

INDUSTRY INSIGHTS:

# Healthcare Services Sector Update

October 2017



# Q Highlights

The **S&P Healthcare Services** Index decreased 3.2% over the last month, underperforming the S&P 500, which increased 2.2% over the same period.

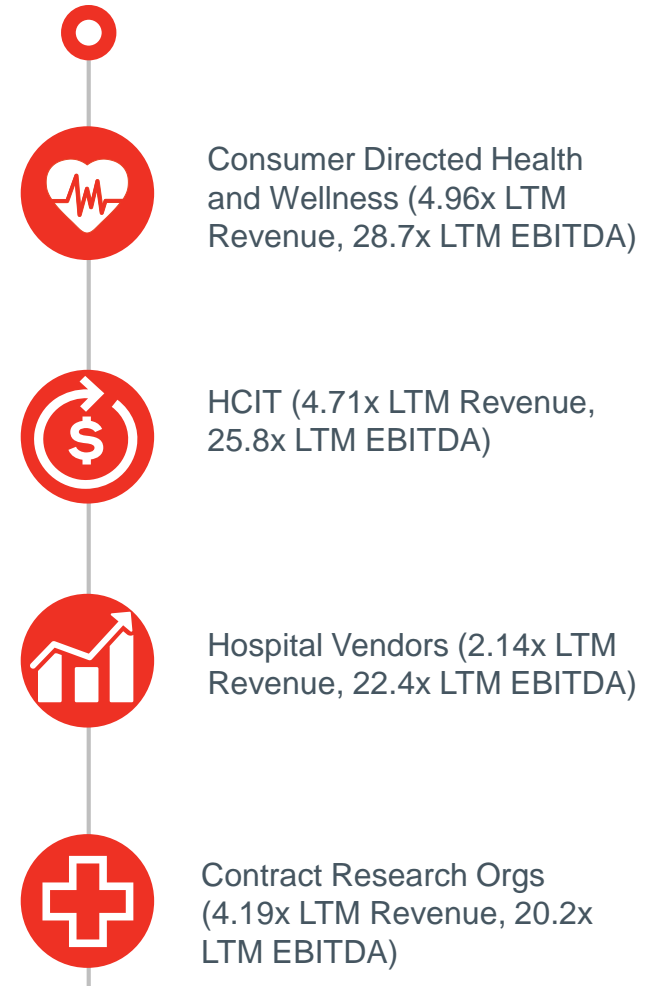
## Over the past month:

The best performing sectors were Contract Research Orgs (up 10.3%), Commercial Managed Care (up 7.2%), and Specialty Managed Care (up 5.0%).

The poorest performing sectors were Behavioral Health (down 20.3%), Distribution (down 7.9%) and Acute Care Hospitals (down 6.7%).

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.26x and 14.6x, respectively.

