

INDUSTRY INSIGHTS

Healthcare Services Sector Update

December 2019



Q Highlights

The **S&P Healthcare Services** Index increased 2.8% over the last month, as compared to S&P 500, which increased 2.9% over the same period.

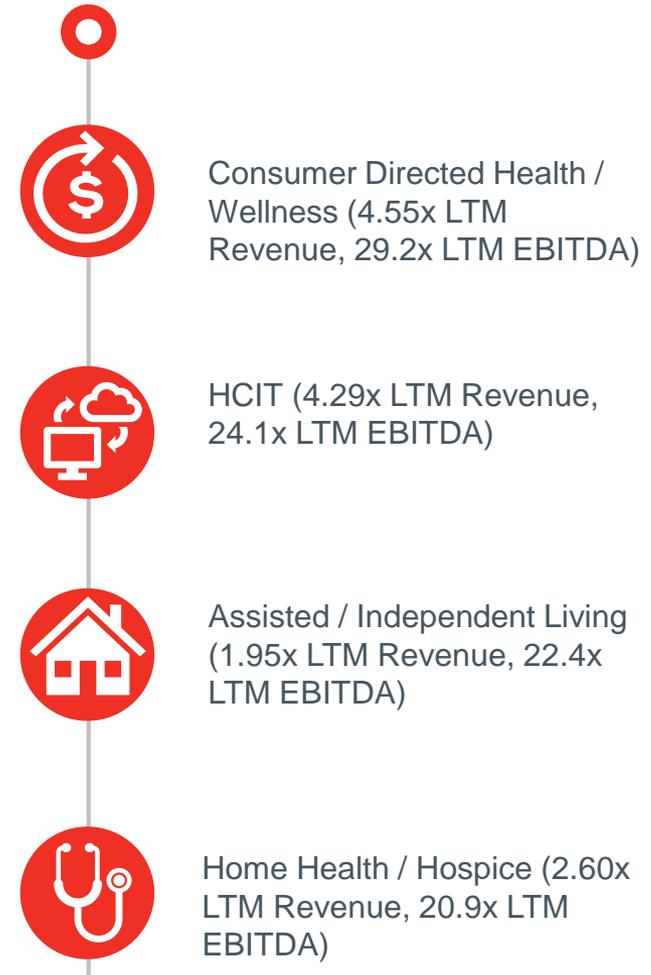
Over the past month:

The sectors experiencing the most growth were Providers – Other (up 7.7%), Consumer Directed Health / Wellness (up 7.5%) and Acute Care Hospitals (up 6.5%).

The sectors experiencing most decline were Pharmacy Management (down 22.3%), Distribution (down 4.4%) and Specialty Managed Care (down 1.5%).

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.6x and 16.0x, respectively.

