

INDUSTRY INSIGHTS:

Healthcare Services Sector Update

February 2018



Q Highlights

The **S&P Healthcare Services** Index dipped 4.0% over the last month, which was in line with the S&P 500, which declined 3.9% over the same period.

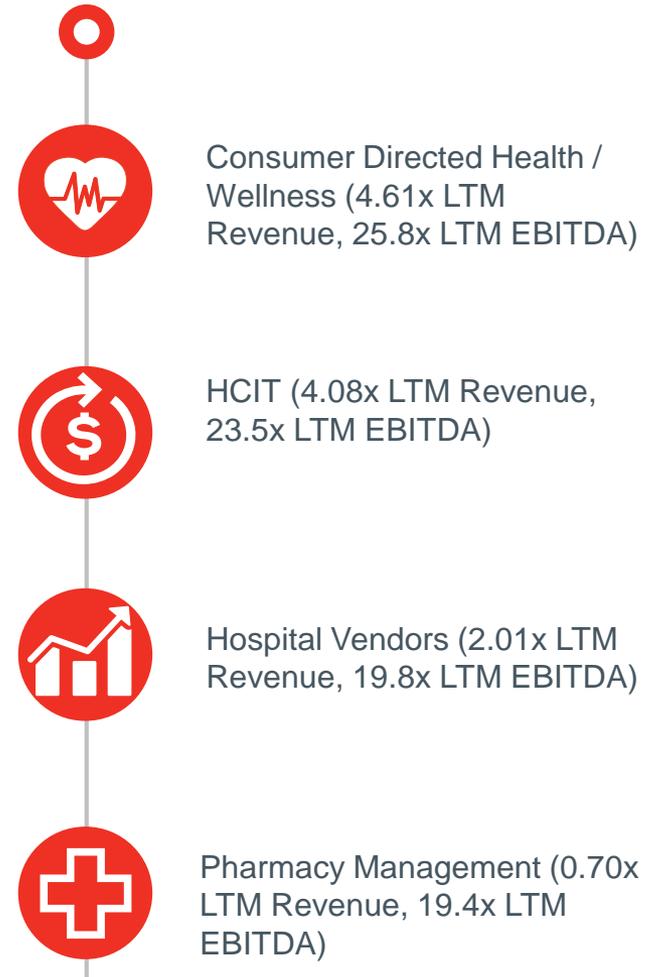
Over the past month:

The best performing sectors were Skilled Nursing (up 8.7%), Behavioral Health (up 6.1%) and Providers - Other (up 2.9%).

The poorest performing sectors were Assisted / Independent Living (down 24.9%), Hospital Vendors (down 15.1%) and Distribution (down 12.4%).

