

INDUSTRY INSIGHTS

Healthcare Services Sector Update

Healthcare Services

July 2019



Q Highlights

The **S&P Healthcare Services Index** increased 2.5% over the last month, as compared to S&P 500, which increased 1.3% over the same period.

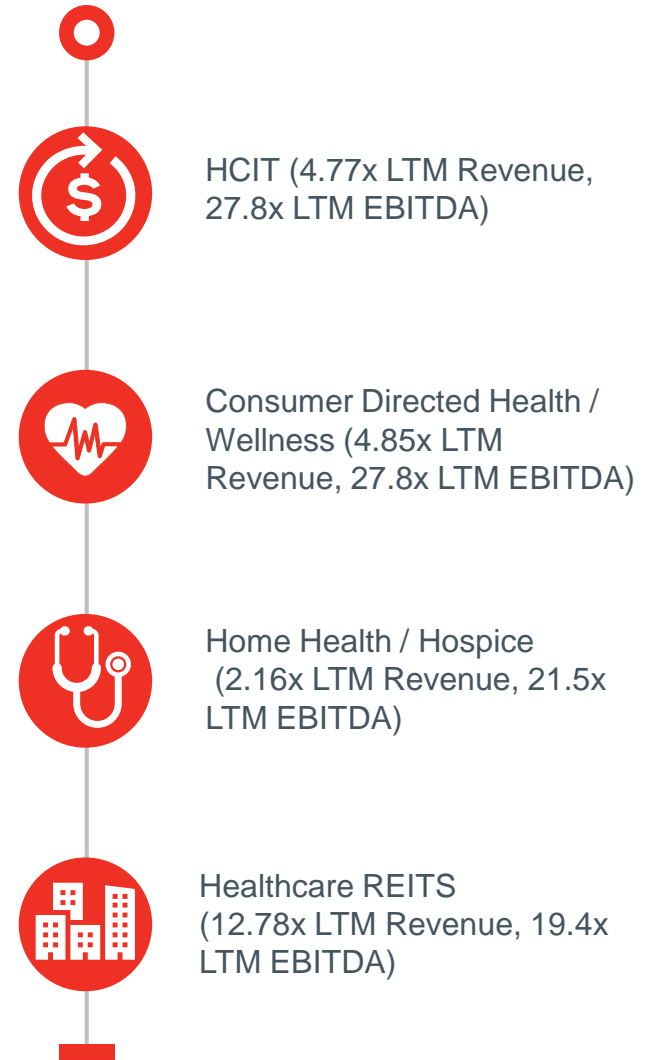
Over the past month:

The sectors experiencing the most growth were Healthcare Consulting (up 14.3%), Consumer Directed Health / Wellness (up 12.0%) and Home Health / Hospice (up 10.2%).

The sectors experiencing most decline were Hospital Vendors (down 8.8%), Behavioral Health (7.2%) and Dialysis Services (3.2%).

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.48x and 15.7x, respectively.

