

INDUSTRY INSIGHTS

Healthcare Services Sector Update

May 2018



Q Highlights

The **S&P Healthcare Services** Index increased 3.7% over the last month, outperforming the S&P 500, which increased 2.2% over the same period.

Over the past month:

The best performing sectors were Skilled Nursing (up 24.0%), Healthcare Consulting (up 11.4%) and Behavioral Health (up 10.7%).

The poorest performing sectors were Healthcare Staffing (down 13.7%), Distribution (down 11.1%) and Care Management/TPA (down 1.7%).

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.22x and 14.3x, 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	\$53,008	9.1%	24.7%	1.17x	10.1x	14.2x	14.7x	1.2x
Assisted/Independent Living	3	1,882	5.8%	(38.3%)	1.51x	14.5x	NM	NM	NM
Behavioral Health	3	6,024	10.7%	13.6%	1.17x	12.1x	19.0x	16.0x	1.4x
Dialysis Services	3	42,653	0.2%	3.3%	1.84x	9.3x	19.3x	18.4x	0.8x
Healthcare Staffing	2	3,148	(13.7%)	48.8%	1.03x	12.1x	15.1x	23.1x	1.6x
Home Health / Hospice	6	12,513	7.0%	43.0%	1.69x	16.2x	36.2x	24.5x	1.8x
Rehabilitation	5	10,923	4.1%	38.2%	2.24x	13.3x	17.6x	21.9x	1.9x
Skilled Nursing	4	3,175	24.0%	59.8%	0.80x	10.4x	28.3x	19.7x	1.3x
Providers - Other	4	10,822	7.1%	(13.9%)	1.82x	12.4x	16.3x	18.9x	1.6x
Total / Average	35	\$144,148	5.6%	18.1%	1.48x	12.3x	20.8x	19.6x	1.4x
Payors / Managed Care									
Commercial Managed Care	5	\$427,470	(0.1%)	29.2%	0.94x	11.0x	18.3x	16.6x	1.3x
Government Managed Care	3	39,199	7.2%	49.2%	0.35x	9.9x	22.3x	18.9x	1.0x
Specialty Managed Care	2	6,745	4.2%	11.8%	0.54x	8.0x	12.3x	16.0x	1.9x
Total / Average	10	\$473,414	0.6%	30.6%	0.61x	9.6x	17.6x	17.2x	1.4x
Consumer Directed Health / Wellness	6	\$10,736	8.4%	22.4%	5.15x	27.4x	31.5x	37.5x	1.7x
HCIT	21	\$54,064	9.1%	12.3%	4.60x	23.8x	34.5x	32.2x	2.3x
Other Outsourced Services									
Care Management / TPA	5	\$6,413	(1.7%)	3.6%	1.47x	15.8x	20.2x	21.2x	2.0x
Clinical Laboratories	6	41,181	4.8%	13.1%	2.93x	12.1x	18.6x	17.3x	2.0x
Contract Research Orgs	5	42,195	5.3%	14.8%	3.24x	17.1x	27.3x	18.9x	1.5x
Hospital Vendors	4	8,174	3.3%	(23.0%)	1.76x	18.5x	24.3x	18.3x	1.5x
Healthcare Consulting	2	1,971	11.4%	12.8%	1.52x	12.1x	15.5x	18.6x	1.3x
Total / Average	22	\$99,935	4.6%	10.2%	2.18x	15.1x	21.2x	18.9x	1.7x
Product									
Distribution	6	\$76,517	(11.1%)	(19.1%)	0.38x	9.2x	16.4x	12.0x	1.4x
Pharmacy Management	3	44,666	0.5%	27.4%	0.73x	18.9x	9.5x	16.9x	1.0x
Total / Average	9	\$121,183	(6.8%)	(1.9%)	0.55x	14.0x	12.9x	14.5x	1.2x
Healthcare REITS	16	\$90,462	7.3%	(15.8%)	11.54x	17.5x	23.4x	31.8x	9.2x
Total / Average (\$MM)	119	\$993,941	4.6%	15.8%	2.22x	14.3x	21.2x	20.7x	1.9x

Healthcare Services Sector Update ..

