

INDUSTRY INSIGHTS:

# Healthcare Services Sector Update

January 2018



# Q Highlights

The **S&P Healthcare Services Index** increased 8.2% over the last month, outperforming the S&P 500, which increased 5.6% over the same period.

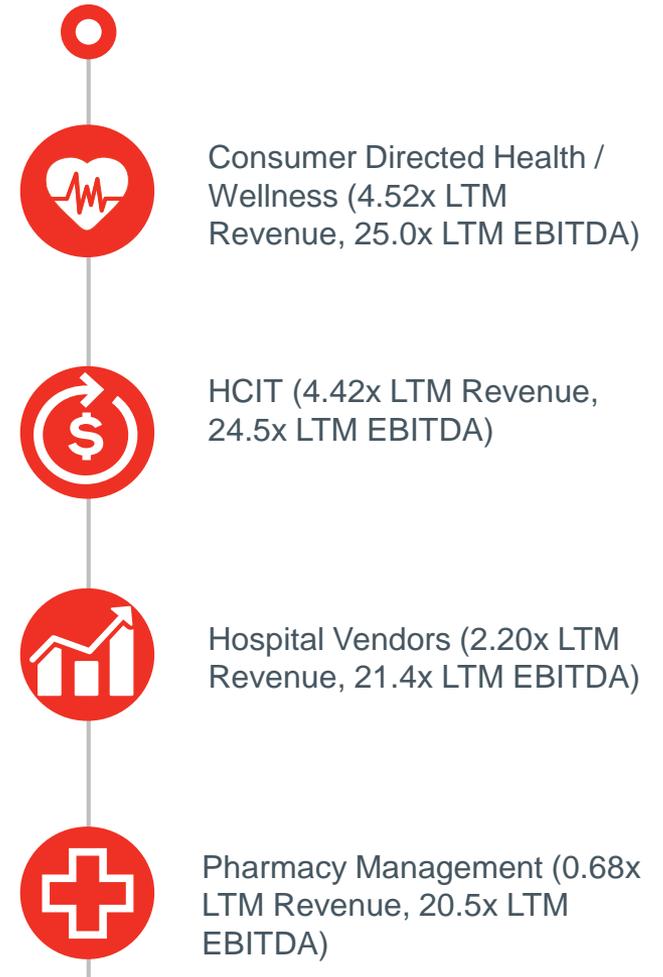
## Over the past month:

The best performing sectors were Acute Care Hospitals (up 13.3%), Distribution (up 10.2%), and Dialysis Services (up 9.3%).

The poorest performing sectors were Specialty Managed Care (down 9.1%), Healthcare REITS (down 6.4%) and Assisted / Independent Living (down 4.4%).