## THE SECTORS WITH THE HIGHEST VALUATION MULTIPLES



# Healthcare Services Sector Update ..

Market Sector	# of Co's	Ag. Equity Mkt. Value	Average % Change		LTM Multiples		Earnings Ratio		PEG Ratio 2017E
			1 mo	12 mo	Rev	EBITDA	LTM	2017E	
<b>Providers</b>									
Acute Care Hospitals	5	\$41,150	(6.7%)	(6.0%)	1.09x	8.1x	12.1x	14.2x	1.6x
Assisted / Independent Living	3	2,347	(3.4%)	(28.6%)	1.60x	11.8x	NM	NM	NM
Behavioral Health	3	4,965	(20.3%)	17.7%	0.92x	9.8x	20.1x	16.2x	NM
Dialysis Services	3	41,650	(0.2%)	14.5%	1.64x	9.1x	9.3x	19.6x	1.4x
Healthcare Staffing	2	2,603	(4.0%)	31.6%	0.90x	11.4x	18.5x	19.7x	1.4x
Home Health / Hospice	7	8,897	0.1%	45.1%	1.17x	13.6x	35.3x	26.1x	2.5x
Rehabilitation	5	8,522	0.0%	22.2%	1.78x	11.5x	30.0x	24.5x	0.3x
Skilled Nursing	4	2,315	1.5%	9.6%	0.74x	9.3x	26.8x	15.9x	1.1x
Providers - Other	4	10,106	(2.7%)	(24.8%)	1.75x	10.6x	13.9x	24.2x	0.9x
<b>Total / Average</b>	<b>36</b>	<b>\$122,555</b>	<b>(3.5%)</b>	<b>6.7%</b>	<b>1.29x</b>	<b>10.6x</b>	<b>20.8x</b>	<b>20.1x</b>	<b>1.3x</b>
<b>Payors / Managed Care</b>									
Commercial Managed Care	5	\$398,975	7.2%	55.3%	0.94x	11.7x	23.8x	19.6x	1.6x
Government Managed Care	3	28,842	2.6%	53.9%	0.28x	11.3x	22.1x	23.2x	1.6x
Specialty Managed Care	2	5,999	5.0%	24.1%	0.51x	15.5x	22.6x	28.2x	2.8x
<b>Total / Average</b>	<b>10</b>	<b>\$433,816</b>	<b>6.9%</b>	<b>54.8%</b>	<b>0.58x</b>	<b>12.8x</b>	<b>22.8x</b>	<b>23.7x</b>	<b>2.0x</b>
<b>Consumer Directed Health / Wellness</b>									
	<b>6</b>	<b>\$10,197</b>	<b>(0.3%)</b>	<b>23.3%</b>	<b>4.96x</b>	<b>28.7x</b>	<b>29.6x</b>	<b>45.5x</b>	<b>2.3x</b>
<b>HCIT</b>									
	<b>22</b>	<b>\$55,666</b>	<b>(2.7%)</b>	<b>22.6%</b>	<b>4.71x</b>	<b>25.8x</b>	<b>31.0x</b>	<b>37.7x</b>	<b>2.4x</b>
<b>Other Outsourced Services</b>									
Care Management / TPA	4	\$6,484	3.4%	36.4%	1.72x	17.9x	25.1x	24.9x	1.5x
Clinical Laboratories	6	36,052	1.0%	16.5%	3.05x	14.5x	19.6x	20.2x	1.8x
Contract Research Orgs	5	45,891	10.3%	47.6%	4.19x	20.2x	33.5x	23.0x	1.6x
Hospital Vendors	4	10,006	(1.5%)	9.8%	2.14x	22.4x	29.7x	29.0x	2.2x
Healthcare Consulting	2	1,572	4.5%	(30.3%)	1.31x	9.8x	18.4x	15.5x	(6.6x)
<b>Total / Average</b>	<b>21</b>	<b>\$100,004</b>	<b>5.2%</b>	<b>30.6%</b>	<b>2.48x</b>	<b>17.0x</b>	<b>25.3x</b>	<b>22.5x</b>	<b>0.1x</b>
<b>Product</b>									
Distribution	6	\$82,512	(7.9%)	2.3%	0.45x	10.0x	16.9x	14.6x	2.5x
Pharmacy Management	4	37,378	(3.0%)	(8.3%)	0.59x	15.9x	24.9x	17.4x	1.3x
<b>Total / Average</b>	<b>10</b>	<b>\$119,890</b>	<b>(6.3%)</b>	<b>(1.0%)</b>	<b>0.52x</b>	<b>13.0x</b>	<b>20.9x</b>	<b>16.0x</b>	<b>1.9x</b>
<b>Healthcare REITS</b>									
	<b>16</b>	<b>\$99,463</b>	<b>(4.1%)</b>	<b>(6.9%)</b>	<b>12.87x</b>	<b>19.0x</b>	<b>25.2x</b>	<b>29.9x</b>	<b>7.2x</b>
<b>Total / Average (\$MM)</b>	<b>121</b>	<b>\$941,591</b>	<b>(0.9%)</b>	<b>16.8%</b>	<b>2.26x</b>	<b>14.6x</b>	<b>23.7x</b>	<b>23.2x</b>	<b>1.6x</b>

Source: S&P Global Market Intelligence as of October 31, 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			
	10/31/2017	1 mo	YTD	12 mo	36 mo
S&P 500	2,575.3	2.2%	15.0%	21.1%	27.6%
NASDAQ Composite Index	6,727.7	3.6%	25.0%	29.6%	45.3%
Russell 2000 Index	1,502.5	0.8%	10.7%	26.1%	28.0%
S&P Composite 1500 Health Care Facilities (Sub Ind)	217.4	(7.8%)	3.2%	1.1%	(12.9%)
S&P Composite 1500 Health Care Providers & Services (Industry)	784.3	2.5%	19.7%	30.8%	41.0%
S&P Composite 1500 Managed Health Care (Sub Ind)	1,346.6	6.8%	36.1%	54.9%	103.1%
<b>S&amp;P Health Care Services Select Industry Index</b>	<b>8,823.9</b>	<b>(3.2%)</b>	<b>12.6%</b>	<b>17.3%</b>	<b>9.8%</b>