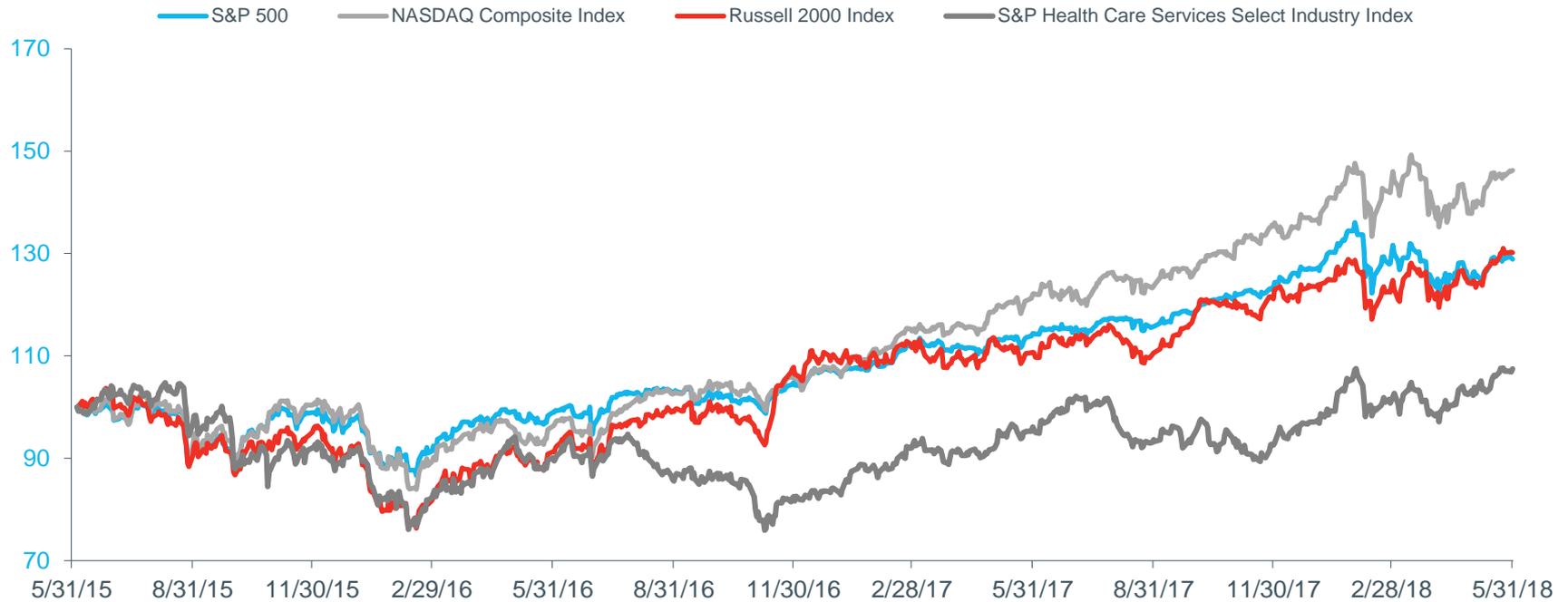
Market Indices	Value at 5/31/2018	% Change			
		1 mo	YTD	12 mo	36 mo
S&P 500	2,705.3	2.2%	1.2%	12.2%	28.4%
NA SDAQ Composite Index	7,442.1	5.3%	7.8%	20.1%	46.8%
Russell 2000 Index	1,633.6	5.9%	6.4%	19.2%	31.1%
S&P Composite 1500 Health Care Facilities (Sub Ind)	284.6	8.0%	18.1%	21.0%	3.5%
S&P Composite 1500 Health Care Providers & Services (Industry)	858.9	(0.7%)	3.2%	17.9%	24.1%
S&P Composite 1500 Managed Health Care (Sub Ind)	1,474.7	0.5%	4.7%	29.6%	64.5%
S&P Health Care Services Select Industry Index	10,062.7	3.7%	9.9%	12.2%	6.6%

Interest Rates	Value at 5/31/2018	1 mo ago	3 mo ago	12 mo ago
LIBOR - USD - 6 months	2.47%	2.51%	2.22%	1.41%
U.S. Treasury - 2 years	2.40%	2.49%	2.25%	1.28%
U.S. Treasury - 5 years	2.66%	2.79%	2.65%	1.77%
U.S. Treasury - 10 years	2.82%	2.93%	2.87%	2.22%
U.S. Treasury - 30 years	2.99%	3.10%	3.13%	2.88%
U.S. Prime Rate	4.75%	4.75%	4.50%	4.00%

