

INDUSTRY INSIGHTS:

# Healthcare Services Sector Update

January 2017



# Q Highlights

The **S&P Healthcare Services** Index increased 5.3% over the last month, outperforming the S&P 500, which increased 1.8% over the same period.

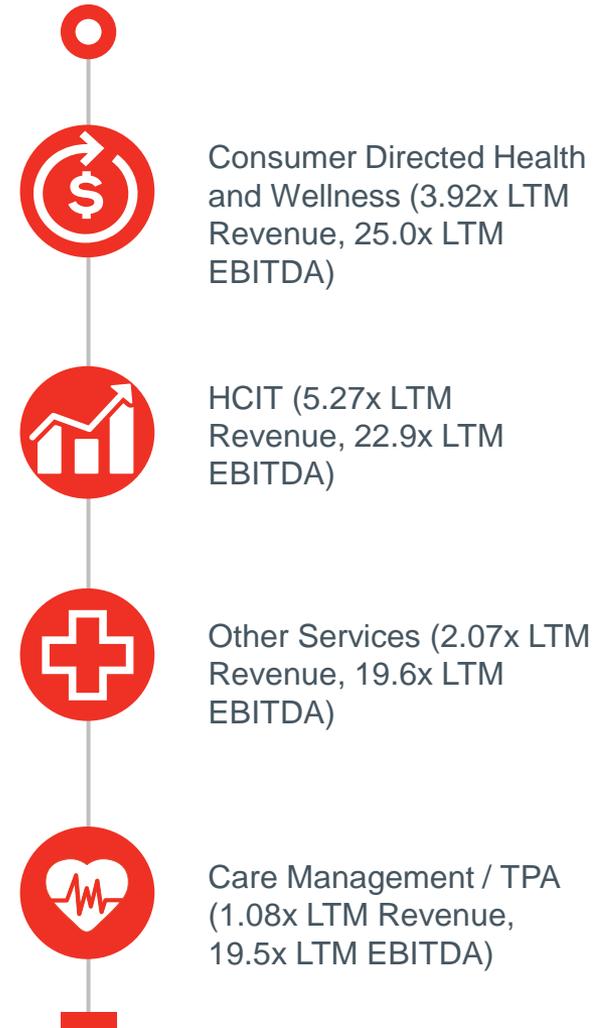
## Over the past month:

The best performing sectors were Assisted / Independent Living (up 17.5%), HCIT (up 10.8%) and Emergency Services (up 10.6%).

The poorest performing sectors were Skilled Nursing (down 6.3%), Diagnostic Imaging (down 4.3%) and Dialysis Services (down 3.4%).

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.34x and 13.2x, respectively.

