

Healthcare Services Sector Update

July 2016

BY THE NUMBERS

The S&P Healthcare Services Index has increased 3.7% over the last month, outperforming the S&P 500, which increased 3.6% over the same period.

Over the past month:

- The best performing sectors were Assisted / Independent Living (up 17.8%), Consumer Directed Health and Wellness (up 13.7%) and Contract Research Orgs (up 12.8%)
- The poorest performing sectors were Other Services (down 11.2%), Emergency Services (down 9.5%) and Physician Practice Management (down 4.8%)

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.40x and 14.3x, respectively.

The sectors with the highest valuation multiples include:

- Pharmacy Management (1.15x LTM Revenue, 27.3x LTM EBITDA)
- HCIT (4.59x LTM Revenue, 26.5x LTM EBITDA)
- Other Services (1.98x LTM Revenue, 23.4x LTM EBITDA)
- Healthcare REITs (14.60x LTM Revenue, 22.9x 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	\$49,737	(0.4%)	(19.6%)	1.23x	8.5x	16.1x	13.4x	1.6x
Assisted/Independent Living	3	4,132	17.8%	(39.9%)	1.94x	12.5x	NM	NM	NM
Care Management/TPA	6	5,583	7.7%	7.6%	1.04x	11.2x	28.7x	34.8x	2.1x
Clinical Laboratories	5	33,909	7.3%	13.4%	5.50x	15.5x	25.7x	18.0x	2.0x
Consumer Directed Health & Wellness	9	19,421	13.7%	(11.7%)	3.76x	22.0x	31.3x	36.0x	1.7x
Contract Research Orgs	7	27,054	12.8%	0.8%	2.58x	14.2x	25.8x	17.9x	1.3x
Diagnostic Imaging	3	358	9.3%	(19.3%)	1.69x	6.3x	21.7x	27.3x	2.2x
Dialysis Services	3	44,673	3.4%	6.7%	2.06x	10.1x	24.7x	23.1x	1.8x
Distribution/Supply	8	115,413	4.7%	(5.7%)	0.97x	12.0x	21.0x	17.6x	1.7x
Emergency Services	2	2,006	(9.5%)	(31.5%)	2.15x	13.9x	9.1x	13.8x	0.4x
HCIT	20	48,407	5.1%	(7.0%)	4.59x	26.5x	35.5x	31.1x	1.9x
Healthcare REITs	18	113,012	5.7%	13.8%	14.60x	22.9x	30.6x	40.2x	9.0x
Healthcare Staffing	4	10,132	0.1%	(22.5%)	1.21x	13.6x	27.6x	18.0x	1.1x
Home Care/Hospice	7	7,125	5.5%	5.4%	1.07x	12.9x	27.3x	21.1x	1.7x
Skilled Nursing	6	3,571	5.2%	(23.0%)	2.17x	8.3x	20.2x	13.9x	1.3x
Managed Care – Commercial	6	270,545	(0.4%)	5.6%	0.68x	11.4x	19.1x	19.9x	1.3x
Managed Care – Government	3	19,999	1.4%	4.0%	0.30x	7.7x	28.7x	20.0x	1.1x
Other Services	4	10,563	(11.2%)	(23.3%)	1.98x	23.4x	38.2x	30.4x	1.8x
Pharmacy Management	4	50,438	0.8%	(15.0%)	1.15x	27.3x	23.2x	16.5x	1.1x
Physician Practice Mgmt	2	6,369	(4.8%)	(18.5%)	1.59x	11.7x	19.2x	16.6x	1.2x
Psychiatric Hospitals	3	7,160	2.3%	(20.1%)	0.41x	16.8x	38.4x	23.1x	1.1x
Specialty Managed Care	2	5,753	(3.2%)	11.7%	0.44x	7.9x	13.9x	16.3x	1.8x
Surgicenters/Rehabilitation	7	13,165	4.4%	3.7%	2.20x	11.6x	20.2x	22.3x	1.5x
Total/Average (\$MM)	137	\$868,527	3.4%	(8.0%)	2.40x	14.3x	24.8x	22.3x	1.9x

