

INDUSTRY INSIGHTS:

Healthcare Services Sector Update

December 2017



Q Highlights

The **S&P Healthcare Services** Index increased 0.9% over the last month, in line with the S&P 500, which increased 1.0% over the same period.

Over the past month:

The best performing sectors were Pharmacy Management (up 14.4%), Dialysis Services (up 9.4%), and Providers – Other (up 8.4%).

The poorest performing sectors were Assisted / Independent Living (down 10.4%), Skilled Nursing (down 7.6%) and Consumer Directed Health / Wellness (down 6.6%).

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.26x and 14.4x, respectively.

THE SECTORS WITH THE HIGHEST VALUATION MULTIPLES



HCIT (4.67x LTM Revenue, 25.5x LTM EBITDA)



Consumer Directed Health / Wellness (4.39x LTM Revenue, 23.8x LTM EBITDA)



Hospital Vendors (2.11x LTM Revenue, 22.3x LTM EBITDA)



Contract Research Orgs (3.97x LTM Revenue, 20.0x LTM EBITDA)

Healthcare Services Sector Update ..

Market Sector	# of Co's	Ag. Equity Mkt. Value	Average % Change		LTM Multiples		Earnings Ratio		PEG Ratio 2017E
			1 mo	12 mo	Rev	EBITDA	LTM	2017E	
Providers									
Acute Care Hospitals	5	\$45,828	3.7%	13.5%	1.11x	8.3x	13.3x	16.4x	1.8x
Assisted / Independent Living	3	2,294	(10.4%)	(21.6%)	1.61x	11.9x	NM	NM	NM
Behavioral Health	3	5,402	7.4%	12.4%	1.00x	10.9x	21.0x	16.9x	NM
Dialysis Services	3	46,125	9.4%	20.0%	1.79x	9.9x	27.2x	26.0x	1.7x
Healthcare Staffing	2	2,818	(2.7%)	20.4%	0.99x	12.5x	20.6x	19.7x	(6.7x)
Home Health / Hospice	7	9,392	(3.2%)	35.6%	1.21x	14.3x	34.4x	26.4x	2.4x
Rehabilitation	5	9,082	2.4%	22.5%	1.88x	11.9x	29.1x	26.3x	7.3x
Skilled Nursing	4	2,199	(7.6%)	(11.1%)	0.70x	8.8x	22.8x	15.9x	1.1x
Providers - Other	4	10,152	8.4%	(26.8%)	2.02x	12.5x	31.5x	20.8x	1.3x
Total / Average	36	\$133,293	5.0%	13.9%	1.37x	11.2x	25.0x	21.1x	1.3x
Payors / Managed Care									
Commercial Managed Care	5	\$414,949	(3.2%)	41.9%	0.96x	11.9x	24.3x	20.1x	1.6x
Government Managed Care	3	30,740	(2.6%)	64.0%	0.29x	11.2x	23.0x	22.2x	1.4x
Specialty Managed Care	2	6,012	(1.3%)	9.7%	0.50x	8.0x	19.0x	23.6x	2.0x
Total / Average	10	\$451,701	(3.1%)	42.9%	0.58x	10.4x	22.1x	22.0x	1.7x
Consumer Directed Health / Wellness									
	6	\$9,434	(6.6%)	4.8%	4.39x	23.8x	23.4x	40.5x	1.8x
HCIT									
	21	\$52,189	(3.0%)	33.1%	4.67x	25.5x	30.7x	41.6x	2.2x
Other Outsourced Services									
Care Management / TPA	5	\$7,027	0.0%	34.9%	1.47x	15.8x	22.9x	22.9x	1.5x
Clinical Laboratories	6	37,881	1.6%	16.0%	3.47x	16.4x	21.0x	18.4x	2.3x
Contract Research Orgs	5	41,939	1.0%	33.6%	3.97x	20.0x	24.2x	22.3x	1.6x
Hospital Vendors	4	9,748	2.1%	6.7%	2.11x	22.3x	29.9x	28.8x	2.1x
Healthcare Consulting	2	1,751	0.0%	(23.1%)	1.40x	10.5x	20.6x	17.2x	1.3x
Total / Average	22	\$98,346	1.3%	23.2%	2.48x	17.0x	23.7x	21.9x	1.7x
Product									
Distribution	6	\$87,283	4.4%	2.8%	0.44x	10.2x	16.3x	14.6x	2.5x
Pharmacy Management	3	44,109	14.4%	11.6%	0.64x	18.2x	12.3x	17.2x	1.2x
Total / Average	9	\$131,392	7.8%	5.7%	0.54x	14.2x	14.3x	15.9x	1.9x
Healthcare REITS									
	16	\$97,255	(3.3%)	(3.9%)	12.95x	19.2x	25.6x	31.7x	7.8x
Total / Average (\$MM)	120	\$973,610	0.1%	15.4%	2.26x	14.4x	23.1x	23.4x	1.9x

Source: S&P Global Market Intelligence as of December 31, 2017, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

Healthcare Services Sector Update ..

