

INDUSTRY INSIGHTS:

# Healthcare Services Sector Update

March 2018



# Q Highlights

The **S&P Healthcare Services** Index declined 1.9% over the last month, but outperformed the S&P 500, which declined 2.7% over the same period.

## Over the past month:

The best performing sectors were Specialty Managed Care (up 7.0%), Home Health / Hospice (up 5.7%) and Behavioral Health (up 5.0%).

The poorest performing sectors were Pharmacy Management (down 8.4%), Distribution (down 7.1%) and Commercial Managed Care (down 6.0%).

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.13x and 13.9x, 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	2018E
<b>Providers</b>									
Acute Care Hospitals	5	\$50,055	0.0%	5.3%	1.15x	9.8x	16.7x	15.4x	1.2x
Assisted / Independent Living	3	1,646	(0.1%)	(44.3%)	1.46x	9.4x	NM	NM	NM
Behavioral Health	3	6,344	5.0%	18.6%	1.12x	12.3x	20.4x	15.8x	1.7x
Dialysis Services	3	43,883	(5.2%)	14.5%	1.94x	9.7x	13.9x	21.2x	1.4x
Healthcare Staffing	2	3,118	(0.1%)	31.7%	1.04x	12.3x	16.1x	19.5x	1.2x
Home Health / Hospice	6	10,401	5.7%	33.8%	1.46x	16.2x	36.0x	23.9x	1.8x
Rehabilitation	5	9,883	3.9%	29.8%	2.12x	12.3x	26.8x	19.6x	1.4x
Skilled Nursing	4	2,458	0.3%	12.8%	0.71x	9.3x	25.2x	14.3x	1.0x
Providers - Other	4	11,317	3.8%	(16.3%)	2.00x	12.9x	17.0x	16.9x	0.8x
<b>Total / Average</b>	<b>35</b>	<b>\$139,106</b>	<b>(0.4%)</b>	<b>11.1%</b>	<b>1.44x</b>	<b>11.6x</b>	<b>21.5x</b>	<b>18.3x</b>	<b>1.3x</b>
<b>Payors / Managed Care</b>									
Commercial Managed Care	5	\$396,438	(6.0%)	29.4%	0.94x	11.5x	20.0x	15.9x	1.2x
Government Managed Care	3	32,193	4.9%	51.0%	0.32x	12.3x	23.0x	18.9x	1.1x
Specialty Managed Care	2	5,413	7.0%	1.5%	0.46x	6.3x	10.7x	12.8x	NM
<b>Total / Average</b>	<b>10</b>	<b>\$434,044</b>	<b>(5.0%)</b>	<b>30.7%</b>	<b>0.57x</b>	<b>10.0x</b>	<b>17.9x</b>	<b>15.9x</b>	<b>1.1x</b>
<b>Consumer Directed Health / Wellness</b>	<b>6</b>	<b>\$9,539</b>	<b>0.9%</b>	<b>12.6%</b>	<b>4.53x</b>	<b>25.0x</b>	<b>33.0x</b>	<b>33.5x</b>	<b>1.6x</b>
<b>HCIT</b>	<b>21</b>	<b>\$49,598</b>	<b>(4.0%)</b>	<b>9.2%</b>	<b>4.28x</b>	<b>27.5x</b>	<b>36.0x</b>	<b>31.4x</b>	<b>2.1x</b>
<b>Other Outsourced Services</b>									
Care Management / TPA	5	\$6,528	(1.5%)	9.0%	1.33x	14.0x	21.5x	17.3x	2.2x
Clinical Laboratories	6	38,032	(5.5%)	6.5%	2.70x	11.9x	18.0x	16.3x	1.8x
Contract Research Orgs	5	40,890	(1.0%)	22.2%	3.47x	17.4x	27.2x	18.0x	1.3x
Hospital Vendors	4	8,298	(5.6%)	(17.5%)	1.93x	19.4x	22.1x	24.0x	1.8x
Healthcare Consulting	2	1,686	2.6%	(12.8%)	1.31x	9.4x	12.4x	15.9x	1.2x
<b>Total / Average</b>	<b>22</b>	<b>\$95,434</b>	<b>(3.2%)</b>	<b>11.0%</b>	<b>2.15x</b>	<b>14.4x</b>	<b>20.2x</b>	<b>18.3x</b>	<b>1.7x</b>
<b>Product</b>									
Distribution	6	\$81,077	(7.1%)	(12.6%)	0.38x	9.4x	14.1x	12.0x	4.5x
Pharmacy Management	3	40,572	(8.4%)	5.9%	0.67x	18.8x	8.9x	14.5x	1.0x
<b>Total / Average</b>	<b>9</b>	<b>\$121,649</b>	<b>(7.5%)</b>	<b>(6.4%)</b>	<b>0.53x</b>	<b>14.1x</b>	<b>11.5x</b>	<b>13.2x</b>	<b>2.7x</b>
<b>Healthcare REITS</b>	<b>16</b>	<b>\$84,759</b>	<b>4.6%</b>	<b>(20.6%)</b>	<b>11.45x</b>	<b>17.3x</b>	<b>22.7x</b>	<b>32.3x</b>	<b>7.8x</b>
<b>Total / Average (\$MM)</b>	<b>119</b>	<b>\$934,129</b>	<b>(0.4%)</b>	<b>8.9%</b>	<b>2.13x</b>	<b>13.9x</b>	<b>21.2x</b>	<b>19.6x</b>	<b>2.0x</b>

