

INDUSTRY INSIGHTS

Healthcare Services Sector Update

June 2020



Q Highlights

The **S&P Healthcare Services Index** decreased by 2.4% over the last month, compared to the S&P 500 Index, which increased 1.5% over the same period.

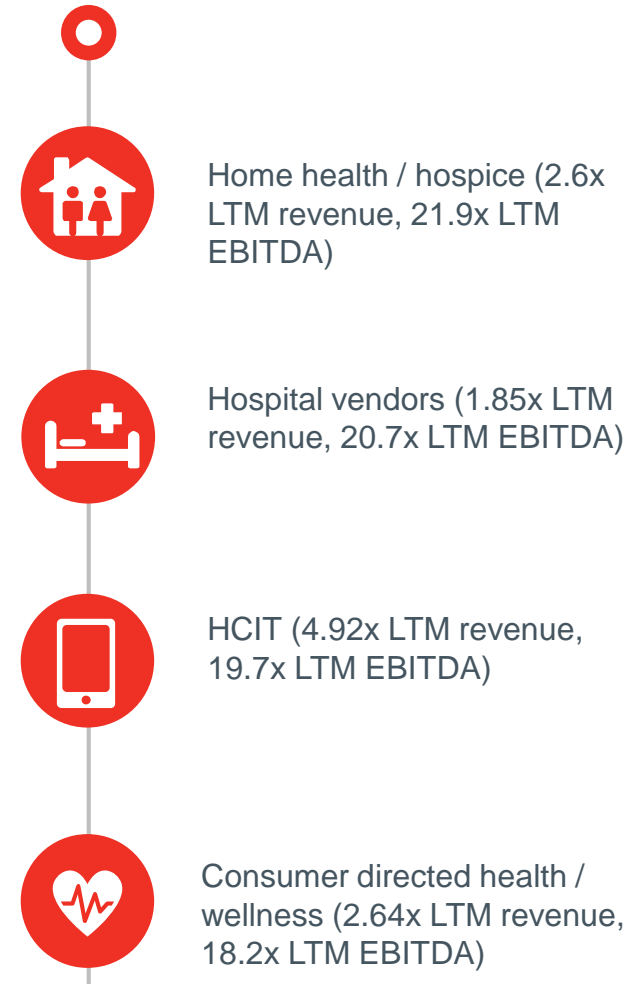
Over the past month:

The sectors that experienced the most growth were clinical laboratories (up 6.2%), HCIT (up 3.7%) and healthcare REITS (up 2.2%).

The sectors that experienced the largest declines were assisted / independent living (down 14.2%), rehabilitation (down 10.9%) and acute care hospitals (down 10.0%)

The current average Last Twelve Months (LTM) revenue and LTM EBITDA multiples for the healthcare services industry overall are 1.74x and 10.9x, respectively.