Market Indices	Value at	% Change			
	12/31/2017	1 mo	YTD	12 mo	36 mo
S&P 500	2,673.6	1.0%	19.4%	19.4%	29.9%
NASDAQ Composite Index	6,903.4	0.4%	28.2%	28.2%	45.8%
Russell 2000 Index	1,535.5	(0.6%)	13.1%	13.1%	27.5%
S&P Composite 1500 Health Care Facilities (Sub Ind)	240.9	3.1%	14.4%	14.4%	(4.1%)
S&P Composite 1500 Health Care Providers & Services (Industry)	832.1	(0.3%)	27.0%	27.0%	42.6%
S&P Composite 1500 Managed Health Care (Sub Ind)	1,408.0	(3.2%)	42.3%	42.3%	101.9%
S&P Health Care Services Select Industry Index	9,157.9	0.9%	16.9%	16.9%	10.3%

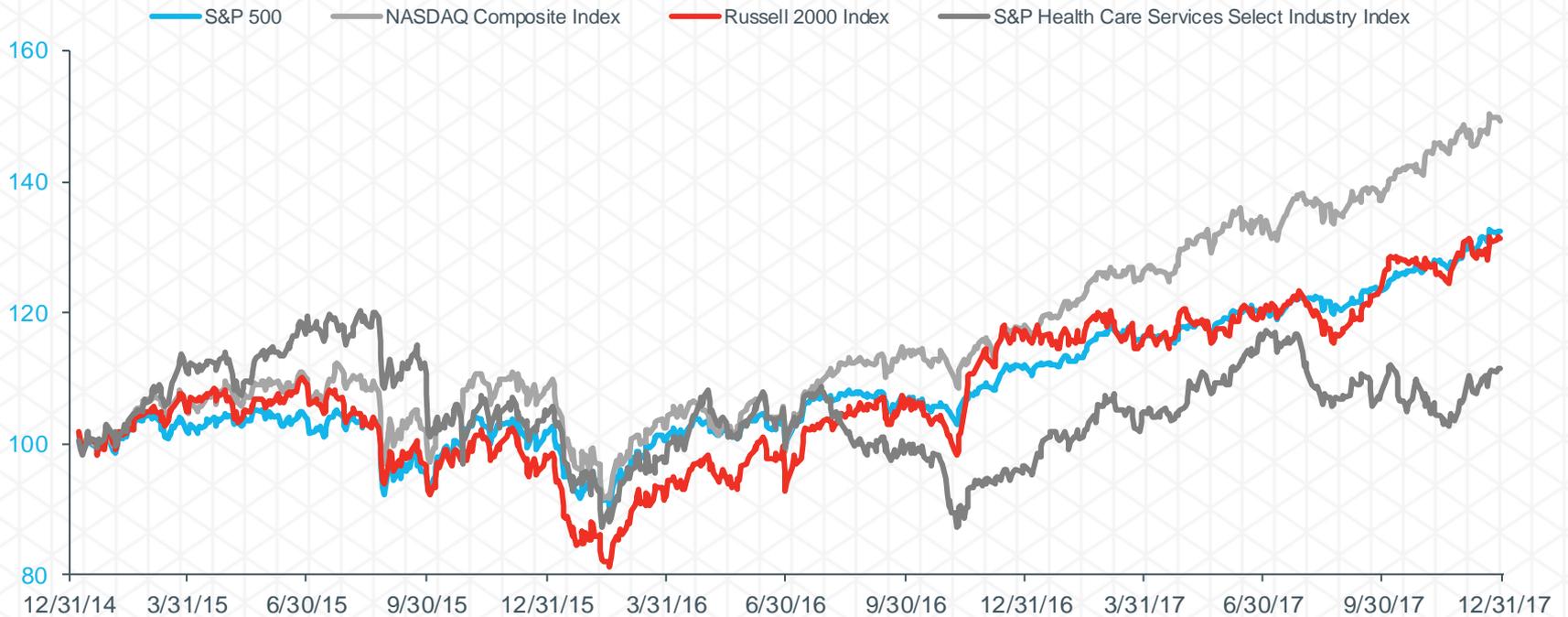
Interest Rates	Value at	1 mo	3 mo	12 mo
	12/31/2017	ago	ago	ago
LIBOR - USD - 6 months	1.84%	1.67%	1.51%	1.32%
U.S. Treasury - 2 years	1.89%	1.78%	1.47%	1.20%
U.S. Treasury - 5 years	2.19%	2.13%	1.92%	1.91%
U.S. Treasury - 10 years	2.41%	2.42%	2.33%	2.43%
U.S. Treasury - 30 years	2.74%	2.83%	2.86%	3.05%
U.S. Prime Rate	4.50%	4.25%	4.25%	3.75%

