

INDUSTRY INSIGHTS

Healthcare Services Sector Update

August 2018



Q Highlights

The **S&P Healthcare Services** Index increased 6.3% over the last month, outperforming the S&P 500, which increased 3.0% over the same period.

Over the past month:

The best performing sectors were Consumer Directed Health/Wellness (up 17.0%), Government Managed Care (up 15.8%) and HCIT (up 13.0%).

The poorest performing sectors were Specialty Managed Care (down 9.1%), Hospital Vendors (down 6.5%) and Healthcare Staffing (down 4.9%).

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.42x and 15.4x, respectively.

THE SECTORS WITH THE HIGHEST VALUATION MULTIPLES



Healthcare Services Sector Update ..

Market Sector	# of Co's	Ag. Equity Mkt. Value	Average % Change		LTM Multiples		Earnings Ratio		PEG Ratio
			1 mo	12 mo	Rev	EBITDA	LTM	2018E	
Providers									
Acute Care Hospitals	5	\$64,939	6.5%	59.4%	1.26x	10.6x	16.1x	15.4x	1.9x
Assisted / Independent Living	3	2,188	1.0%	(20.0%)	1.51x	13.5x	NM	NM	NM
Behavioral Health	3	5,686	3.1%	(10.5%)	1.01x	11.3x	16.3x	13.9x	1.4x
Dialysis Services	3	43,284	2.9%	11.6%	1.95x	9.9x	18.1x	26.5x	1.5x
Healthcare Staffing	2	3,132	(4.9%)	47.4%	1.02x	11.9x	14.5x	31.1x	2.5x
Home Health / Hospice	6	14,545	12.8%	78.2%	1.91x	16.6x	35.6x	34.1x	2.0x
Rehabilitation	4	12,453	6.6%	67.0%	3.05x	12.4x	20.1x	30.8x	2.5x
Skilled Nursing	4	3,427	8.2%	64.9%	0.84x	10.3x	26.0x	21.2x	1.4x
Providers - Other	4	11,333	6.6%	3.6%	1.78x	12.2x	12.8x	21.1x	0.8x
Total / Average	34	\$160,987	5.7%	41.2%	1.59x	12.1x	19.9x	24.3x	1.8x
Payors / Managed Care									
Commercial Managed Care	5	\$484,458	5.8%	30.4%	1.04x	12.5x	22.0x	18.6x	1.4x
Government Managed Care	3	53,710	15.8%	75.3%	0.53x	11.7x	26.5x	22.3x	1.4x
Specialty Managed Care	2	6,968	(9.1%)	7.1%	0.58x	11.4x	29.3x	13.4x	NM
Total / Average	10	\$545,135	6.6%	34.5%	0.72x	11.8x	26.0x	18.1x	1.4x
Consumer Directed Health / Wellness	6	\$12,639	17.0%	56.7%	5.97x	31.7x	33.1x	43.9x	2.1x
HCIT	20	\$60,049	13.0%	35.5%	5.22x	30.2x	35.7x	35.0x	2.6x
Other Outsourced Services									
Care Management / TPA	5	\$7,037	4.8%	11.4%	1.51x	15.6x	26.4x	24.3x	2.2x
Clinical Laboratories	6	41,879	1.3%	7.7%	3.50x	11.8x	18.4x	18.3x	2.3x
Contract Research Orgs	5	51,703	3.3%	25.9%	3.48x	18.7x	32.1x	22.6x	1.6x
Hospital Vendors	4	8,412	(6.5%)	(16.2%)	1.79x	24.6x	28.0x	20.9x	1.6x
Healthcare Consulting	2	2,142	11.6%	59.7%	1.57x	12.7x	14.7x	23.9x	1.8x
Total / Average	22	\$111,173	2.1%	15.6%	2.37x	16.7x	23.9x	22.0x	1.9x
Product									
Distribution	6	\$76,361	3.6%	(9.7%)	0.39x	10.3x	20.2x	13.6x	2.5x
Pharmacy Management	3	51,383	10.4%	39.3%	0.77x	17.4x	10.7x	17.2x	1.2x
Total / Average	9	\$127,745	6.4%	10.0%	0.58x	13.8x	15.4x	15.4x	1.8x
Healthcare REITS	16	\$101,494	6.5%	(6.0%)	12.02x	18.3x	23.2x	34.4x	3.4x
Total / Average (\$MM)	117	\$1,119,221	5.4%	29.3%	2.42x	15.4x	23.4x	24.1x	2.0x

Healthcare Services Sector Update ..

