

# Healthcare Services Sector Update

May 2016

## BY THE NUMBERS

The S&P Healthcare Services Index has increased 1.3% over the last month, underperforming the S&P 500, which increased 1.5% over the same period.

### Over the past month:

- The best performing sectors were Healthcare Staffing (up 10.6%), Care Management/TPA (up 7.7%) and Distribution/Supply (up 3.2%)
- The worst performing sectors were Skilled Nursing (down 13.0%), Psychiatric Hospitals (down 5.9%) and Surgicenters/Rehabilitation (down 5.0%)

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.30x and 14.0x, respectively.

### The sectors with the highest valuation multiples include:

- HCIT (3.44x LTM Revenue, 26.9x LTM EBITDA)
- Pharmacy Management (1.09x LTM Revenue, 24.2x LTM EBITDA)
- Healthcare REITs (13.21x LTM Revenue, 20.7x LTM EBITDA)
- Consumer Directed Health and Wellness (3.60x LTM Revenue, 20.0x LTM EBITDA)

MARKET SECTOR	No. of Cos.	Ag. Eqty Mkt. Value	Average % Change		LTM Multiples		Earnings Ratio		PEG Ratio 2016E
			1 mo	12 mo	Rev	EBITDA	LTM	2016E	
Acute Care Hospitals	5	\$50,864	(3.2%)	(7.3%)	1.26x	8.7x	16.5x	13.9x	1.6x
Assisted/Independent Living	3	3,980	(4.0%)	(49.3%)	1.90x	12.1x	NM	NM	NM
Care Management/TPA	6	6,900	7.7%	(1.9%)	1.44x	12.5x	30.3x	31.8x	1.9x
Clinical Laboratories	5	30,816	2.8%	4.4%	5.49x	17.1x	20.4x	16.5x	1.8x
Consumer Directed Health & Wellness	9	17,840	(3.5%)	(2.6%)	3.60x	20.0x	33.2x	32.0x	1.6x
Contract Research Orgs	7	25,106	0.8%	9.4%	2.48x	13.5x	22.1x	17.3x	1.1x
Diagnostic Imaging	3	334	2.5%	(29.2%)	1.67x	6.2x	21.8x	15.0x	1.8x
Dialysis Services	3	43,523	2.0%	(1.3%)	2.10x	10.2x	25.0x	24.3x	1.8x
Distribution/Supply	8	108,809	3.2%	(13.4%)	0.96x	11.6x	20.2x	17.1x	1.7x
Emergency Services	2	2,341	(2.5%)	(10.0%)	2.54x	16.3x	11.6x	18.7x	0.5x
HCIT	18	42,370	(0.1%)	(11.8%)	3.44x	26.9x	41.7x	31.4x	1.9x
Healthcare REITs	18	97,207	1.8%	(1.3%)	13.21x	20.7x	28.0x	33.5x	7.5x
Healthcare Staffing	4	10,430	10.6%	(12.6%)	1.20x	13.4x	26.5x	17.8x	1.1x
Home Care/Hospice	7	6,795	0.6%	18.6%	1.04x	12.6x	26.4x	20.6x	1.6x
Skilled Nursing	6	3,371	(13.0%)	(26.6%)	2.09x	8.0x	18.9x	13.2x	1.3x
Managed Care – Commercial	6	260,793	(1.1%)	(1.1%)	0.69x	11.4x	18.7x	20.2x	1.4x
Managed Care – Government	3	17,857	2.6%	(10.8%)	0.29x	7.7x	26.8x	18.3x	1.0x
Other Services	4	11,215	2.6%	(14.1%)	2.00x	21.7x	40.2x	28.7x	1.7x
Pharmacy Management	4	49,973	2.6%	(13.4%)	1.09x	24.2x	32.1x	15.2x	1.1x
Physician Practice Mgmt	2	6,322	(3.9%)	(3.8%)	1.59x	11.1x	19.0x	16.0x	1.1x
Psychiatric Hospitals	3	7,288	(5.9%)	(18.1%)	0.37x	17.2x	40.2x	22.3x	1.1x
Specialty Managed Care	2	5,979	1.9%	29.2%	0.32x	7.5x	16.7x	15.7x	2.1x
Surgicenters/Rehabilitation	7	12,554	(5.0%)	1.9%	2.21x	11.3x	19.8x	20.3x	1.3x
<b>Total/Average (\$MM)</b>	<b>135</b>	<b>\$822,665</b>	<b>(0.0%)</b>	<b>(7.2%)</b>	<b>2.30x</b>	<b>14.0x</b>	<b>25.3x</b>	<b>20.9x</b>	<b>1.7x</b>