THE SECTORS WITH THE HIGHEST VALUATION MULTIPLES



Healthcare Services Sector Update .o

Market Sector	No. of Companies	Ag. Equity Mkt. Value	Average % Change		LTM Multiples		Earnings Ratio		PEG Ratio
			1 mo	12 mo	Rev	EBITDA	LTM	2020E	2020E
Providers									
Acute Care Hospitals	4	\$42,901	(10.0%)	(27.3%)	1.15x	8.2x	11.2x	13.7x	1.5x
Assisted/Independent Living	3	684	(14.2%)	(52.1%)	1.37x	12.9x	3.0x	NM	NM
Behavioral Health	2	4,056	(7.9%)	(16.2%)	1.10x	10.6x	22.1x	27.4x	2.1x
Dialysis Services	3	35,002	0.9%	17.8%	1.82x	10.5x	14.0x	13.0x	1.4x
Healthcare Staffing	2	2,356	1.9%	(18.3%)	0.89x	14.1x	23.1x	17.3x	1.2x
Home Health/Hospice	6	22,240	0.1%	41.1%	2.60x	21.9x	32.2x	36.4x	2.9x
Rehabilitation	4	9,383	(10.9%)	(7.1%)	2.62x	13.4x	22.0x	17.2x	2.4x
Skilled Nursing	3	3,271	(5.0%)	(25.5%)	1.20x	17.8x	23.9x	16.5x	1.1x
Providers – Other	3	2,806	0.4%	(3.5%)	5.06x	12.3x	NM	13.0x	(18.2x)
Payors/Managed Care									
Commercial Managed Care	5	\$468,726	(4.8%)	19.4%	2.30x	12.3x	17.3x	15.2x	1.1x
Government Managed Care	2	47,340	(4.1%)	21.9%	0.59x	11.8x	24.9x	13.8x	1.3x
Specialty Managed Care	2	1,048,935	0.0%	(0.0%)	0.46x	8.5x	16.0x	11.3x	NM
Consumer Directed Health/Wellness	5	\$6,933	(2.9%)	(1.4%)	2.64x	18.2x	NM	35.5x	3.9x
HCIT	24	\$68,187	3.7%	40.2%	4.72x	19.7x	35.2x	26.9x	1.7x
Other Outsourced Services									
Care Management/Third-Party Administrator	4	\$8,511	(6.7%)	(1.2%)	1.59x	14.1x	27.6x	21.9x	2.0x
Clinical Laboratories	7	45,940	6.2%	8.3%	5.33x	12.2x	28.5x	21.6x	3.2x
Contract Research Organizations	6	66,177	(3.7%)	0.5%	3.02x	17.8x	29.5x	24.4x	3.8x
Hospital Vendors	4	7,065	2.1%	9.0%	1.85x	20.7x	24.1x	25.9x	2.9x
Healthcare Consulting	1	954	(4.3%)	(12.2%)	1.49x	12.6x	NM	35.1x	NM
Product									
Distribution	6	\$71,993	(0.6%)	11.3%	0.52x	9.4x	18.7x	18.9x	2.2x
Healthcare REITS	15	\$77,344	2.2%	(23.2%)	11.33x	17.1x	21.6x	29.5x	NM

Healthcare Services Sector Update

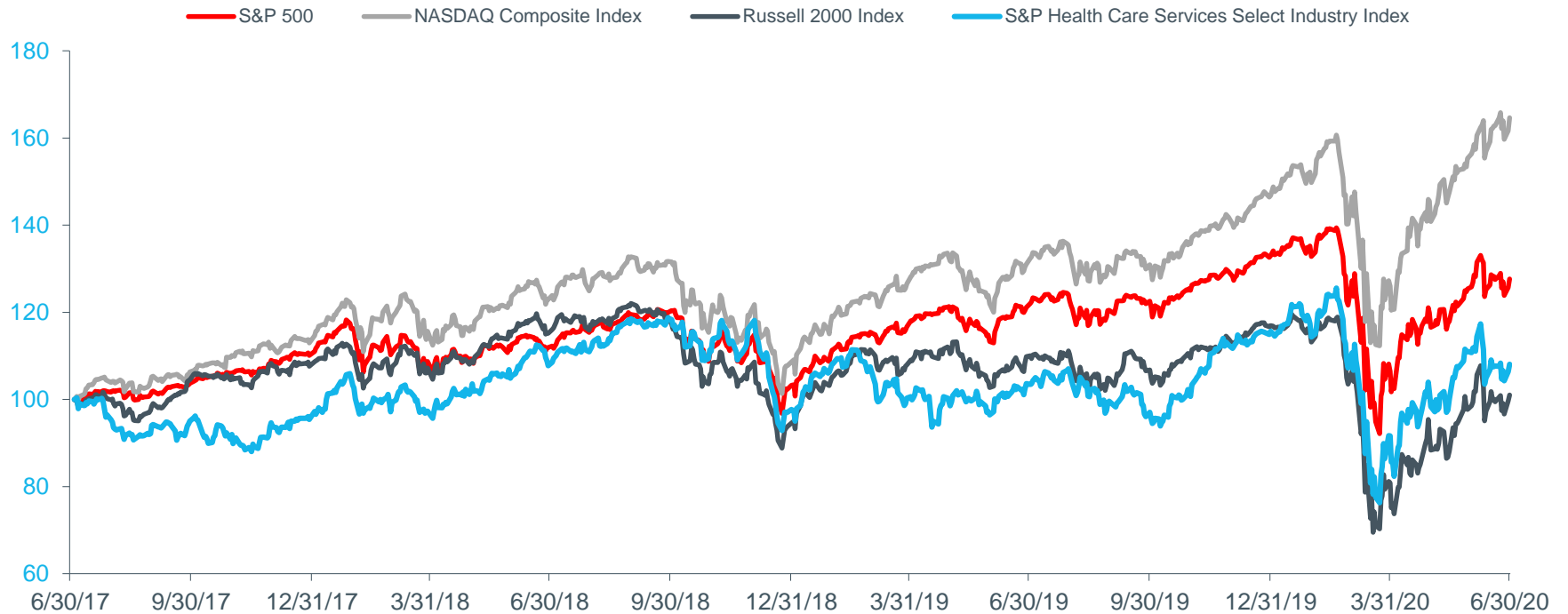
Market Indices	Value at	% Change			
	6/30/2020	1 mo	YTD	12 mo	36 mo
S&P 500	3,100.3	1.5%	(4.0%)	5.4%	27.9%
NASDAQ Composite Index	10,058.8	5.3%	12.1%	25.6%	63.8%
Russell 2000 Index	1,441.4	2.6%	(13.6%)	(8.0%)	1.8%
S&P Composite 1500 Health Care Facilities (Sub Ind)	252.9	(11.2%)	(31.9%)	(23.8%)	0.1%
S&P Composite 1500 Health Care Providers & Services (Industry)	985.6	(4.1%)	(4.8%)	12.7%	28.8%
S&P Composite 1500 Managed Health Care (Sub Ind)	1,826.3	(4.4%)	(0.9%)	17.6%	52.8%
S&P Health Care Services Select Industry Index	10,374.2	(2.4%)	(6.5%)	4.3%	7.9%