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	33	\$841,206	27.5%	86.4%	1.2%	21.1%	21.1%	38.3%
\$1 billion - \$5 billion	41	109,428	34.2%	11.2%	(0.8%)	12.1%	12.1%	19.1%
\$250 million - \$1 billion	35	22,071	29.2%	2.3%	(1.1%)	15.3%	15.3%	4.3%
\$100 million - \$250 million	3	435	2.5%	0.0%	4.3%	(19.4%)	(19.4%)	(17.6%)
< \$100 million	8	470	6.7%	0.0%	6.4%	(10.7%)	(10.7%)	(25.5%)
Total / Average (\$MM)	120	\$973,610	100.0%	100.0%	2.0%	3.7%	3.7%	3.7%

Source: S&P Global Market Intelligence as of December 31, 2017, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

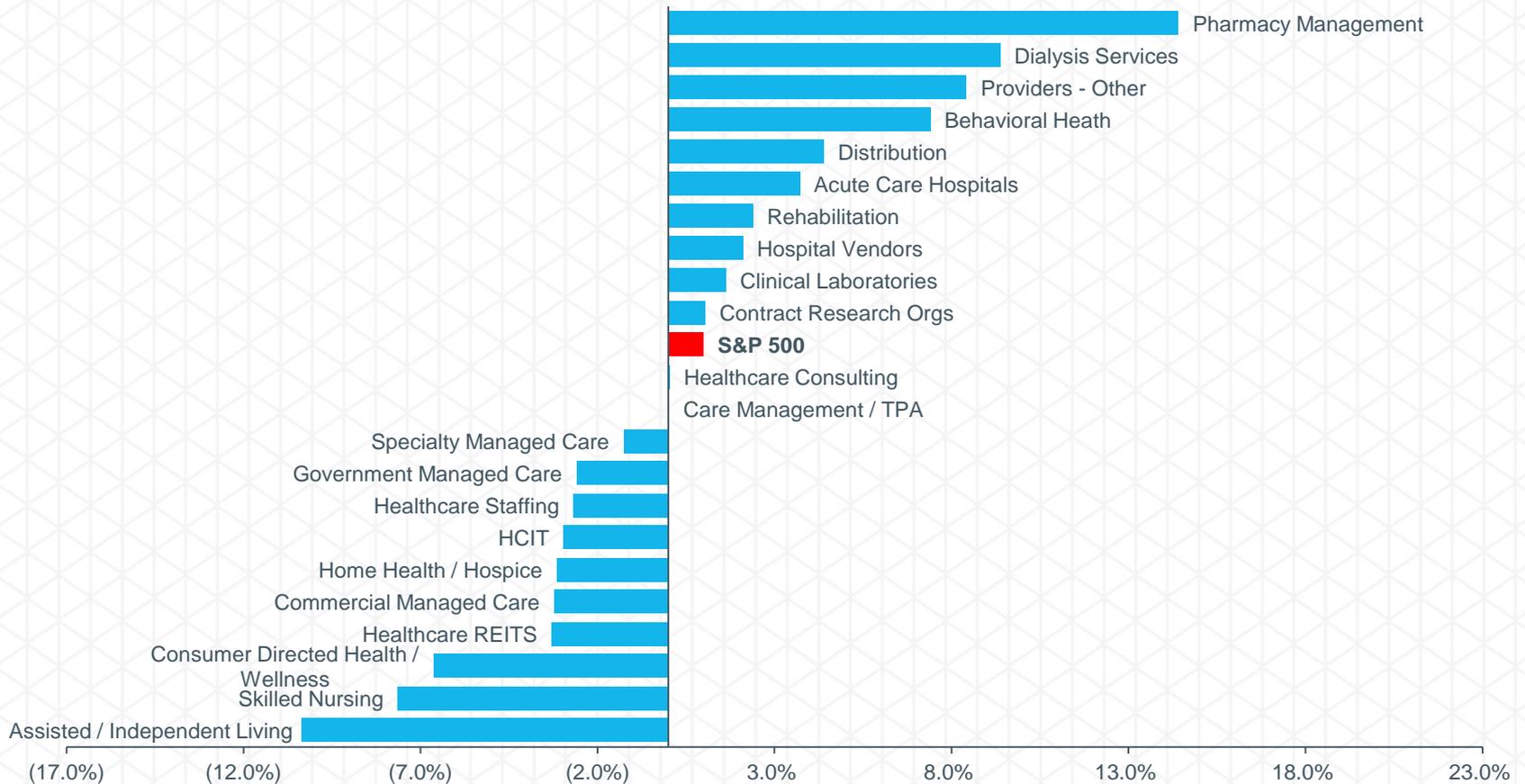
Healthcare Services Market Performance

Performance of Market Indices for Latest 36 Months



Healthcare Services Sector Change

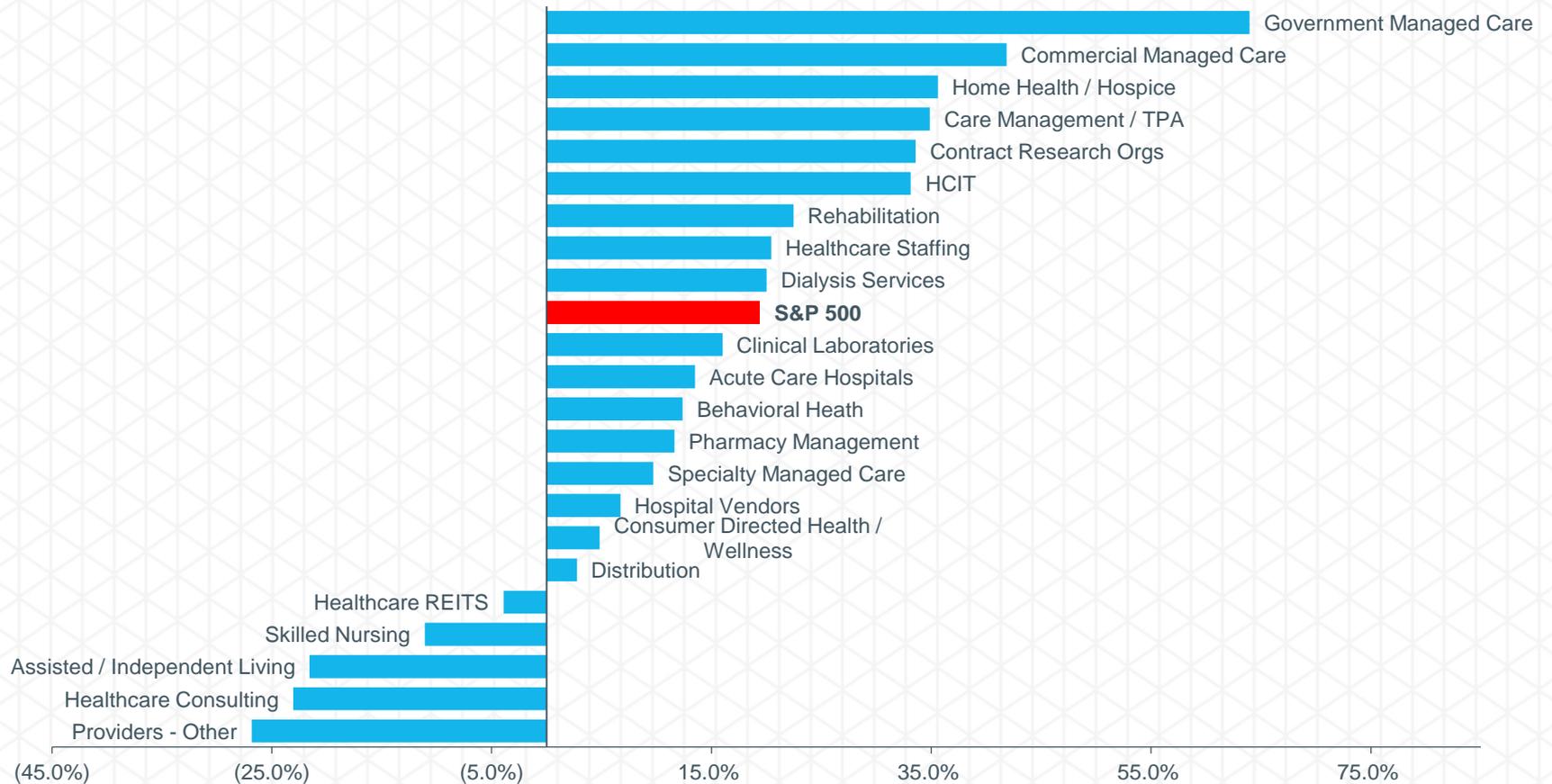
Average % - 1 Month Change



Source: S&P Global Market Intelligence as of December 31, 2017, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

