

INDUSTRY INSIGHTS:

Healthcare Services Sector Update

February 2017



Q Highlights

The **S&P Healthcare Services** Index increased 6.0% over the last month, outperforming the S&P 500, which increased 3.7% over the same period.

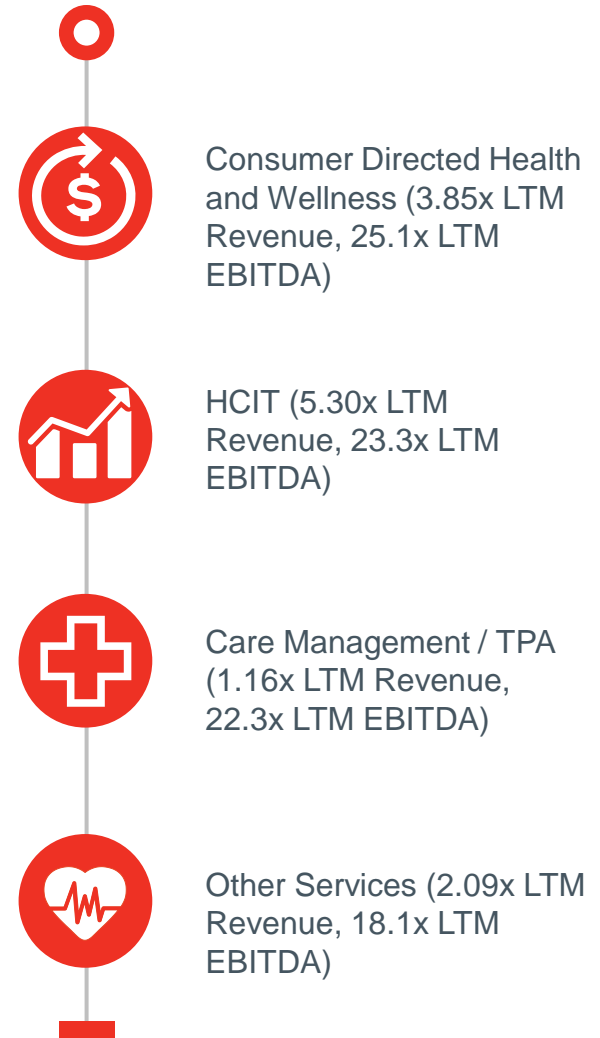
Over the past month:

The best performing sectors were Acute Care Hospitals (up 10.6%), Distribution / Supply (up 9.7%) and Psychiatric Hospitals (up 9.2%).

The poorest performing sectors were Assisted / Independent Living (down 2.7%), Consumer Directed Health and Wellness (down 1.7%) and Diagnostic Imaging (up 0.4%).

