

INDUSTRY INSIGHTS

Healthcare Services Sector Update

September 2018



Q Highlights

The **S&P Healthcare Services** Index increased 0.2% over the last month, which was in line with the S&P 500, which increased 0.4% over the same period.

Over the past month:

The best performing sectors were Pharmacy Management (up 7.3%), Specialty Managed Care (up 4.6%) and Contract Research Orgs (up 4.5%).

The poorest performing sectors were Behavioral Health (down 9.5%), Healthcare Staffing (down 6.4%) and Consumer Directed Health / Wellness (down 4.4%).

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.40x and 15.3x, 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	\$65,870	3.3%	60.8%	1.25x	10.6x	16.3x	14.7x	1.8x
Assisted / Independent Living	3	2,183	3.6%	(10.4%)	1.52x	13.6x	NM	NM	NM
Behavioral Health	3	5,061	(9.5%)	(22.8%)	0.95x	10.7x	14.9x	12.4x	1.2x
Dialysis Services	3	44,163	2.1%	10.2%	1.96x	10.0x	18.7x	27.0x	2.3x
Healthcare Staffing	2	2,915	(6.4%)	13.4%	0.95x	10.9x	13.3x	27.7x	2.2x
Home Health / Hospice	6	14,629	1.9%	70.6%	1.94x	14.1x	31.8x	34.3x	2.1x
Rehabilitation	4	11,819	(4.0%)	56.2%	2.96x	16.2x	19.0x	29.1x	2.5x
Skilled Nursing	4	3,300	(3.2%)	47.8%	0.83x	10.1x	25.3x	20.5x	1.4x
Providers - Other	4	11,134	0.5%	10.2%	1.77x	12.2x	12.6x	22.2x	0.7x
Total / Average	34	\$161,075	1.4%	39.2%	1.57x	12.0x	19.0x	23.5x	1.8x
Payors / Managed Care									
Commercial Managed Care	5	\$490,965	1.4%	33.7%	1.07x	12.8x	22.6x	19.1x	1.4x
Government Managed Care	3	54,918	2.5%	71.5%	0.56x	12.3x	27.2x	23.2x	1.4x
Specialty Managed Care	2	7,185	4.6%	11.0%	0.59x	10.7x	26.7x	14.1x	NM
Total / Average	10	\$553,068	1.6%	37.2%	0.74x	11.9x	25.5x	18.8x	1.4x
Consumer Directed Health / Wellness	6	\$11,833	(4.4%)	35.0%	5.65x	29.9x	27.9x	41.0x	1.9x
HCIT	20	\$59,189	(0.1%)	33.6%	5.13x	29.7x	35.6x	35.3x	2.5x
Other Outsourced Services									
Care Management / TPA	5	\$7,052	1.1%	5.9%	1.60x	16.9x	27.0x	25.1x	2.3x
Clinical Laboratories	6	41,457	(0.9%)	15.8%	3.64x	11.7x	17.9x	17.8x	2.2x
Contract Research Orgs	5	53,497	4.5%	32.1%	3.60x	19.4x	25.1x	23.6x	1.7x
Hospital Vendors	4	8,111	(3.4%)	(20.5%)	1.79x	24.2x	27.6x	20.4x	1.6x
Healthcare Consulting	2	2,102	(1.9%)	40.2%	1.55x	12.5x	14.2x	23.9x	1.8x
Total / Average	22	\$112,219	1.6%	20.8%	2.44x	16.9x	22.4x	22.1x	1.9x
Product									
Distribution	6	\$78,976	3.8%	(6.7%)	0.41x	10.6x	21.6x	14.3x	2.4x
Pharmacy Management	3	55,245	7.3%	48.3%	0.79x	17.4x	11.6x	16.9x	1.2x
Total / Average	9	\$134,222	5.2%	16.0%	0.60x	14.0x	16.6x	15.6x	1.8x
Healthcare REITS	16	\$96,666	(4.4%)	(6.9%)	11.72x	17.8x	22.3x	32.7x	2.3x
Total / Average (\$MM)	117	\$1,128,272	(0.1%)	24.7%	2.40x	15.3x	22.3x	23.7x	1.9x

Healthcare Services Sector Update ..