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.10x and 13.6x, 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	2018E
Providers									
Acute Care Hospitals	5	\$50,020	0.3%	6.3%	1.14x	9.2x	16.6x	14.9x	1.4x
Assisted / Independent Living	3	1,650	(24.9%)	(48.5%)	1.50x	10.8x	NM	NM	NM
Behavioral Health	3	5,997	6.1%	10.4%	0.97x	10.4x	19.5x	16.7x	1.7x
Dialysis Services	3	46,297	(7.4%)	20.3%	1.98x	10.1x	15.2x	22.5x	1.2x
Healthcare Staffing	2	3,125	1.8%	27.4%	1.06x	13.1x	16.8x	18.2x	1.3x
Home Health / Hospice	7	9,939	(2.5%)	33.0%	1.24x	13.6x	34.4x	22.8x	1.7x
Rehabilitation	5	9,539	0.3%	21.3%	1.94x	12.2x	27.2x	19.2x	3.6x
Skilled Nursing	4	2,451	8.7%	12.4%	0.71x	8.9x	24.1x	14.6x	1.1x
Providers - Other	4	10,947	2.9%	(28.6%)	2.04x	12.6x	25.8x	22.7x	0.7x
Total / Average	36	\$139,964	(2.1%)	11.2%	1.40x	11.2x	22.4x	19.0x	1.6x
Payors / Managed Care									
Commercial Managed Care	5	\$421,929	(9.1%)	36.4%	1.00x	12.0x	21.4x	16.9x	1.3x
Government Managed Care	3	30,547	(11.2%)	42.7%	0.30x	9.6x	22.5x	17.8x	0.9x
Specialty Managed Care	2	5,058	(9.2%)	(8.7%)	0.41x	6.3x	11.5x	11.9x	1.3x
Total / Average	10	\$457,534	(9.2%)	36.3%	0.57x	9.3x	18.5x	15.5x	1.2x
Consumer Directed Health / Wellness	6	\$9,470	(0.0%)	6.7%	4.61x	25.8x	35.7x	34.9x	1.8x
HCIT	21	\$51,835	(4.3%)	18.8%	4.08x	23.5x	35.1x	32.6x	2.1x
Other Outsourced Services									
Care Management / TPA	5	\$6,615	(5.6%)	18.3%	1.39x	15.2x	20.1x	19.2x	1.3x
Clinical Laboratories	6	40,200	(1.7%)	14.0%	2.98x	11.9x	18.6x	17.2x	1.9x
Contract Research Orgs	5	41,400	(4.9%)	26.4%	3.29x	17.3x	26.9x	18.3x	1.4x
Hospital Vendors	4	8,796	(15.1%)	(11.2%)	2.01x	19.8x	26.7x	26.1x	1.7x
Healthcare Consulting	2	1,640	(9.1%)	(16.8%)	1.20x	9.3x	12.8x	15.4x	1.1x
Total / Average	22	\$98,651	(4.6%)	16.8%	2.17x	14.7x	21.0x	19.3x	1.5x
Product									
Distribution	6	\$87,584	(12.4%)	(7.3%)	0.41x	10.0x	16.4x	12.6x	1.6x
Pharmacy Management	3	44,656	(7.6%)	9.3%	0.70x	19.4x	9.7x	15.3x	0.8x
Total / Average	9	\$132,241	(10.8%)	(1.7%)	0.56x	14.7x	13.1x	13.9x	1.2x
Healthcare REITS	16	\$80,938	(11.5%)	(24.7%)	11.10x	16.8x	21.8x	29.1x	6.7x
Total / Average (SMM)	120	\$970,632	(5.7%)	8.9%	2.10x	13.6x	21.6x	19.8x	1.8x

Source: S&P Global Market Intelligence as of February 28, 2018, 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			
	2/28/2018	1 mo	YTD	12 mo	36 mo
S&P 500	2,713.8	(3.9%)	1.5%	14.8%	29.0%
NASDAQ Composite Index	7,273.0	(1.9%)	5.4%	24.8%	46.5%
Russell 2000 Index	1,512.4	(4.0%)	(1.5%)	9.1%	22.6%
S&P Composite 1500 Health Care Facilities (Sub Ind)	263.6	(1.1%)	9.4%	6.0%	7.3%
S&P Composite 1500 Health Care Providers & Services (Industry)	854.2	(4.7%)	2.6%	20.8%	34.3%
S&P Composite 1500 Managed Health Care (Sub Ind)	1,436.0	(4.8%)	2.0%	36.7%	80.8%
S&P Health Care Services Select Industry Index	9,513.8	(4.0%)	3.9%	8.8%	6.8%