Source: Capital IQ

MARKET INDICES	Value at 7/31/16	% Change			
		1 mo	YTD	12 mo	36 mo
Dow Jones Industrial Average	18,432.2	2.8%	5.8%	4.2%	18.9%
S&P 500 Index	2,173.6	3.6%	6.3%	3.3%	28.9%
NASDAQ Composite Index	5,162.1	6.6%	3.1%	0.7%	42.3%
Russell 2000 Index	1,219.9	5.9%	7.4%	(1.5%)	16.7%
AMEX Sector Index – Healthcare	84.6	(1.7%)	(11.7%)	(15.8%)	(9.6%)
S&P Healthcare Facilities (Sub Ind) Index	333.5	1.6%	(4.3%)	(31.4%)	16.3%
S&P Healthcare Providers & Services (Industry) Index	613.4	0.3%	(0.1%)	(15.6%)	46.7%
S&P Managed Healthcare (Sub Ind) Index	454.7	3.9%	5.3%	(0.6%)	101.6%
S&P Healthcare Services	530.3	3.7%	9.9%	10.8%	69.4%

Source: Capital IQ

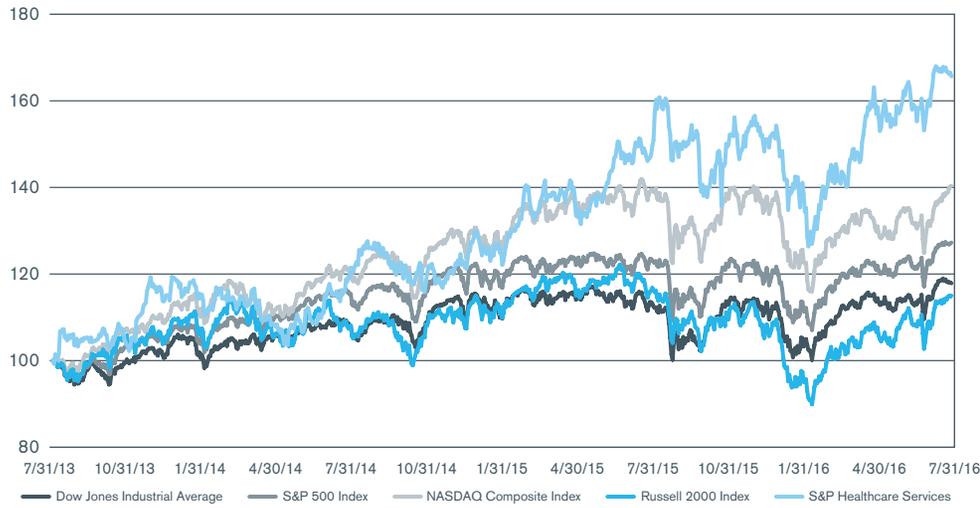
INTEREST RATES	Value at 7/31/16	1 mo ago	3 mo ago	12 mo ago
LIBOR – USD – 6 months	1.11%	0.92%	0.90%	0.49%
U.S. Treasury – 2 years	0.67%	0.58%	0.77%	0.67%
U.S. Treasury – 5 years	1.03%	1.02%	1.28%	1.55%
U.S. Treasury – 10 years	1.46%	1.49%	1.82%	2.20%
U.S. Treasury – 30 years	2.19%	2.30%	2.67%	2.67%
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	30	\$704,010	21.9%	81.1%	2.7%	6.4%	(1.1%)	48.4%
\$1 billion – \$5 billion	52	141,035	38.0%	16.2%	5.3%	7.3%	(2.5%)	40.9%
\$250 million – \$1 billion	37	22,441	27.0%	2.6%	4.9%	6.2%	(3.1%)	28.4%
\$100 million – \$250 million	4	604	2.9%	0.1%	12.7%	4.0%	(10.4%)	(3.5%)
< \$100 million	14	437	10.2%	0.1%	6.1%	(13.2%)	(43.7%)	(26.7%)
Total/Average (\$MM)	137	\$868,527	100.0%	100.0%	6.3%	2.1%	(12.2%)	17.5%

