

INDUSTRY INSIGHTS

Healthcare Services Sector Update

December 2018

Q Highlights

The **S&P Healthcare Services** Index declined 16.4% over the last month, as compared to S&P 500, which declined 9.2% over the same period.

Over the past month:

The sectors experiencing the least amount of decline were Care Management (down 6.2%), Healthcare REITS (down 6.8%) and Healthcare Consulting (down 7.0%)

The poorest performing sectors were Consumer Directed Health / Wellness (down 24.0%), Dialysis Services (down 21.9%) and Assisted / Independent Living (down 21.4%)

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.04x and 13.9x 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
			1 mo	12 mo	Rev	EBITDA	LTM	2018E	
Providers									
Acute Care Hospitals	4	\$55,689	(14.8%)	32.8%	1.27x	10.3x	13.5x	12.0x	0.8x
Assisted / Independent Living	3	1,495	(21.4%)	(34.2%)	1.40x	13.1x	NM	NM	NM
Behavioral Health	3	3,683	(13.6%)	(29.2%)	1.05x	9.5x	11.7x	12.2x	1.0x
Dialysis Services	3	28,652	(21.9%)	(33.7%)	1.54x	8.2x	14.8x	16.7x	1.8x
Healthcare Staffing	2	2,921	(11.8%)	9.8%	0.93x	10.9x	13.7x	32.4x	2.3x
Home Health / Hospice	6	13,477	(9.9%)	57.3%	1.67x	17.7x	35.2x	26.7x	1.8x
Rehabilitation	4	9,594	(17.7%)	19.5%	2.60x	13.8x	14.3x	23.9x	1.9x
Skilled Nursing	4	3,358	(12.0%)	56.9%	0.82x	9.8x	23.1x	20.9x	1.4x
Providers - Other	3	3,892	(20.0%)	(30.9%)	1.60x	10.2x	8.9x	23.9x	1.7x
Total / Average	32	\$122,762	(15.9%)	5.4%	1.43x	11.5x	16.9x	21.1x	1.6x
Payors / Managed Care									
Commercial Managed Care	4	\$419,208	(11.9%)	10.5%	1.13x	13.3x	19.6x	17.3x	1.3x
Government Managed Care	3	42,826	(15.4%)	21.5%	0.43x	9.3x	26.6x	16.8x	1.1x
Specialty Managed Care	2	5,955	(8.1%)	(12.6%)	0.48x	8.8x	9.7x	15.4x	NM
Total / Average	9	\$467,989	(12.2%)	11.2%	0.68x	10.5x	18.6x	16.5x	1.2x
Consumer Directed Health / Wellness	6	\$8,814	(24.0%)	9.4%	3.81x	17.1x	18.5x	26.0x	1.2x
HCIT	20	\$49,185	(10.3%)	7.9%	3.97x	32.5x	30.6x	31.8x	2.1x
Other Outsourced Services									
Care Management / TPA	5	\$7,184	(6.2%)	10.2%	1.52x	15.9x	29.6x	24.1x	1.7x
Clinical Laboratories	6	32,607	(8.5%)	(13.8%)	2.52x	10.3x	14.2x	14.7x	2.1x
Contract Research Orgs	5	45,521	(12.1%)	11.4%	2.91x	15.8x	28.0x	19.5x	1.4x
Hospital Vendors	4	6,358	(19.3%)	(35.3%)	1.59x	23.3x	23.0x	18.1x	1.5x
Healthcare Consulting	2	2,134	(7.0%)	25.4%	1.31x	10.7x	14.6x	24.6x	1.8x
Total / Average	22	\$93,805	(10.8%)	(0.3%)	1.97x	15.2x	21.9x	20.2x	1.7x
Product									
Distribution	6	\$64,838	(14.5%)	(19.3%)	0.36x	9.2x	17.8x	11.4x	1.5x
Pharmacy Management	2	1,459	(12.0%)	(15.5%)	0.88x	18.6x	NM	16.8x	0.7x
Total / Average	8	\$66,297	(13.2%)	(17.4%)	0.62x	13.9x	17.8x	14.1x	1.1x
Healthcare REITS	16	\$98,897	(6.8%)	2.5%	11.07x	16.7x	21.8x	26.4x	18.1x
Total / Average (\$MM)	113	\$907,749	(13.6%)	2.3%	2.04x	13.9x	19.5x	20.6x	2.4x

Healthcare Services Sector Update ..