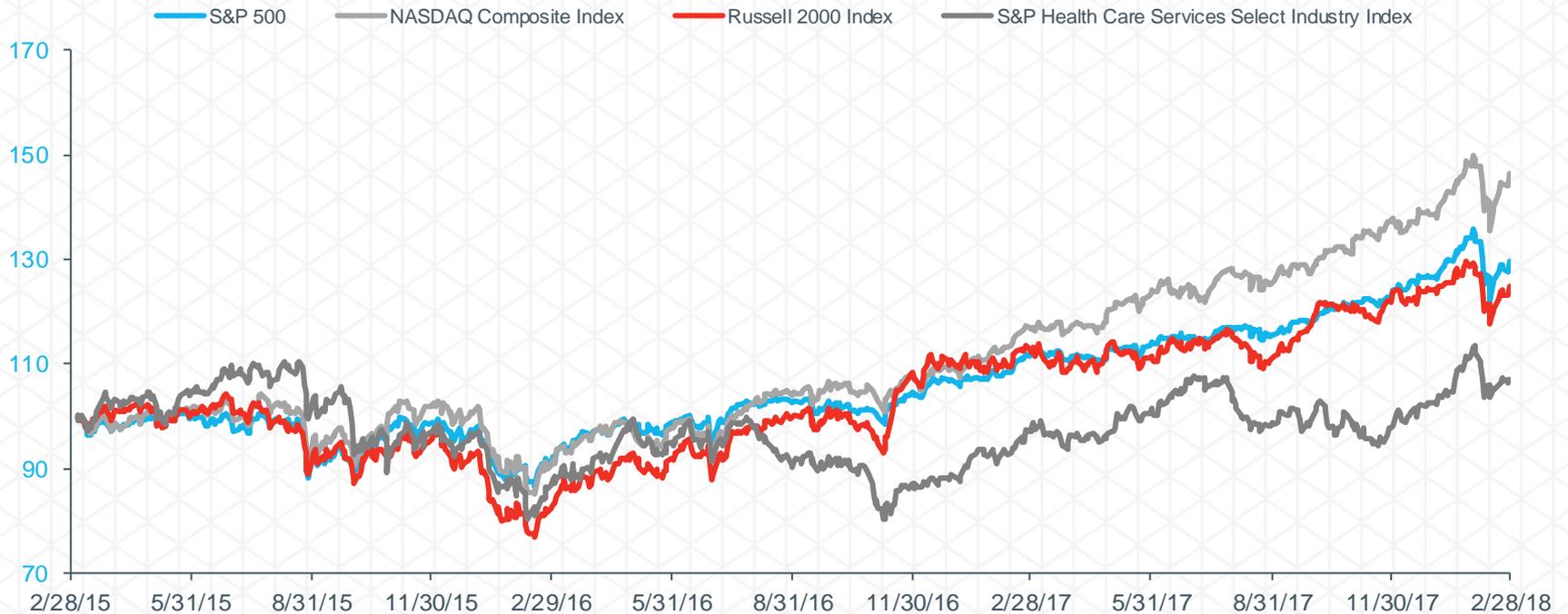
Interest Rates	Value at	1 mo	3 mo	12 mo
	2/28/2018	ago	ago	ago
LIBOR - USD - 6 months	2.21%	1.97%	1.67%	1.37%
U.S. Treasury - 2 years	2.25%	2.14%	1.78%	1.22%
U.S. Treasury - 5 years	2.65%	2.53%	2.13%	1.88%
U.S. Treasury - 10 years	2.87%	2.72%	2.42%	2.36%
U.S. Treasury - 30 years	3.13%	2.94%	2.83%	2.97%
U.S. Prime Rate	4.50%	4.50%	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	\$842,060	27.5%	86.8%	(7.1%)	(1.0%)	9.7%	22.6%
\$1 billion - \$5 billion	41	105,602	34.2%	10.9%	(6.2%)	(2.3%)	1.5%	12.0%
\$250 million - \$1 billion	35	21,857	29.2%	2.3%	(4.5%)	0.3%	13.7%	8.3%
\$100 million - \$250 million	4	709	3.3%	0.1%	11.3%	15.0%	(18.6%)	(41.9%)
< \$100 million	7	405	5.8%	0.0%	(3.6%)	1.8%	(11.0%)	(30.3%)
Total / Average (\$MM)	120	\$970,632	100.0%	100.0%	(2.0%)	2.8%	(0.9%)	(5.9%)

Source: S&P Global Market Intelligence as of February 28, 2018, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