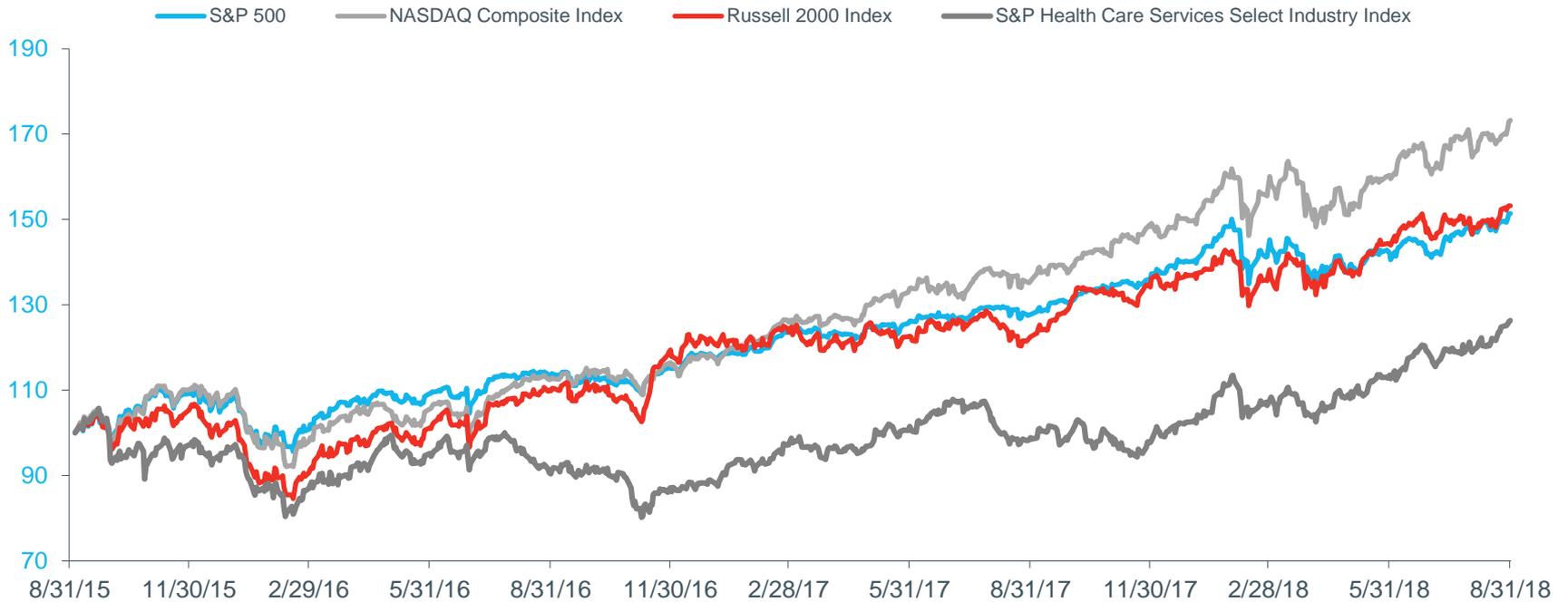
Market Indices	Value at 8/31/2018	% Change			
		1 mo	YTD	12 mo	36 mo
S&P 500	2,901.5	3.0%	8.5%	17.4%	47.1%
NASDAQ Composite Index	8,109.5	5.7%	17.5%	26.1%	69.8%
Russell 2000 Index	1,740.8	4.2%	13.4%	23.9%	50.1%
S&P Composite 1500 Health Care Facilities (Sub Ind)	346.2	6.3%	43.7%	48.8%	22.7%
S&P Composite 1500 Health Care Providers & Services (Industry)	972.3	7.0%	16.8%	26.2%	49.1%
S&P Composite 1500 Managed Health Care (Sub Ind)	1,687.6	6.7%	19.9%	32.8%	101.3%
S&P Health Care Services Select Industry Index	11,370.7	6.3%	24.2%	26.0%	23.7%

Interest Rates	Value at 8/31/2018	1 mo ago	3 mo ago	12 mo ago
LIBOR - USD - 6 months	2.54%	2.53%	2.47%	1.45%
U.S. Treasury - 2 years	2.62%	2.67%	2.40%	1.33%
U.S. Treasury - 5 years	2.74%	2.85%	2.66%	1.71%
U.S. Treasury - 10 years	2.85%	2.96%	2.82%	2.12%
U.S. Treasury - 30 years	3.01%	3.08%	2.99%	2.73%
U.S. Prime Rate	5.00%	5.00%	4.75%	4.25%