Source: Capital IQ

MARKET INDICES	Value at 5/31/16	% Change			
		1 mo	YTD	12 mo	36 mo
Dow Jones Industrial Average	17,787	0.1%	2.1%	(1.2%)	17.7%
S&P 500 Index	2,097.0	1.5%	2.6%	(0.5%)	28.6%
NASDAQ Composite Index	4,948.1	3.6%	(1.2%)	(2.4%)	43.2%
Russell 2000 Index	1,154.8	2.1%	1.7%	(7.4%)	17.3%
AMEX Sector Index – Healthcare	88.1	0.0%	(8.0%)	(14.6%)	(0.4%)
S&P Healthcare Facilities (Sub Ind) Index	327.4	(4.5%)	(6.0%)	(25.8%)	14.5%
S&P Healthcare Providers & Services (Industry) Index	597.6	(1.9%)	(2.6%)	(13.3%)	49.6%
S&P Managed Healthcare (Sub Ind) Index	417.2	6.0%	(3.4%)	(9.5%)	96.1%
<b>S&amp;P Healthcare Services</b>	<b>509.1</b>	<b>1.3%</b>	<b>5.5%</b>	<b>15.8%</b>	<b>64.4%</b>

Source: Capital IQ

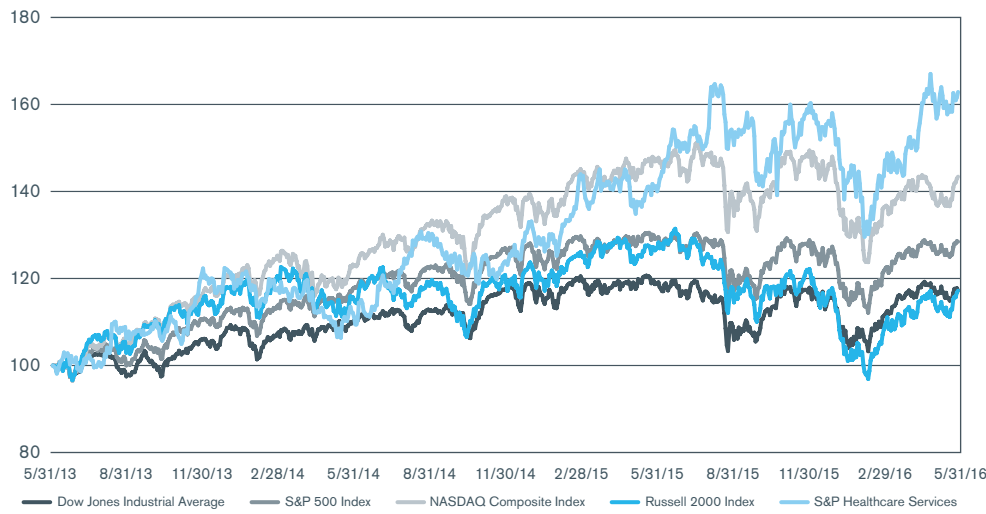
INTEREST RATES	Value at 5/31/16	1 mo ago	3 mo ago	12 mo ago
LIBOR – USD – 6 months	0.99%	0.90%	0.89%	0.42%
U.S. Treasury – 2 years	0.87%	0.77%	0.78%	0.61%
U.S. Treasury – 5 years	1.36%	1.28%	1.22%	1.47%
U.S. Treasury – 10 years	1.84%	1.82%	1.74%	2.09%
U.S. Treasury – 30 years	2.63%	2.67%	2.62%	2.62%
U.S. Prime Rate	3.50%	3.50%	3.50%	3.50%

Source: Capital IQ

CAPITALIZATION PROFILE	No. of Cos.	Ag. Eqty Mkt. Value	% Total No. of Cos.	% Ag. Eqty Mkt. Value	Average Stock Performance			
					1 mo	YTD	12 mo	36 mo
> \$5 billion	29	\$661,740	21.5%	80.4%	(0.3%)	(0.5%)	(6.6%)	51.1%
\$1 billion – \$5 billion	54	139,868	40.0%	17.0%	(0.0%)	2.6%	(2.2%)	40.5%
\$250 million – \$1 billion	32	19,361	23.7%	2.4%	1.0%	(2.7%)	(8.2%)	33.8%
\$100 million – \$250 million	5	1,123	3.7%	0.1%	6.4%	7.5%	(24.6%)	10.3%
< \$100 million	15	573	11.1%	0.1%	(9.5%)	(14.0%)	(46.7%)	(28.4%)
<b>Total/Average (\$MM)</b>	<b>135</b>	<b>\$822,665</b>	<b>100.0%</b>	<b>100.0%</b>	<b>(0.5%)</b>	<b>(1.4%)</b>	<b>(17.7%)</b>	<b>21.4%</b>