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.39x and 13.5x, 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	2017E	2017E
Acute Care Hospitals	5	\$50,035	10.6%	16.3%	1.21x	8.5x	17.5x	14.3x	1.5x
Assisted / Independent Living	3	3,288	(2.7%)	(0.4%)	1.77x	10.9x	NM	NM	NM
Care Management / TPA	5	5,489	5.6%	30.4%	1.16x	22.3x	21.7x	22.6x	1.6x
Clinical Laboratories	6	35,577	5.3%	34.1%	6.40x	12.9x	19.7x	19.9x	1.9x
Consumer Directed Health and Wellness	7	8,242	(1.7%)	46.6%	3.85x	25.1x	23.1x	37.6x	2.0x
Contract Research Orgs	7	36,952	0.5%	20.1%	2.90x	17.4x	22.4x	16.9x	1.3x
Diagnostic Imaging	3	409	0.4%	18.6%	1.81x	6.7x	39.4x	16.1x	1.3x
Dialysis Services	3	39,801	4.3%	(0.2%)	1.76x	8.9x	18.3x	21.9x	1.9x
Distribution / Supply	8	101,320	9.7%	(1.8%)	0.90x	12.4x	20.8x	16.4x	2.2x
Emergency Services	2	1,488	3.0%	(4.5%)	1.42x	8.6x	8.0x	8.1x	0.4x
HCIT	22	69,840	3.6%	8.0%	5.30x	23.3x	32.9x	26.3x	1.7x
Healthcare REITs	18	102,632	6.9%	14.1%	12.00x	17.6x	26.1x	31.4x	7.6x
Healthcare Staffing	3	10,698	4.9%	8.9%	2.25x	14.7x	19.1x	16.2x	1.1x
Home Care / Hospice	7	7,724	3.2%	26.2%	1.13x	13.4x	35.0x	22.7x	1.9x
Skilled Nursing	6	3,238	1.6%	4.7%	1.65x	10.7x	21.1x	14.7x	1.3x
Managed Care - Commercial	6	316,570	3.8%	26.4%	0.72x	13.2x	20.4x	18.3x	1.4x
Managed Care - Government	3	21,148	3.2%	25.7%	0.22x	5.0x	23.3x	20.2x	1.0x
Other Services	4	10,153	5.8%	(15.1%)	2.09x	18.1x	39.7x	38.9x	2.3x
Pharmacy Management	4	45,118	4.5%	0.2%	1.08x	16.9x	24.4x	17.0x	1.3x
Physician Practice Mgmt.	2	6,634	3.9%	4.7%	1.57x	12.8x	20.4x	16.7x	1.3x
Psychiatric Hospitals	3	5,765	9.2%	(10.9%)	1.00x	12.5x	21.5x	17.4x	1.0x
Specialty Managed Care	2	5,959	0.8%	31.2%	0.42x	6.2x	17.3x	15.1x	0.7x
Surgicenters / Rehabilitation	6	10,073	6.7%	37.1%	2.44x	12.8x	24.0x	24.0x	1.7x
Total / Average (\$MM)	135	\$898,153	4.0%	13.9%	2.39x	13.5x	23.5x	20.6x	1.7x

Source: Capital IQ as of February 28, 2017, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

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Market Indices	Value at	% Change			
	02/28/2017	1 mo	YTD	12 mo	36 mo
S&P 500 Index	2,363.6	3.7%	5.6%	21.3%	27.1%
NASDAQ Composite Index	5,825.4	3.8%	8.2%	26.9%	35.2%
Russell 2000 Index	1,386.7	1.8%	2.2%	33.7%	17.2%
S&P Composite 1500 Healthcare Facilities (Sub Ind) Index	248.7	8.5%	18.1%	17.5%	27.3%
S&P Composite 1500 Healthcare Providers & Services (Industry)	707.4	4.9%	7.9%	16.5%	49.2%
S&P Composite 1500 Managed Healthcare (Sub Ind)	1,050.6	3.8%	6.2%	25.4%	97.5%
S&P Healthcare Services Select Industry Index	8,741.7	6.0%	11.6%	10.3%	27.4%

