

# Healthcare Services Sector Update

August 2016

## BY THE NUMBERS

The S&P Healthcare Services Index has decreased 6.1% over the last month, underperforming the S&P 500, which decreased 0.1% over the same period.

### Over the past month:

- The best performing sectors were Diagnostic Imaging (up 12.2%), Specialty Managed Care (up 6.1%) and HCIT (up 3.6%)
- The poorest performing sectors were Healthcare Staffing (down 14.9%), Psychiatric Hospitals (down 11.3%) and Home Care / Hospice (down 7.9%)

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.22x and 13.5x, respectively.

### The sectors with the highest valuation multiples include:

- Other Services (1.91x LTM Revenue, 33.5x LTM EBITDA)
- HCIT (4.55x LTM Revenue, 23.4x LTM EBITDA)
- Consumer Directed Health and Wellness (3.80x LTM Revenue, 21.9x LTM EBITDA)
- Healthcare REITs (12.72x LTM Revenue, 19.0x 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	\$46,278	(4.8%)	(17.1%)	1.17x	8.2x	16.4x	13.2x	1.4x
Assisted/Independent Living	3	3,820	(7.6%)	(34.6%)	1.81x	10.7x	NM	NM	NM
Care Management/TPA	5	5,439	(2.1%)	14.0%	1.18x	10.2x	25.1x	33.1x	1.5x
Clinical Laboratories	5	33,073	(2.5%)	18.5%	4.51x	14.9x	25.2x	17.6x	2.1x
Consumer Directed Health and Wellness	9	19,934	3.4%	(1.5%)	3.80x	21.9x	32.2x	26.0x	1.3x
Contract Research Orgs	7	27,020	0.0%	8.6%	2.57x	14.2x	26.2x	17.9x	1.3x
Diagnostic Imaging	3	397	12.2%	(0.2%)	1.75x	6.6x	23.9x	48.3x	3.9x
Dialysis Services	3	41,032	(7.9%)	5.4%	1.84x	9.1x	31.0x	20.6x	1.5x
Distribution/Supply	8	111,737	(4.1%)	(4.0%)	0.89x	11.8x	19.2x	16.8x	1.6x
Emergency Services	2	2,036	2.2%	(23.6%)	2.12x	13.6x	9.2x	13.7x	0.4x
HCIT	20	49,685	3.6%	3.8%	4.55x	23.4x	33.1x	32.5x	1.9x
Healthcare REITs	18	111,695	(1.5%)	24.3%	12.72x	19.0x	28.3x	35.9x	7.6x
Healthcare Staffing	4	8,628	(14.9%)	(33.6%)	1.04x	11.5x	26.3x	15.7x	1.0x
Home Care/Hospice	7	6,458	(7.9%)	1.5%	0.98x	12.1x	26.4x	20.4x	1.7x
Skilled Nursing	6	3,195	(5.5%)	(22.2%)	1.76x	8.0x	18.6x	12.9x	1.2x
Managed Care – Commercial	6	263,589	(2.5%)	6.2%	0.67x	10.5x	19.4x	19.8x	1.4x
Managed Care – Government	3	19,705	(1.3%)	8.1%	0.30x	7.3x	25.9x	19.3x	1.1x
Other Services	4	10,280	(2.3%)	(22.1%)	1.91x	33.5x	38.3x	47.4x	2.6x
Pharmacy Management	4	48,247	(4.4%)	(12.4%)	1.12x	16.5x	22.0x	15.9x	1.2x
Physician Practice Mgmt	2	6,083	(4.5%)	(18.1%)	1.56x	12.3x	18.4x	15.9x	1.3x
Psychiatric Hospitals	3	6,343	(11.3%)	(21.9%)	0.35x	16.1x	33.1x	21.1x	1.1x
Specialty Managed Care	2	5,924	6.1%	19.0%	0.37x	7.2x	17.2x	18.3x	2.3x
Surgicenters/Rehabilitation	7	12,127	(7.0%)	(3.4%)	2.19x	11.2x	18.7x	22.0x	1.3x
<b>Total/Average (\$MM)</b>	<b>136</b>	<b>\$842,726</b>	<b>(2.8%)</b>	<b>(4.6%)</b>	<b>2.22x</b>	<b>13.5x</b>	<b>24.3x</b>	<b>22.9x</b>	<b>1.8x</b>

Source: Capital IQ as of August 31, 2016, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