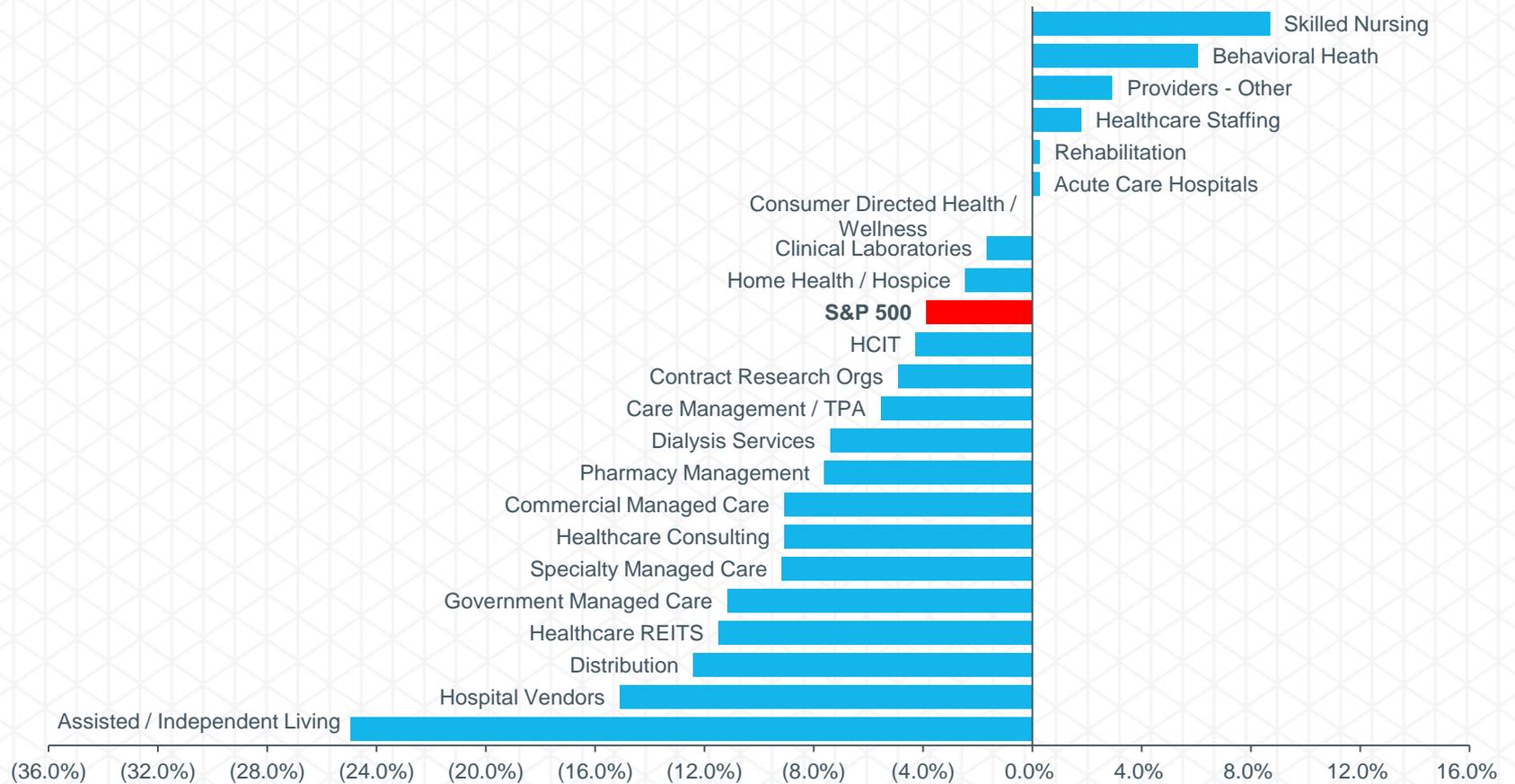
Healthcare Services Market Performance

Performance of Market Indices for Latest 36 Months



Healthcare Services Sector Change