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	41	\$1,005,679	35.0%	89.9%	6.0%	21.1%	24.3%	53.2%
\$1 billion - \$5 billion	44	100,495	37.6%	9.0%	11.5%	31.8%	32.5%	40.2%
\$250 million - \$1 billion	20	11,699	17.1%	1.0%	1.0%	10.5%	12.4%	45.9%
\$100 million - \$250 million	6	1,087	5.1%	0.1%	(4.2%)	23.6%	17.5%	(15.2%)
< \$100 million	6	262	5.1%	0.0%	(7.5%)	(17.3%)	(22.0%)	(34.6%)
Total / Average (\$MM)	117	\$1,119,221	100.0%	100.0%	1.4%	13.9%	13.0%	17.9%

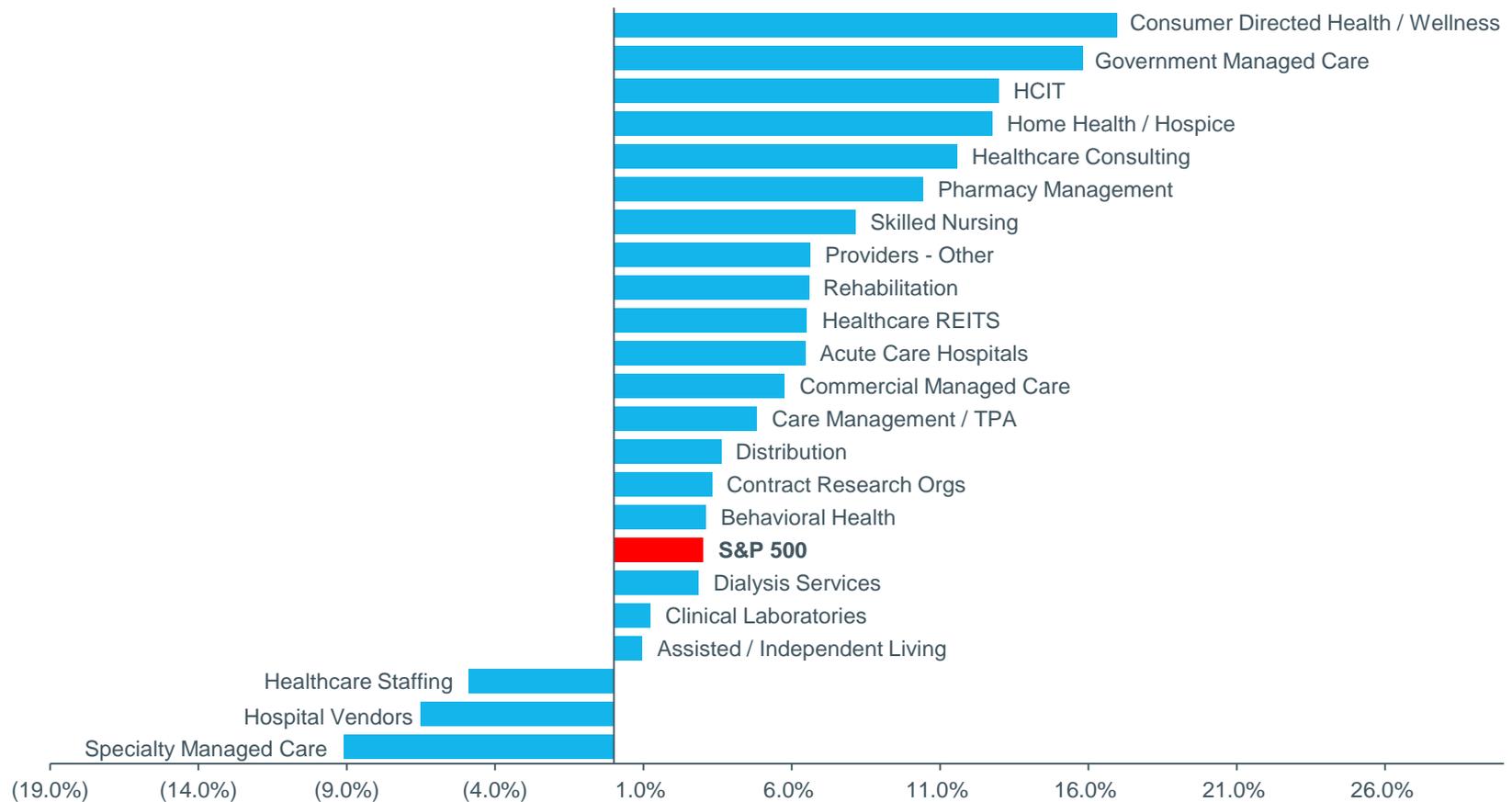
Healthcare Services Market Performance

Performance of Market Indices for Latest 36 Months



Healthcare Services Sector Change

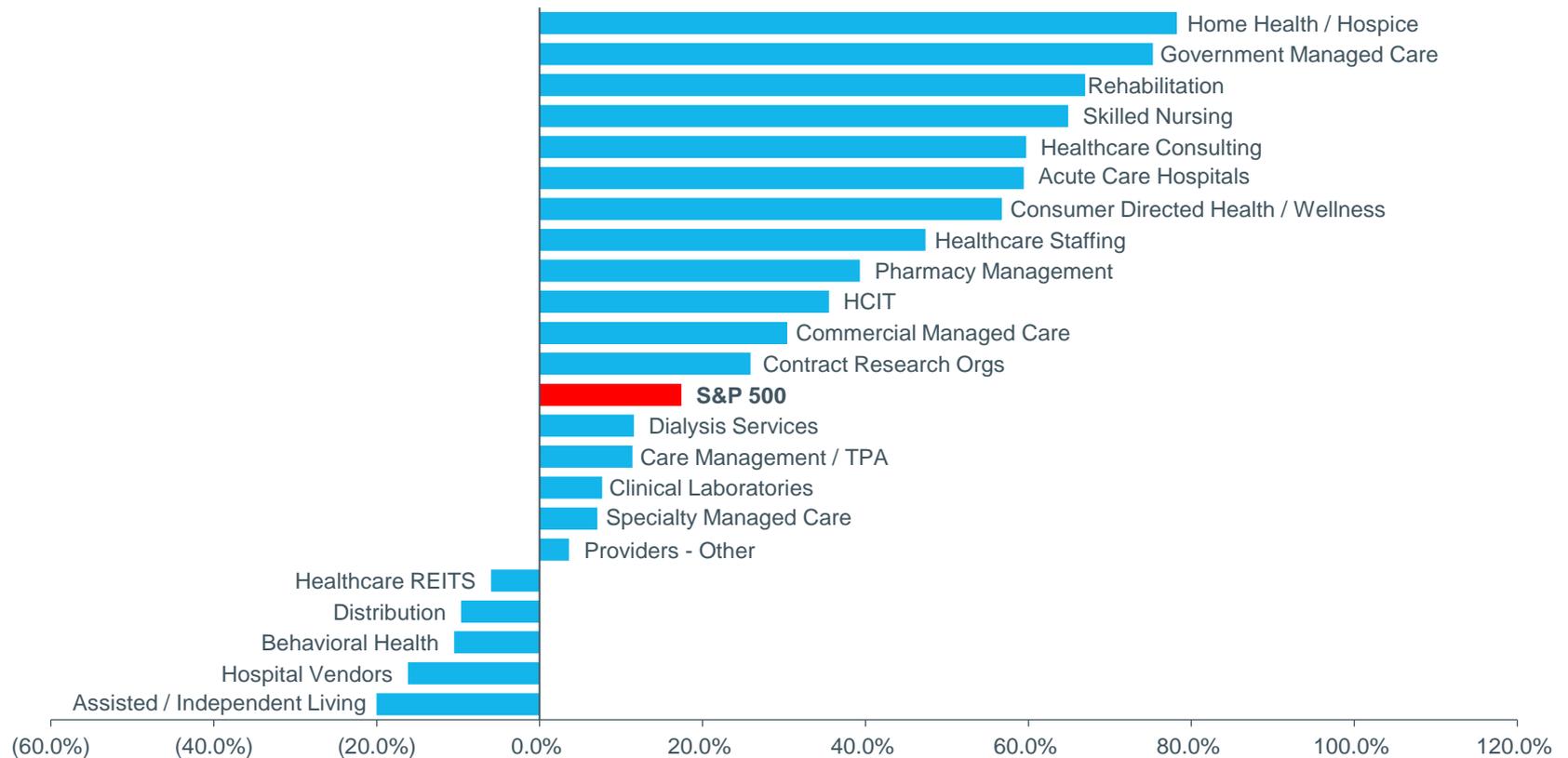
Average % - 1 Month Change



Source: S&P Global Market Intelligence as of August 31, 2018, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