THE SECTORS WITH THE HIGHEST VALUATION MULTIPLES



Healthcare Services Sector Update .o

| Market Sector | # of Co's | Ag. Equity Mkt. Value | Average % Change | | LTM Multiples | | Earnings Ratio | | PEG Ratio 2019E |
|--|------------|-----------------------|------------------|----------------|---------------|--------------|----------------|--------------|-----------------|
| | | | 1 mo | 12 mo | Rev | EBITDA | LTM | 2019E | |
| Providers | | | | | | | | | |
| Acute Care Hospitals | 4 | \$66,979 | 6.5% | 25.6% | 1.39x | 9.4x | 16.3x | 14.3x | 1.3x |
| Assisted / Independent Living | 3 | 1,462 | 0.1% | 4.1% | 1.95x | 22.4x | NM | NM | NM |
| Behavioral Health | 2 | 4,857 | 2.3% | 32.5% | 0.34x | 15.8x | NM | 27.3x | 2.4x |
| Dialysis Services | 3 | 32,027 | 1.4% | 23.0% | 1.82x | 10.3x | 19.6x | 14.3x | 0.7x |
| Healthcare Staffing | 2 | 3,339 | 3.7% | 16.2% | 1.15x | 15.3x | 24.3x | 20.3x | 1.4x |
| Home Health / Hospice | 6 | 19,940 | 4.3% | 44.3% | 2.60x | 20.9x | 41.2x | 36.7x | 2.5x |
| Rehabilitation | 4 | 11,650 | (0.3%) | 24.5% | 3.35x | 15.7x | 31.1x | 26.3x | 2.7x |
| Skilled Nursing | 3 | 3,923 | 3.2% | 15.7% | 1.31x | 16.4x | 20.7x | 20.7x | 1.4x |
| Providers - Other | 3 | 4,109 | 7.7% | 27.3% | 1.95x | 13.1x | 30.0x | 8.3x | 1.2x |
| Total / Average | 30 | \$148,286 | 3.2% | 23.7% | 1.76x | 15.5x | 26.2x | 21.0x | 1.7x |
| Payors / Managed Care | | | | | | | | | |
| Commercial Managed Care | 5 | \$482,311 | 4.8% | 16.8% | 3.26x | 13.3x | 19.0x | 17.0x | 1.2x |
| Government Managed Care | 3 | 51,142 | 2.9% | 20.3% | 0.49x | 9.7x | 19.2x | 15.6x | 1.1x |
| Specialty Managed Care | 2 | 8,394 | (1.5%) | 44.7% | 0.57x | 8.0x | 18.9x | 11.1x | 0.7x |
| Total / Average | 10 | \$541,846 | 4.5% | 17.6% | 1.44x | 10.3x | 19.0x | 14.6x | 1.0x |
| Consumer Directed Health / Wellness | 5 | \$8,862 | 7.5% | 13.5% | 4.55x | 29.2x | 14.3x | 29.2x | 1.4x |
| HCIT | 23 | \$57,434 | 1.6% | 30.7% | 4.29x | 24.1x | 24.5x | 35.3x | 2.4x |
| Other Outsourced Services | | | | | | | | | |
| Care Management / TPA | 5 | \$9,655 | 2.8% | 48.0% | 1.84x | 20.5x | 23.8x | 27.0x | 1.6x |
| Clinical Laboratories | 6 | 42,283 | (1.4%) | 33.1% | 3.94x | 11.9x | 20.9x | 18.6x | 2.7x |
| Contract Research Orgs | 5 | 59,883 | 5.5% | 33.7% | 3.13x | 18.3x | 29.8x | 22.6x | 1.6x |
| Hospital Vendors | 4 | 7,700 | 0.4% | 46.8% | 1.72x | 14.9x | 23.0x | 22.7x | 2.2x |
| Healthcare Consulting | 1 | 1,493 | 2.5% | 33.9% | 2.14x | 16.7x | NM | 26.6x | 2.0x |
| Total / Average | 21 | \$121,014 | 2.5% | 35.5% | 2.56x | 16.5x | 24.4x | 23.5x | 2.0x |
| Product | | | | | | | | | |
| Distribution | 6 | \$69,713 | (4.4%) | 13.4% | 0.54x | 9.6x | 24.1x | 13.7x | 1.4x |
| Pharmacy Management | 1 | 303 | (22.3%) | (70.3%) | 0.17x | 16.2x | NM | NM | NM |
| Total / Average | 7 | \$70,016 | (13.4%) | (28.5%) | 0.35x | 12.9x | 24.1x | 13.7x | 1.4x |
| Healthcare REITs | 15 | \$105,916 | (1.1%) | 16.4% | 13.69x | 20.5x | 30.2x | 42.8x | NM |
| Total / Average (\$MM) | 111 | \$1,053,375 | 1.2% | 22.5% | 2.55x | 16.0x | 23.9x | 22.5x | 1.7x |

Healthcare Services Sector Update

| Market Indices | Value at | % Change | | | |
|--|-----------------|-------------|--------------|--------------|--------------|
| | 12/31/2019 | 1 mo | YTD | 12 mo | 36 mo |
| S&P 500 | 3,230.8 | 2.9% | 28.9% | 28.9% | 44.3% |
| NASDAQ Composite Index | 8,972.6 | 3.5% | 35.2% | 35.2% | 66.7% |
| Russell 2000 Index | 1,668.5 | 2.7% | 23.7% | 23.7% | 22.9% |
| S&P Composite 1500 Health Care Facilities (Sub Ind) | 371.1 | 5.4% | 24.3% | 24.3% | 76.2% |
| S&P Composite 1500 Health Care Providers & Services (Industry) | 1,035.1 | 2.9% | 17.5% | 17.5% | 58.0% |
| S&P Composite 1500 Managed Health Care (Sub Ind) | 1,842.3 | 5.1% | 18.6% | 18.6% | 86.1% |
| S&P Health Care Services Select Industry Index | 11,098.5 | 2.8% | 18.4% | 18.4% | 41.7% |

