

Healthcare Sector Update

March 2016

BY THE NUMBERS

The S&P Healthcare Services Index has increased 6.7% over the last month, outperforming the S&P 500, which increased 6.6% over the same period.

Over the past month:

- The best performing sectors were Acute Care Hospitals (up 13.3%), Surgicenters / Rehabilitation (up 12.5%) and Skilled Nursing (up 10.9%)
- The poorest performing sectors were Diagnostic Imaging (down 10.1%), Physician Practice Management (down 3.6%) and Pharmacy Management (down 2.3%)

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.3x and 13.8x, respectively.

The sectors with the highest valuation multiples include:

- Healthcare REITs (12.50x LTM Revenue, 19.1x LTM EBITDA)
- Clinical Laboratories (6.85x LTM Revenue, 15.8x LTM EBITDA)
- HCIT (3.30x LTM Revenue, 29.4x LTM EBITDA)
- Pharmacy Management (0.90x LTM Revenue, 25.3x 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	\$50,994	13.3%	(1.6%)	1.29x	8.7x	15.7x	13.8x	1.4x
Assisted / Independent Living	3	3,596	9.8%	(53.2%)	1.84x	12.2x	NM	NM	NM
Care Management / TPA	7	10,340	1.1%	(9.1%)	1.50x	11.9x	26.9x	28.5x	1.7x
Clinical Laboratories	5	28,480	7.7%	(7.5%)	6.85x	15.8x	28.0x	14.7x	1.5x
Consumer Directed Health & Wellness	9	17,605	9.5%	1.0%	3.39x	17.9x	28.0x	28.5x	1.8x
Contract Research Orgs	7	24,154	4.0%	5.6%	2.48x	13.4x	24.0x	16.7x	1.1x
Diagnostic Imaging	3	316	(10.1%)	(47.4%)	1.23x	5.5x	20.0x	14.0x	1.4x
Dialysis Services	2	42,567	7.2%	0.9%	1.94x	10.9x	25.0x	20.3x	1.6x
Distribution / Supply	7	104,558	1.4%	(13.8%)	0.69x	11.9x	25.4x	17.0x	1.7x
Emergency Services	2	2,197	(1.1%)	(10.4%)	2.29x	14.5x	13.2x	16.4x	0.7x
HCIT	17	39,741	5.2%	(15.9%)	3.30x	29.4x	37.0x	33.0x	2.0x
Healthcare REITs	18	94,640	9.7%	(12.4%)	12.50x	19.1x	25.8x	30.3x	6.6x
Healthcare Staffing	4	8,883	(2.2%)	(21.8%)	1.15x	12.8x	28.1x	15.4x	0.9x
Home Care / Hospice	7	6,530	9.5%	22.3%	0.98x	11.4x	18.9x	18.8x	1.4x
Skilled Nursing	6	3,574	10.9%	(23.5%)	2.65x	8.2x	20.0x	13.1x	1.3x
Managed Care – Commercial	6	261,094	5.4%	4.7%	0.71x	12.4x	18.3x	20.7x	1.3x
Managed Care – Government	3	15,233	5.8%	(7.0%)	0.25x	7.0x	27.0x	18.0x	0.8x
Other Services	4	13,429	9.3%	(5.3%)	2.27x	24.5x	44.2x	26.4x	1.6x
Pharmacy Management	4	45,288	(2.3%)	(20.9%)	0.90x	25.3x	24.0x	13.4x	0.9x
Physician Practice Mgmt	2	5,956	(3.6%)	(10.9%)	1.50x	9.7x	18.1x	15.0x	1.0x
Psychiatric Hospitals	3	6,941	1.3%	(19.2%)	0.39x	15.8x	37.4x	21.7x	1.0x
Specialty Managed Care	2	5,517	7.0%	25.6%	0.31x	8.9x	25.0x	14.7x	2.5x
Surgicenters / Rehabilitation	8	12,316	12.5%	4.2%	1.92x	11.1x	17.2x	20.9x	1.4x
Total / Average (\$MM)	134	\$803,949	4.8%	(9.4%)	2.28x	13.8x	24.9x	19.6x	1.6x