## THE SECTORS WITH THE HIGHEST VALUATION MULTIPLES



# Healthcare Services Sector Update ..

Market Sector	# of	Ag. Equity	Average % Change		LTM Multiples		Earnings Ratio		PEG Ratio
	Co's	Mkt. Value	1 mo	12 mo	Rev	EBITDA	LTM	2016E	2016E
Acute Care Hospitals	5	\$45,863	8.1%	6.8%	1.14x	8.2x	15.6x	17.9x	2.1x
Assisted / Independent Living	3	3,426	17.5%	(7.4%)	1.79x	11.3x	NM	NM	NM
Care Management / TPA	5	5,157	(0.6%)	20.7%	1.08x	19.5x	23.7x	30.8x	2.1x
Clinical Laboratories	6	33,816	2.3%	27.7%	6.58x	12.0x	20.9x	24.7x	2.0x
Consumer Directed Health and Wellness	7	8,177	2.3%	41.8%	3.92x	25.0x	21.2x	53.3x	2.4x
Contract Research Orgs	7	38,821	5.0%	25.1%	3.05x	18.3x	27.8x	19.8x	1.5x
Diagnostic Imaging	3	399	(4.3%)	17.8%	1.85x	6.7x	39.7x	19.3x	1.5x
Dialysis Services	3	38,054	(3.4%)	(6.8%)	1.70x	8.7x	20.3x	18.9x	1.6x
Distribution / Supply	8	95,286	3.6%	(6.1%)	0.84x	11.5x	18.8x	17.6x	2.2x
Emergency Services	2	1,417	10.6%	(14.7%)	1.41x	8.6x	7.3x	9.7x	0.5x
HCIT	22	43,705	10.8%	(2.1%)	5.27x	22.9x	35.1x	32.3x	1.8x
Healthcare REITs	18	96,591	0.0%	6.5%	11.51x	16.7x	26.1x	40.3x	9.5x
Healthcare Staffing	4	13,429	3.3%	5.0%	1.73x	13.3x	19.3x	16.9x	1.2x
Home Care / Hospice	7	7,417	4.0%	19.0%	1.11x	13.3x	29.6x	24.1x	2.0x
Skilled Nursing	6	3,195	(6.3%)	13.1%	1.69x	10.7x	22.8x	12.0x	1.1x
Managed Care - Commercial	6	304,238	1.9%	28.8%	0.68x	12.2x	21.0x	17.0x	1.6x
Managed Care - Government	3	20,481	9.0%	30.4%	0.25x	5.9x	26.2x	20.6x	1.2x
Other Services	4	9,537	0.7%	(21.1%)	2.07x	19.6x	36.1x	27.3x	1.9x
Pharmacy Management	4	44,708	0.4%	(3.5%)	1.02x	16.6x	19.0x	15.8x	1.2x
Physician Practice Mgmt.	2	6,355	2.5%	(1.4%)	1.57x	12.7x	18.8x	16.9x	1.3x
Psychiatric Hospitals	3	5,288	10.3%	(15.2%)	0.94x	12.3x	26.2x	17.0x	0.8x
Specialty Managed Care	2	5,997	3.7%	16.9%	0.39x	6.2x	17.3x	22.2x	2.7x
Surgicenters / Rehabilitation	6	9,244	4.0%	21.6%	2.31x	12.1x	21.9x	26.1x	1.8x
<b>Total / Average (\$MM)</b>	<b>136</b>	<b>\$840,600</b>	<b>3.7%</b>	<b>8.8%</b>	<b>2.34x</b>	<b>13.2x</b>	<b>23.4x</b>	<b>22.8x</b>	<b>2.0x</b>

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Market Indices	Value at	% Change			
	01/31/2017	1 mo	YTD	12 mo	36 mo
S&P 500 Index	2,278.9	1.8%	1.8%	17.5%	27.8%
NASDAQ Composite Index	5,614.8	4.3%	4.3%	21.7%	36.8%
Russell 2000 Index	1,361.8	0.3%	0.3%	31.5%	20.4%
S&P Composite 1500 Healthcare Facilities (Sub Ind) Index	229.2	8.8%	8.8%	6.3%	16.7%
S&P Composite 1500 Healthcare Providers & Services (Industry)	674.2	2.9%	2.9%	13.9%	46.6%
S&P Composite 1500 Managed Healthcare (Sub Ind)	1,011.9	2.2%	2.2%	27.2%	99.7%
<b>S&amp;P Healthcare Services Select Industry Index</b>	<b>8,247.3</b>	<b>5.3%</b>	<b>5.3%</b>	<b>5.0%</b>	<b>23.5%</b>

