

INDUSTRY INSIGHTS

# Healthcare Services Sector Update

June 2018

Healthcare Services

# Q Highlights

The **S&P Healthcare Services** Index increased 2.8% over the last month, outperforming the S&P 500, which increased 0.5% over the same period.

## Over the past month:

The best performing sectors were Assisted / Independent Living (up 10.8%), Specialty Managed Care (up 8.1%) and Hospital Vendors (up 7.1%).

The poorest performing sectors were Healthcare Consulting (down 5.9%), Acute Care Hospitals (down 3.6%) and Distribution (down 3.4%).

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.29x and 14.9x, 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	
<b>Providers</b>									
Acute Care Hospitals	5	\$52,052	(3.6%)	13.8%	1.15x	10.0x	13.9x	14.1x	1.9x
Assisted / Independent Living	3	2,113	10.8%	(35.5%)	1.53x	16.7x	NM	NM	NM
Behavioral Health	3	6,162	1.1%	3.2%	1.12x	12.0x	19.7x	14.3x	1.3x
Dialysis Services	3	43,471	(0.3%)	5.1%	1.88x	9.5x	20.0x	19.7x	0.7x
Healthcare Staffing	2	3,214	2.2%	42.0%	1.04x	11.9x	15.0x	22.3x	1.5x
Home Health / Hospice	6	13,127	4.6%	42.7%	1.77x	16.9x	37.4x	29.6x	2.2x
Rehabilitation	4	10,453	1.9%	37.9%	2.78x	14.7x	18.1x	25.5x	2.1x
Skilled Nursing	4	3,211	0.3%	39.5%	0.81x	10.4x	28.7x	19.3x	1.3x
Providers - Other	4	10,818	(1.4%)	(21.3%)	1.83x	12.5x	16.2x	20.7x	0.8x
<b>Total / Average</b>	<b>34</b>	<b>\$144,620</b>	<b>(0.7%)</b>	<b>12.9%</b>	<b>1.55x</b>	<b>12.7x</b>	<b>21.1x</b>	<b>20.7x</b>	<b>1.5x</b>
<b>Payors / Managed Care</b>									
Commercial Managed Care	5	\$438,857	0.8%	26.2%	0.97x	11.4x	18.9x	17.2x	1.3x
Government Managed Care	3	42,342	6.1%	48.0%	0.39x	11.3x	24.2x	20.8x	1.0x
Specialty Managed Care	2	7,441	8.1%	15.9%	0.60x	8.8x	13.3x	17.2x	2.1x
<b>Total / Average</b>	<b>10</b>	<b>\$488,640</b>	<b>1.3%</b>	<b>28.0%</b>	<b>0.65x</b>	<b>10.5x</b>	<b>18.8x</b>	<b>18.4x</b>	<b>1.4x</b>
<b>Consumer Directed Health / Wellness</b>	<b>6</b>	<b>\$11,266</b>	<b>3.3%</b>	<b>17.6%</b>	<b>5.35x</b>	<b>28.0x</b>	<b>32.6x</b>	<b>37.4x</b>	<b>1.8x</b>
<b>HCIT</b>	<b>21</b>	<b>\$56,893</b>	<b>5.2%</b>	<b>15.0%</b>	<b>4.61x</b>	<b>26.6x</b>	<b>32.8x</b>	<b>35.0x</b>	<b>2.4x</b>
<b>Other Outsourced Services</b>									
Care Management / TPA	5	\$6,616	1.6%	6.0%	1.51x	16.2x	21.4x	21.8x	2.4x
Clinical Laboratories	6	41,677	(0.1%)	6.0%	2.99x	12.1x	18.8x	17.8x	2.0x
Contract Research Orgs	5	43,505	2.8%	13.7%	3.36x	17.8x	28.2x	20.0x	1.4x
Hospital Vendors	4	8,846	7.1%	(12.1%)	1.83x	19.8x	28.2x	35.9x	1.5x
Healthcare Consulting	2	1,879	(5.9%)	3.9%	1.47x	11.7x	14.0x	17.9x	1.3x
<b>Total / Average</b>	<b>22</b>	<b>\$102,523</b>	<b>1.8%</b>	<b>7.7%</b>	<b>2.23x</b>	<b>15.5x</b>	<b>22.1x</b>	<b>22.7x</b>	<b>1.7x</b>
<b>Product</b>									
Distribution	6	\$75,147	(3.4%)	(21.9%)	0.38x	9.5x	17.2x	12.4x	2.1x
Pharmacy Management	3	45,638	1.5%	23.0%	0.76x	19.8x	9.6x	18.1x	1.3x
<b>Total / Average</b>	<b>9</b>	<b>\$120,785</b>	<b>(1.5%)</b>	<b>(5.0%)</b>	<b>0.57x</b>	<b>14.6x</b>	<b>13.4x</b>	<b>15.2x</b>	<b>1.7x</b>
<b>Healthcare REITS</b>	<b>16</b>	<b>\$95,315</b>	<b>5.3%</b>	<b>(14.0%)</b>	<b>11.84x</b>	<b>18.0x</b>	<b>24.3x</b>	<b>35.9x</b>	<b>4.6x</b>
<b>Total / Average (\$MM)</b>	<b>118</b>	<b>\$1,020,043</b>	<b>2.3%</b>	<b>13.1%</b>	<b>2.29x</b>	<b>14.9x</b>	<b>21.8x</b>	<b>22.6x</b>	<b>1.8x</b>