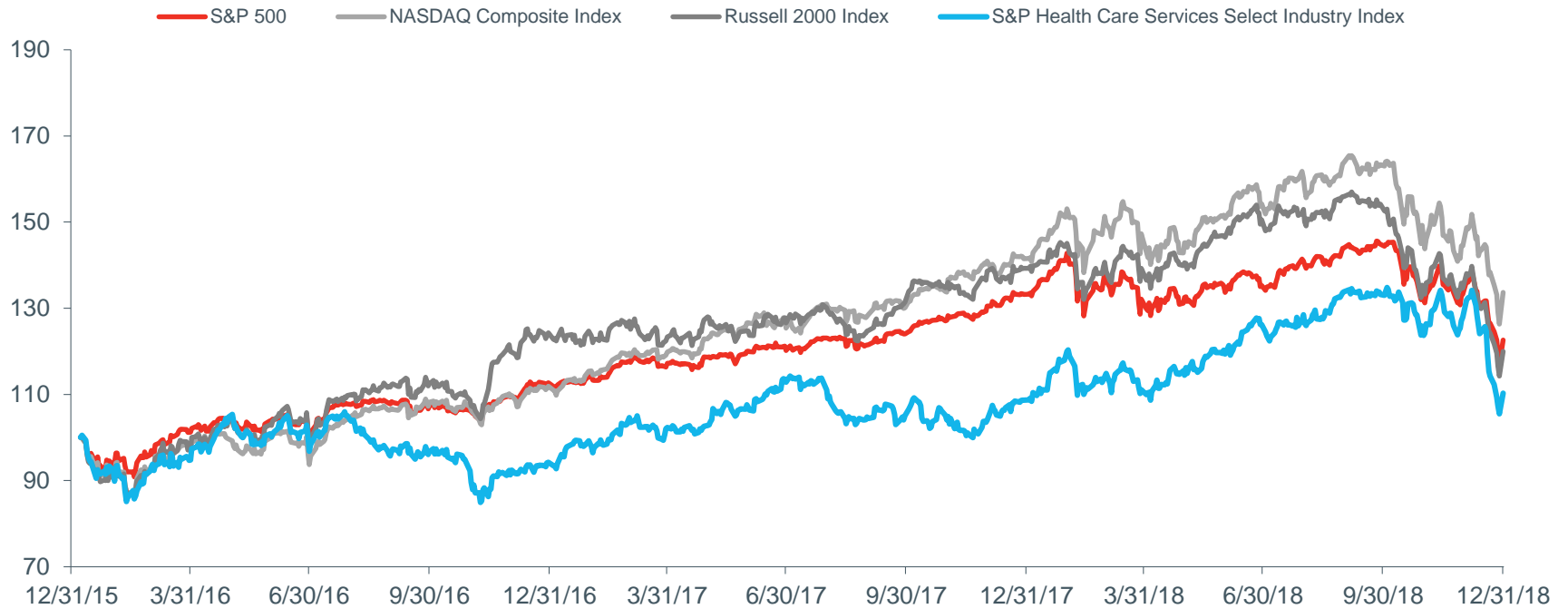
Market Indices	Value at	% Change			
	12/31/2018	1 mo	YTD	12 mo	36 mo
S&P 500	2,506.8	(9.2%)	(6.2%)	(6.2%)	22.6%
NASDAQ Composite Index	6,635.3	(9.5%)	(3.9%)	(3.9%)	32.5%
Russell 2000 Index	1,348.6	(12.0%)	(12.2%)	(12.2%)	18.7%
S&P Composite 1500 Health Care Facilities (Sub Ind)	298.5	(16.0%)	23.9%	23.9%	33.2%
S&P Composite 1500 Health Care Providers & Services (Industry)	880.6	(13.1%)	5.8%	5.8%	36.8%
S&P Composite 1500 Managed Health Care (Sub Ind)	1,552.7	(12.3%)	10.3%	10.3%	85.4%
S&P Health Care Services Select Industry Index	9,373.6	(16.4%)	2.4%	2.4%	9.5%

Interest Rates	Value at 12/31/2018	1 mo ago	3 mo ago	12 mo ago
LIBOR - USD - 6 months	2.88%	2.89%	2.60%	1.84%
U.S. Treasury - 2 years	2.48%	2.80%	2.81%	1.89%
U.S. Treasury - 5 years	2.51%	2.85%	2.94%	2.19%
U.S. Treasury - 10 years	2.69%	3.02%	3.06%	2.41%
U.S. Treasury - 30 years	3.02%	3.31%	3.20%	2.74%
U.S. Prime Rate	5.50%	5.25%	5.25%	4.50%