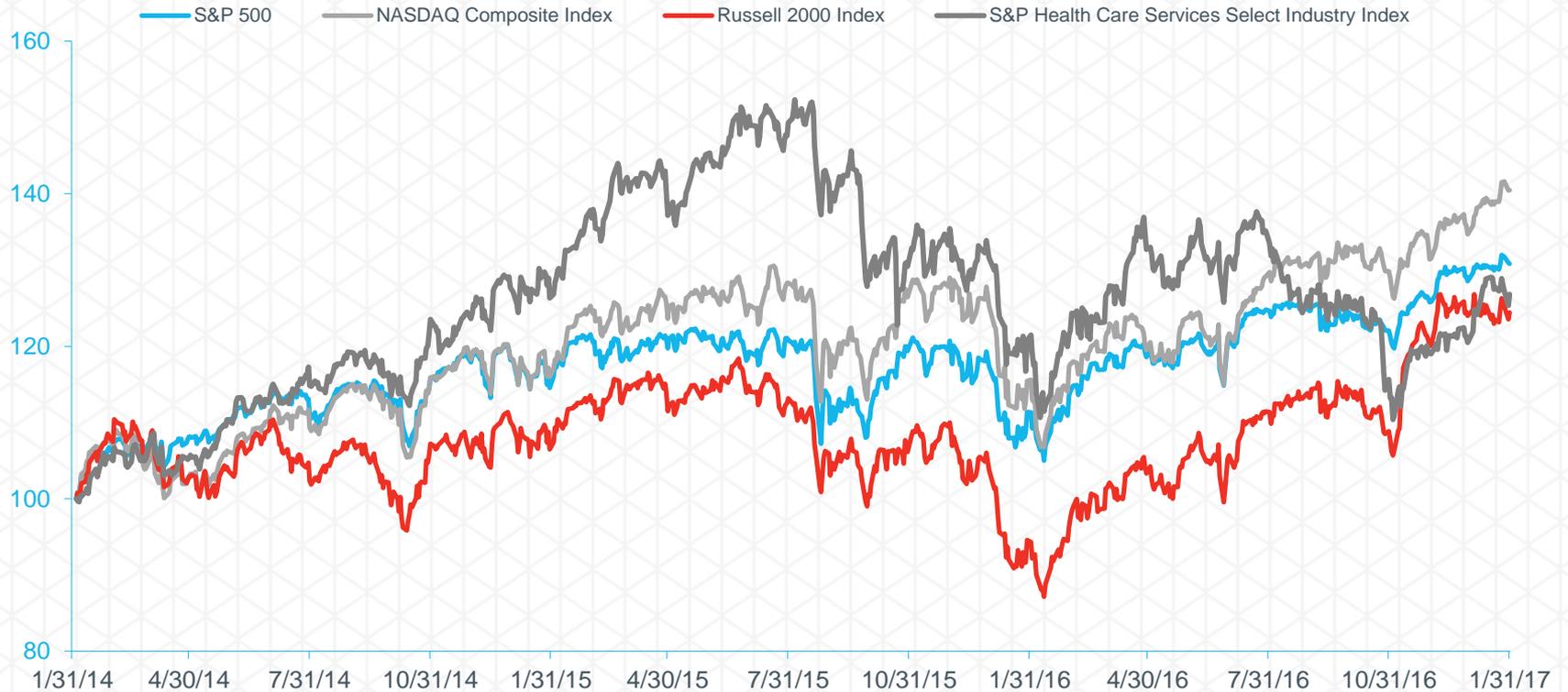
Interest rates	Value at	1 mo	3 mo	12 mo
	01/31/2017	ago	ago	ago
LIBOR - USD - 6 months	1.36%	1.32%	1.26%	0.86%
U.S. Treasury - 2 years	1.19%	1.20%	0.86%	0.76%
U.S. Treasury - 5 years	1.91%	1.91%	1.32%	1.34%
U.S. Treasury - 10 years	2.45%	2.43%	1.84%	1.93%
U.S. Treasury - 30 years	3.05%	3.05%	2.59%	2.59%
U.S. Prime Rate	3.75%	3.75%	3.50%	3.50%

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	29	\$690,571	21.3%	82.2%	3.4%	3.4%	9.6%	38.1%
\$1 billion - \$5 billion	48	125,196	35.3%	14.9%	4.7%	4.7%	9.3%	21.4%
\$250 million - \$1 billion	37	22,846	27.2%	2.7%	(1.9%)	(1.9%)	18.0%	24.9%
\$100 million - \$250 million	10	1,620	7.4%	0.2%	2.5%	2.5%	(1.6%)	(48.9%)
< \$100 million	12	367	8.8%	0.0%	7.3%	7.3%	3.0%	(25.7%)
<b>Total / Average (\$MM)</b>	<b>136</b>	<b>\$840,600</b>	<b>100.0%</b>	<b>100.0%</b>	<b>3.2%</b>	<b>3.2%</b>	<b>7.6%</b>	<b>2.0%</b>