Interest Rates	Value at	1 mo	3 mo	12 mo
	6/30/2020	ago	ago	ago
LIBOR - USD - 6 months	0.37%	0.50%	1.20%	2.22%
U.S. Treasury - 2 years	0.16%	0.14%	0.23%	1.78%
U.S. Treasury - 5 years	0.29%	0.30%	0.37%	1.80%
U.S. Treasury - 10 years	0.65%	0.66%	0.63%	2.03%
U.S. Treasury - 30 years	1.41%	1.45%	1.29%	2.56%
U.S. Prime Rate	3.25%	3.25%	3.25%	5.50%

Capitalization Profile	No. of Co's	Ag. Equity Mkt. Value	% Total No. of Co's	% Ag. Equity Mkt. Value	Average Stock Performance			
					1 mo	YTD	12 mo	36 mo
> \$5 billion	37	\$902,493	32.7%	90.0%	(1.3%)	5.2%	12.2%	41.8%
\$1 billion - \$5 billion	39	86,113	34.5%	8.6%	2.3%	(11.5%)	(8.0%)	40.1%
\$250 million - \$1 billion	23	12,882	20.4%	1.3%	0.9%	(1.8%)	37.5%	(14.9%)
\$100 million - \$250 million	8	1,392	7.1%	0.1%	4.3%	(6.9%)	(9.1%)	46.5%
< \$100 million	6	181	5.3%	0.0%	8.5%	(38.2%)	(42.5%)	(50.9%)
Total/Average (\$mn)	113	\$1,003,061	100.0%	100.0%	2.9%	(10.6%)	(2.0%)	12.5%

