

INDUSTRY INSIGHTS:

# Healthcare Services Sector Update

September 2016



# Q Highlights

The **S&P Healthcare Services** Index decreased 3.4% over the last month, underperforming the S&P 500, which decreased 0.4% over the same period.

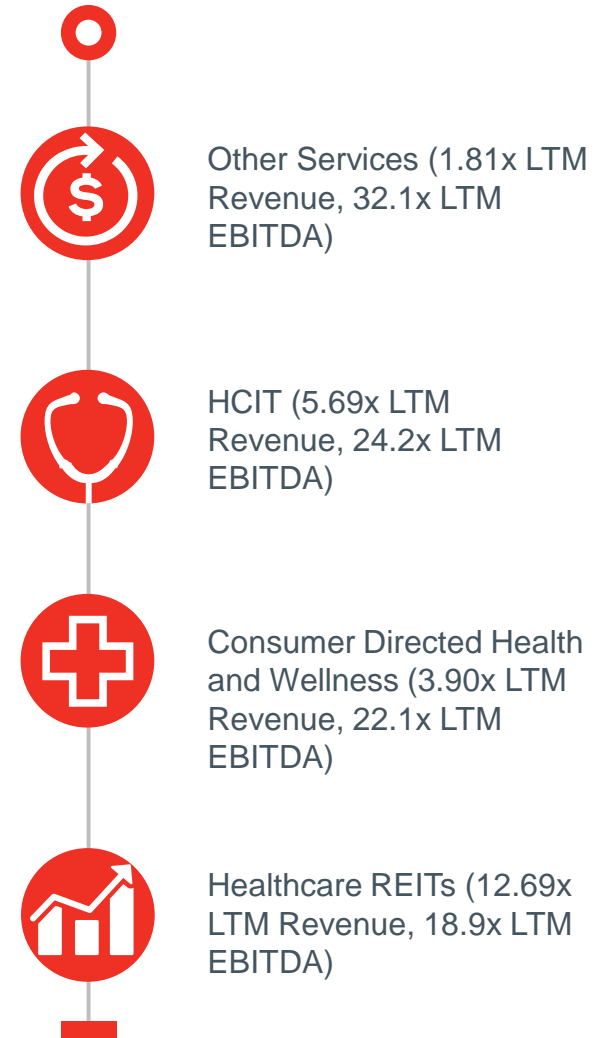
## Over the past month:

The best performing sectors were Diagnostic Imaging (up 8.6%), Surgicenters / Rehabilitation (up 5.5%) and Consumer Directed Health and Wellness (up 3.6%).

The poorest performing sectors were Emergency Services (down 6.0%), Distribution / Supply (4.6%) and Other Services (down 4.5%).