Source: S&P Global Market Intelligence as of March 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			
	3/31/2018	1 mo	YTD	12 mo	36 mo
S&P 500	2,640.9	(2.7%)	(1.2%)	11.8%	27.7%
NASDAQ Composite Index	7,063.5	(2.9%)	2.3%	19.5%	44.1%
Russell 2000 Index	1,529.4	1.1%	(0.4%)	10.4%	22.1%
S&P Composite 1500 Health Care Facilities (Sub Ind)	265.5	0.7%	10.2%	6.9%	3.0%
S&P Composite 1500 Health Care Providers & Services (Industry)	811.3	(5.0%)	(2.5%)	16.2%	22.4%
S&P Composite 1500 Managed Health Care (Sub Ind)	1,360.3	(5.3%)	(3.4%)	30.7%	62.0%
<b>S&amp;P Health Care Services Select Industry Index</b>	<b>9,335.2</b>	<b>(1.9%)</b>	<b>1.9%</b>	<b>7.7%</b>	<b>1.5%</b>

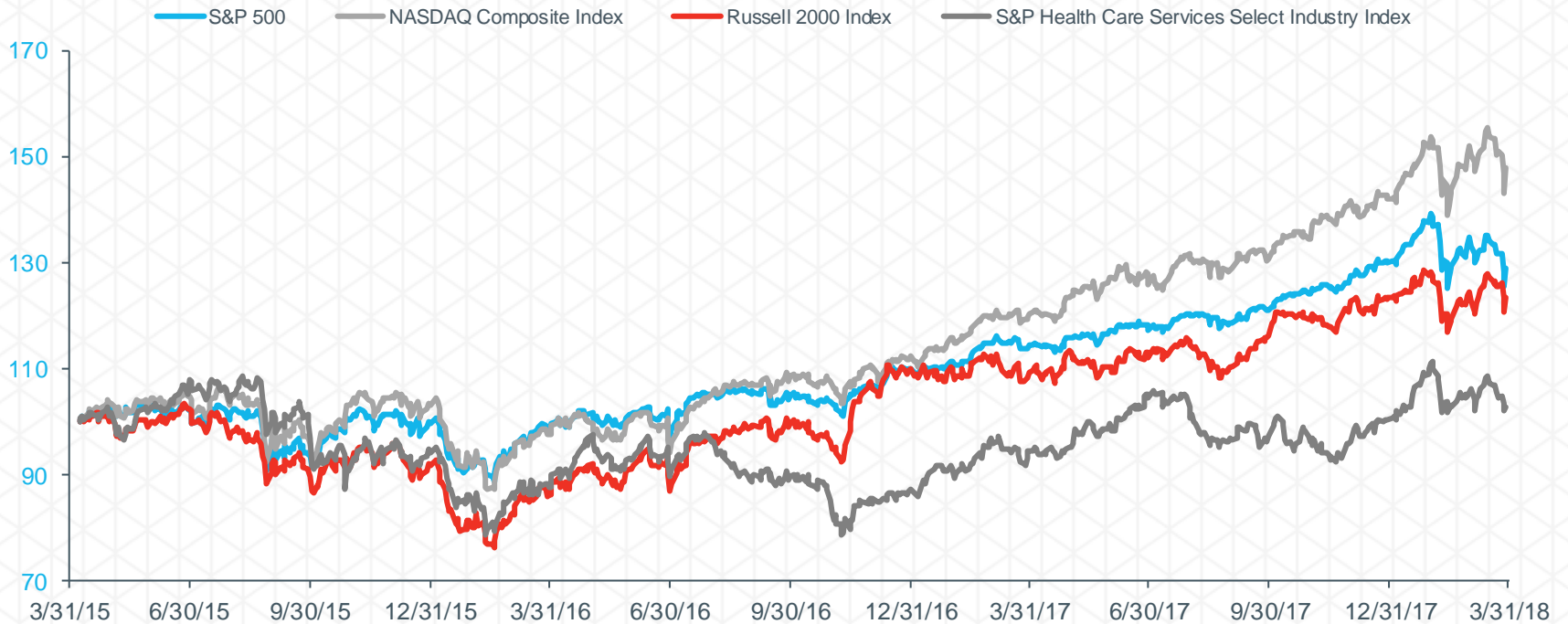
Interest Rates	Value at	1 mo	3 mo	12 mo
	3/31/2018	ago	ago	ago