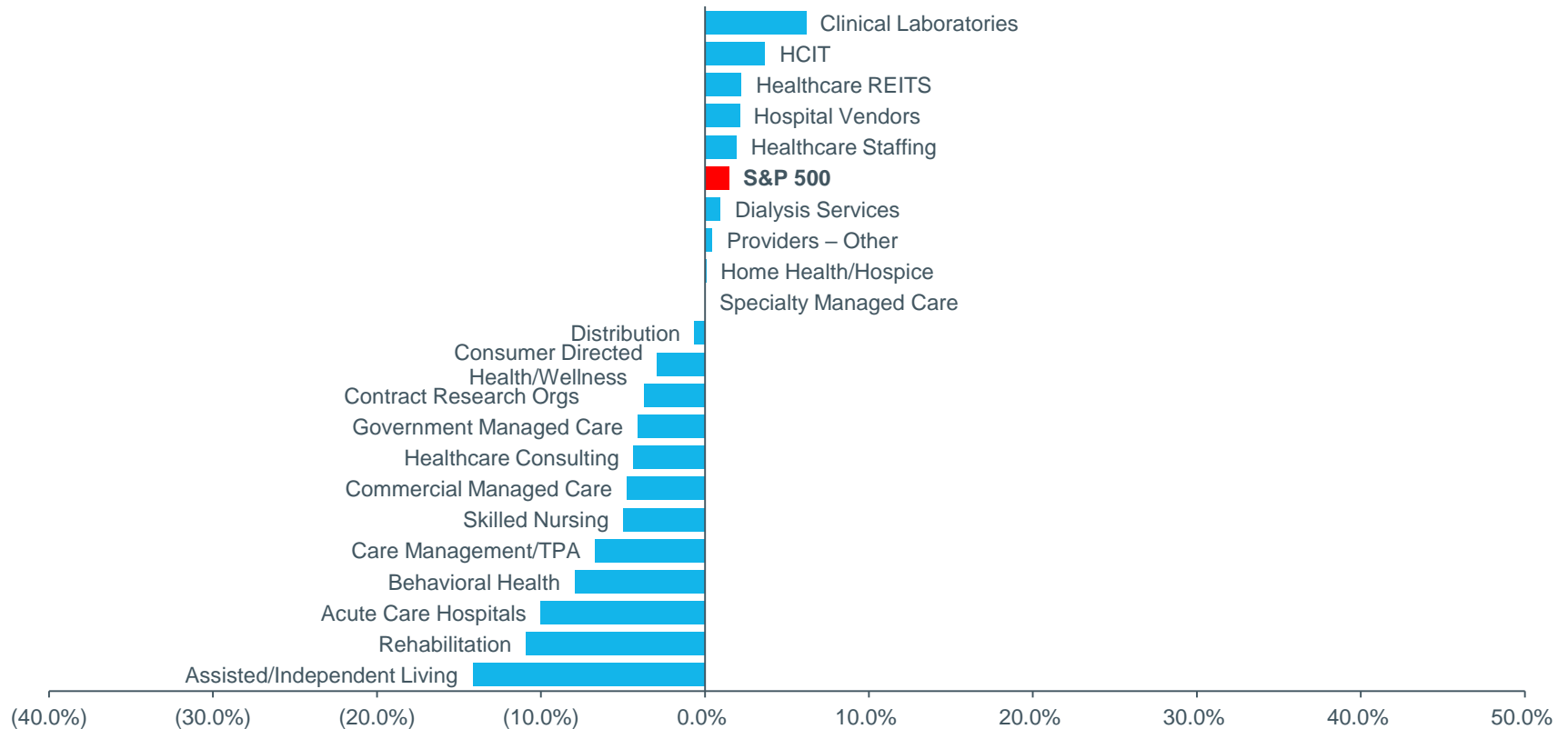
Healthcare Services Market Performance

Performance of Market Indices for Last 36 Months



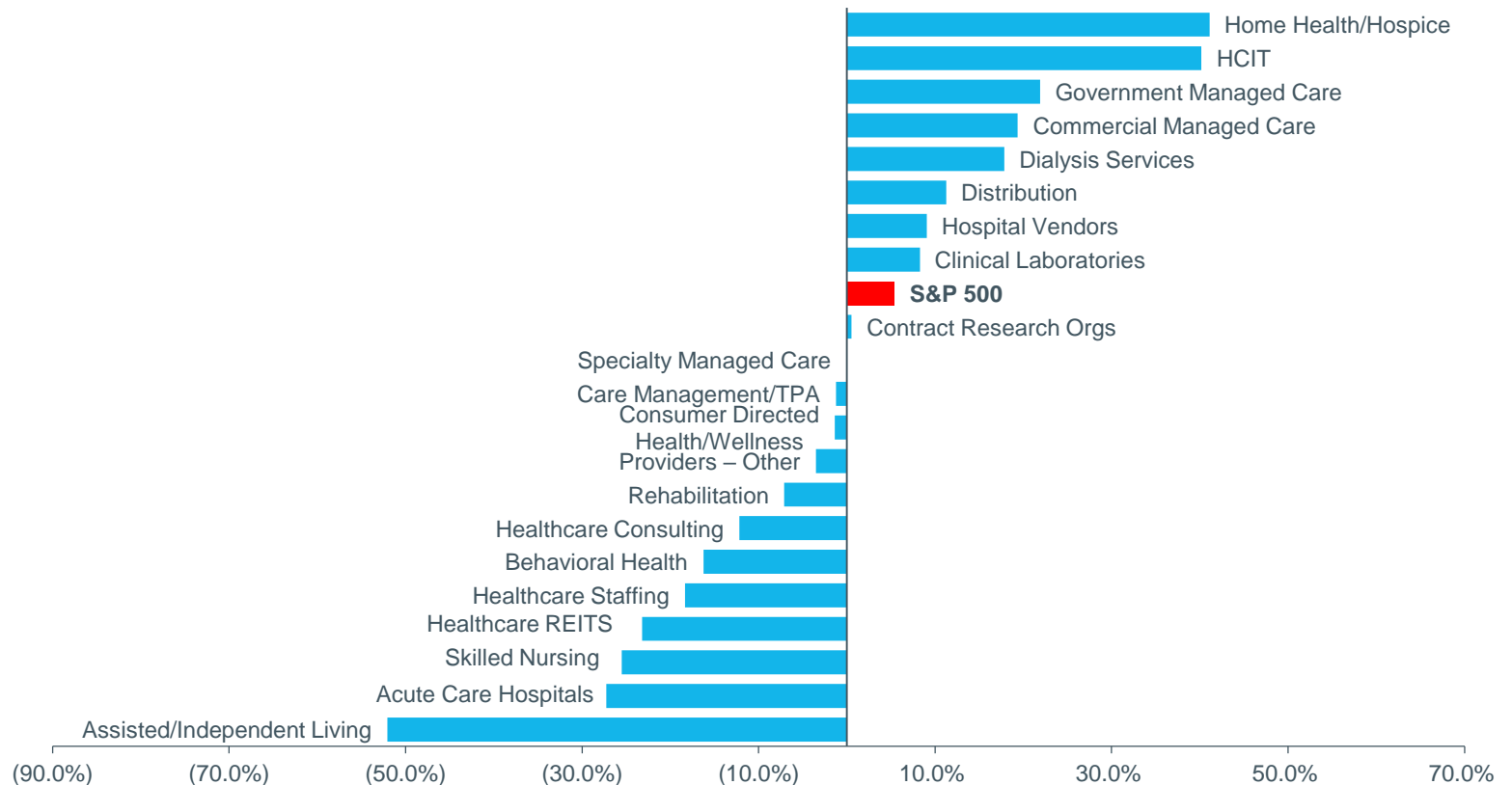
Healthcare Services Sector Change

1 Month % Change



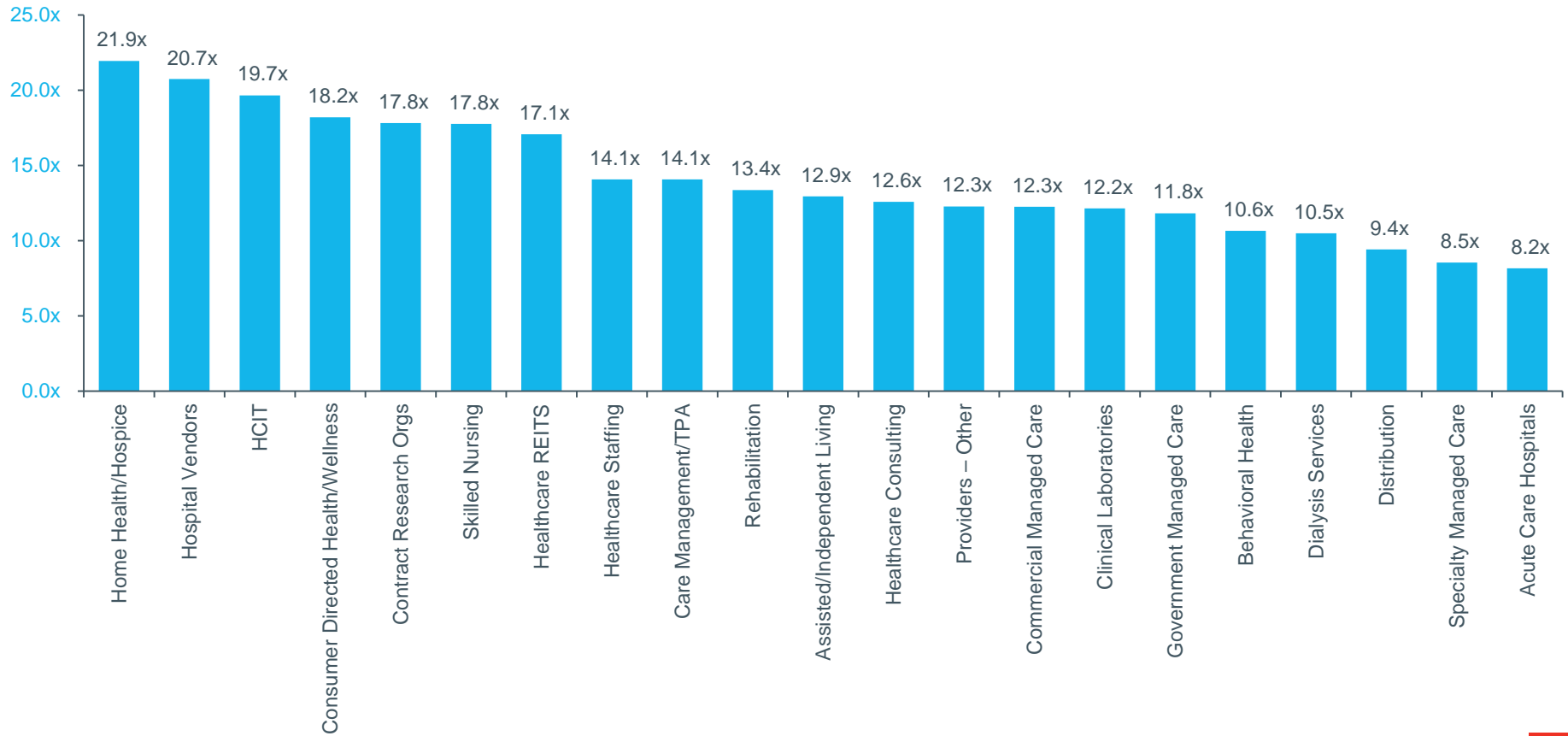
Healthcare Services Sector Change

12 Month % Change



Healthcare Services Multiples

Overview of Subsector EV/LTM EBITDA



For the detailed June 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

Philip Smith

Managing Director
Minneapolis
+1 612 225 2043
philip.smith@duffandphelps.com

Jordan Lampos

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

Priyanka Sharma

Director
New York
+1 212 871 2542
priyanka.sharma@duffandphelps.com

Peter Machmeier

Vice President
Minneapolis
+1 612 225 2045
peter.machmeier@duffandphelps.com

Cray Yoo

Vice President
Los Angeles
+1 424 363 0017
cray.yoo@duffandphelps.com

About Duff & Phelps