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.37x and 13.6x, 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	\$46,653	0.2%	(6.5%)	1.18x	8.3x	16.8x	13.4x	1.4x
Assisted / Independent Living	3	3,843	(0.2%)	(23.3%)	1.80x	10.5x	NM	NM	NM
Care Management / TPA	5	5,276	(3.6%)	15.0%	1.14x	10.0x	24.6x	32.2x	2.3x
Clinical Laboratories	6	33,398	0.1%	31.6%	6.74x	15.1x	24.8x	17.4x	2.1x
Consumer Directed Health and Wellness	9	20,571	3.6%	7.2%	3.90x	22.1x	31.0x	27.0x	1.4x
Contract Research Orgs	7	28,086	3.1%	19.5%	2.65x	14.7x	27.5x	18.8x	1.4x
Diagnostic Imaging	3	434	8.6%	23.7%	1.79x	6.7x	26.1x	NM	NM
Dialysis Services	3	40,741	(1.5%)	4.6%	1.79x	9.0x	31.1x	19.6x	1.5x
Distribution / Supply	8	105,988	(4.6%)	(3.2%)	0.89x	11.8x	18.6x	17.1x	1.7x
Emergency Services	2	1,903	(6.0%)	(22.1%)	2.06x	13.4x	8.6x	13.9x	0.4x
HCIT	22	49,757	(0.8%)	8.7%	5.69x	24.2x	34.7x	33.0x	2.0x
Healthcare REITs	18	110,042	(2.8%)	17.9%	12.69x	18.9x	28.1x	35.4x	7.5x
Healthcare Staffing	4	8,503	(1.4%)	(30.1%)	1.01x	11.2x	25.9x	15.2x	1.0x
Home Care / Hospice	7	6,607	2.0%	5.2%	1.00x	12.3x	27.2x	20.9x	1.7x
Skilled Nursing	6	3,240	1.3%	(13.3%)	1.74x	11.0x	18.8x	12.9x	1.2x
Managed Care - Commercial	6	267,115	1.1%	9.3%	0.67x	10.7x	19.5x	19.7x	1.2x
Managed Care - Government	3	19,929	0.6%	20.3%	0.30x	7.5x	26.7x	20.0x	1.1x
Other Services	4	9,724	(4.5%)	(24.9%)	1.81x	32.1x	36.8x	46.8x	2.7x
Pharmacy Management	4	47,038	(3.4%)	(11.1%)	1.15x	17.2x	23.2x	16.4x	1.2x
Physician Practice Mgmt	2	6,128	0.6%	(13.5%)	1.58x	12.5x	18.5x	16.0x	1.3x
Psychiatric Hospitals	3	6,064	(4.2%)	(20.2%)	0.33x	15.2x	31.5x	19.7x	1.0x
Specialty Managed Care	2	6,087	2.7%	17.3%	0.38x	7.3x	17.4x	18.6x	2.3x
Surgicenters / Rehabilitation	7	12,778	5.5%	11.1%	2.18x	11.5x	19.6x	23.2x	1.4x
<b>Total / Average (\$MM)</b>	<b>139</b>	<b>\$839,907</b>	<b>(0.1%)</b>	<b>1.0%</b>	<b>2.37x</b>	<b>13.6x</b>	<b>24.4x</b>	<b>21.8x</b>	<b>1.8x</b>