# Healthcare Services Sector Update ..

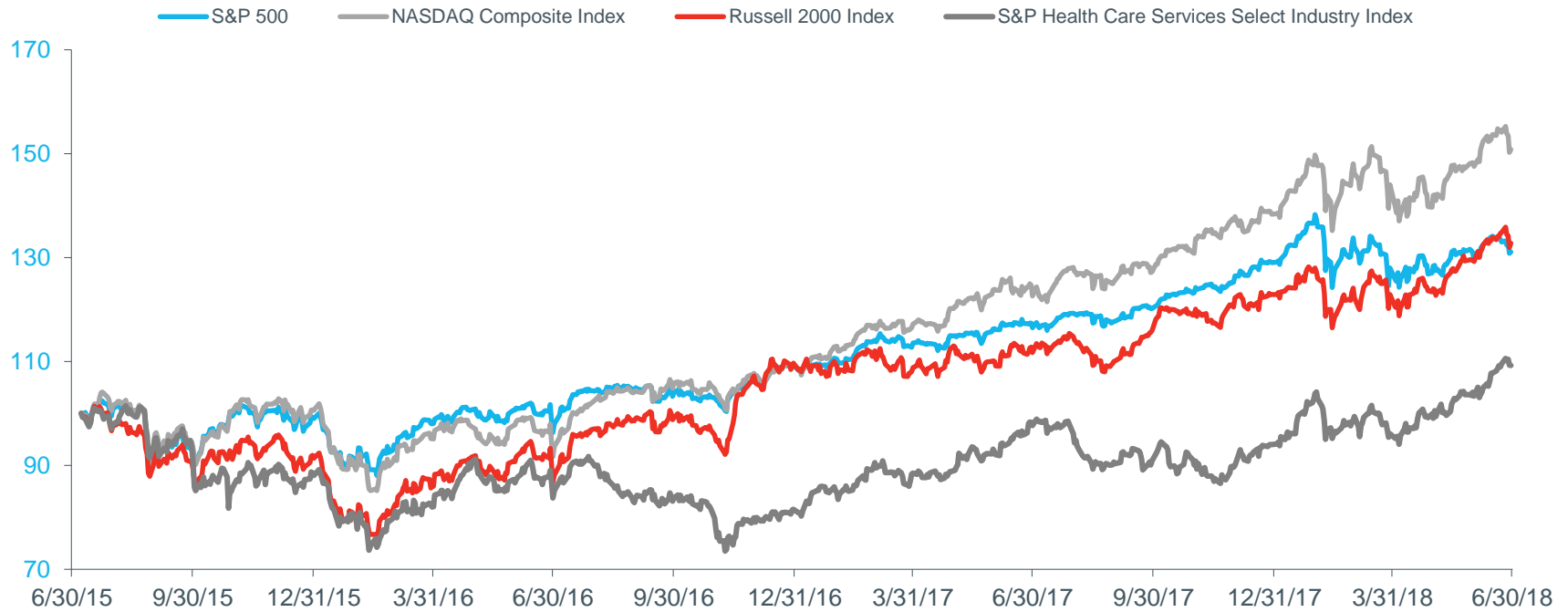
Market Indices	Value at	% Change			
	6/30/2018	1 mo	YTD	12 mo	36 mo
S&P 500	2,718.4	0.5%	1.7%	12.2%	31.8%
NA SDAQ Composite Index	7,510.3	0.9%	8.8%	22.3%	50.6%
Russell 2000 Index	1,643.1	0.6%	7.0%	16.1%	31.0%
S&P Composite 1500 Health Care Facilities (Sub Ind)	282.3	(0.8%)	17.2%	11.7%	(5.9%)
S&P Composite 1500 Health Care Providers & Services (Industry)	876.2	2.0%	5.3%	14.5%	24.9%
S&P Composite 1500 Managed Health Care (Sub Ind)	1,520.0	3.1%	8.0%	27.2%	65.8%
<b>S&amp;P Health Care Services Select Industry Index</b>	<b>10,342.7</b>	<b>2.8%</b>	<b>12.9%</b>	<b>7.6%</b>	<b>6.6%</b>