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	32	\$792,604	28.3%	87.3%	(11.8%)	2.2%	2.2%	29.9%
\$1 billion - \$5 billion	43	99,289	38.1%	10.9%	(14.5%)	8.6%	8.6%	23.9%
\$250 million - \$1 billion	25	14,875	22.1%	1.6%	(12.3%)	3.4%	3.4%	42.5%
\$100 million - \$250 million	4	619	3.5%	0.1%	(14.0%)	8.0%	8.0%	(31.3%)
< \$100 million	9	363	8.0%	0.0%	(12.7%)	(48.6%)	(48.6%)	(37.9%)
Total / Average (\$MM)	113	\$907,749	100.0%	100.0%	(13.0%)	(5.3%)	(5.3%)	5.4%

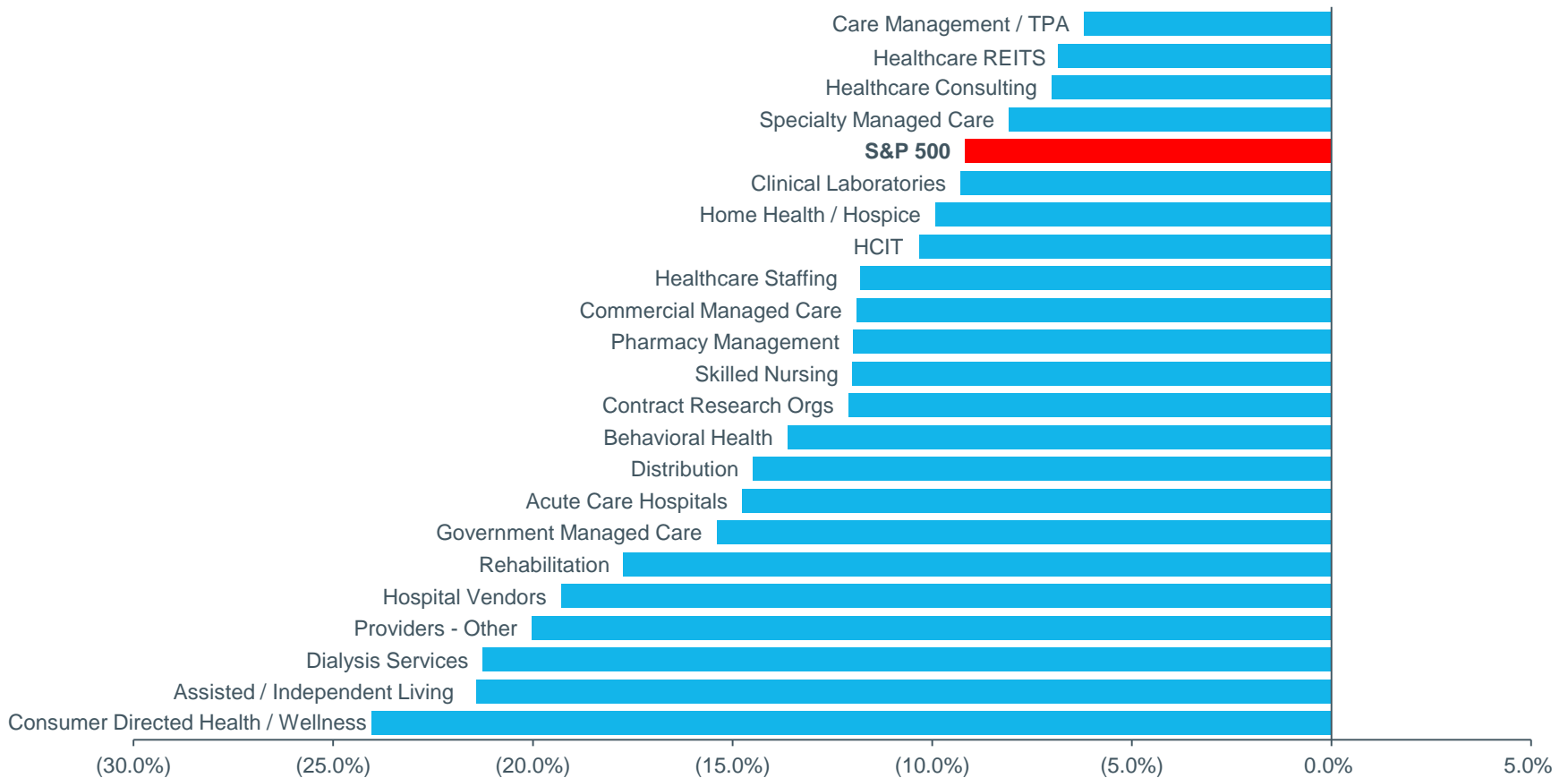
Healthcare Services Market Performance

Performance of Market Indices for Latest 36 Months



