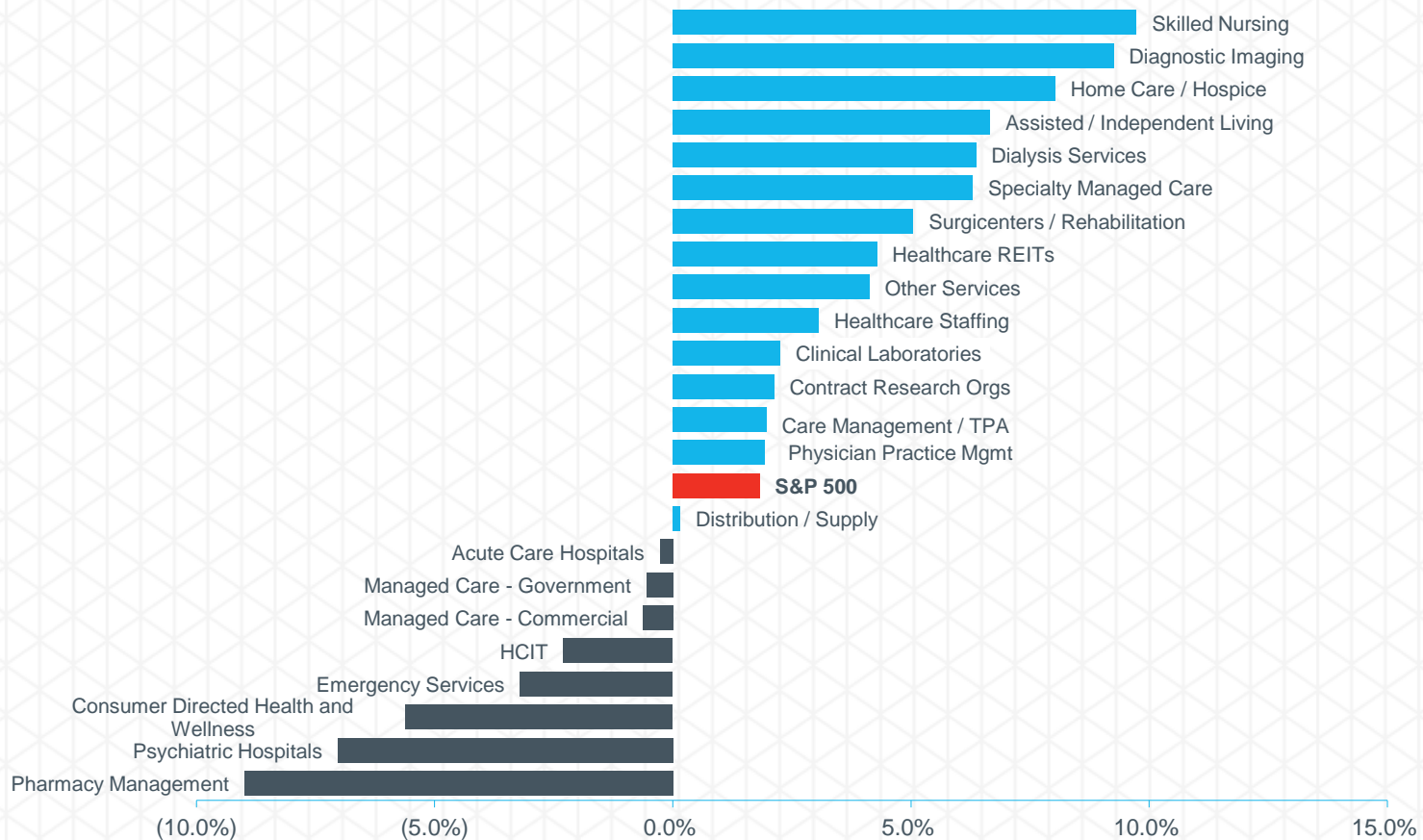
# Healthcare Services Sector Update .oo

Performance of Market Indices for Latest 36 Months



# Healthcare Services Sector Update o.o

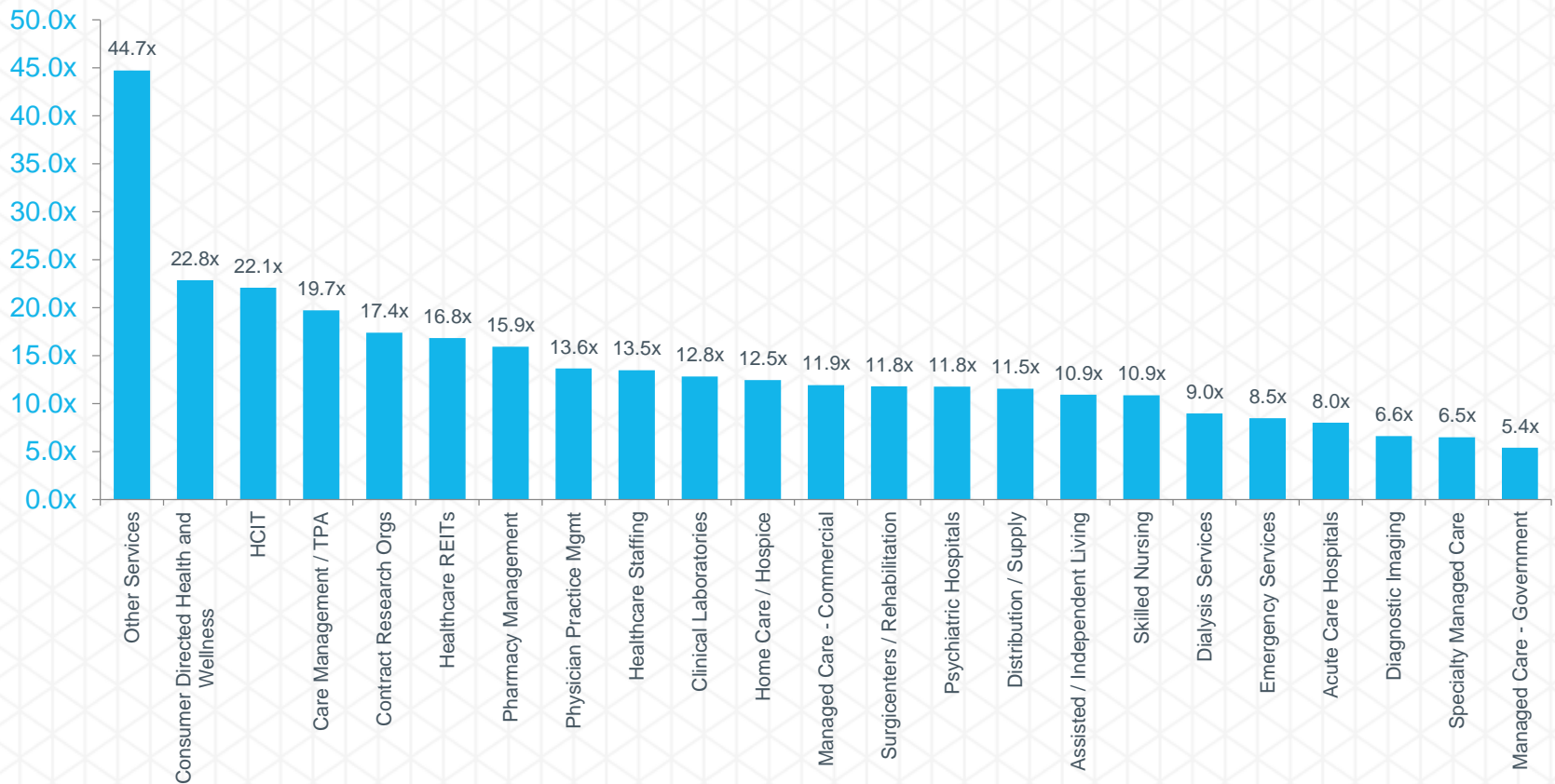
Average % - 1 Month



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# 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.

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