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.23x and 14.5x, 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 2018E
			1 mo	12 mo	Rev	EBITDA	LTM	2018E	
<b>Providers</b>									
Acute Care Hospitals	5	\$51,434	13.3%	19.2%	1.15x	8.5x	15.1x	14.1x	1.9x
Assisted / Independent Living	3	2,187	(4.4%)	(36.3%)	1.56x	11.5x	NM	NM	NM
Behavioral Health	3	5,601	3.7%	8.6%	1.01x	11.1x	21.8x	16.7x	NM
Dialysis Services	3	50,388	9.3%	36.3%	1.89x	10.4x	29.4x	23.1x	1.6x
Healthcare Staffing	2	3,074	9.1%	40.9%	1.07x	13.5x	22.4x	19.3x	(6.0x)
Home Health / Hospice	7	9,852	4.9%	37.5%	1.26x	14.9x	35.3x	23.8x	2.2x
Rehabilitation	5	9,437	4.1%	35.1%	1.93x	12.2x	30.3x	19.0x	3.8x
Skilled Nursing	4	2,274	3.7%	(3.5%)	0.70x	8.8x	22.0x	13.4x	0.9x
Providers - Other	4	10,435	3.2%	(27.7%)	2.05x	12.7x	31.5x	15.1x	1.2x
<b>Total / Average</b>	<b>36</b>	<b>\$144,683</b>	<b>9.2%</b>	<b>22.9%</b>	<b>1.40x</b>	<b>11.5x</b>	<b>26.0x</b>	<b>18.1x</b>	<b>0.8x</b>
<b>Payors / Managed Care</b>									
Commercial Managed Care	5	\$444,852	7.3%	49.0%	1.03x	12.7x	23.5x	18.5x	1.4x
Government Managed Care	3	33,326	7.9%	61.1%	0.31x	10.4x	24.3x	22.2x	1.0x
Specialty Managed Care	2	5,338	(9.1%)	(3.2%)	0.44x	7.1x	17.4x	11.8x	1.2x
<b>Total / Average</b>	<b>10</b>	<b>\$483,516</b>	<b>7.1%</b>	<b>49.2%</b>	<b>0.59x</b>	<b>10.1x</b>	<b>21.7x</b>	<b>17.5x</b>	<b>1.2x</b>
<b>Consumer Directed Health / Wellness</b>									
HCIT	21	\$53,889	3.3%	25.8%	4.42x	24.5x	37.0x	34.1x	1.9x
<b>Other Outsourced Services</b>									
Care Management / TPA	5	\$6,796	(3.4%)	30.4%	1.44x	15.8x	21.4x	20.4x	1.4x
Clinical Laboratories	6	40,884	8.1%	22.5%	3.15x	16.8x	22.0x	17.9x	2.1x
Contract Research Orgs	5	41,951	0.3%	28.2%	3.87x	19.5x	23.5x	18.7x	1.3x
Hospital Vendors	4	10,564	8.5%	13.4%	2.20x	21.4x	31.2x	28.1x	2.0x
Healthcare Consulting	2	1,795	2.6%	(14.3%)	1.43x	10.6x	21.8x	16.1x	1.2x
<b>Total / Average</b>	<b>22</b>	<b>\$101,990</b>	<b>4.0%</b>	<b>23.8%</b>	<b>2.42x</b>	<b>16.8x</b>	<b>24.0x</b>	<b>20.2x</b>	<b>1.6x</b>
<b>Product</b>									
Distribution	6	\$96,064	10.2%	8.4%	0.46x	10.9x	17.7x	14.1x	2.4x
Pharmacy Management	3	47,170	7.2%	19.0%	0.68x	20.5x	13.0x	17.8x	1.1x
<b>Total / Average</b>	<b>9</b>	<b>\$143,234</b>	<b>9.2%</b>	<b>11.9%</b>	<b>0.57x</b>	<b>15.7x</b>	<b>15.3x</b>	<b>15.9x</b>	<b>1.8x</b>
<b>Healthcare REITS</b>									
	16	\$90,980	(6.4%)	(10.1%)	12.38x	18.3x	24.0x	30.9x	7.1x
<b>Total / Average (\$MM)</b>	<b>120</b>	<b>\$1,027,801</b>	<b>3.9%</b>	<b>17.8%</b>	<b>2.23x</b>	<b>14.5x</b>	<b>23.9x</b>	<b>20.8x</b>	<b>1.6x</b>

Source: S&P Global Market Intelligence as of January 31, 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			
	1/31/2018	1 mo	YTD	12 mo	36 mo
S&P 500	2,823.8	5.6%	5.6%	23.9%	41.5%
NASDAQ Composite Index	7,411.5	7.4%	7.4%	32.0%	59.9%
Russell 2000 Index	1,575.0	2.6%	2.6%	15.7%	35.1%
S&P Composite 1500 Health Care Facilities (Sub Ind)	266.6	10.7%	10.7%	16.3%	14.1%
S&P Composite 1500 Health Care Providers & Services (Industry)	896.6	7.7%	7.7%	33.0%	50.9%
S&P Composite 1500 Managed Health Care (Sub Ind)	1,509.1	7.2%	7.2%	49.1%	107.4%
<b>S&amp;P Health Care Services Select Industry Index</b>	<b>9,906.5</b>	<b>8.2%</b>	<b>8.2%</b>	<b>20.1%</b>	<b>20.6%</b>