Interest Rates	Value at	1 mo	3 mo	12 mo
	6/30/2018	ago	ago	ago
LIBOR - USD - 6 months	2.50%	2.47%	2.45%	1.45%
U.S. Treasury - 2 years	2.52%	2.40%	2.27%	1.38%
U.S. Treasury - 5 years	2.72%	2.66%	2.56%	1.89%
U.S. Treasury - 10 years	2.85%	2.82%	2.74%	2.30%
U.S. Treasury - 30 years	2.98%	2.99%	2.97%	2.84%
U.S. Prime Rate	5.00%	4.75%	4.75%	4.25%

Capitalization Profile	No. of Co's	Ag. Equity Mkt. Value	% Total No. of Co's	% Ag. Equity Mkt. Value	Average Stock Performance			
					1 mo	YTD	12 mo	36 mo
> \$5 billion	37	\$893,672	31.4%	87.6%	2.0%	5.9%	7.6%	28.0%
\$1 billion - \$5 billion	45	109,778	38.1%	10.8%	4.3%	17.8%	14.0%	16.9%
\$250 million - \$1 billion	25	15,430	21.2%	1.5%	2.0%	12.8%	13.5%	30.0%
\$100 million - \$250 million	5	867	4.2%	0.1%	(1.7%)	44.9%	23.5%	(33.4%)
< \$100 million	6	296	5.1%	0.0%	1.9%	(9.7%)	(12.1%)	(40.8%)
<b>Total / Average (\$MM)</b>	<b>118</b>	<b>\$1,020,043</b>	<b>100.0%</b>	<b>100.0%</b>	<b>1.7%</b>	<b>14.3%</b>	<b>9.3%</b>	<b>0.1%</b>