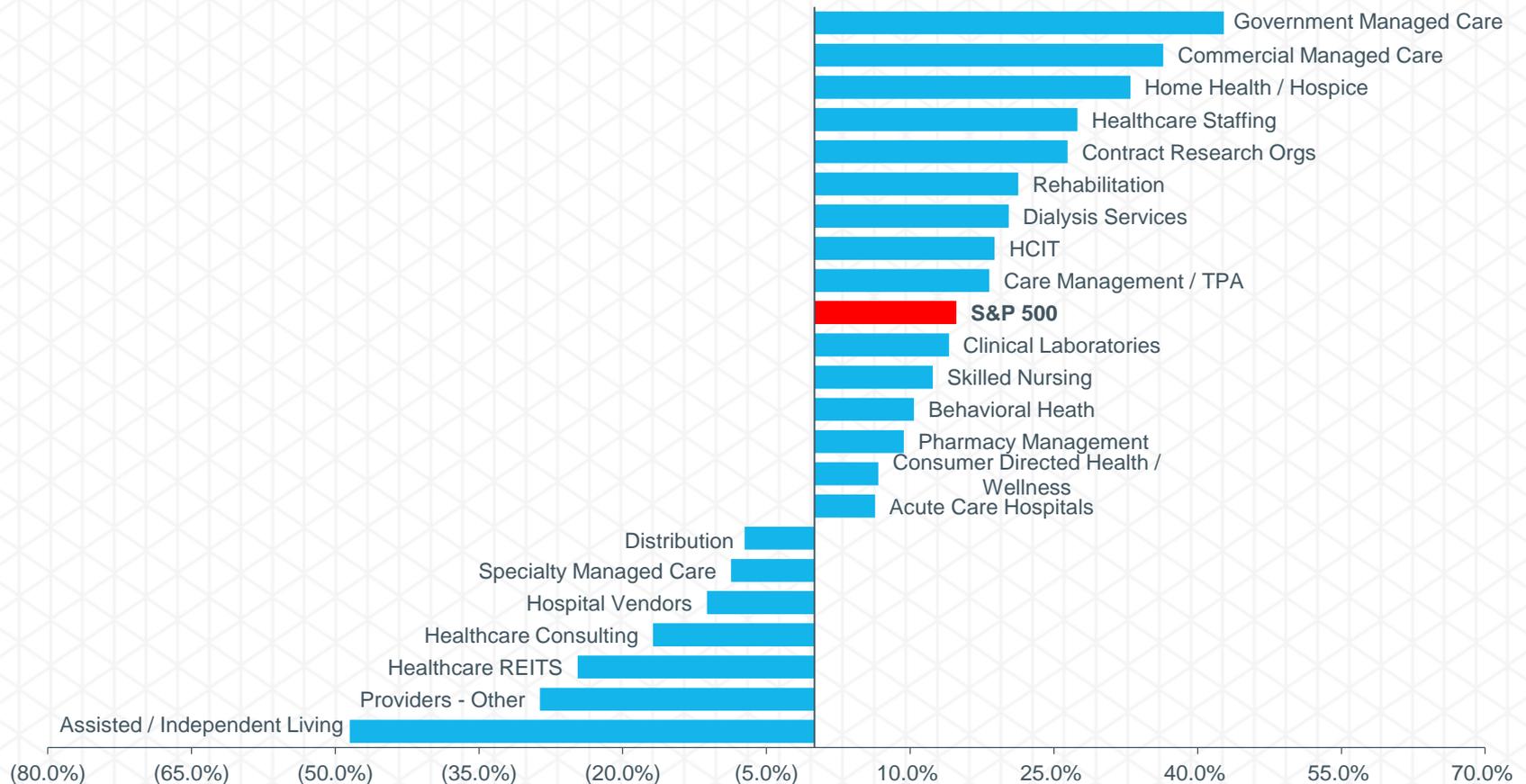
Average % - 1 Month Change



Source: S&P Global Market Intelligence as of February 28, 2018, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