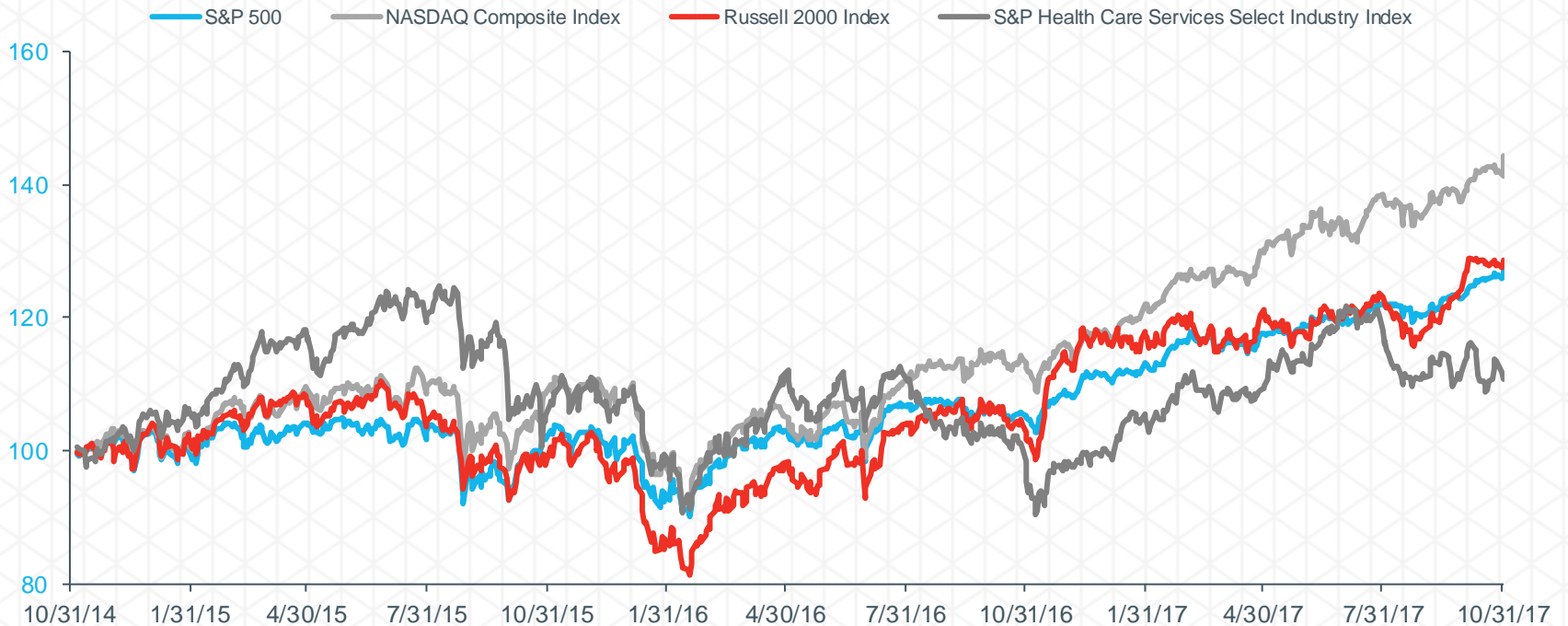
Interest Rates	Value at	1 mo	3 mo	12 mo
	10/31/2017	ago	ago	ago
LIBOR - USD - 6 months	1.58%	1.51%	1.46%	1.26%
U.S. Treasury - 2 years	1.60%	1.47%	1.34%	0.86%
U.S. Treasury - 5 years	2.01%	1.92%	1.84%	1.32%
U.S. Treasury - 10 years	2.38%	2.33%	2.29%	1.84%
U.S. Treasury - 30 years	2.88%	2.86%	2.90%	2.59%
U.S. Prime Rate	4.25%	4.25%	4.25%	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	34	\$811,134	28.1%	86.1%	0.6%	15.7%	20.1%	32.8%
\$1 billion - \$5 billion	43	109,490	35.5%	11.6%	(3.1%)	18.1%	16.8%	29.2%
\$250 million - \$1 billion	33	20,080	27.3%	2.1%	(2.9%)	9.8%	10.7%	3.1%
\$100 million - \$250 million	2	303	1.7%	0.0%	(10.5%)	(21.7%)	(53.8%)	(63.6%)
< \$100 million	9	585	7.4%	0.1%	(3.9%)	(11.0%)	(11.5%)	(10.9%)
<b>Total / Average (\$MM)</b>	<b>121</b>	<b>\$941,591</b>	<b>100.0%</b>	<b>100.0%</b>	<b>(3.9%)</b>	<b>2.2%</b>	<b>(3.5%)</b>	<b>(1.9%)</b>