Source: Capital IQ as January 31, 2017, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

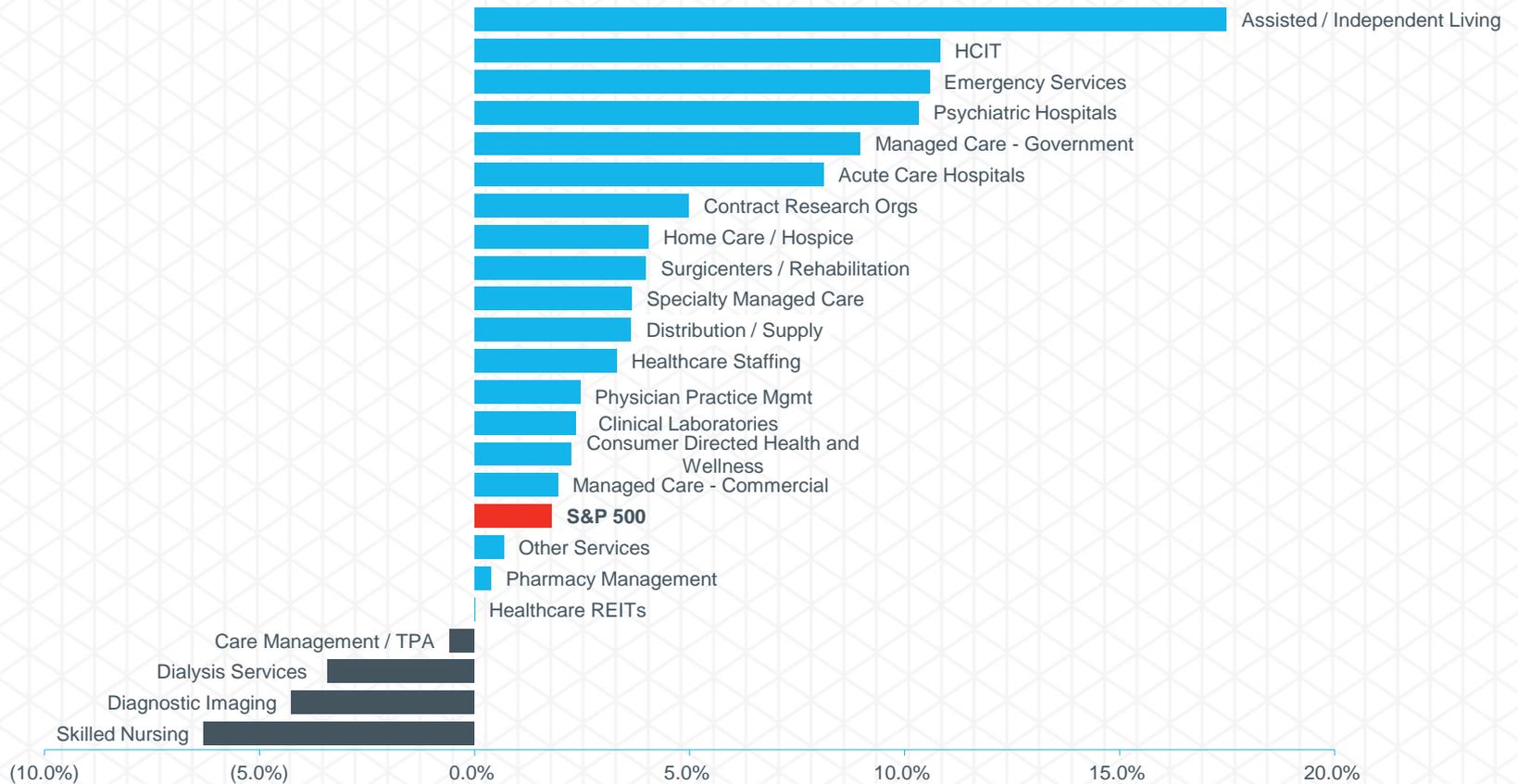
# Healthcare Services Sector Update .oo

Performance of Market Indices for Latest 36 Months



# Healthcare Services Sector Update

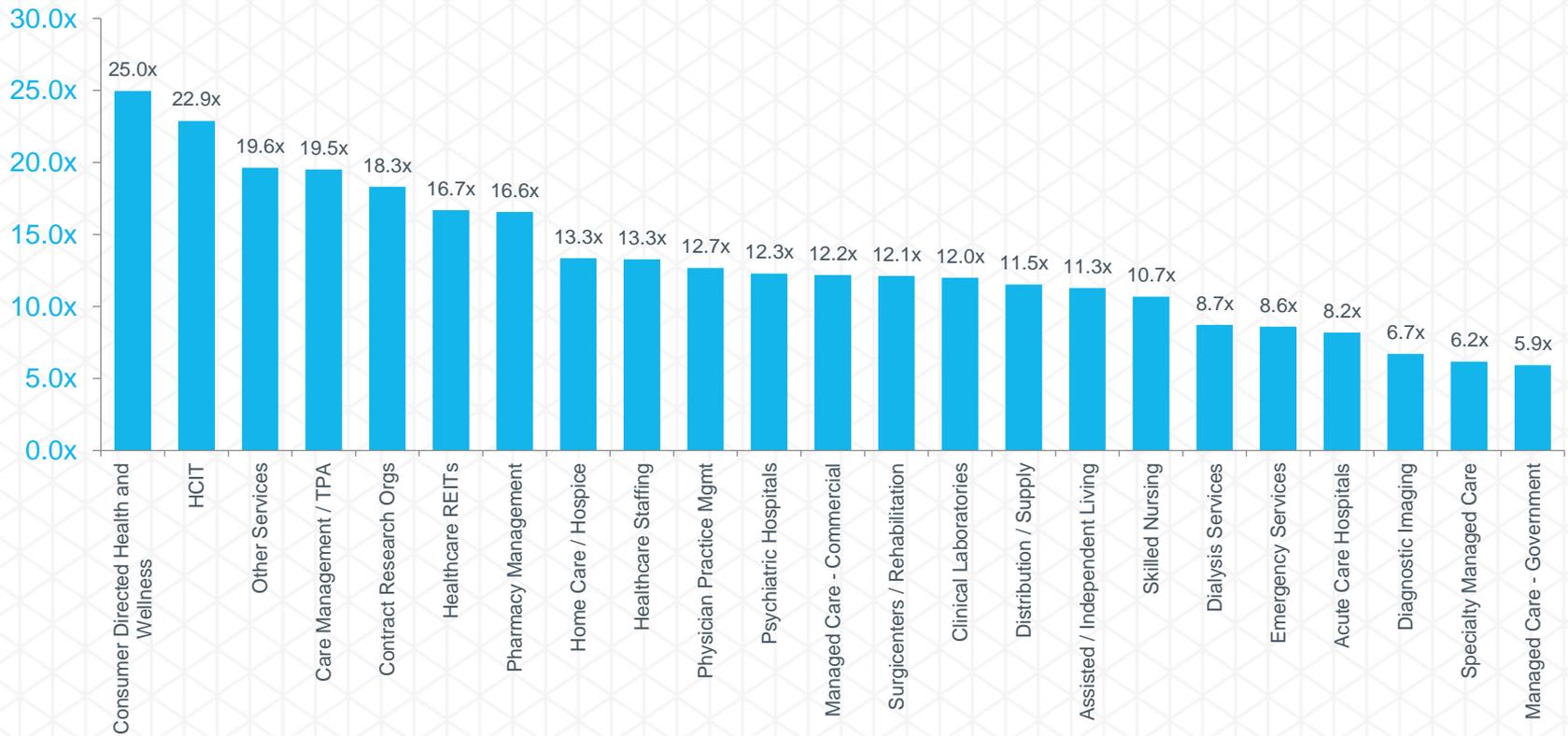
Average % - 1 Month



Source: Capital IQ as of January 31, 2017, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

# Healthcare Services Sector Update oo

Overview of Subsector EV/LTM EBITDA



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

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