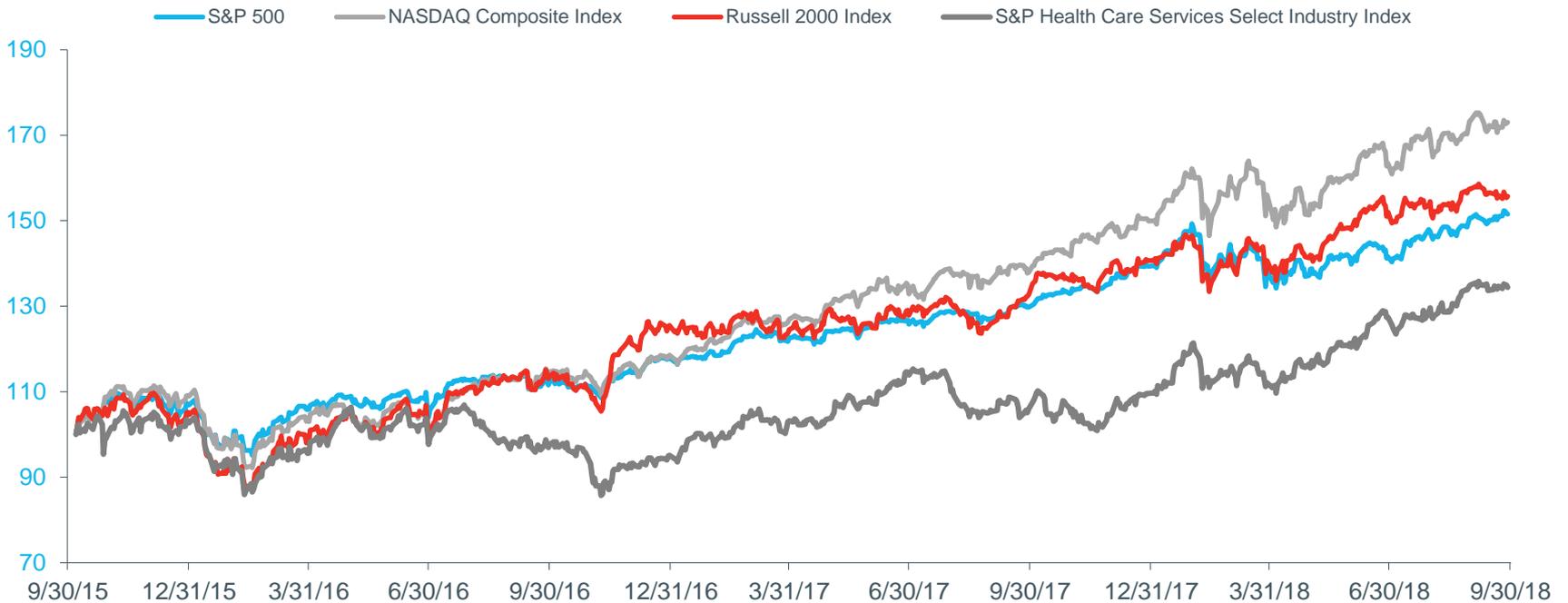
Market Indices	Value at 9/30/2018	% Change			
		1 mo	YTD	12 mo	36 mo
S&P 500	2,914.0	0.4%	9.0%	15.7%	51.8%
NASDAQ Composite Index	8,046.4	(0.8%)	16.6%	23.9%	74.2%
Russell 2000 Index	1,696.6	(2.5%)	10.5%	13.8%	54.1%
S&P Composite 1500 Health Care Facilities (Sub Ind)	344.0	(0.6%)	42.8%	45.9%	38.2%
S&P Composite 1500 Health Care Providers & Services (Industry)	991.3	2.0%	19.1%	29.5%	59.0%
S&P Composite 1500 Managed Health Care (Sub Ind)	1,710.8	1.4%	21.5%	35.6%	108.2%
S&P Health Care Services Select Industry Index	11,392.4	0.2%	24.4%	25.0%	35.0%

Interest Rates	Value at 9/30/2018	1 mo ago	3 mo ago	12 mo ago
LIBOR - USD - 6 months	2.60%	2.54%	2.50%	1.51%
U.S. Treasury - 2 years	2.81%	2.62%	2.52%	1.47%
U.S. Treasury - 5 years	2.94%	2.74%	2.72%	1.92%
U.S. Treasury - 10 years	3.06%	2.85%	2.85%	2.33%
U.S. Treasury - 30 years	3.20%	3.01%	2.98%	2.86%
U.S. Prime Rate	5.25%	5.00%	5.00%	4.25%