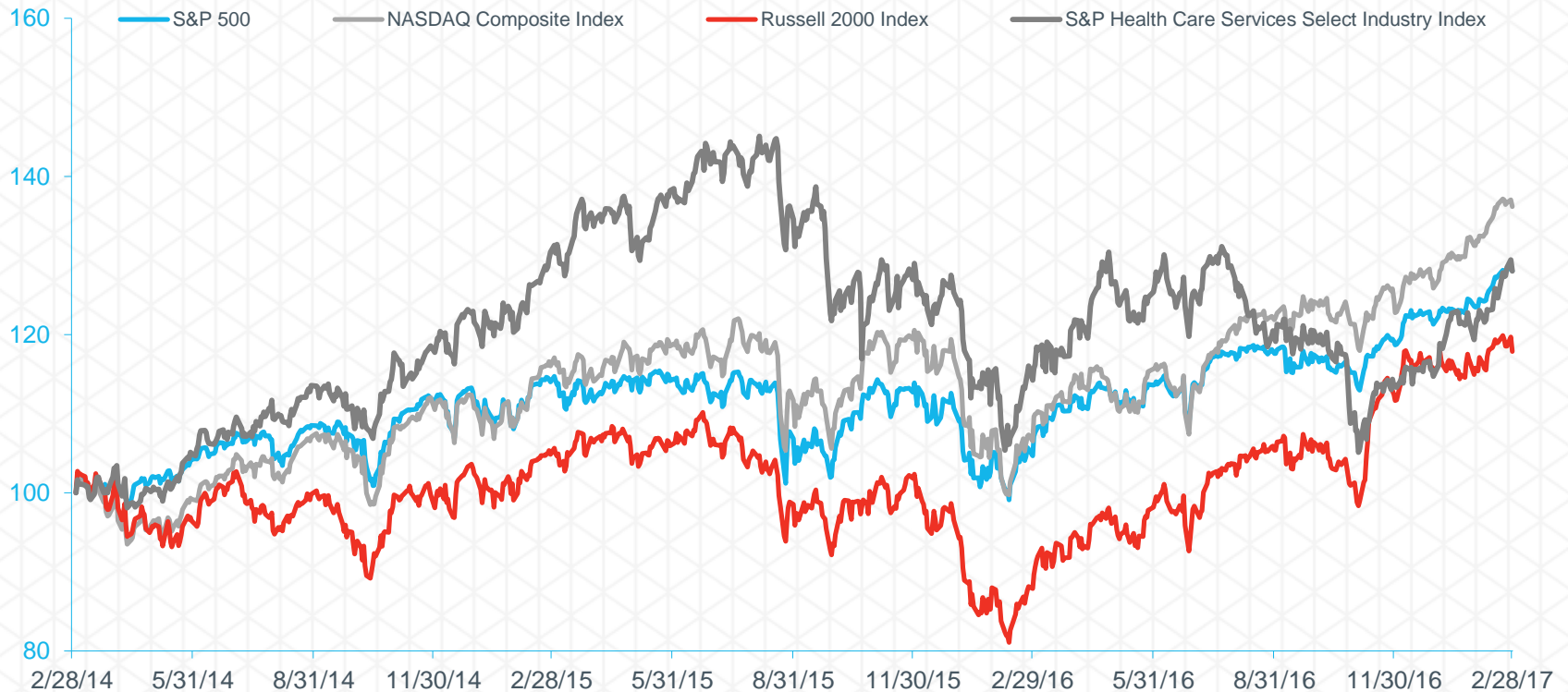
Interest rates	Value at	1 mo	3 mo	12 mo
	02/28/2017	ago	ago	ago
LIBOR - USD - 6 months	1.37%	1.36%	1.29%	0.88%
U.S. Treasury - 2 years	1.22%	1.22%	1.11%	0.80%
U.S. Treasury - 5 years	1.88%	1.95%	1.83%	1.26%
U.S. Treasury - 10 years	2.36%	2.48%	2.32%	1.77%
U.S. Treasury - 30 years	2.97%	3.06%	2.98%	2.98%
U.S. Prime Rate	3.75%	3.75%	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	\$746,519	22.2%	83.1%	5.8%	8.7%	13.8%	39.8%
\$1 billion - \$5 billion	50	129,397	37.0%	14.4%	4.6%	11.1%	18.8%	23.3%
\$250 million - \$1 billion	33	20,249	24.4%	2.3%	1.0%	(1.8%)	15.6%	19.5%
\$100 million - \$250 million	10	1,621	7.4%	0.2%	(3.7%)	2.9%	(15.2%)	(46.4%)
< \$100 million	12	367	8.9%	0.0%	(6.6%)	1.0%	(4.0%)	(31.7%)
Total / Average (\$MM)	135	\$898,153	100.0%	100.0%	0.2%	4.4%	5.8%	0.9%

Source: Capital IQ as February 28, 2017, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