THE SECTORS WITH THE HIGHEST VALUATION MULTIPLES



Healthcare Services Sector Update Performance

Market Sector	# of Co's	Ag. Equity Mkt. Value	Average % Change		LTM Multiples		Earnings Ratio		PEG Ratio
			1 mo	12 mo	Rev	EBITDA	LTM	2019E	2019E
Providers									
Acute Care Hospitals	4	\$61,964	3.0%	9.1%	1.38x	9.3x	15.1x	12.5x	1.1x
Assisted / Independent Living	3	1,636	7.8%	(22.2%)	2.17x	19.1x	NM	NM	NM
Behavioral Health	3	4,569	(7.2%)	(13.6%)	0.87x	14.5x	NM	21.2x	1.7x
Dialysis Services	3	31,217	(3.2%)	(21.1%)	1.79x	9.0x	18.3x	15.1x	0.7x
Healthcare Staffing	2	2,838	(1.3%)	(12.7%)	0.98x	17.7x	19.4x	18.0x	1.2x
Home Health / Hospice	5	16,640	10.2%	35.3%	2.16x	21.5x	35.3x	30.8x	2.3x
Rehabilitation	4	10,480	2.5%	(6.9%)	3.85x	11.3x	18.1x	25.6x	2.0x
Skilled Nursing	4	4,711	6.1%	51.2%	1.32x	15.9x	25.2x	26.6x	1.8x
Providers - Other	3	3,209	(0.9%)	(31.3%)	1.83x	12.4x	14.6x	20.9x	2.1x
Total / Average	31	\$137,263	1.9%	(1.4%)	1.82x	14.5x	20.9x	21.3x	1.6x
Payors / Managed Care									
Commercial Managed Care	4	\$416,560	4.3%	0.7%	0.94x	12.4x	17.4x	14.8x	1.1x
Government Managed Care	3	44,311	(1.4%)	(2.2%)	0.45x	8.9x	18.6x	14.6x	1.0x
Specialty Managed Care	2	7,545	6.5%	0.3%	0.61x	12.9x	23.9x	12.2x	1.1x
Total / Average	9	\$468,417	3.8%	0.4%	0.67x	11.4x	20.0x	13.9x	1.1x
Consumer Directed Health / Wellness	6	\$10,813	12.0%	(5.0%)	4.85x	27.8x	9.3x	35.5x	2.6x
HCIT	24	\$62,442	(0.5%)	15.9%	4.77x	27.8x	35.3x	33.1x	2.4x
Other Outsourced Services									
Care Management / TPA	5	\$9,512	5.4%	97.0%	1.77x	17.5x	21.5x	16.9x	1.6x
Clinical Laboratories	6	41,971	0.5%	10.5%	4.56x	11.7x	19.8x	18.0x	2.6x
Contract Research Orgs	5	58,045	(0.9%)	18.9%	3.02x	17.7x	32.1x	20.9x	1.7x
Hospital Vendors	4	6,033	(8.8%)	(35.6%)	1.62x	17.9x	20.6x	17.4x	1.7x
Healthcare Consulting	2	2,283	14.3%	28.0%	1.68x	15.4x	NM	25.3x	1.8x
Total / Average	22	\$117,845	0.0%	19.6%	2.53x	16.0x	23.5x	19.7x	1.9x
Product									
Distribution	6	\$69,785	0.2%	1.0%	0.33x	9.1x	26.5x	11.7x	1.3x
Pharmacy Management	2	764	(2.8%)	(35.7%)	0.78x	15.8x	NM	13.7x	0.5x
Total / Average	8	\$70,549	(1.3%)	(17.3%)	0.55x	12.5x	26.5x	12.7x	0.9x
Healthcare REITS	16	\$118,325	0.4%	20.4%	12.78x	19.4x	24.3x	45.5x	NM
Total / Average (\$MM)	116	\$985,653	2.1%	4.6%	2.48x	15.7x	22.0x	21.5x	1.6x

Healthcare Services Sector Update Performance

Market Indices	Value at 7/31/2019	% Change			
		1 mo	YTD	12 mo	36 mo
S&P 500	2,980.4	1.3%	18.9%	5.8%	37.1%
NASDAQ Composite Index	8,175.4	2.1%	23.2%	6.6%	58.4%
Russell 2000 Index	1,574.6	0.5%	16.8%	(5.8%)	29.1%
S&P Composite 1500 Health Care Facilities (Sub Ind)	339.7	2.4%	13.8%	4.3%	43.8%
S&P Composite 1500 Health Care Providers & Services (Industry)	901.2	3.0%	2.3%	(0.8%)	35.4%
S&P Composite 1500 Managed Health Care (Sub Ind)	1,602.3	3.2%	3.2%	1.3%	77.2%
S&P Health Care Services Select Industry Index	10,192.0	2.5%	8.7%	(4.7%)	16.0%

Interest Rates	Value at 7/31/2019	1 mo ago	3 mo ago	12 mo ago
LIBOR - USD - 6 months	2.21%	2.20%	2.62%	2.53%
U.S. Treasury - 2 years	1.89%	1.75%	2.27%	2.66%
U.S. Treasury - 5 years	1.84%	1.76%	2.28%	2.85%
U.S. Treasury - 10 years	2.02%	2.00%	2.51%	2.98%
U.S. Treasury - 30 years	2.53%	2.53%	2.94%	3.11%
U.S. Prime Rate	5.50%	5.50%	5.50%	5.00%