| Interest Rates | Value at | 1 mo | 3 mo | 12 mo |
|--------------------------|------------|-------|-------|-------|
| | 12/31/2019 | ago | ago | ago |
| LIBOR - USD - 6 months | 1.91% | 1.90% | 2.06% | 2.87% |
| U.S. Treasury - 2 years | 1.58% | 1.61% | 1.63% | 2.52% |
| U.S. Treasury - 5 years | 1.69% | 1.63% | 1.55% | 2.55% |
| U.S. Treasury - 10 years | 1.91% | 1.78% | 1.68% | 2.74% |
| U.S. Treasury - 30 years | 2.38% | 2.20% | 2.12% | 3.05% |
| U.S. Prime Rate | 4.75% | 4.75% | 5.00% | 5.50% |

| 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 | 36 | \$941,364 | 32.1% | 89.4% | 1.9% | 27.5% | 27.5% | 72.1% |
| \$1 billion - \$5 billion | 42 | 97,181 | 37.5% | 9.2% | 1.3% | 29.0% | 29.0% | 87.6% |
| \$250 million - \$1 billion | 22 | 13,448 | 19.6% | 1.3% | 2.0% | 19.3% | 19.3% | (2.4%) |
| \$100 million - \$250 million | 6 | 1,095 | 5.4% | 0.1% | (3.8%) | 35.8% | 35.8% | 121.5% |
| < \$100 million | 6 | 287 | 5.4% | 0.0% | (6.5%) | (3.9%) | (3.9%) | (39.3%) |
| Total / Average (\$MM) | 112 | \$1,053,375 | 100.0% | 100.0% | (1.0%) | 21.6% | 21.6% | 47.9% |