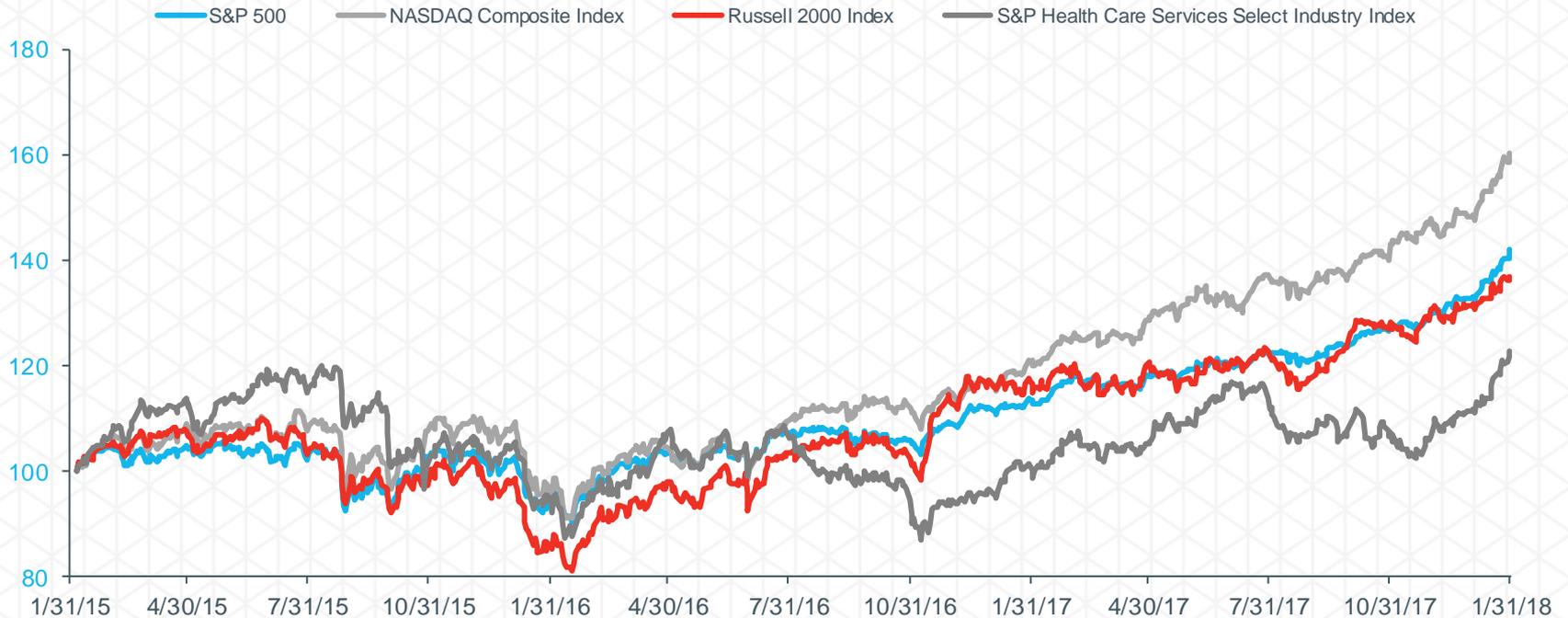
Interest Rates	Value at 1/31/2018	1 mo ago	3 mo ago	12 mo ago
LIBOR - USD - 6 months	1.97%	1.84%	1.58%	1.35%
U.S. Treasury - 2 years	2.14%	1.89%	1.60%	1.19%
U.S. Treasury - 5 years	2.53%	2.19%	2.01%	1.91%
U.S. Treasury - 10 years	2.72%	2.41%	2.38%	2.45%
U.S. Treasury - 30 years	2.94%	2.74%	2.88%	3.05%
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	32	\$888,582	26.7%	86.5%	5.2%	5.2%	23.4%	41.5%
\$1 billion - \$5 billion	42	115,386	35.0%	11.2%	1.6%	1.6%	8.5%	23.7%
\$250 million - \$1 billion	36	23,019	30.0%	2.2%	2.7%	2.7%	20.7%	18.0%
\$100 million - \$250 million	2	325	1.7%	0.0%	(1.6%)	(1.6%)	9.3%	(15.6%)
< \$100 million	8	490	6.7%	0.0%	4.0%	4.0%	(23.1%)	(22.0%)
<b>Total / Average (\$MM)</b>	<b>120</b>	<b>\$1,027,801</b>	<b>100.0%</b>	<b>100.0%</b>	<b>2.4%</b>	<b>2.4%</b>	<b>7.8%</b>	<b>9.1%</b>