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	36	\$867,642	30.3%	87.3%	2.9%	2.5%	8.6%	25.2%
\$1 billion - \$5 billion	44	107,469	37.0%	10.8%	9.2%	11.9%	14.1%	16.6%
\$250 million - \$1 billion	29	17,912	24.4%	1.8%	5.6%	8.9%	18.6%	19.7%
\$100 million - \$250 million	3	538	2.5%	0.1%	18.4%	47.6%	(3.8%)	(14.1%)
< \$100 million	7	380	5.9%	0.0%	1.9%	(3.9%)	(4.7%)	(33.4%)
Total / Average (\$MM)	119	\$993,941	100.0%	100.0%	7.6%	13.4%	6.5%	2.8%

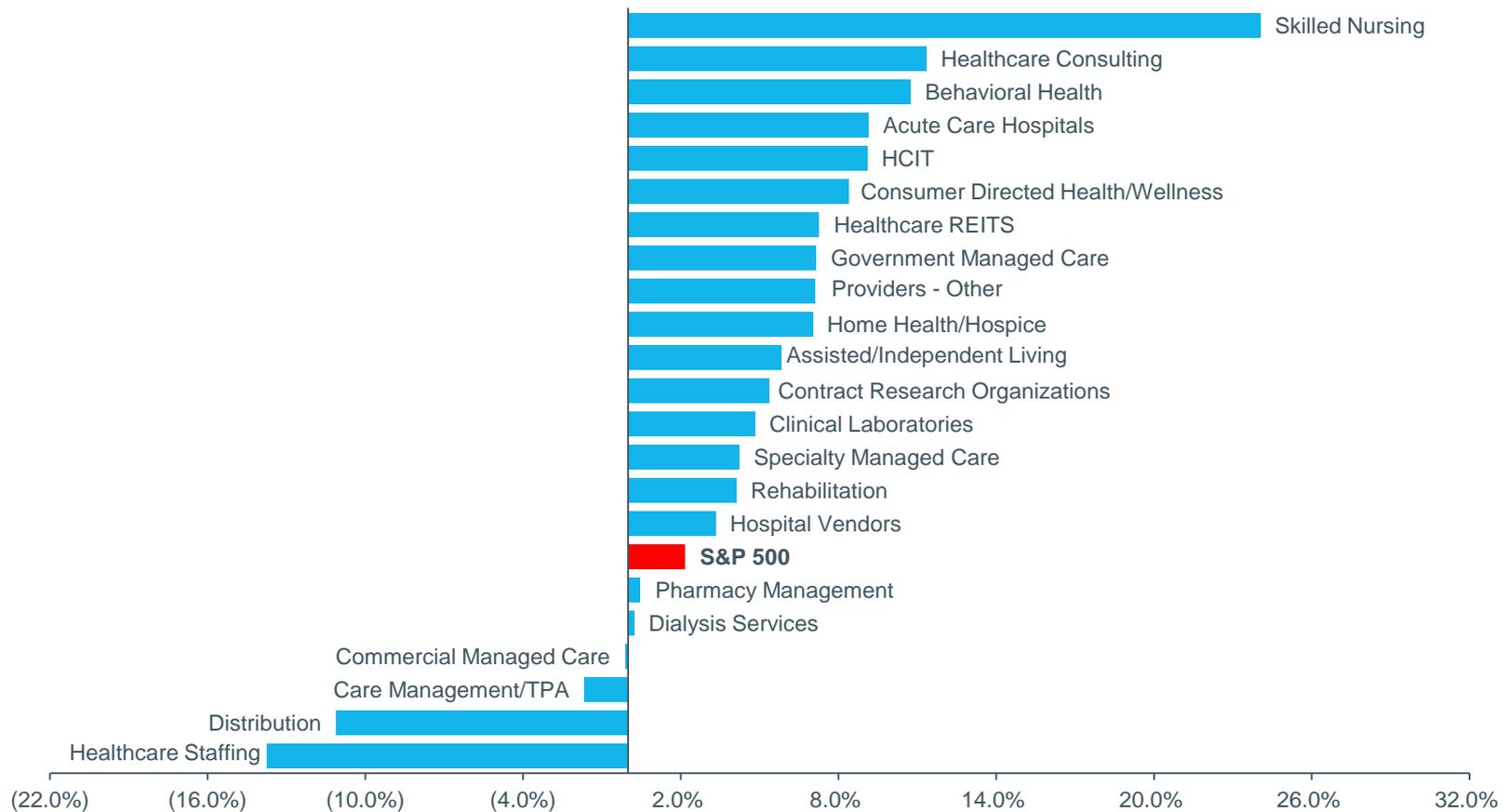
Healthcare Services Market Performance

Performance of Market Indices for Latest 36 Months



Healthcare Services Sector Change

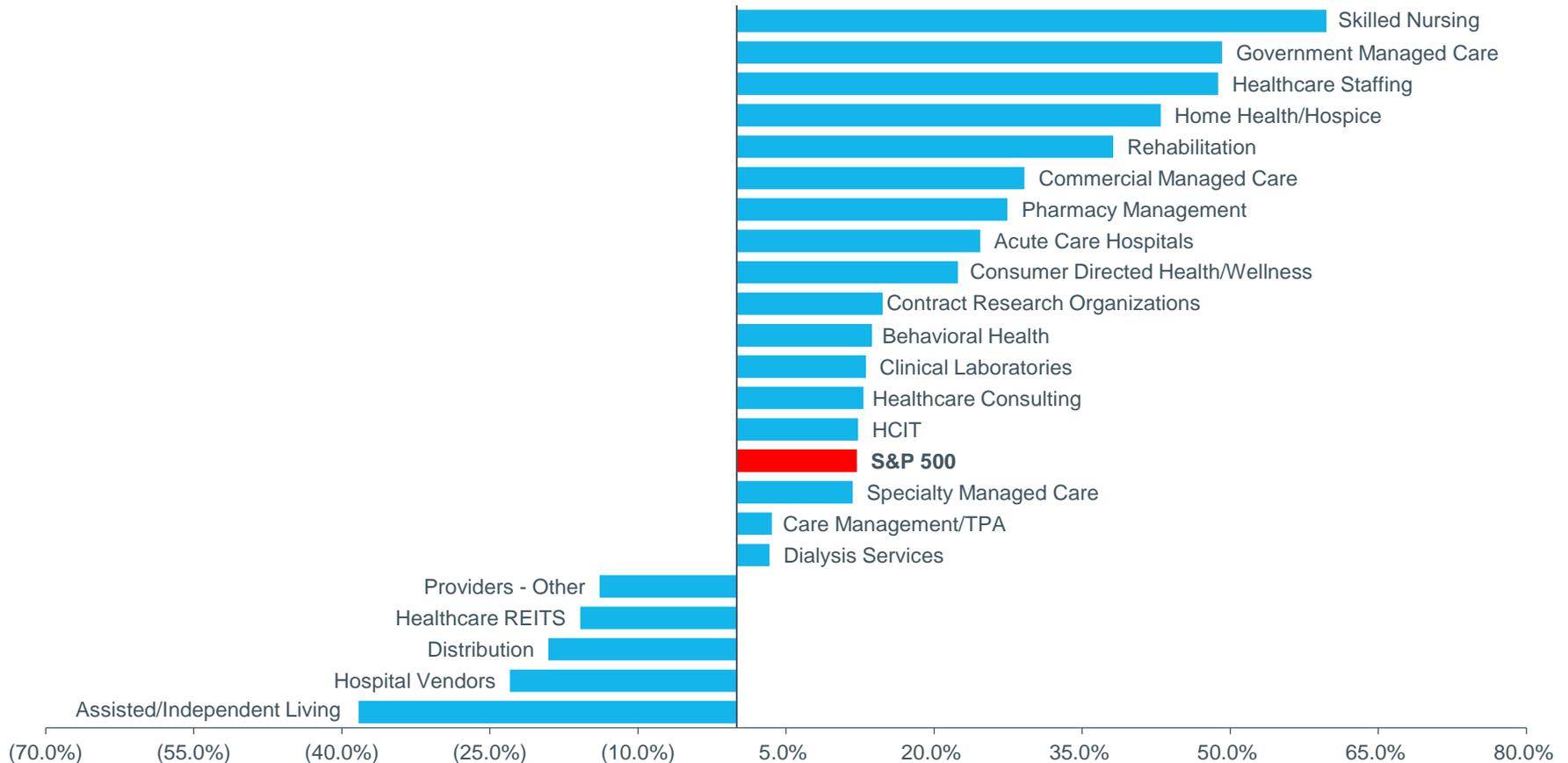
