

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



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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%

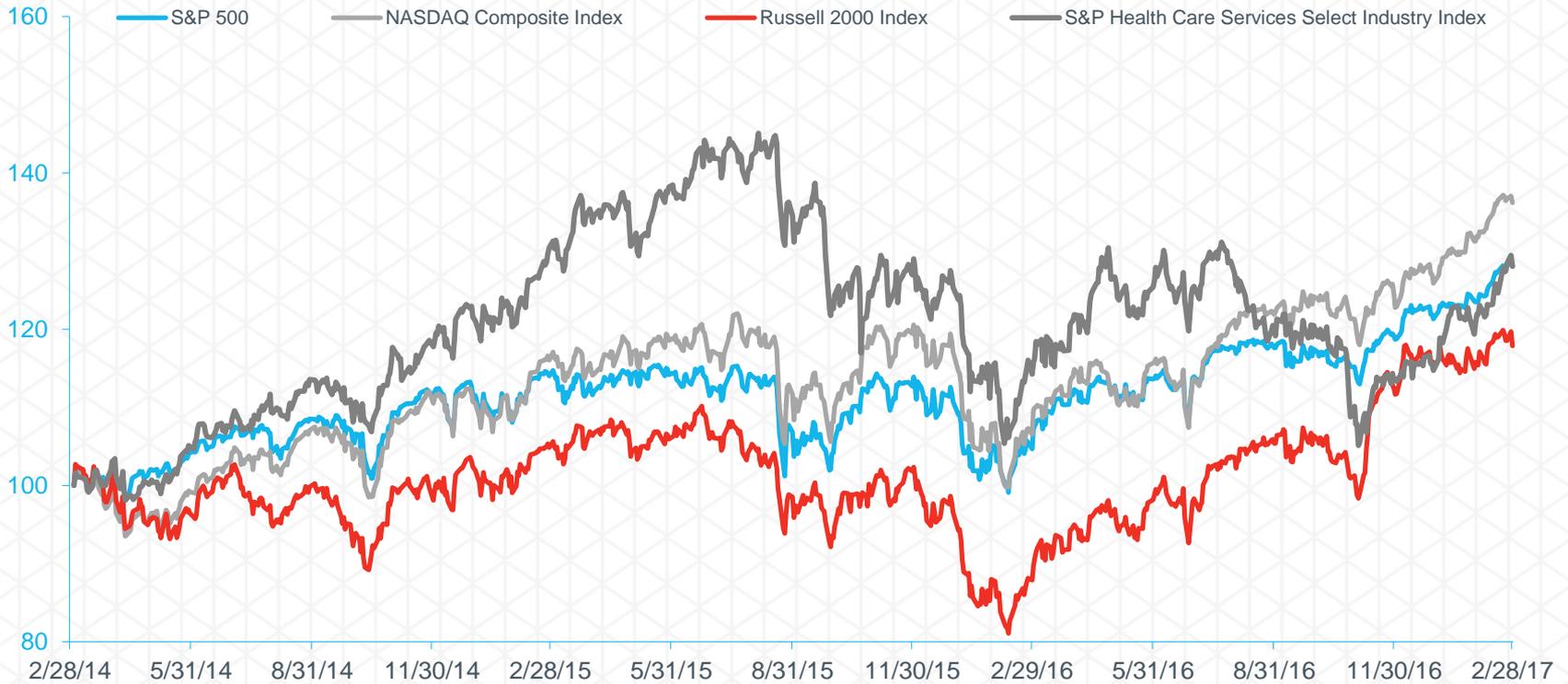
Interest rates	Value at	1 mo	3 mo	12 mo
	02/28/2017	ago	ago	ago
LIBOR - USD - 6 months	1.37%	1.36%	1.29%	0.88%
U.S. Treasury - 2 years	1.22%	1.22%	1.11%	0.80%
U.S. Treasury - 5 years	1.88%	1.95%	1.83%	1.26%
U.S. Treasury - 10 years	2.36%	2.48%	2.32%	1.77%
U.S. Treasury - 30 years	2.97%	3.06%	2.98%	2.98%
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.