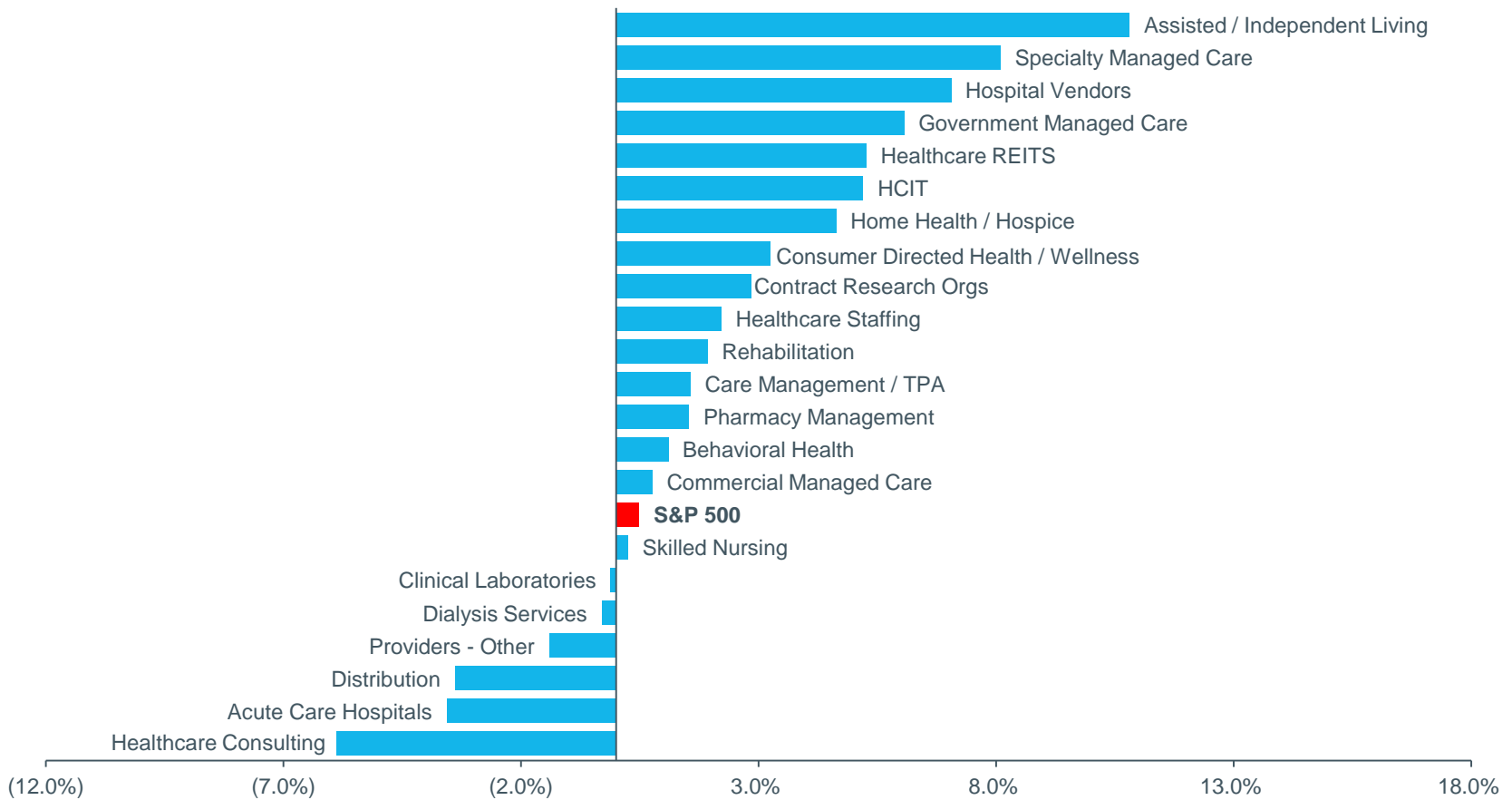
# Healthcare Services Market Performance