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

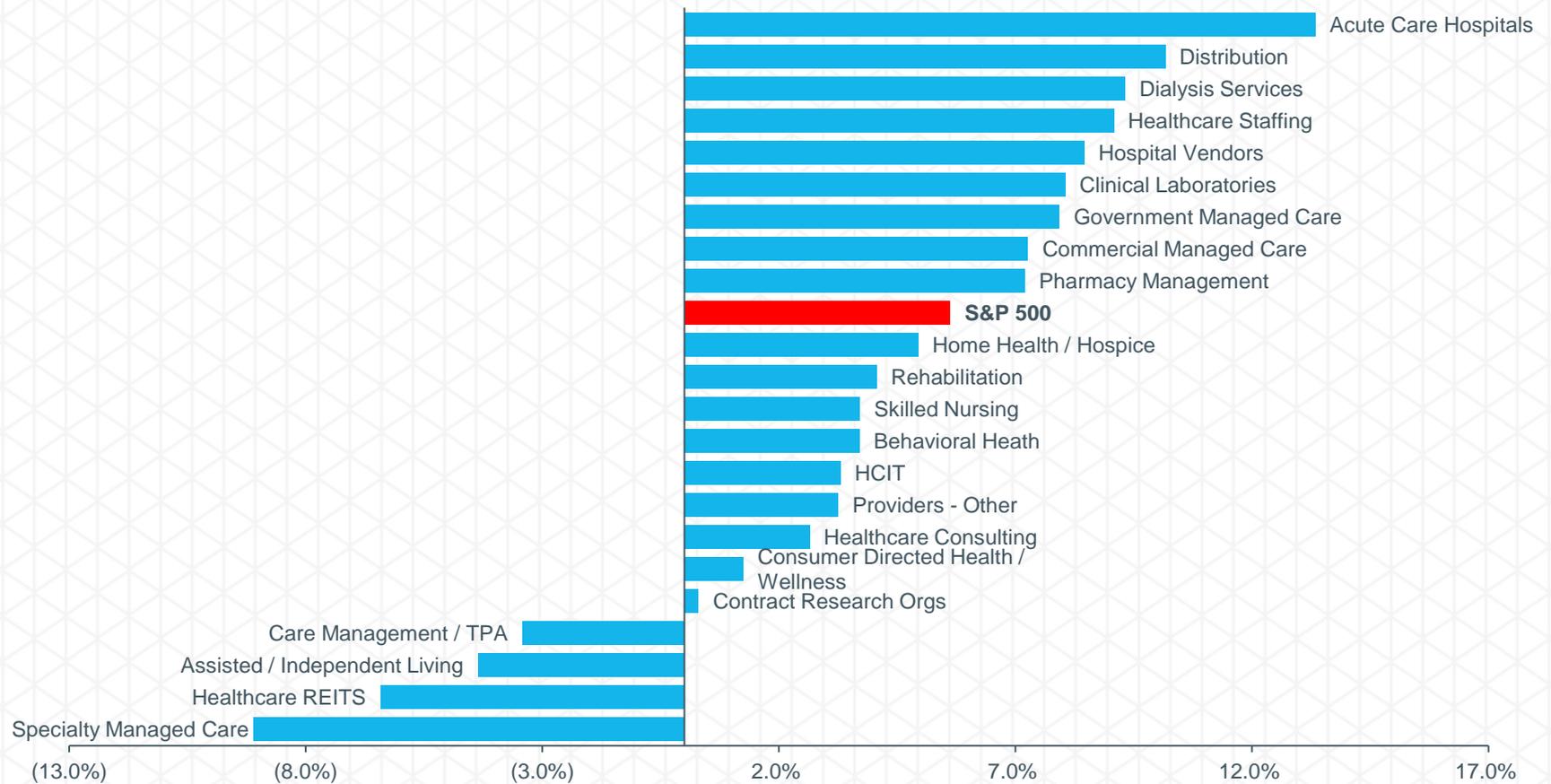
# Healthcare Services Market Performance

