

INDUSTRY INSIGHTS

Healthcare Services Sector Update

June 2018



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.

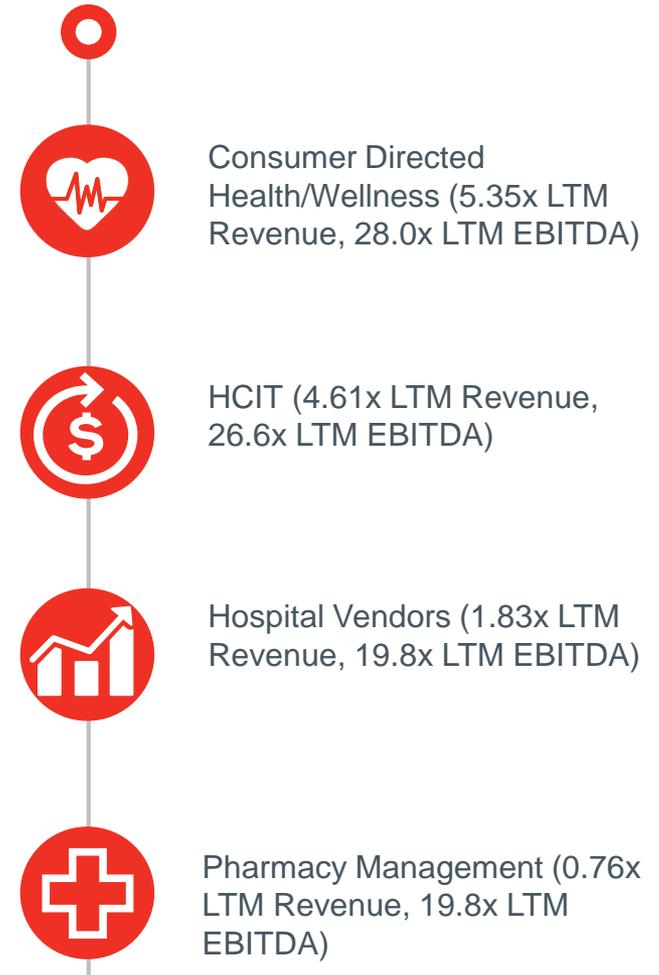
Over the past month:

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	
Providers									
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
Total / Average	34	\$144,620	(0.7%)	12.9%	1.55x	12.7x	21.1x	20.7x	1.5x
Payors / Managed Care									
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
Total / Average	10	\$488,640	1.3%	28.0%	0.65x	10.5x	18.8x	18.4x	1.4x
Consumer Directed Health / Wellness	6	\$11,266	3.3%	17.6%	5.35x	28.0x	32.6x	37.4x	1.8x
HCIT	21	\$56,893	5.2%	15.0%	4.61x	26.6x	32.8x	35.0x	2.4x
Other Outsourced Services									
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
Total / Average	22	\$102,523	1.8%	7.7%	2.23x	15.5x	22.1x	22.7x	1.7x
Product									
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
Total / Average	9	\$120,785	(1.5%)	(5.0%)	0.57x	14.6x	13.4x	15.2x	1.7x
Healthcare REITS	16	\$95,315	5.3%	(14.0%)	11.84x	18.0x	24.3x	35.9x	4.6x
Total / Average (\$MM)	118	\$1,020,043	2.3%	13.1%	2.29x	14.9x	21.8x	22.6x	1.8x

Healthcare Services Sector Update ..