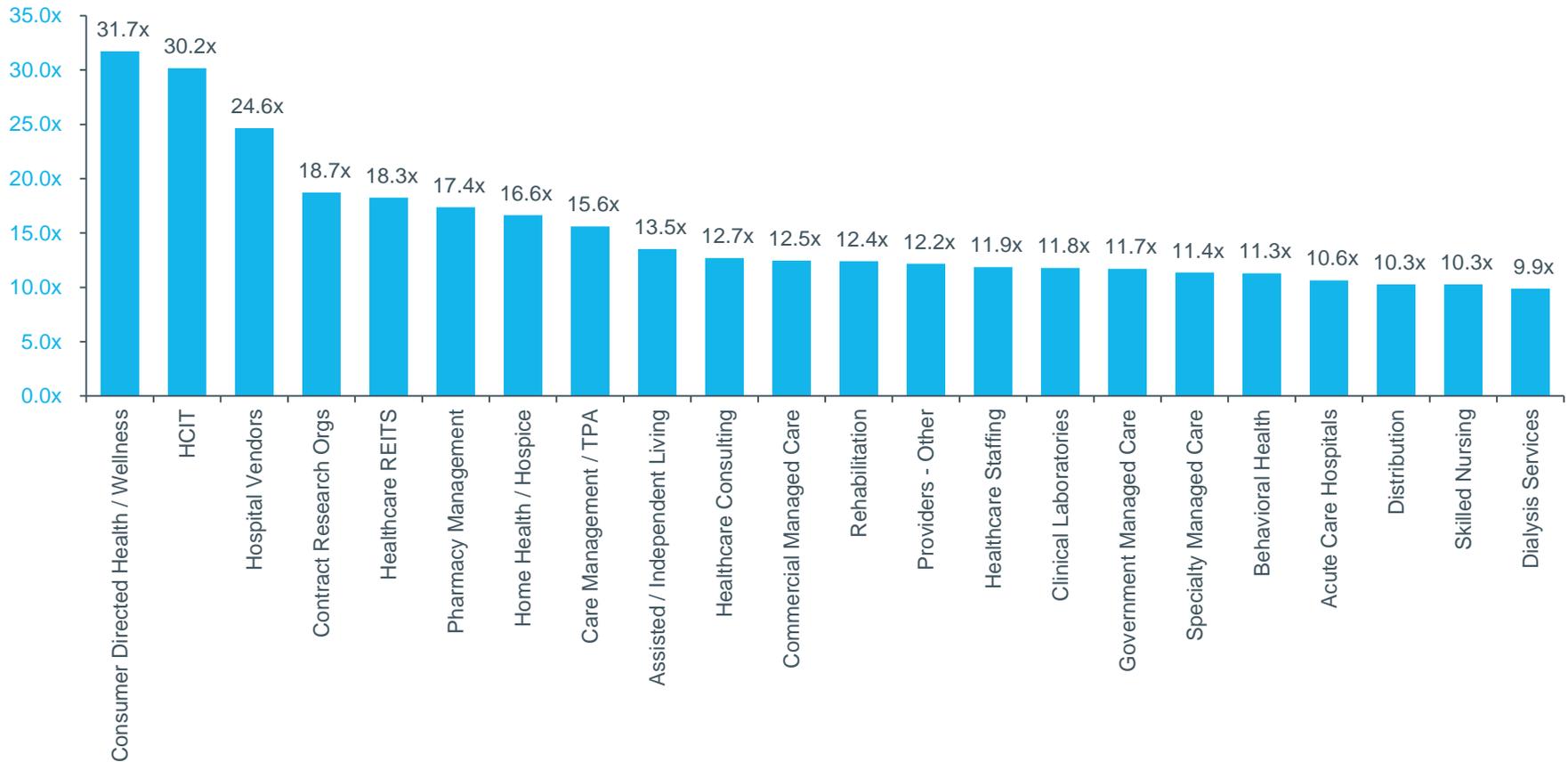
Healthcare Services Sector Change

Average % - 12 Month Change



Healthcare Services Multiples

Overview of Subsector EV/LTM EBITDA



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

Brooks Dexter

Managing Director
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

Philip Smith

Managing Director
Minneapolis
+1 612 225 2043
philip.smith@duffandphelps.com

Adam Stormoen

Managing Director
Minneapolis
+1 612 225 2044
adam.stormoen@duffandphelps.com

Jordan Lampos

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

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