Healthcare Services Sector Change

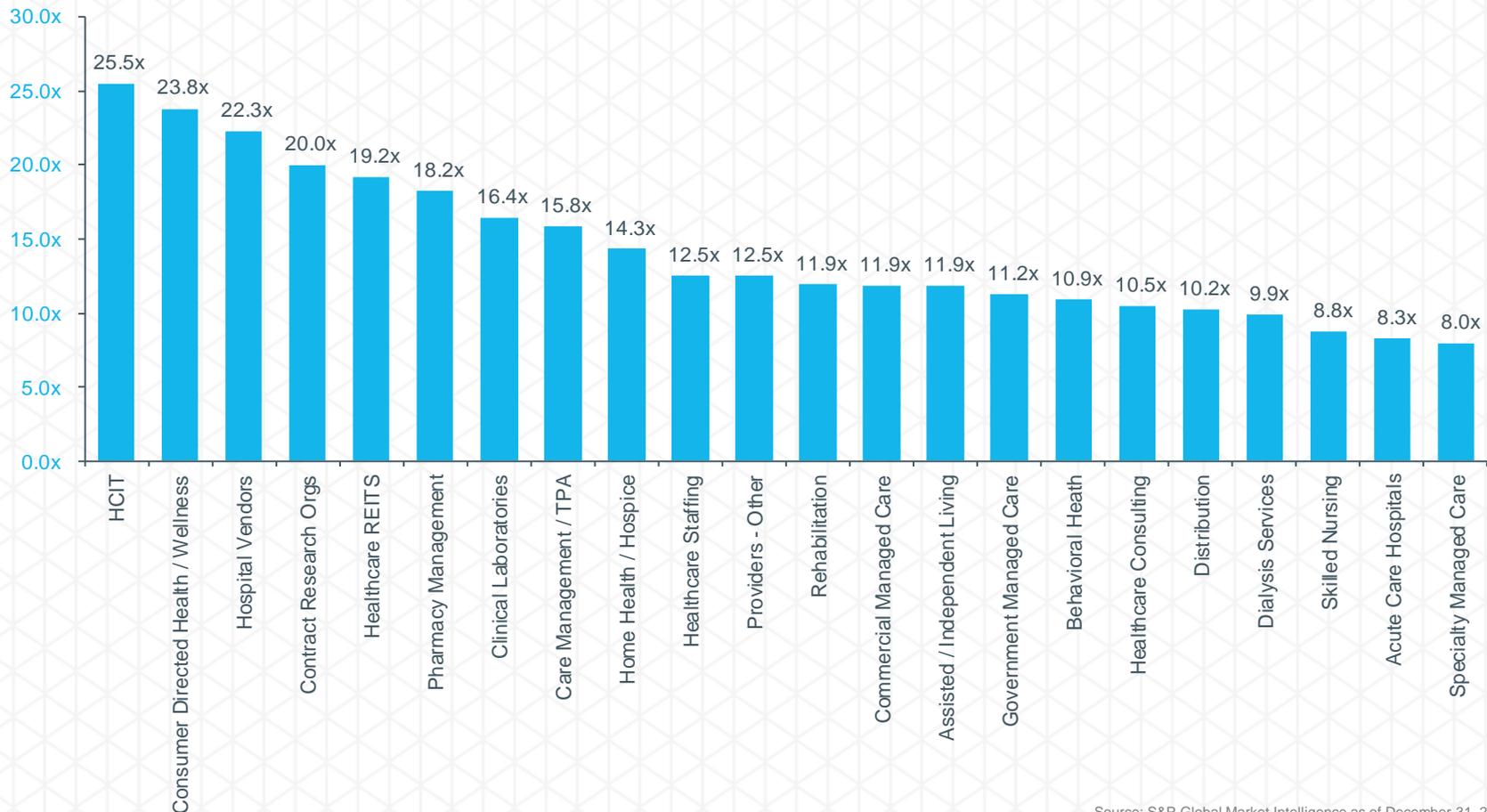
Average % - 12 Month Change



Source: S&P Global Market Intelligence as of December 31, 2017, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

Healthcare Services Multiples

Overview of Subsector EV/LTM EBITDA



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

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