## Performance of Market Indices for Latest 36 Months



# Healthcare Services Sector Change

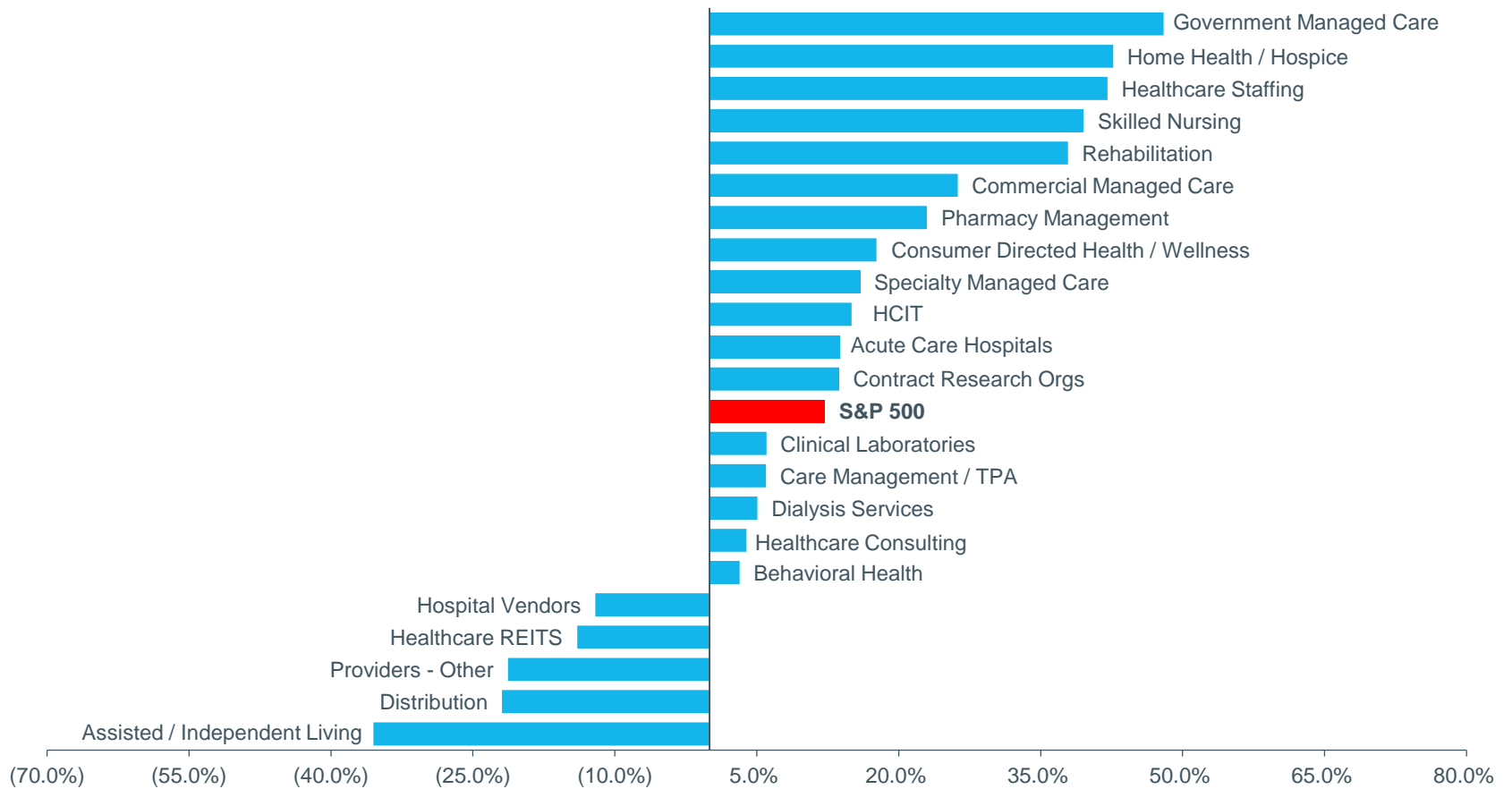
Average % - 1 Month Change



Source: S&P Global Market Intelligence as of June 30, 2018, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