LIBOR - USD - 6 months	2.45%	2.22%	1.84%	1.42%
U.S. Treasury - 2 years	2.27%	2.25%	1.91%	1.30%
U.S. Treasury - 5 years	2.56%	2.65%	2.21%	1.96%
U.S. Treasury - 10 years	2.74%	2.87%	2.43%	2.41%
U.S. Treasury - 30 years	2.97%	3.13%	2.76%	3.01%
U.S. Prime Rate	4.75%	4.50%	4.50%	4.00%

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	33	\$804,344	27.7%	86.1%	(1.9%)	(3.1%)	7.3%	16.7%
\$1 billion - \$5 billion	41	106,936	34.5%	11.4%	0.2%	(1.4%)	2.1%	13.2%
\$250 million - \$1 billion	35	21,989	29.4%	2.4%	2.4%	2.2%	14.2%	2.4%
\$100 million - \$250 million	3	459	2.5%	0.0%	(1.8%)	21.4%	(20.4%)	(25.0%)
< \$100 million	7	402	5.9%	0.0%	(0.6%)	1.3%	(4.8%)	(34.3%)
<b>Total / Average (\$MM)</b>	<b>119</b>	<b>\$934,129</b>	<b>100.0%</b>	<b>100.0%</b>	<b>(0.3%)</b>	<b>4.1%</b>	<b>(0.3%)</b>	<b>(5.4%)</b>