Source: S&P Global Market Intelligence as of October 31, 2017, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

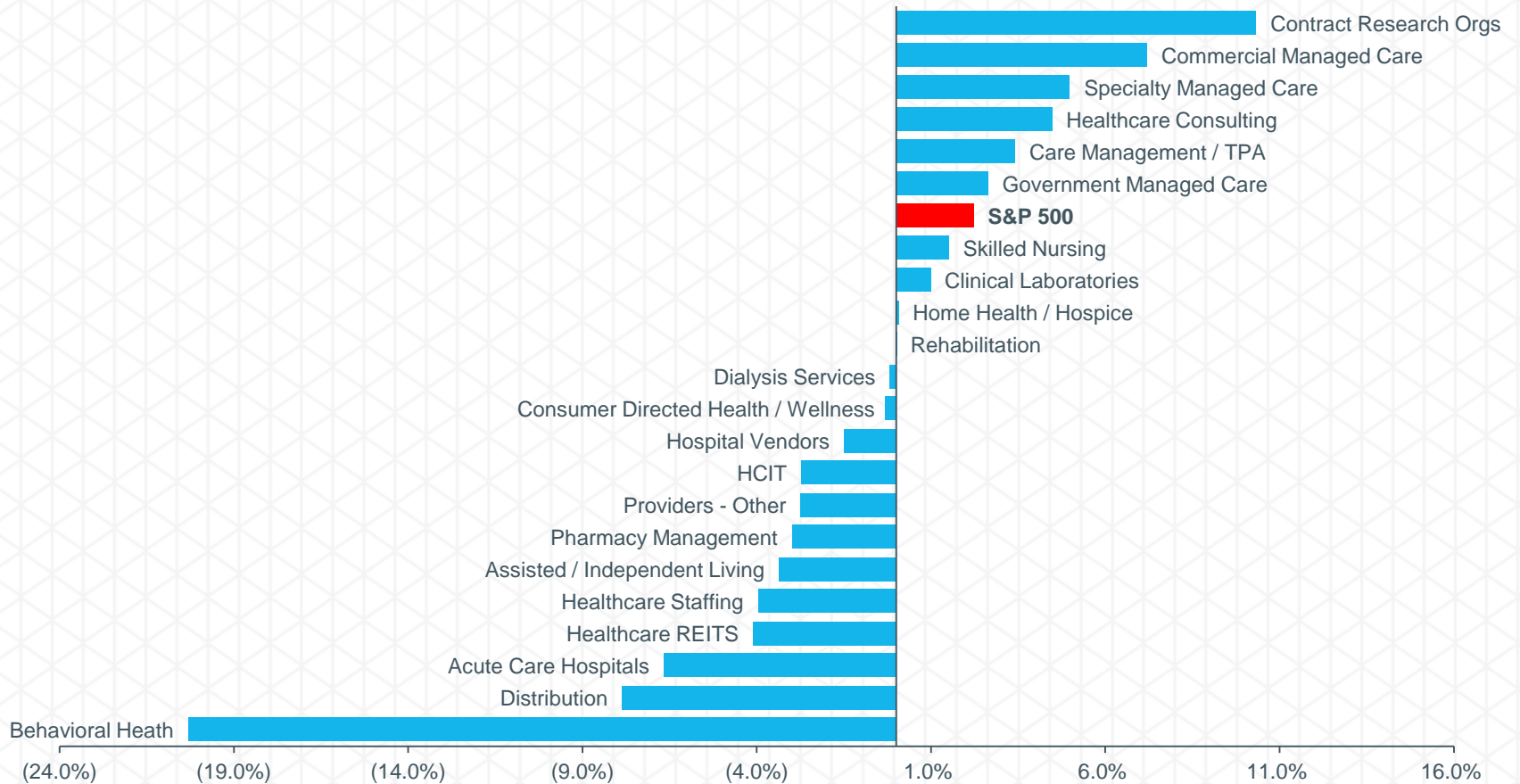
# Healthcare Services Market Performance