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	35	\$865,344	30.2%	87.8%	1.9%	16.4%	6.6%	44.1%
\$1 billion - \$5 billion	44	106,304	37.9%	10.8%	2.1%	25.1%	21.3%	82.4%
\$250 million - \$1 billion	21	12,288	18.1%	1.2%	0.6%	1.8%	(11.9%)	33.2%
\$100 million - \$250 million	8	1,431	6.9%	0.1%	(10.9%)	2.8%	(21.1%)	(1.9%)
< \$100 million	8	285	6.9%	0.0%	(0.3%)	8.4%	(40.9%)	(47.1%)
Total / Average (\$MM)	116	\$985,653	100.0%	100.0%	(1.3%)	10.9%	(9.2%)	22.1%

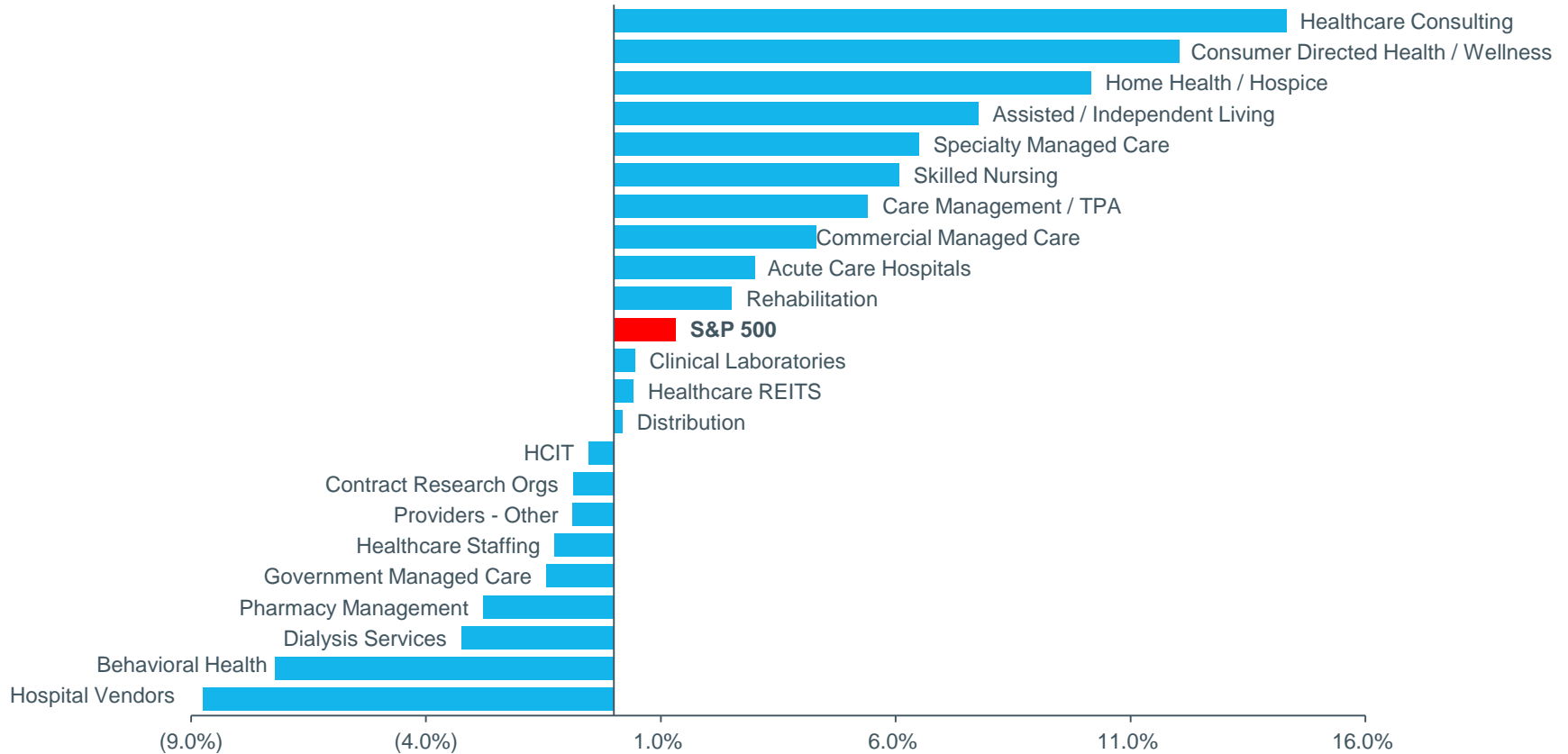