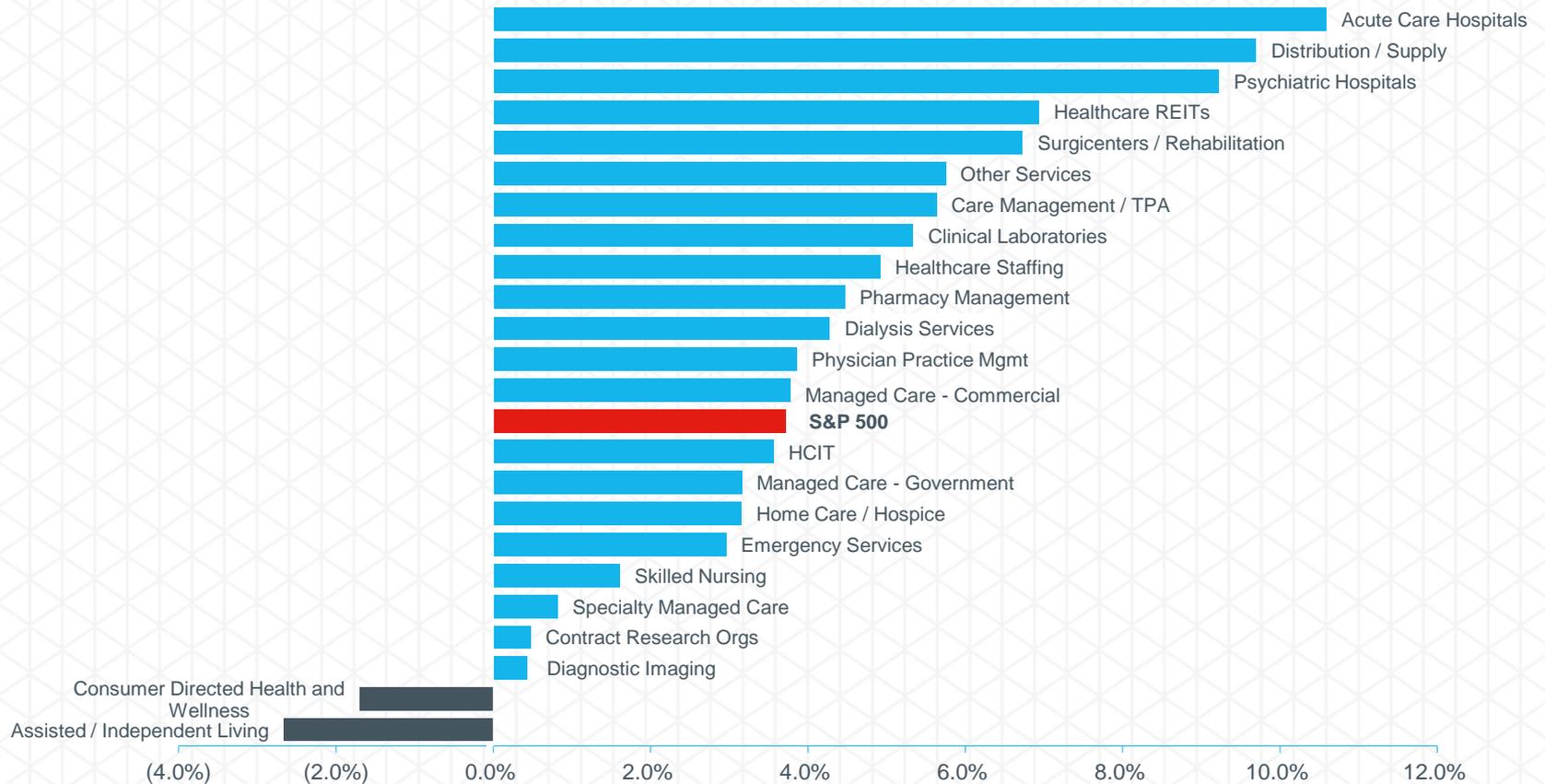
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Performance of Market Indices for Latest 36 Months