# Healthcare Services Sector Update ..

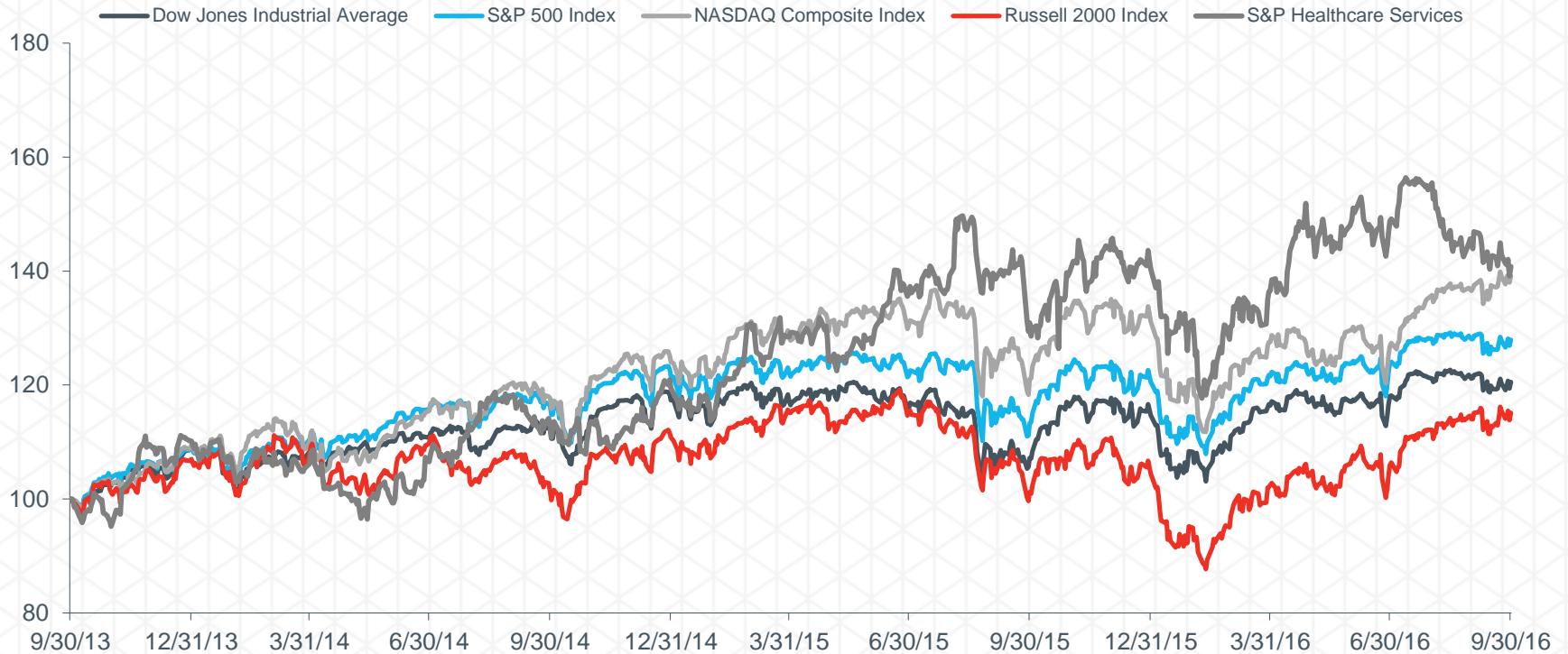
Market Indices	Value at	% Change			
	9/30/2016	1 mo	YTD	12 mo	36 mo
Dow Jones Industrial Average	18,308.2	(0.8%)	5.1%	12.4%	21.0%
S&P 500 Index	2,168.3	(0.4%)	6.1%	12.9%	28.9%
NASDAQ Composite Index	5,312.0	1.7%	6.1%	15.0%	40.8%
Russell 2000 Index	1,251.6	0.5%	10.2%	13.7%	16.6%
AMEX Sector Index - Healthcare	81.6	0.1%	(14.7%)	(6.7%)	(19.6%)
S&P Healthcare Facilities (Sub Ind) Index	304.8	0.5%	(12.5%)	(21.7%)	8.5%
S&P Healthcare Providers & Services (Industry) Index	590.1	1.6%	(3.9%)	(5.2%)	39.9%
S&P Managed Healthcare (Sub Ind) Index	488.0	4.8%	13.0%	21.3%	98.3%
S&P Healthcare Services	<b>484.0</b>	<b>(3.4%)</b>	<b>0.3%</b>	<b>7.5%</b>	<b>41.8%</b>

Interest rates	Value at	1 mo	3 mo	12 mo
	9/30/2016	ago	ago	ago
LIBOR - USD - 6 months	1.24%	1.24%	0.92%	0.53%
U.S. Treasury - 2 years	0.77%	0.80%	0.58%	0.64%
U.S. Treasury - 5 years	1.15%	1.20%	1.02%	1.38%
U.S. Treasury - 10 years	1.61%	1.57%	1.49%	2.06%
U.S. Treasury - 30 years	2.34%	2.23%	2.30%	2.30%
U.S. Prime Rate	3.50%	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	30	\$677,226	21.6%	80.6%	(0.9%)	5.5%	7.3%	42.6%
\$1 billion - \$5 billion	52	139,158	37.4%	16.6%	0.9%	2.9%	7.6%	29.5%
\$250 million - \$1 billion	38	22,050	27.3%	2.6%	0.8%	6.5%	10.9%	24.8%
\$100 million - \$250 million	5	940	3.6%	0.1%	8.7%	21.4%	14.1%	49.6%
< \$100 million	14	533	10.1%	0.1%	(2.6%)	(14.3%)	(28.4%)	(29.5%)
<b>Total / Average (\$MM)</b>	<b>139</b>	<b>\$839,907</b>	<b>100.0%</b>	<b>100.0%</b>	<b>1.4%</b>	<b>4.4%</b>	<b>2.3%</b>	<b>23.4%</b>