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

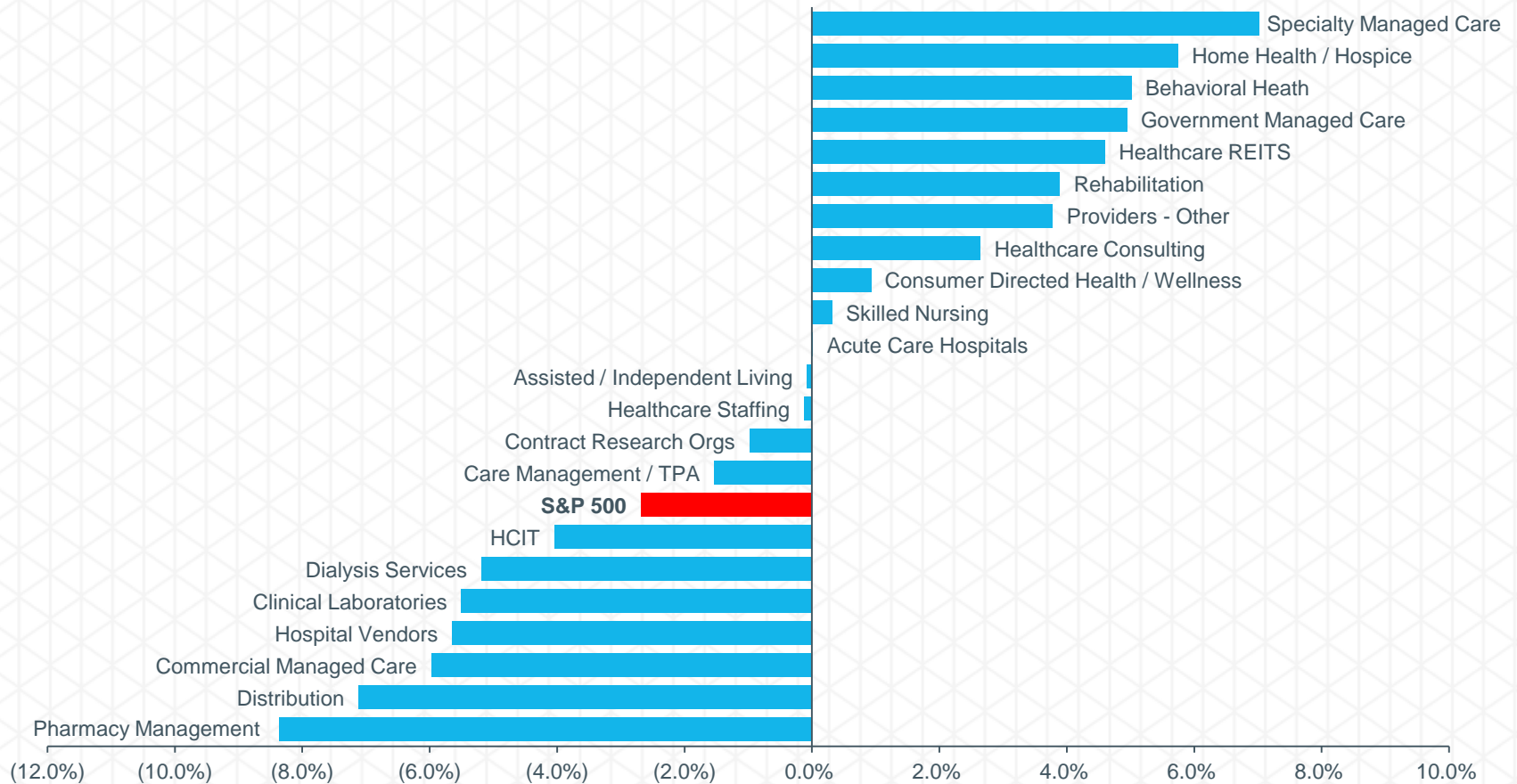
# Healthcare Services Market Performance