Healthcare Services Market Performance

Performance of Market Indices for Latest 36 Months



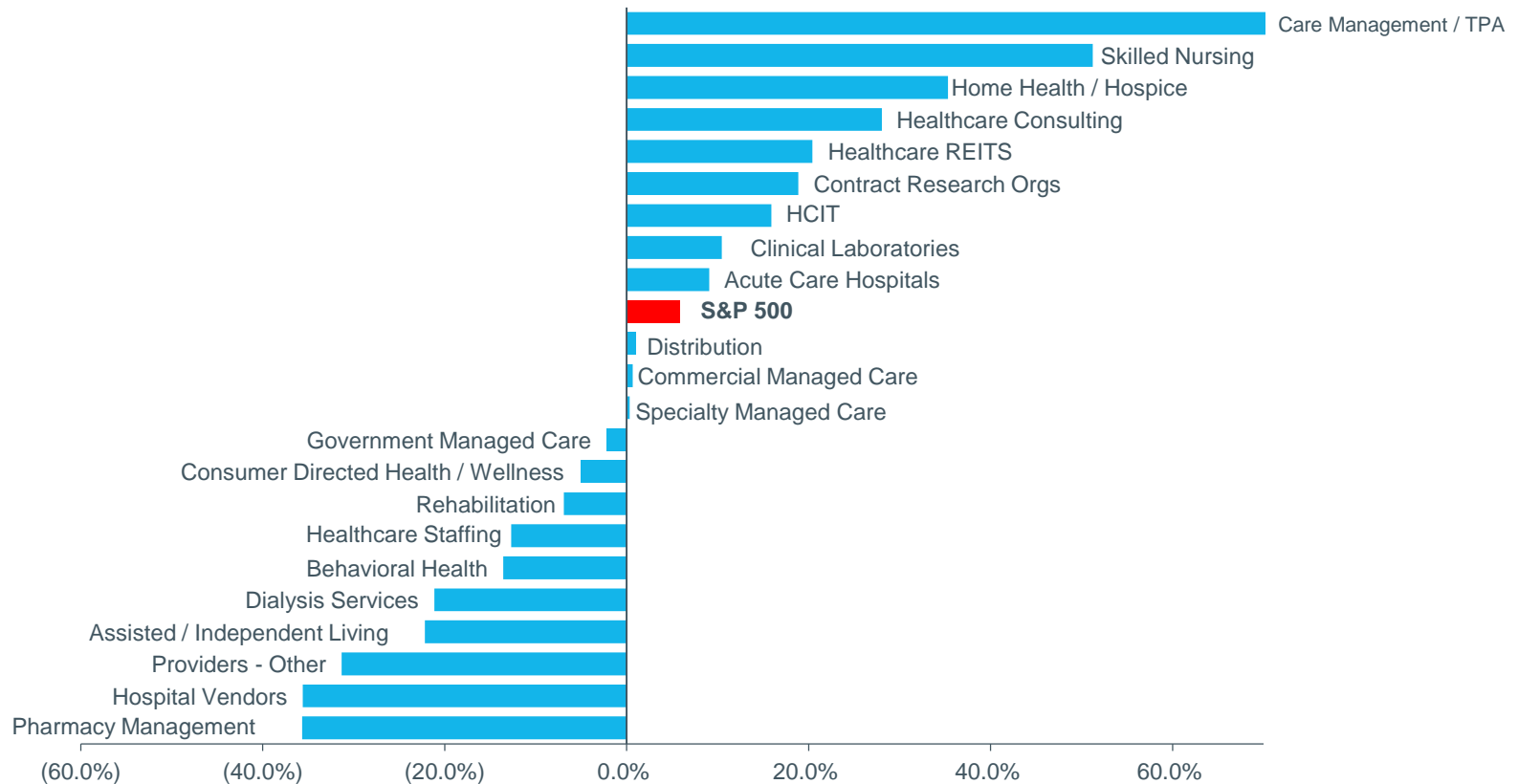
Healthcare Services Sector Change ● 0

Average % - 1 Month Change



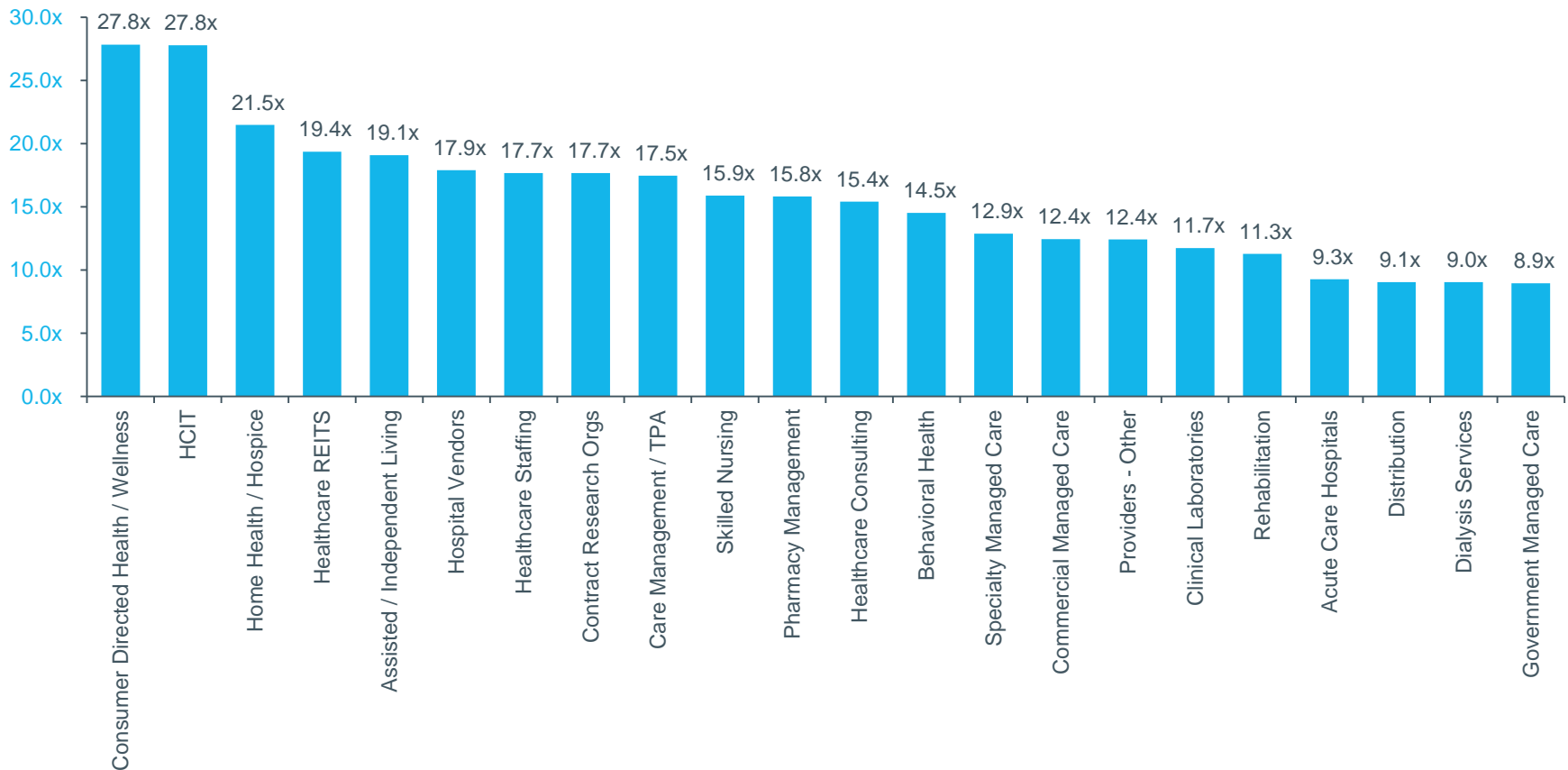
Healthcare Services Sector Change

Average % - 12 Month Change



Healthcare Services Multiples

Overview of Subsector EV/LTM EBITDA



For the detailed July 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

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

Priyanka Sharma

Director
New York
+1 212 871 2542
priyanka.sharma@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, investigations, disputes, cyber security, compliance and regulatory matters, and other governance-related issues. We work with clients across diverse sectors, mitigating risk to assets, operations and people. With Kroll, a division of Duff & Phelps since 2018, our firm has nearly 3,500 professionals in 28 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.