Performance of Market Indices for Latest 36 Months



# Healthcare Services Sector Change

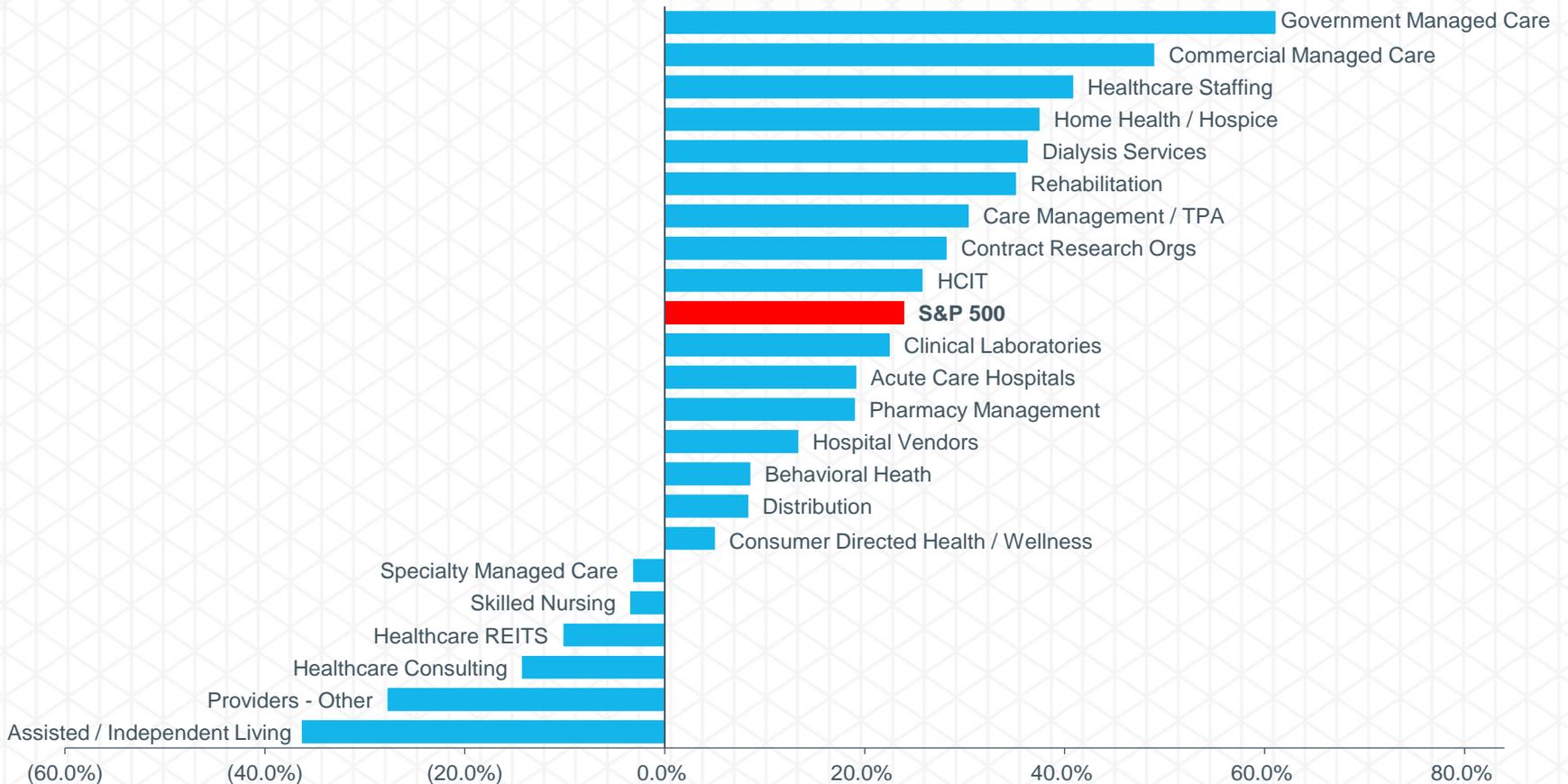
Average % - 1 Month Change



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

# Healthcare Services Sector Change

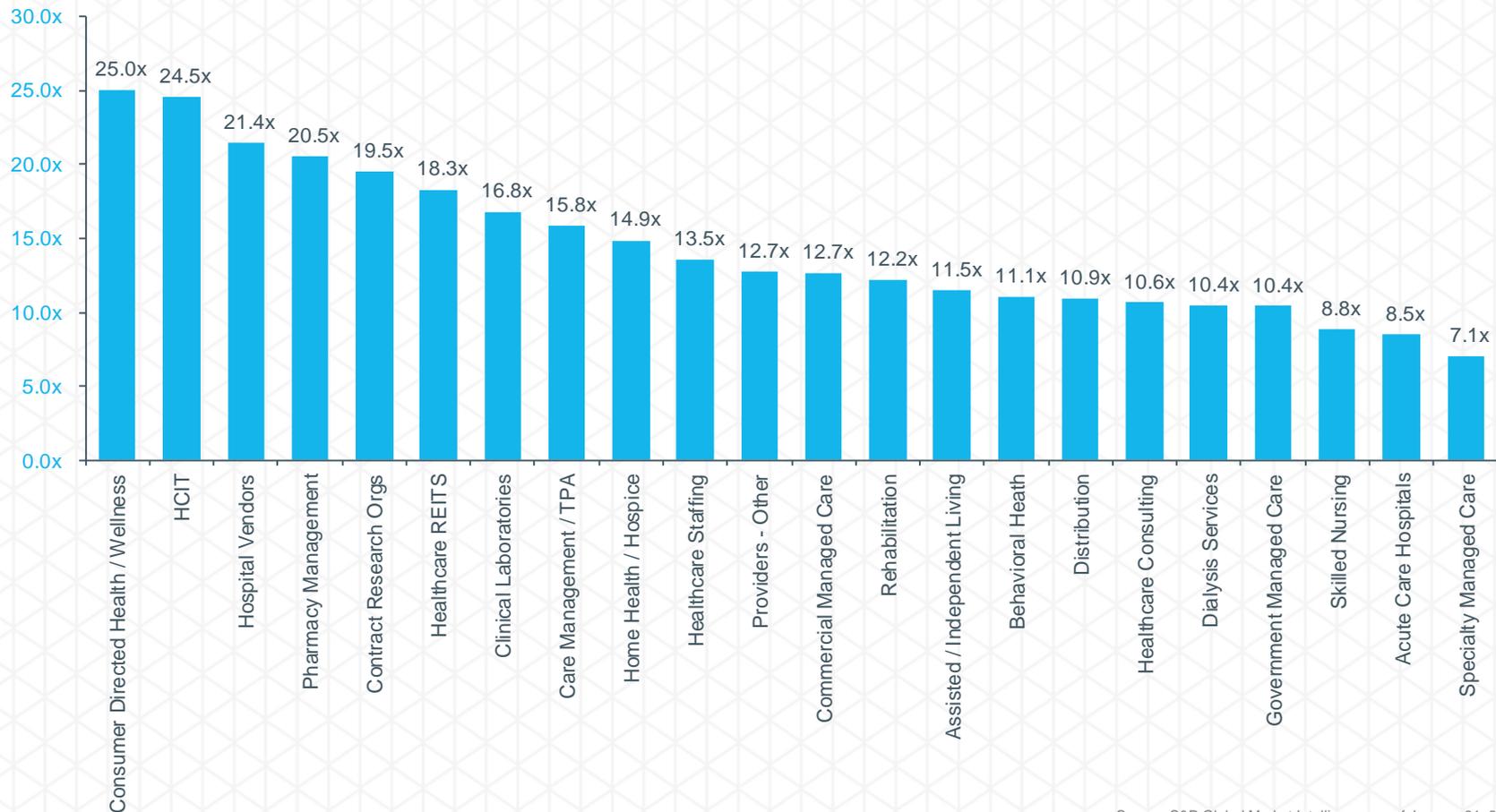
Average % - 12 Month Change



Source: S&P Global Market Intelligence as of January 31, 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 January trading multiples for individual healthcare services companies, please contact one of our professionals below.

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