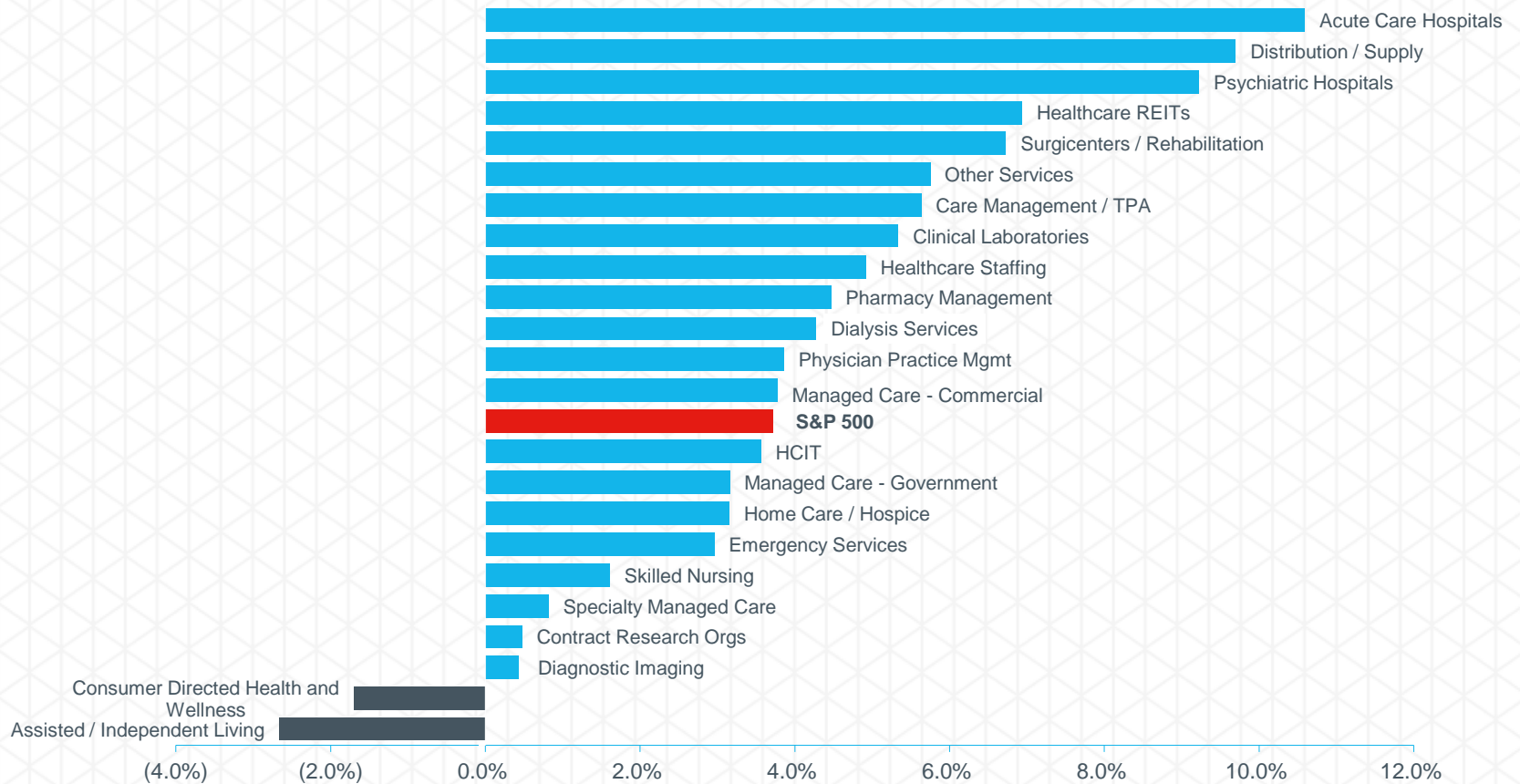
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Performance of Market Indices for Latest 36 Months