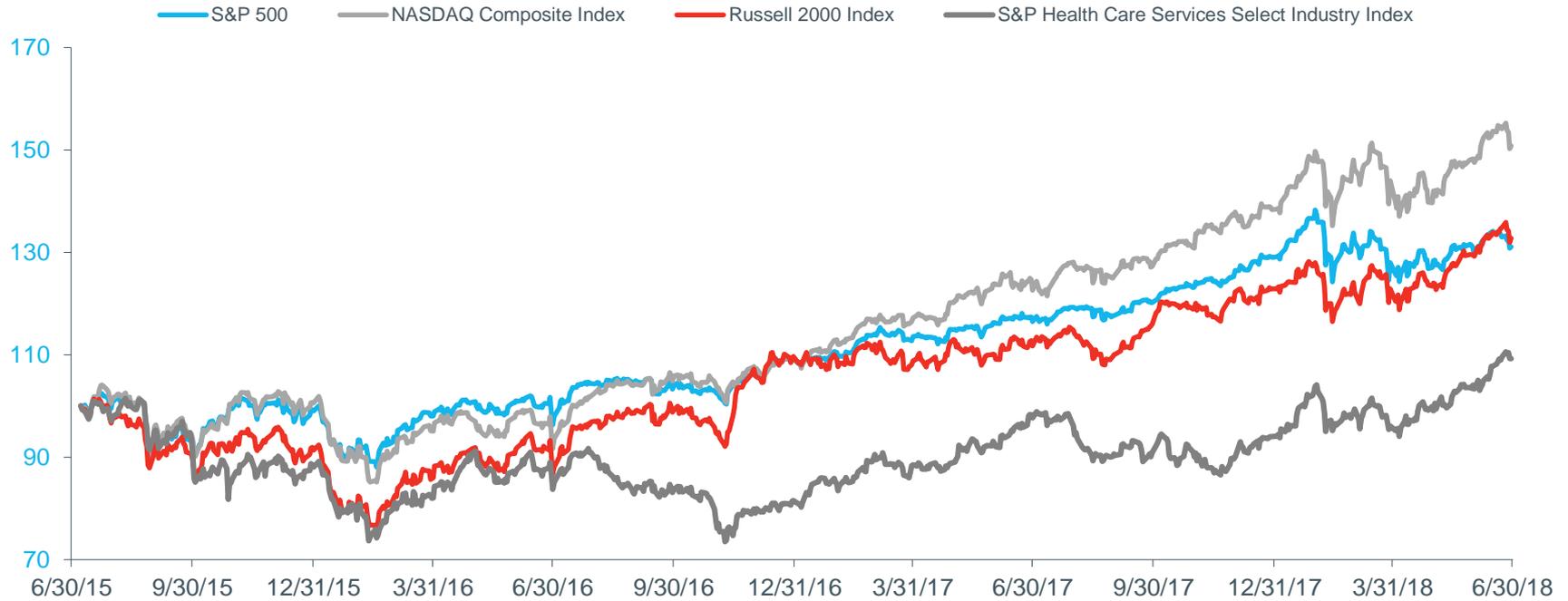
Market Indices	Value at	% Change			
	6/30/2018	1 mo	YTD	12 mo	36 mo
S&P 500	2,718.4	0.5%	1.7%	12.2%	31.8%
NA SDAQ Composite Index	7,510.3	0.9%	8.8%	22.3%	50.6%
Russell 2000 Index	1,643.1	0.6%	7.0%	16.1%	31.0%
S&P Composite 1500 Health Care Facilities (Sub Ind)	282.3	(0.8%)	17.2%	11.7%	(5.9%)
S&P Composite 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%
S&P Health Care Services Select Industry Index	10,342.7	2.8%	12.9%	7.6%	6.6%

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%)
Total / Average (\$MM)	118	\$1,020,043	100.0%	100.0%	1.7%	14.3%	9.3%	0.1%