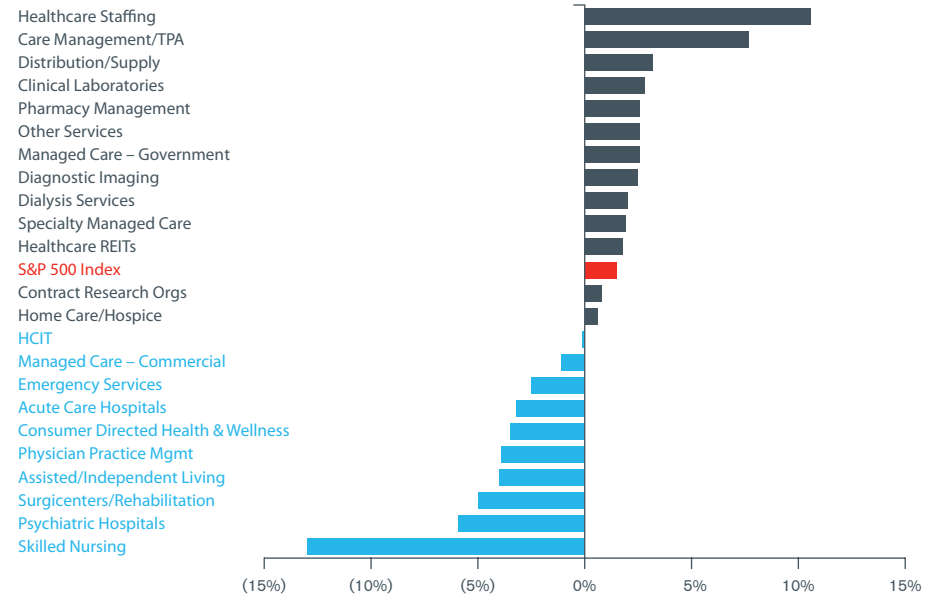
Source: Capital IQ

Performance of Market Indices for Latest 36 Months



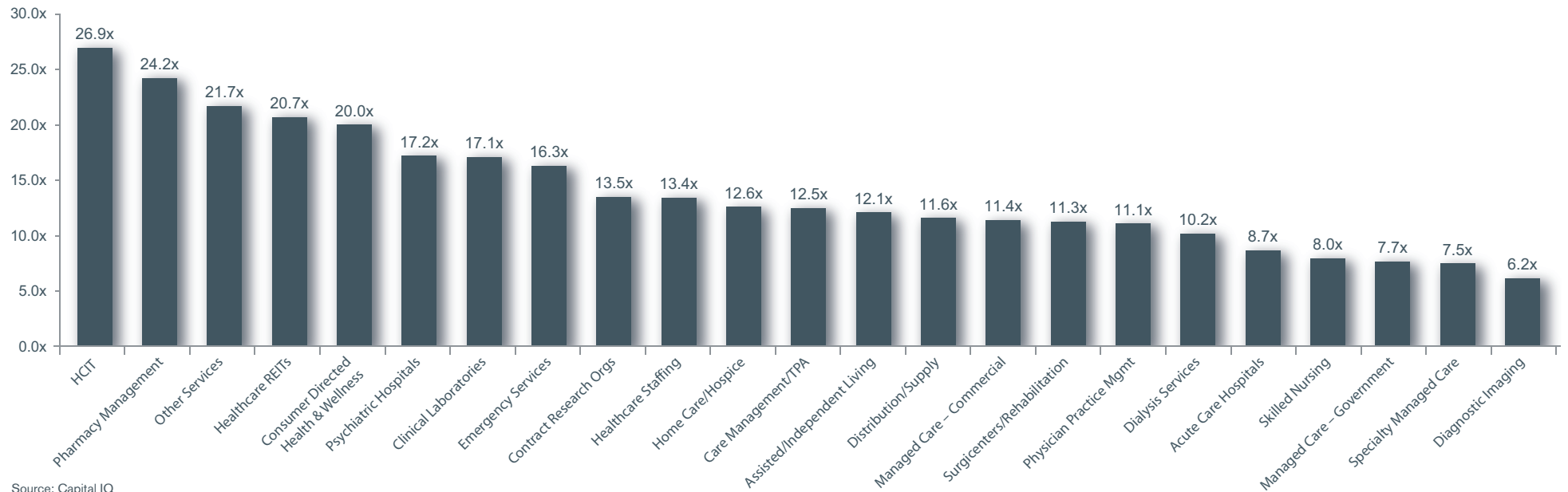
Source: Capital IQ

Average % Change — 1 Month



Source: Capital IQ

Overview of Subsector EV / LTM EBITDA



Source: Capital IQ

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

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