MARKET INDICES	Value at 8/31/16	% Change			
		1 mo	YTD	12 mo	36 mo
Dow Jones Industrial Average	18,401	(0.2%)	5.6%	11.3%	24.2%
S&P 500 Index	2,170.9	(0.1%)	6.2%	10.1%	32.9%
NASDAQ Composite Index	5,213.2	1.0%	4.1%	9.1%	45.2%
Russell 2000 Index	1,239.9	1.6%	9.2%	6.9%	22.7%
AMEX Sector Index – Healthcare	80.6	(4.6%)	(15.8%)	(11.5%)	(14.8%)
S&P Healthcare Facilities (Sub Ind) Index	301.9	(9.5%)	(13.4%)	(32.4%)	13.1%
S&P Healthcare Providers & Services (Industry) Index	578.7	(5.6%)	(5.7%)	(15.5%)	42.9%
S&P Managed Healthcare (Sub Ind) Index	463.6	1.9%	7.3%	5.6%	102.4%
<b>S&amp;P Healthcare Services</b>	<b>497.8</b>	<b>(6.1%)</b>	<b>3.1%</b>	<b>4.3%</b>	<b>50.5%</b>

Source: Capital IQ

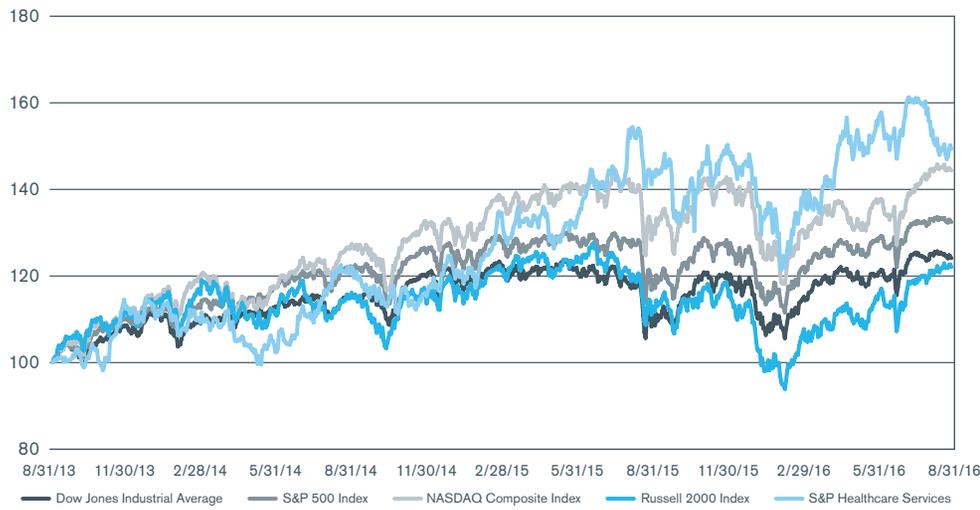
INTEREST RATES	Value at 8/31/16	1 mo ago	3 mo ago	12 mo ago
LIBOR – USD – 6 months	1.24%	1.11%	0.99%	0.53%
U.S. Treasury – 2 years	0.80%	0.67%	0.87%	0.74%
U.S. Treasury – 5 years	1.18%	1.03%	1.36%	1.54%
U.S. Treasury – 10 years	1.57%	1.46%	1.84%	2.20%
U.S. Treasury – 30 years	2.23%	2.19%	2.63%	2.63%
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	29	\$678,417	21.3%	80.5%	(2.3%)	4.8%	3.6%	48.6%
\$1 billion – \$5 billion	52	140,731	38.2%	16.7%	(2.3%)	3.4%	1.7%	38.2%
\$250 million – \$1 billion	38	22,554	27.9%	2.7%	(2.7%)	4.0%	0.2%	28.1%
\$100 million – \$250 million	4	598	2.9%	0.1%	3.1%	2.8%	(9.5%)	0.2%
< \$100 million	13	425	9.6%	0.1%	0.4%	(12.8%)	(36.7%)	(28.2%)
<b>Total/Average (\$MM)</b>	<b>136</b>	<b>\$842,726</b>	<b>100.0%</b>	<b>100.0%</b>	<b>(0.8%)</b>	<b>0.4%</b>	<b>(8.2%)</b>	<b>17.4%</b>