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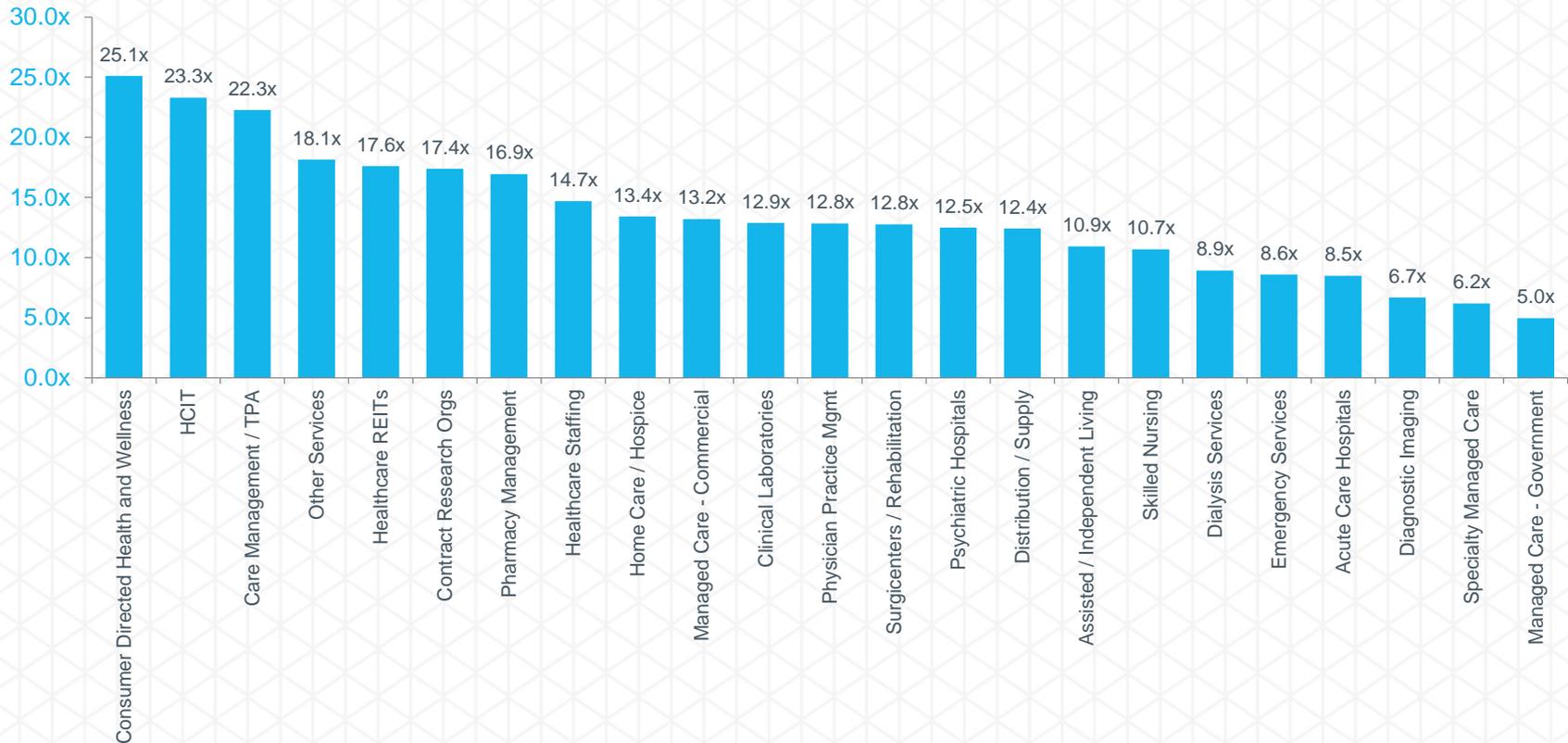
Average % - 1 Month



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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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