# Healthcare Services Sector Change

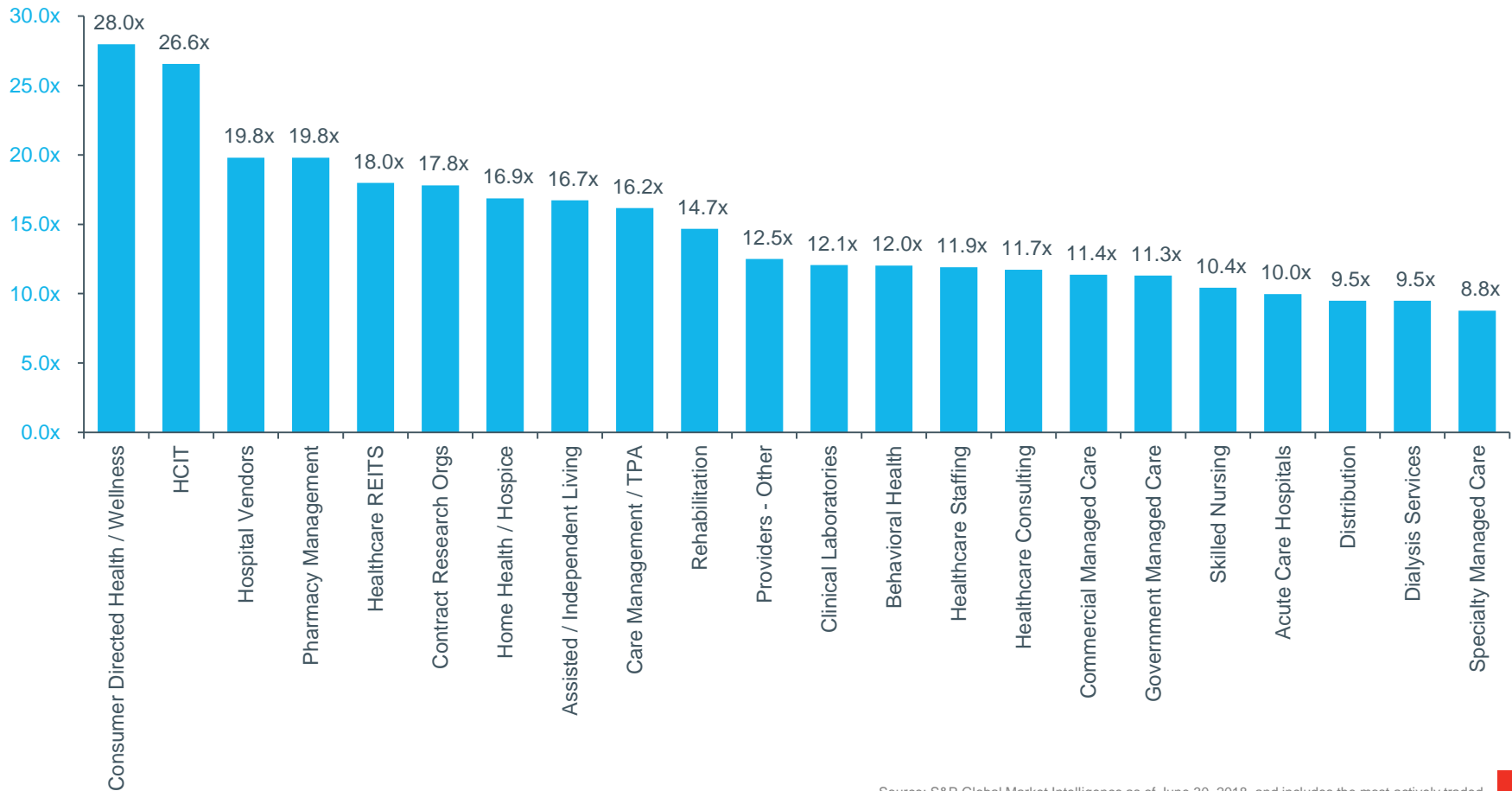
Average % - 12 Month Change



Source: S&P Global Market Intelligence as of June 30, 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 June trading multiples for individual healthcare services companies, please contact one of our professionals below.

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