Healthcare Services Sector Update

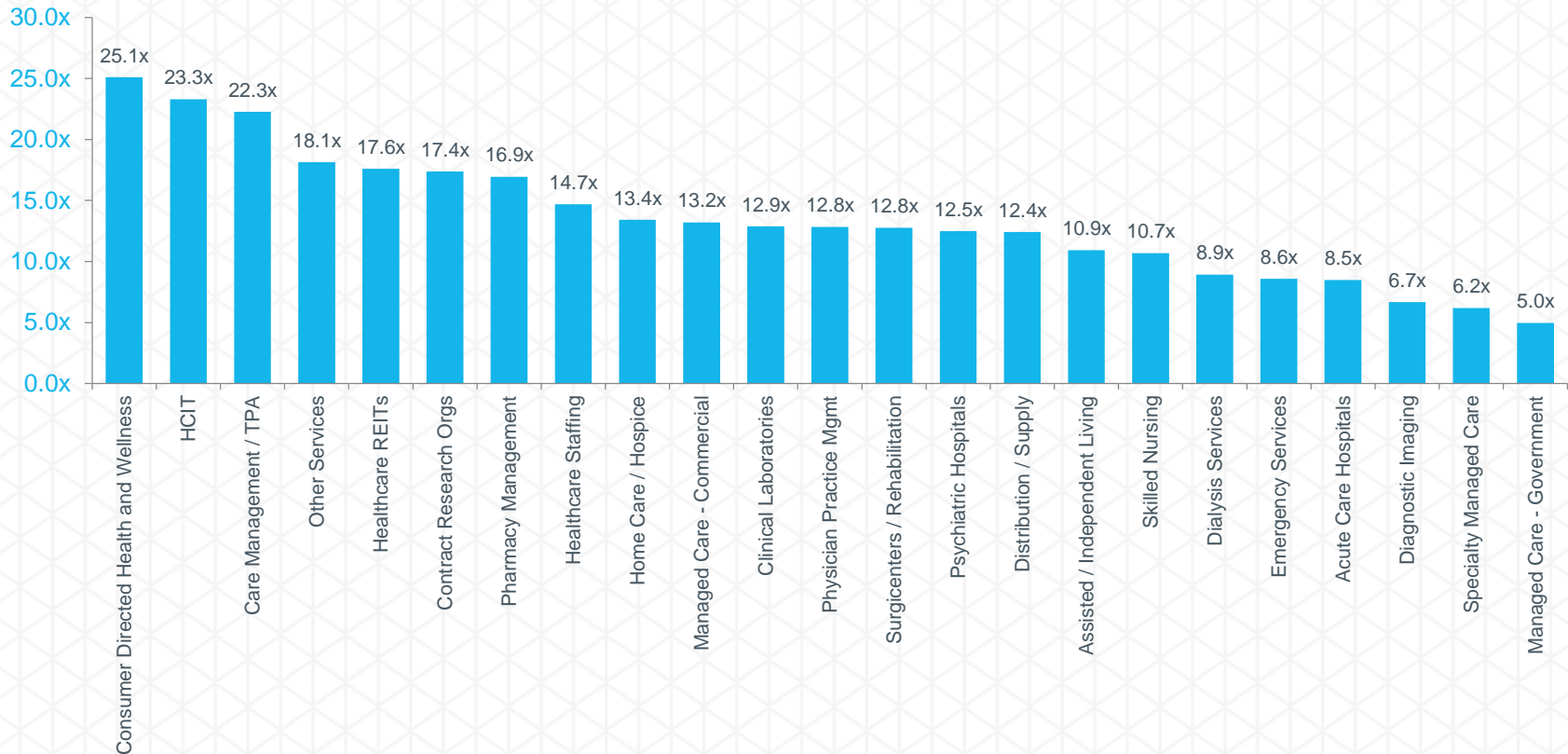
Average % - 1 Month



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Healthcare Services Sector Update

Overview of Subsector EV/LTM EBITDA



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

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