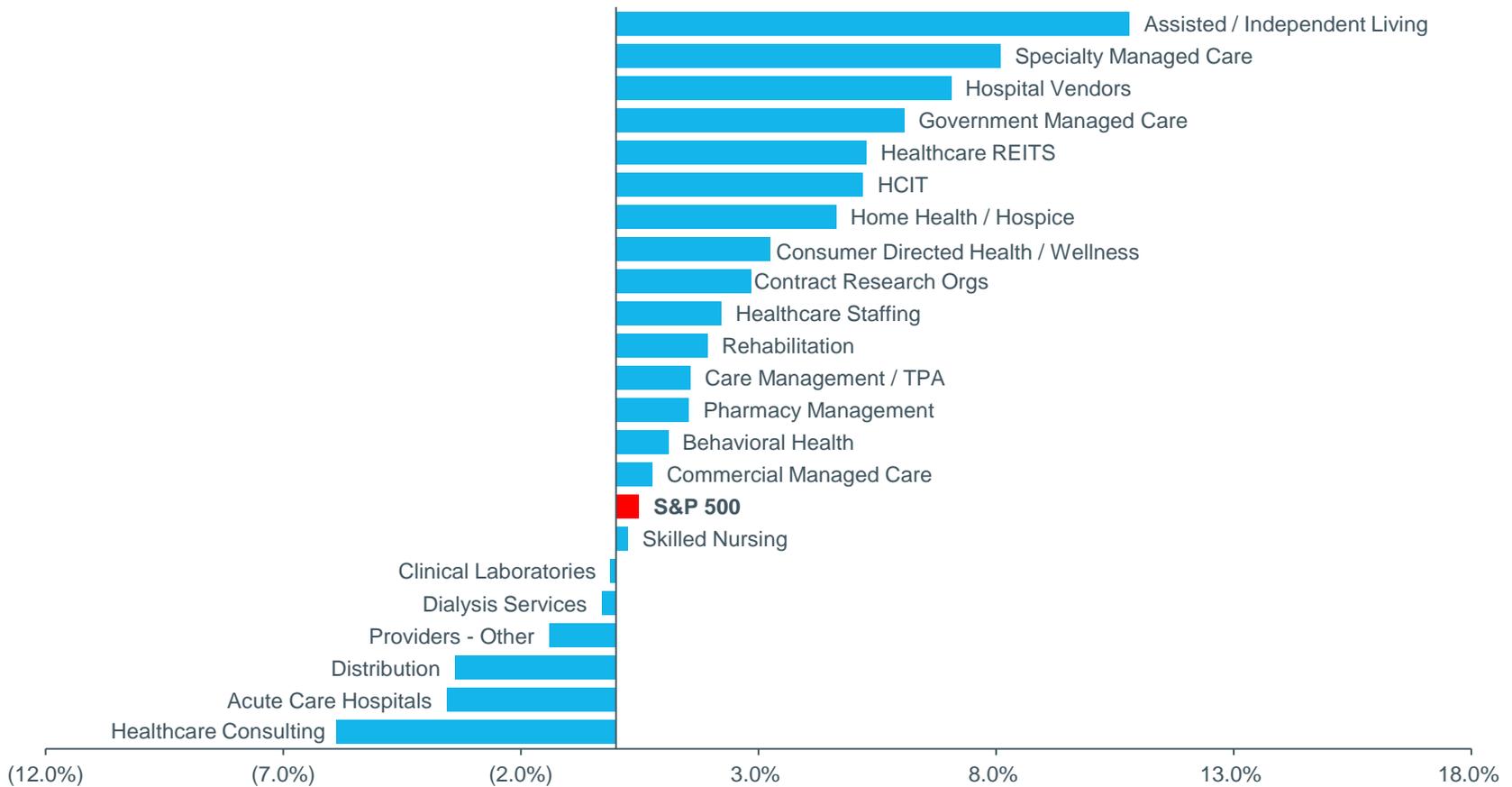
Healthcare Services Market Performance

Performance of Market Indices for Latest 36 Months



Healthcare Services Sector Change

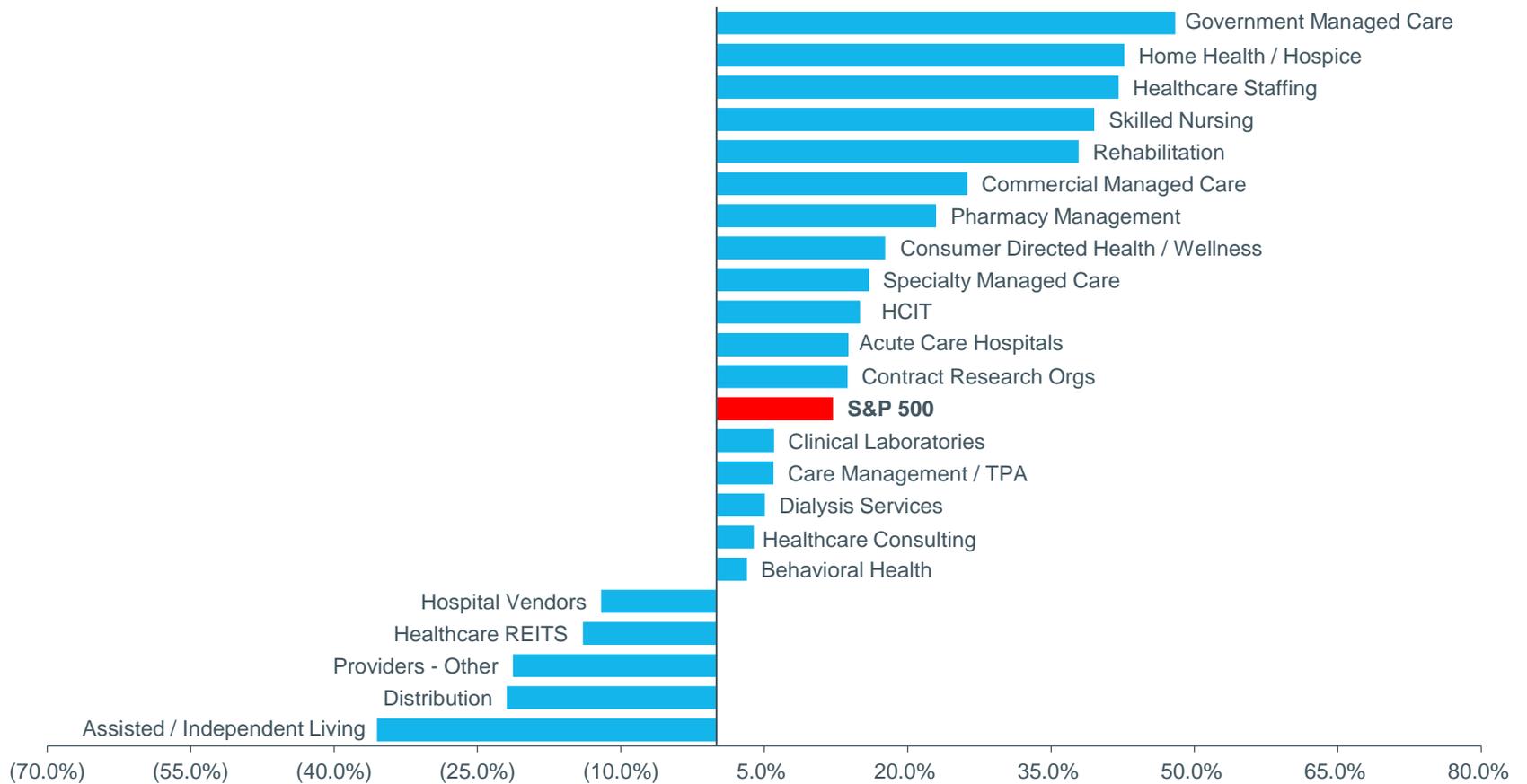
Average % - 1 Month Change



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