Source: Capital IQ

MARKET INDICES	Value at 3/31/16	% Change			
		1 mo	YTD	12 mo	36 mo
Dow Jones Industrial Average	17,685	7.1%	1.5%	(0.5%)	21.3%
S&P 500 Index	2,059.7	6.6%	0.8%	(0.4%)	31.3%
NASDAQ Composite Index	4,869.8	6.8%	(2.7%)	(0.6%)	49.0%
Russell 2000 Index	1,114.0	7.7%	(1.9%)	(11.1%)	17.1%
AMEX Sector Index – Healthcare	75.7	0.0%	(20.9%)	(30.2%)	(11.1%)
S&P Healthcare Facilities (Sub Ind) Index	325.1	12.9%	(6.7%)	(25.0%)	20.2%
S&P Healthcare Providers & Services (Industry) Index	598.1	6.8%	(2.5%)	(9.1%)	57.6%
S&P Managed Healthcare (Sub Ind) Index	435.0	6.0%	0.7%	(3.3%)	104.8%
S&P Healthcare Services	469.6	6.7%	(2.7%)	6.3%	43.3%

Source: Capital IQ

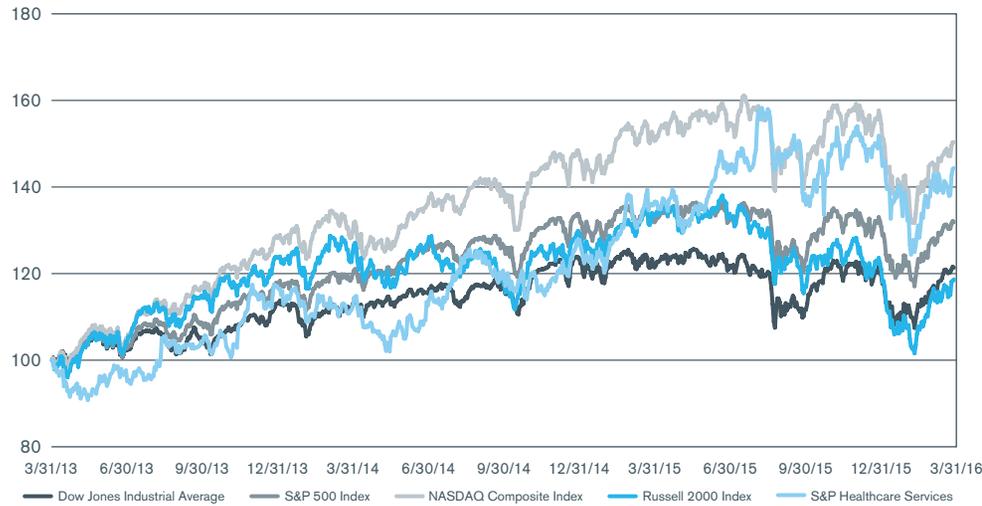
INTEREST RATES	Value at 3/31/16	1 mo ago	3 mo ago	12 mo ago
LIBOR – USD – 6 months	0.90%	0.89%	0.85%	0.40%
U.S. Treasury – 2 years	0.73%	0.78%	1.06%	0.56%
U.S. Treasury – 5 years	1.23%	1.22%	1.78%	1.38%
U.S. Treasury – 10 years	1.78%	1.74%	2.28%	1.93%
U.S. Treasury – 30 years	2.62%	2.62%	3.02%	3.02%
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	28	\$646,301	20.9%	80.4%	5.9%	(1.8%)	(6.2%)	58.5%
\$1 billion – \$5 billion	51	135,583	38.1%	16.9%	8.1%	(0.4%)	(4.9%)	41.1%
\$250 million – \$1 billion	33	20,110	24.6%	2.5%	3.0%	(8.1%)	(14.1%)	38.4%
\$100 million – \$250 million	8	1,424	6.0%	0.2%	17.5%	(16.9%)	(44.9%)	(25.1%)
< \$100 million	14	530	10.4%	0.1%	8.7%	(4.7%)	(48.3%)	(15.2%)
Total / Average (\$MM)	134	\$803,949	100.0%	100.0%	8.6%	(6.4%)	(23.7%)	19.6%