Performance of Market Indices for Latest 36 Months



# Healthcare Services Sector Change

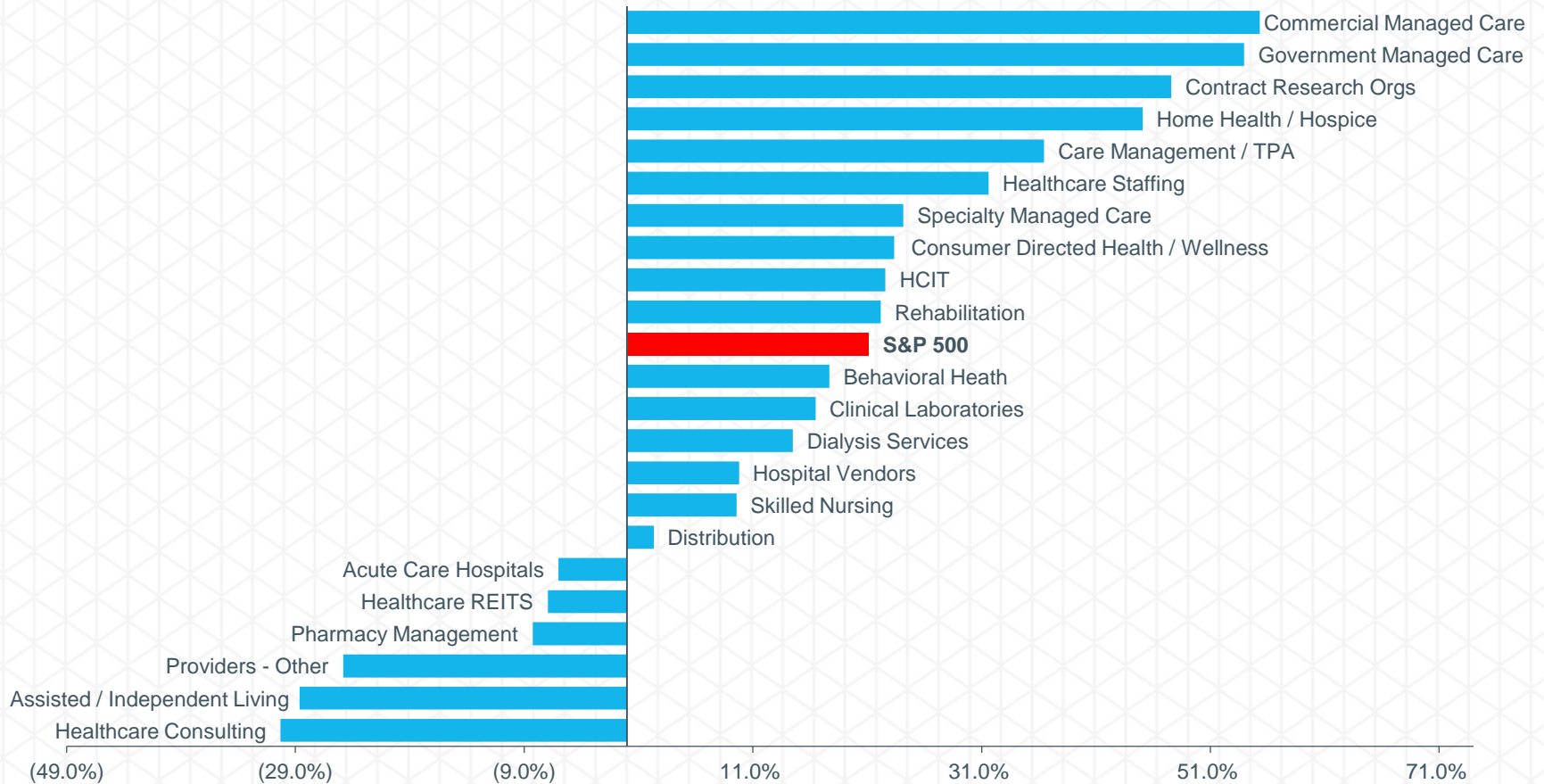
Average % - 1 Month Change



Source: S&P Global Market Intelligence as of October 31, 2017, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