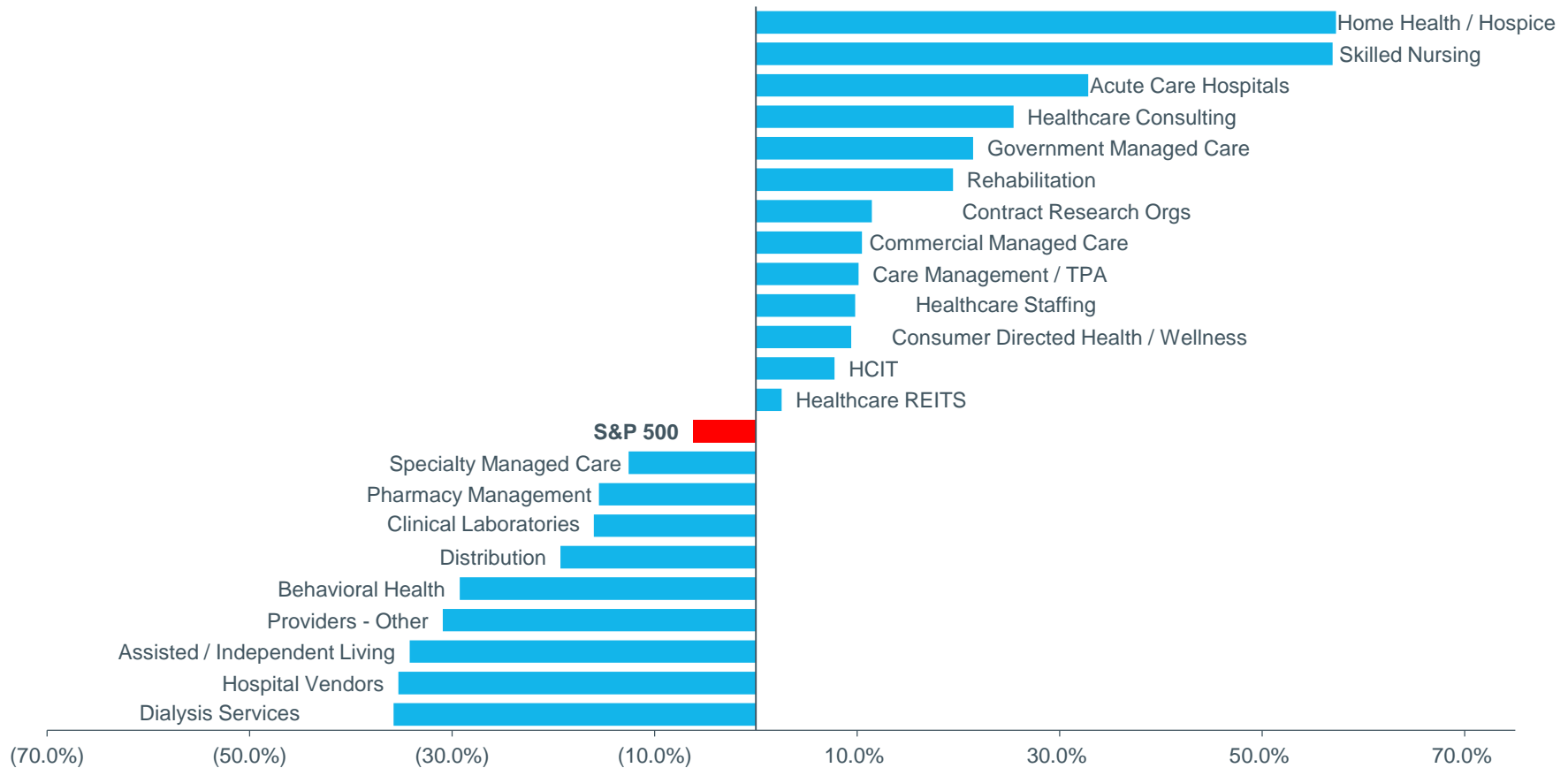
Healthcare Services Sector Change

Average % - 1 Month Change



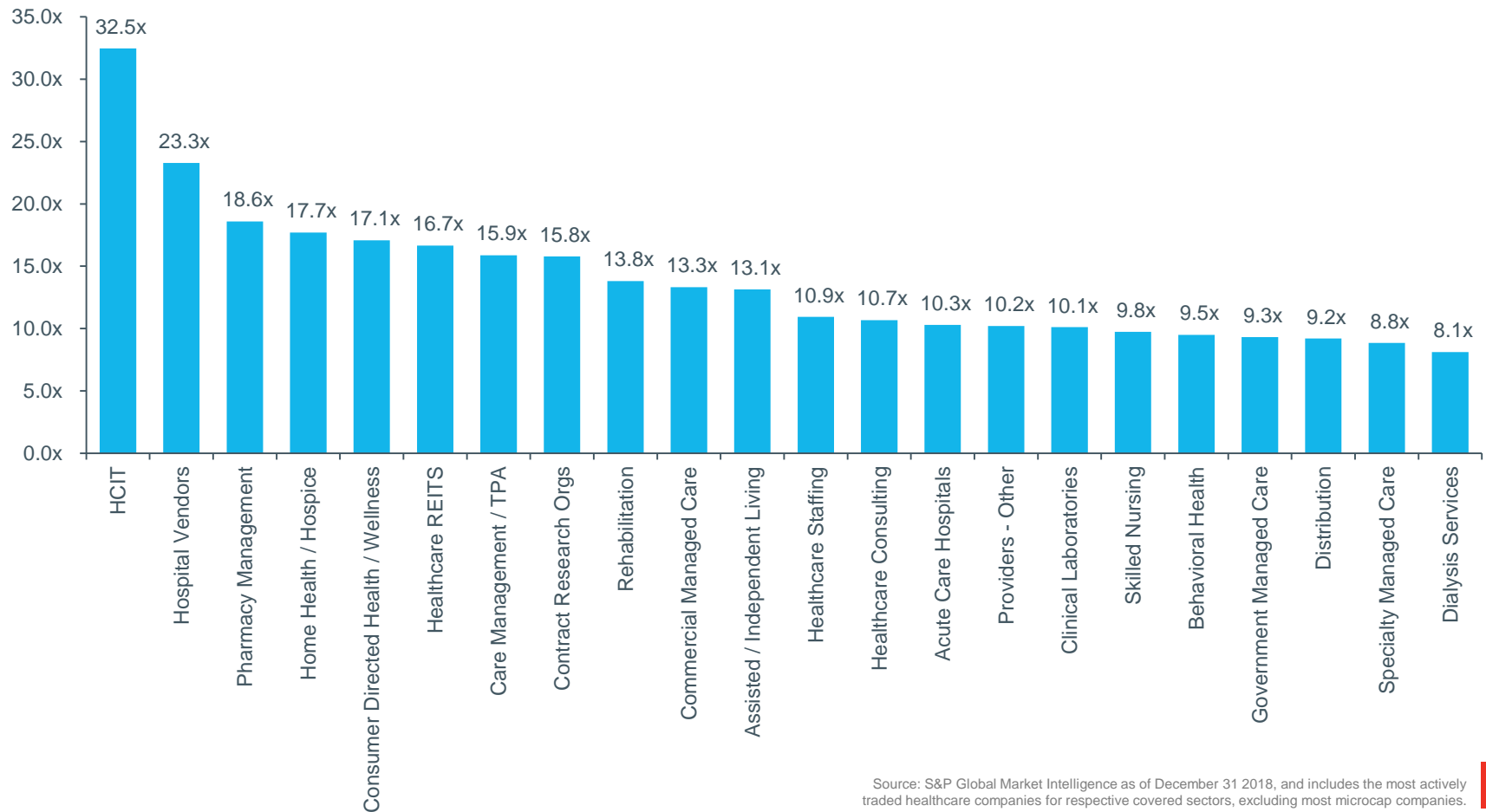
Healthcare Services Sector Change

Average % - 12 Month Change



Healthcare Services Multiples

Overview of Subsector EV/LTM EBITDA



Source: S&P Global Market Intelligence as of December 31 2018, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

For the detailed December 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

Laca Wong-Hammond

Managing Director
New York
+1 212 871 3915
laca.wong-hammond@duffandphelps.com

Philip Smith

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

Adam Stormoen

Managing Director
Minneapolis
+1 612 225 2044
adam.stormoen@duffandphelps.com

Jordan Lampos

Director
Los Angeles
+1 424 249 1668
jordan.lampos@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, investigations, disputes, cyber security, compliance and regulatory matters, and other governance-related issues. We work with clients across diverse sectors, mitigating risk to assets, operations and people. With Kroll, a division of Duff & Phelps since 2018, our firm has nearly 3,500 professionals in 28 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.