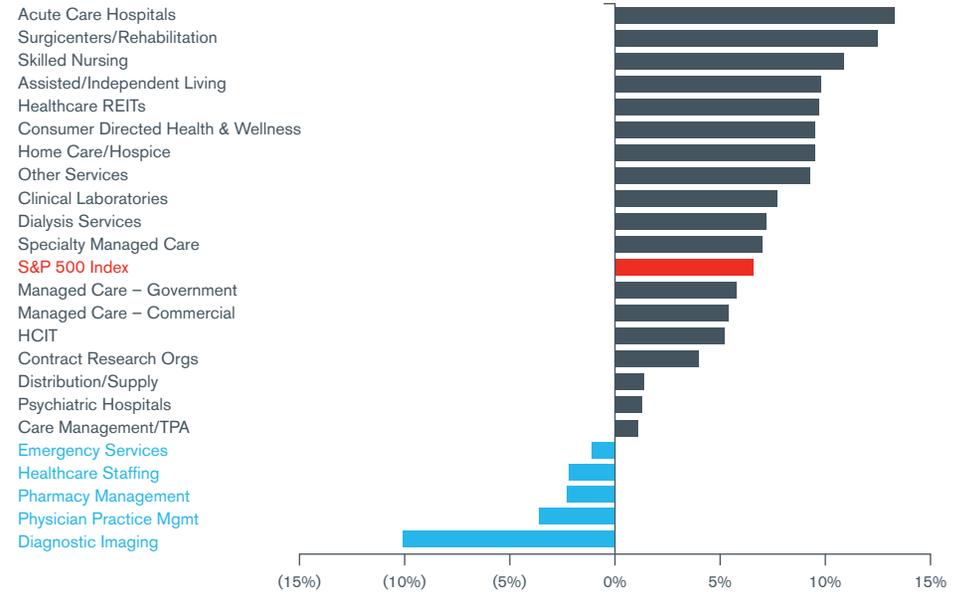
Source: Capital IQ

Performance of Market Indices for Latest 36 Months



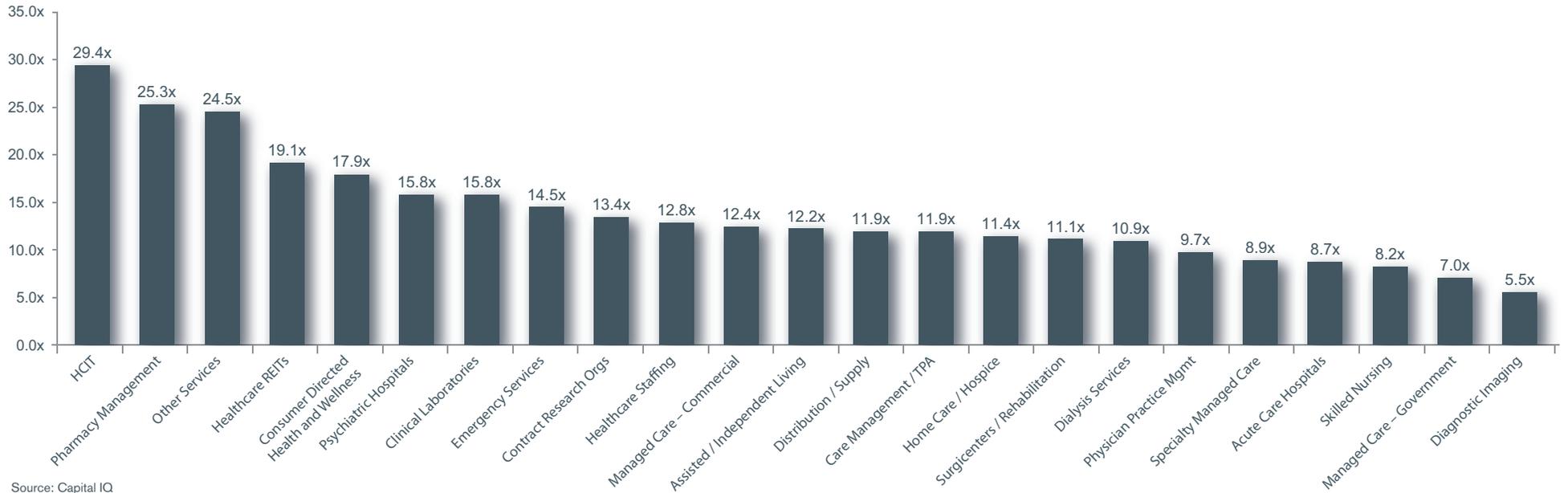
Source: Capital IQ

Average % Change — 1 month



Source: Capital IQ

Overview of Subsector EV / LTM EBITDA



Source: Capital IQ

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

Brooks Dexter

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

Jordan Lamos

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

West Clark

Vice President
New York
+1 212 871 9739
west.clark@duffandphelps.com

For more information, visit
www.duffandphelps.com

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