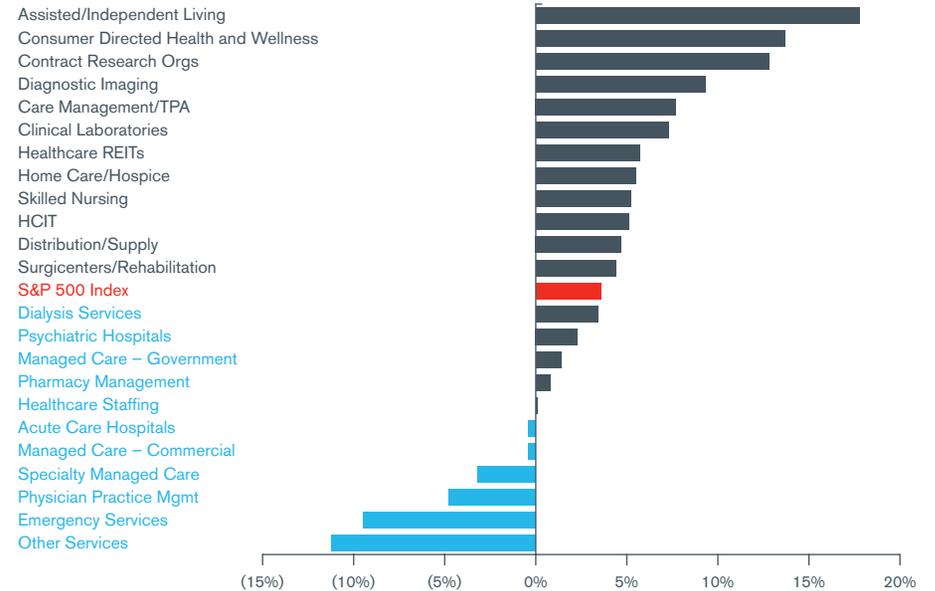
Source: Capital IQ

Performance of Market Indices for Latest 36 Months



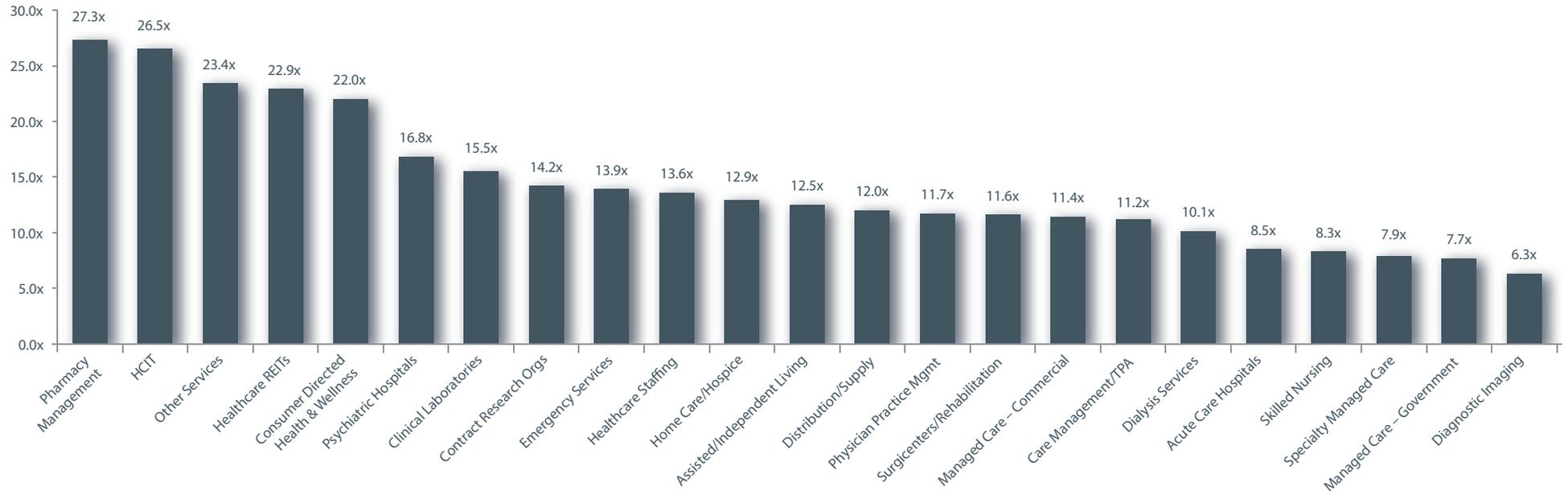
Source: Capital IQ

Average % Change — 1 Month



Source: Capital IQ

Overview of Subsector EV / LTM EBITDA



Source: Capital IQ

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

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