Average % - 1 Month Change



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

Healthcare Services Sector Change

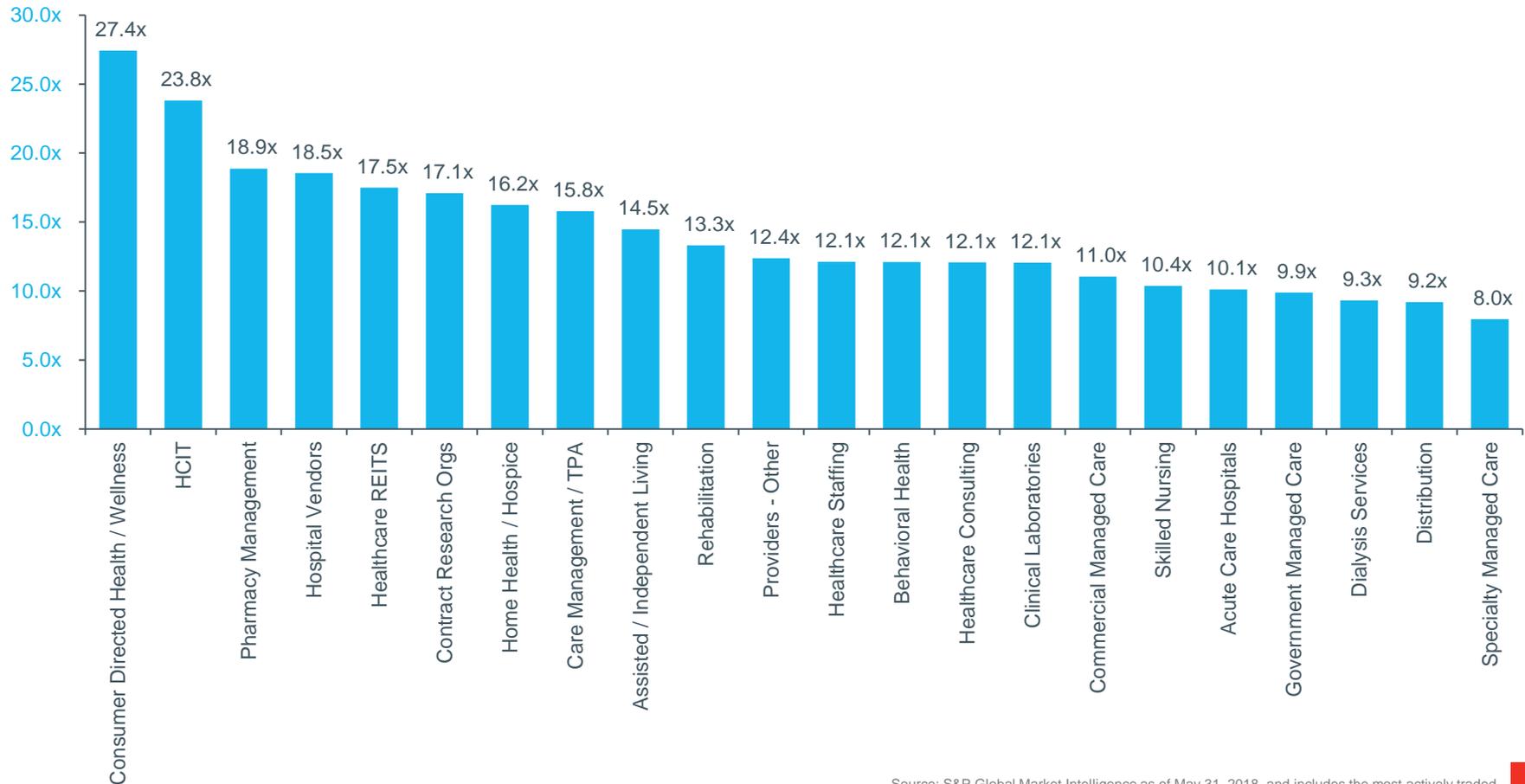
Average % - 12 Month Change



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

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