Performance of Market Indices for Latest 36 Months



# Healthcare Services Sector Change

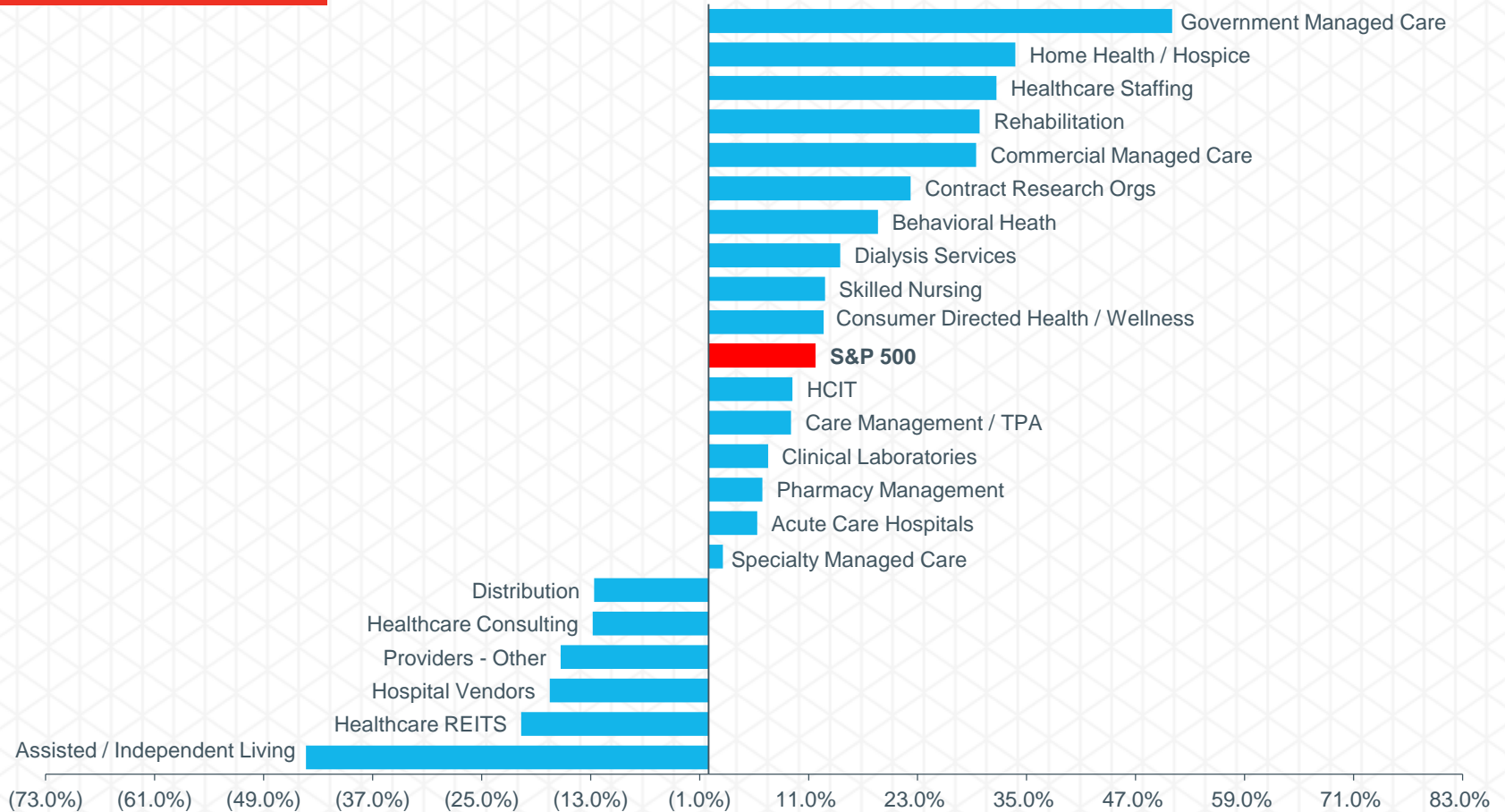
Average % - 1 Month Change



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