Healthcare Services Sector Change

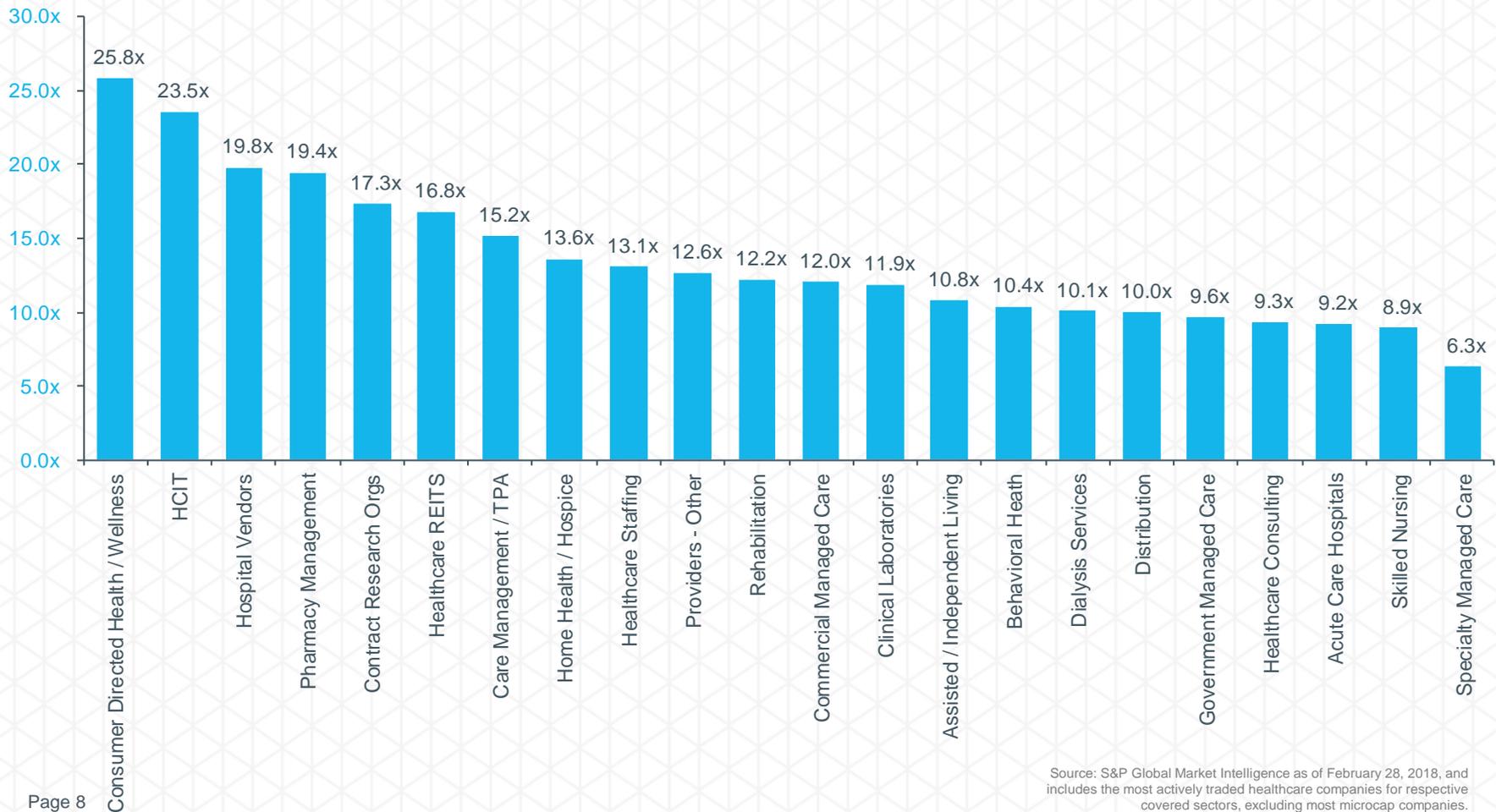
Average % - 12 Month Change



Source: S&P Global Market Intelligence as of February 28, 2018, 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 February 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
+1 651 393 4052
philip.smith@duffandphelps.com

Adam Stormoen

Managing Director
Minneapolis
+1 612 720 8136
adam.stormoen@duffandphelps.com

Jordan Lampos

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

About Duff & Phelps

Duff & Phelps is the global advisor that protects, restores and maximizes value for clients in the areas of valuation, corporate finance, disputes and investigations, compliance and regulatory matters, and other governance-related issues. Our clients include publicly traded and privately held companies, law firms, government entities and investment organizations such as private equity firms and hedge funds. We also advise the world's leading standard-setting bodies on valuation and governance best practices. The firm's nearly 2,500 professionals are located in over 70 offices in 20 countries around the world. For more information, visit www.duffandphelps.com.

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, capital raising and secondary market advisory services in the United Kingdom are provided by Duff & Phelps Securities Ltd. (DPSL), which is authorized and regulated by the Financial Conduct Authority. M&A advisory and capital raising services in Germany are provided by Duff & Phelps GmbH, which is a Tied Agent of DPSL. Valuation Advisory Services in India are provided by Duff & Phelps India Private Limited under a category 1 merchant banker license issued by the Securities and Exchange Board of India.