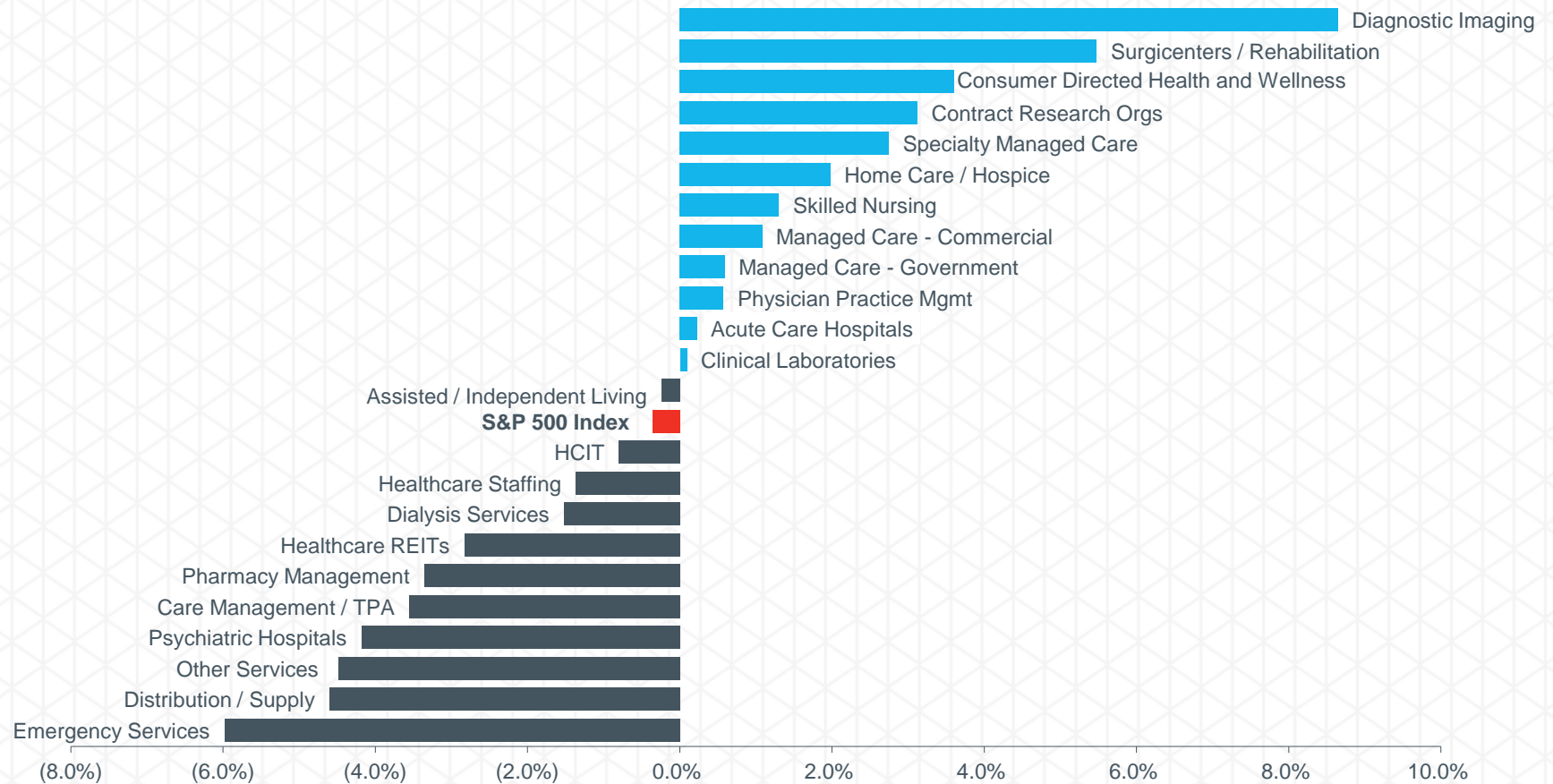
# Healthcare Services Sector Update .oo

Performance of Market Indices for Latest 36 Months



# Healthcare Services Sector Update o.o

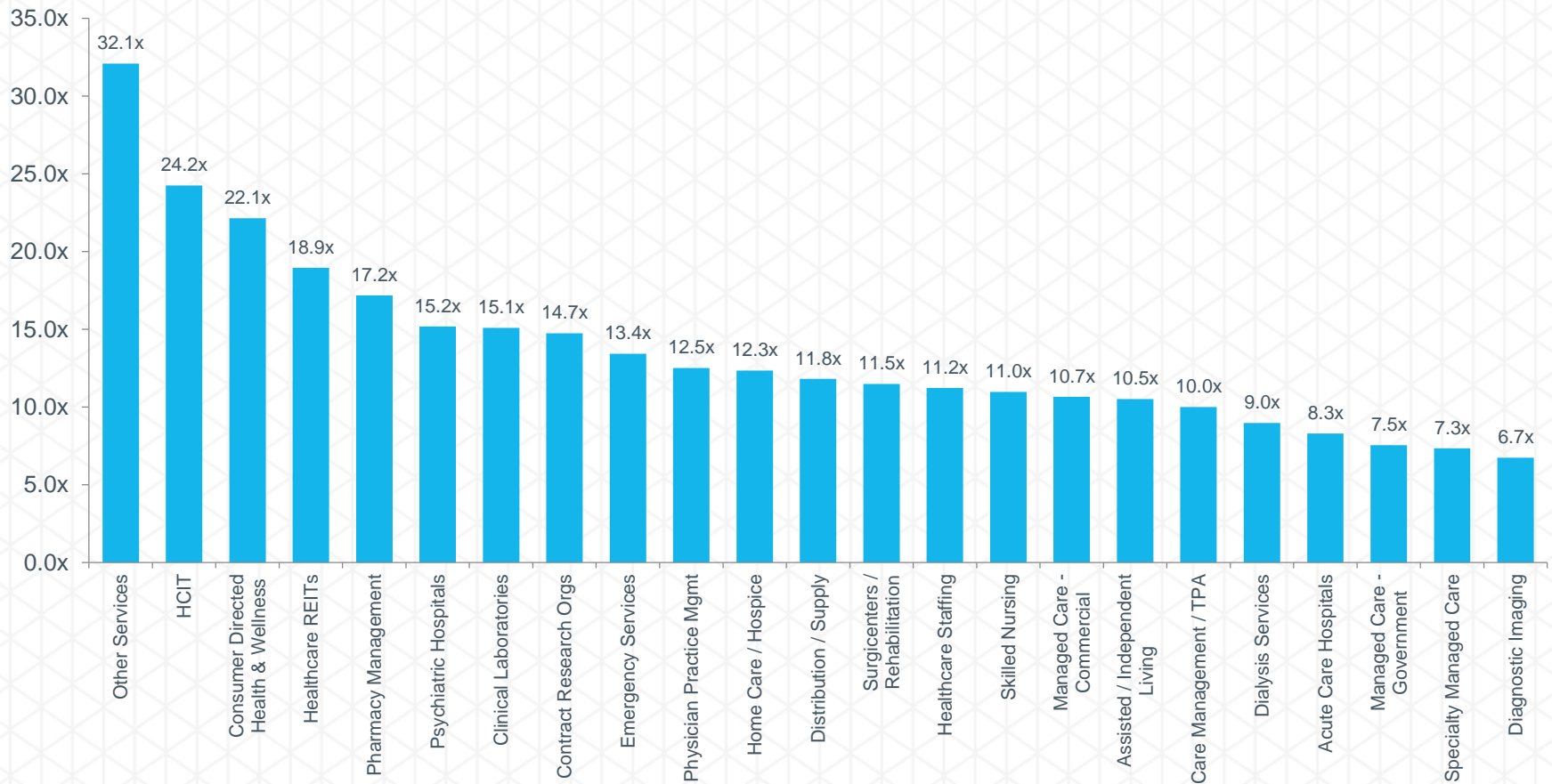
Average % - 1 Month



Source: Capital IQ as of September 30, 2016, 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



Source: Capital IQ as of September 30, 2016, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

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

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