# Healthcare Services Sector Change

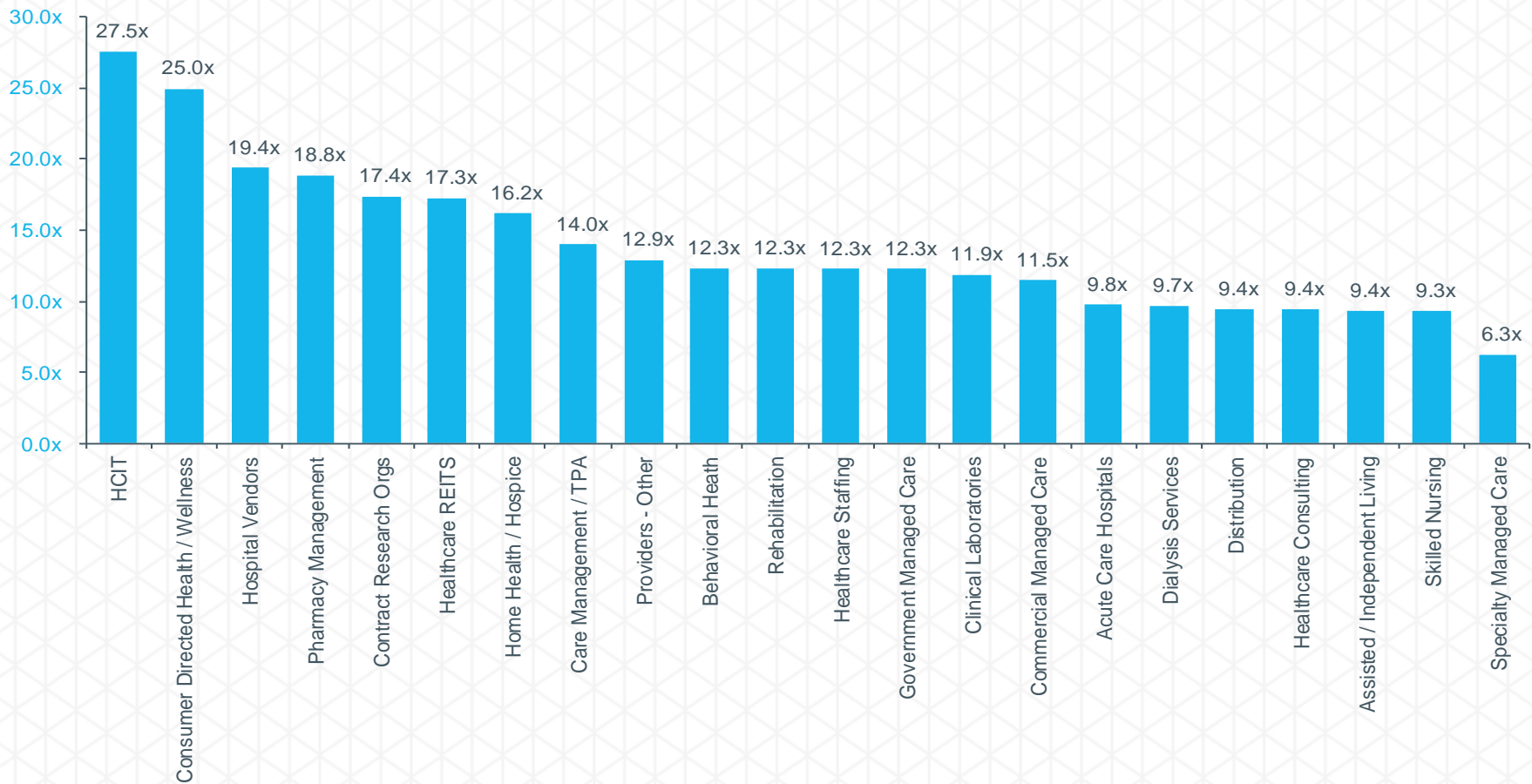
Average % - 12 Month Change



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

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