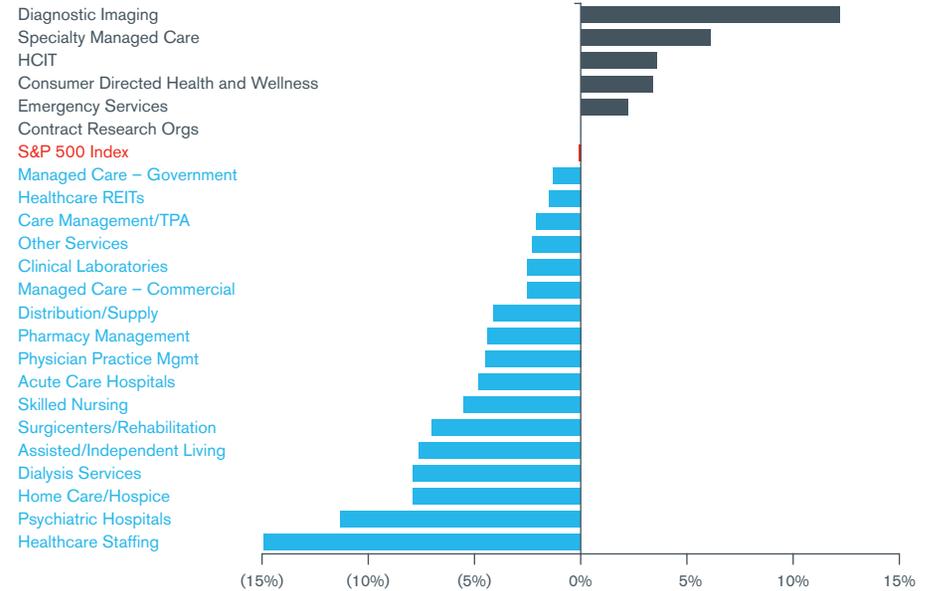
Source: Capital IQ

Performance of Market Indices for Latest 36 Months



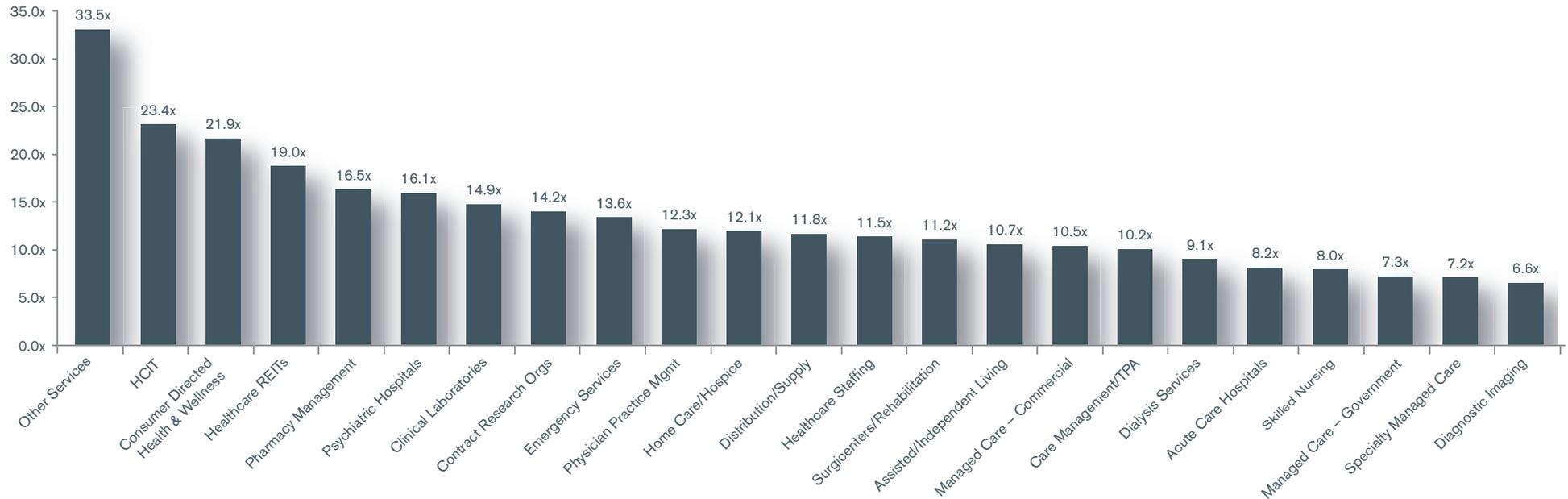
Source: Capital IQ

Average % Change — 1 Month



Source: Capital IQ as of August 31, 2016, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

Overview of Subsector EV / LTM EBITDA



Source: Capital IQ as of August 31, 2016, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

---

**For the detailed August 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](http://www.duffandphelps.com)**

**About Duff & Phelps**

Duff & Phelps is the premier global valuation and corporate finance advisor with expertise in complex valuation, dispute and legal management consulting, M&A, restructuring, and compliance and regulatory consulting. The firm's more than 2,000 employees serve a diverse range of clients from offices around the world.

*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 and capital raising advisory services are provided in a number of European countries through Duff & Phelps Securities Ltd, UK, which includes branches in Ireland and Germany. Duff & Phelps Securities Ltd, UK, is regulated by the Financial Conduct Authority.*