Duff & Phelps is the global advisor that protects, restores and maximizes value for clients in the areas of valuation, corporate finance, disputes and investigations, cyber security, claims administration and regulatory issues. We work with clients across diverse sectors on matters of good governance and transparency. With Kroll, the leading global provider of risk solutions, and Prime Clerk, the leader in complex business services and claims administration, our firm has nearly 4,000 professionals in 25 countries around the world. For more information, visit www.duffandphelps.com.

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, capital raising and secondary market advisory services in the United Kingdom are provided by Duff & Phelps Securities Ltd. (DPSL), which is authorized and regulated by the Financial Conduct Authority. M&A advisory and capital raising services in Germany are provided by Duff & Phelps GmbH, which is a Tied Agent of DPSL. Valuation Advisory Services in India are provided by Duff & Phelps India Private Limited under a category 1 merchant banker license issued by the Securities and Exchange Board of India.

The material in this report is for information purposes only and is not intended to be relied upon as financial, accounting, tax, legal or other professional advice. This report does not constitute, and should not be construed as soliciting or offering any investment or other transaction, identifying securities for you to purchase or offer to purchase, or recommending the acquisition or disposition of any investment. Duff & Phelps does not guarantee the accuracy or reliability of any data provided from third party resources. Although we endeavor to provide accurate information from third party sources, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future.