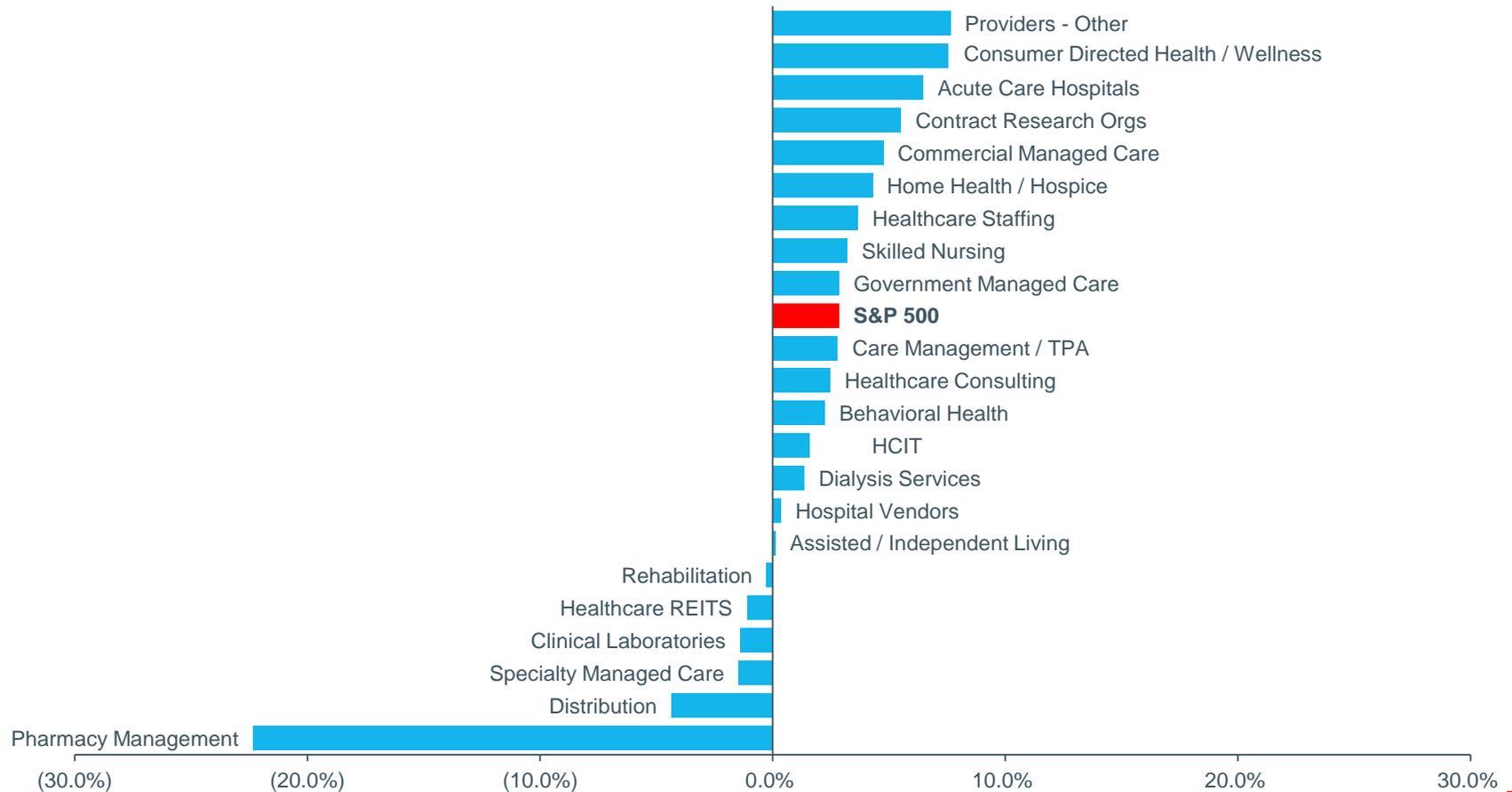
Healthcare Services Market Performance

Performance of Market Indices for Latest 36 Months



Healthcare Services Sector Change

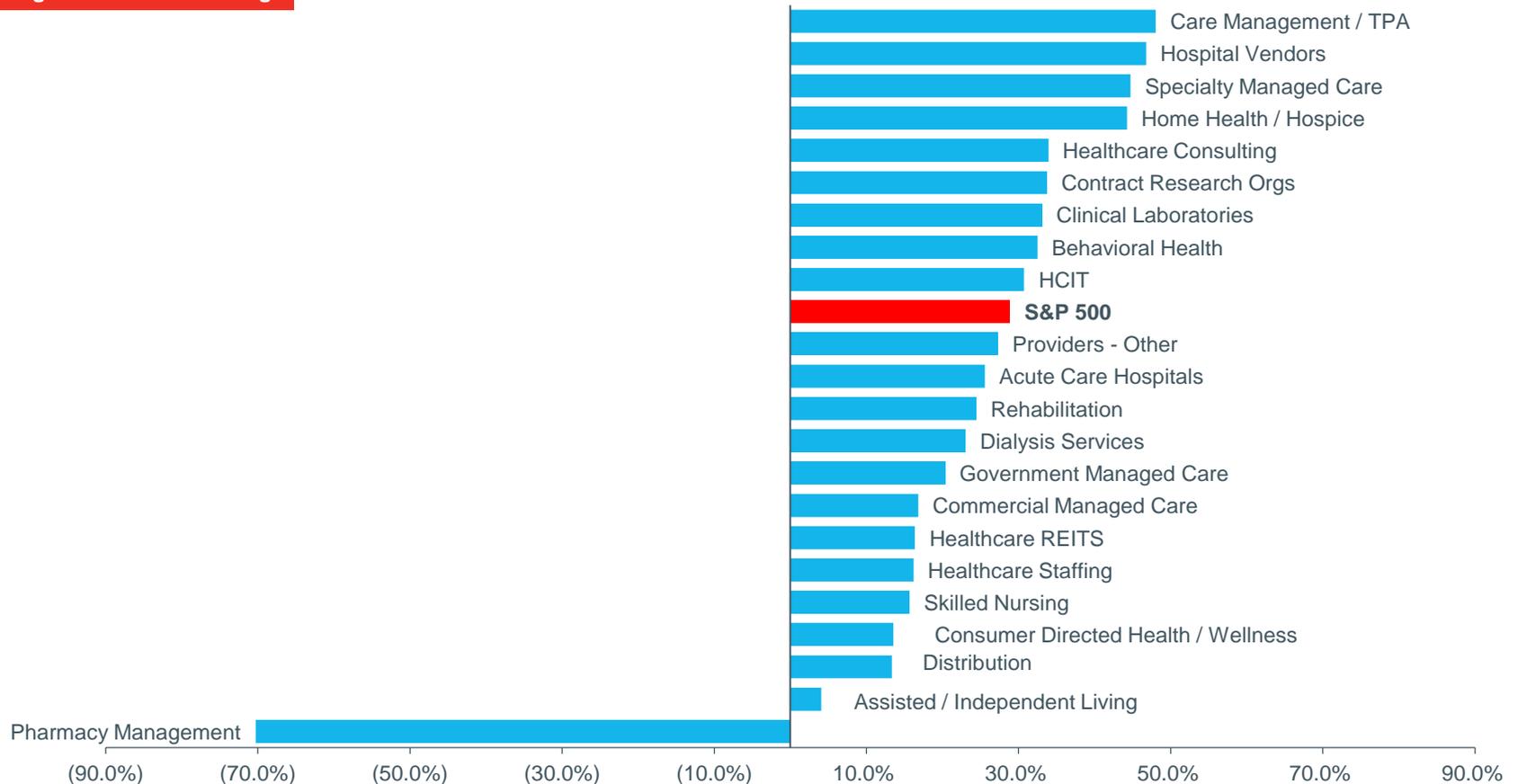
Average % - 1 Month Change



Source: S&P Global Market Intelligence as of December 31 2019, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