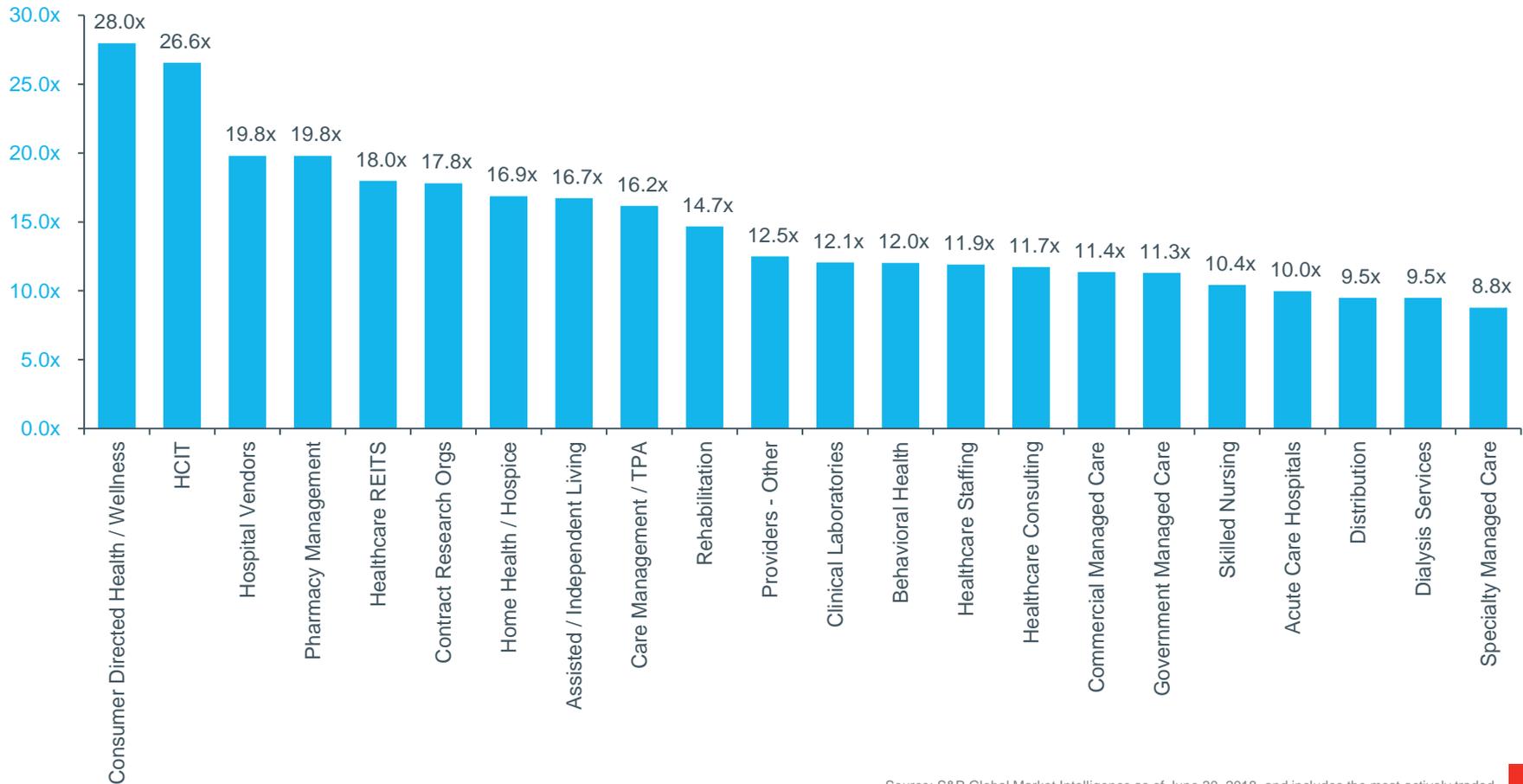
Average % - 12 Month Change



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



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.

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

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