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	40	\$1,013,931	34.2%	89.9%	1.6%	22.6%	27.0%	62.6%
\$1 billion - \$5 billion	46	102,325	39.3%	9.1%	(1.6%)	29.7%	24.4%	53.1%
\$250 million - \$1 billion	19	10,813	16.2%	1.0%	(0.6%)	7.8%	4.3%	54.3%
\$100 million - \$250 million	6	948	5.1%	0.1%	(11.3%)	8.6%	(1.5%)	(6.1%)
< \$100 million	6	255	5.1%	0.0%	(0.7%)	(16.6%)	(21.9%)	(27.1%)
Total / Average (\$MM)	117	\$1,128,272	100.0%	100.0%	(2.5%)	10.4%	6.5%	27.4%

Healthcare Services Market Performance

Performance of Market Indices for Latest 36 Months



Healthcare Services Sector Change

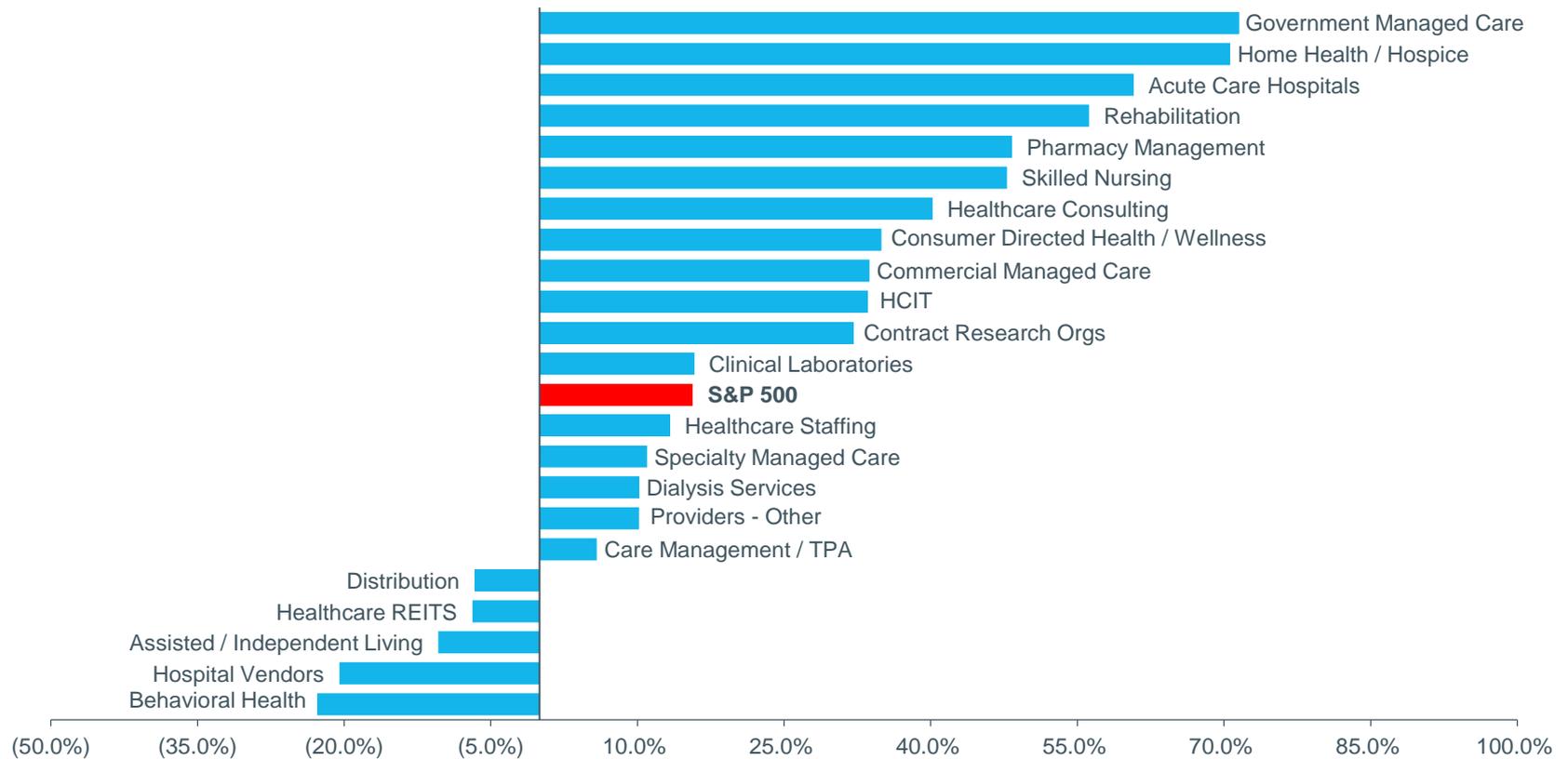
Average % - 1 Month Change



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

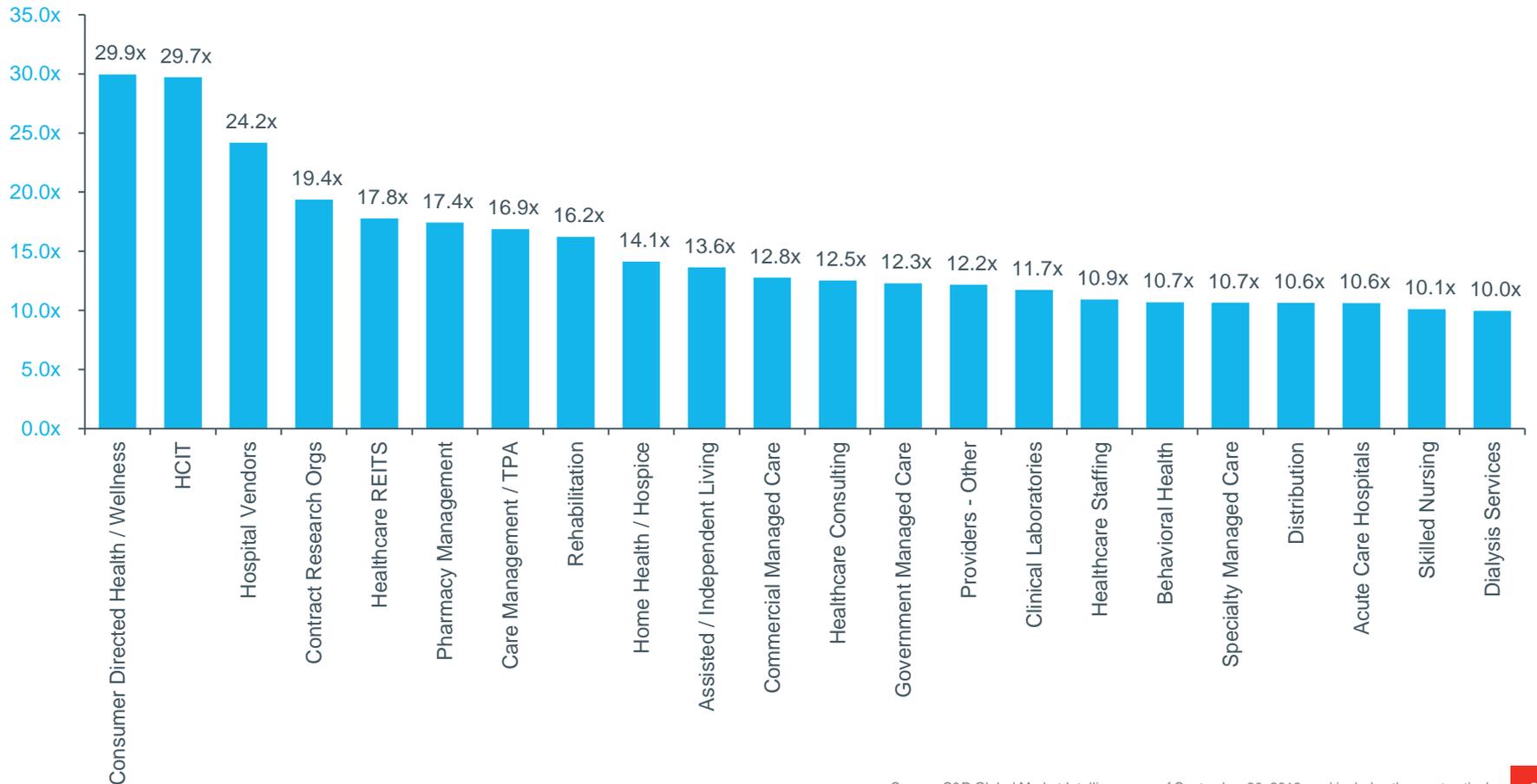
Healthcare Services Sector Change

Average % - 12 Month Change



Healthcare Services Multiples

Overview of Subsector EV/LTM EBITDA



For the detailed September 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

Laca Wong-Hammond

Managing Director
New York
+1 212 871 3915
laca.wong-hammond@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

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.