# Healthcare Services Sector Change

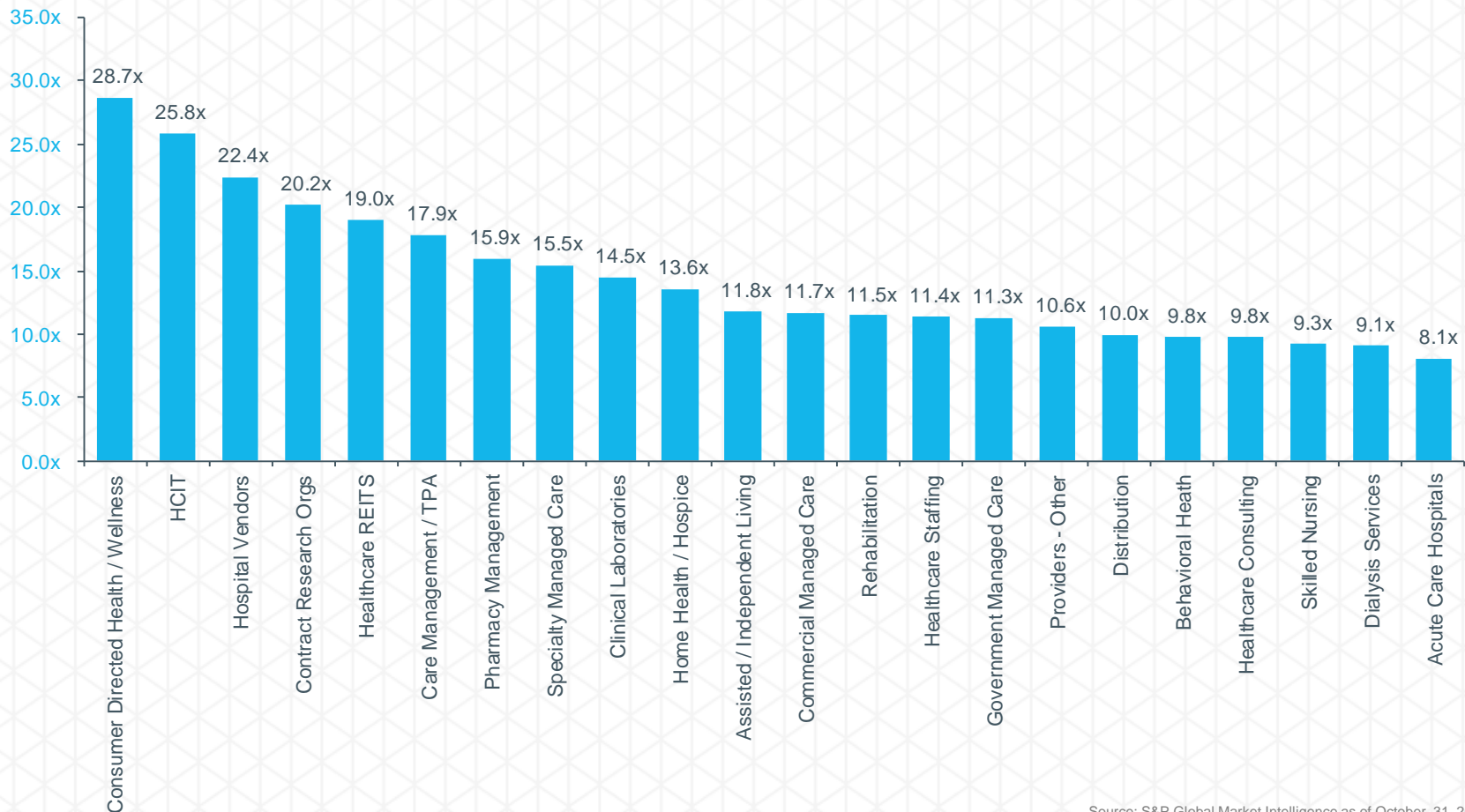
Average % - 12 Month Change



Source: S&P Global Market Intelligence as of October 31, 2017, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

# Healthcare Services Multiples

Overview of Subsector EV/LTM EBITDA





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

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