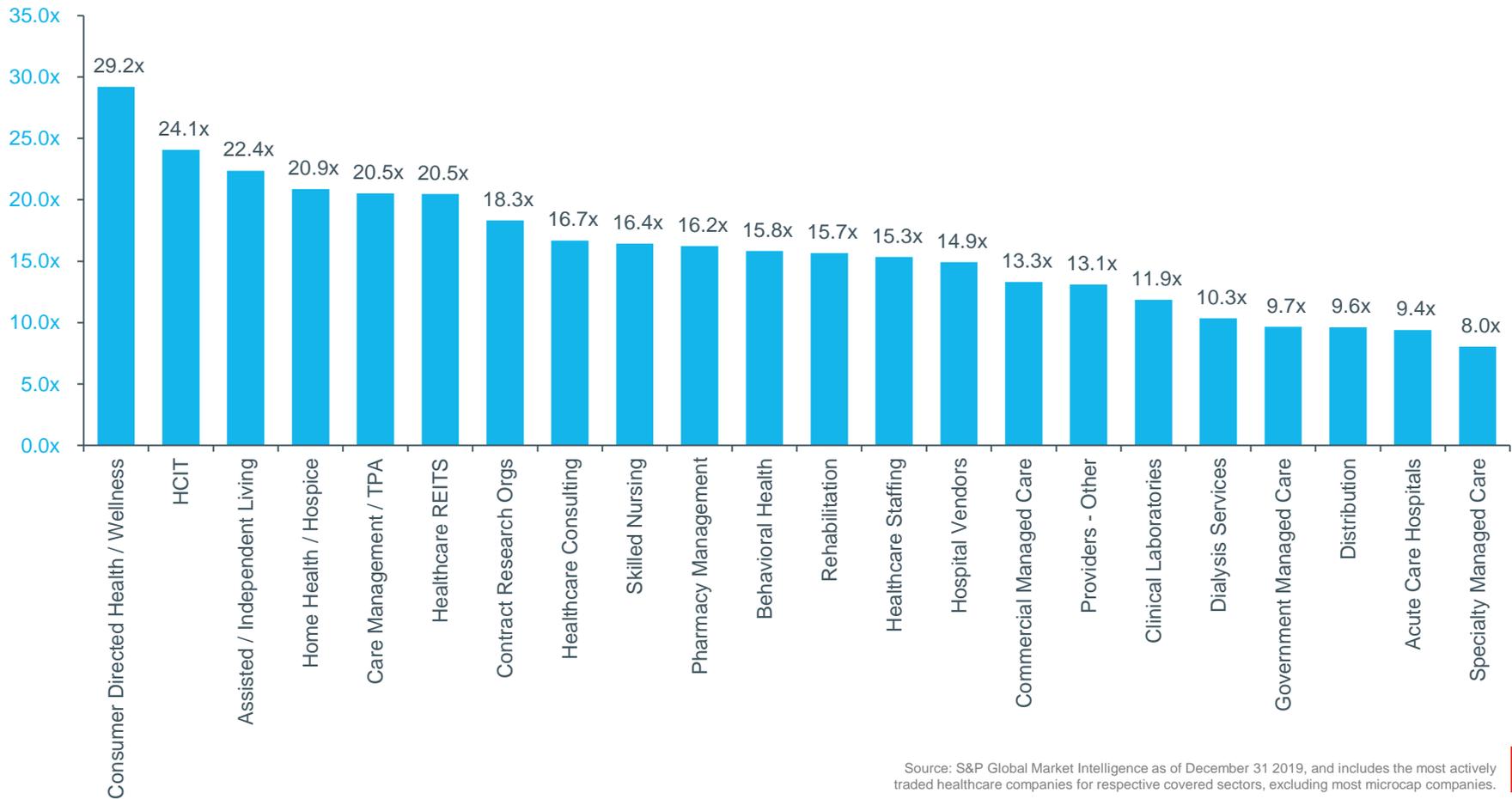
Healthcare Services Sector Change

Average % - 12 Month Change



Healthcare Services Multiples

Overview of Subsector EV/LTM EBITDA



Source: S&P Global Market Intelligence as of December 31 2019, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

For the detailed December 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

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

Priyanka Sharma

Director
New York
+1 212 871 2542
priyanka.sharma@duffandphelps.com

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