

INDUSTRY INSIGHTS:

Healthcare Services Sector Update

March 2017



Q Highlights

The **S&P Healthcare Services** Index decreased 0.9% over the last month, underperforming the S&P 500, which remained flat over the same period.

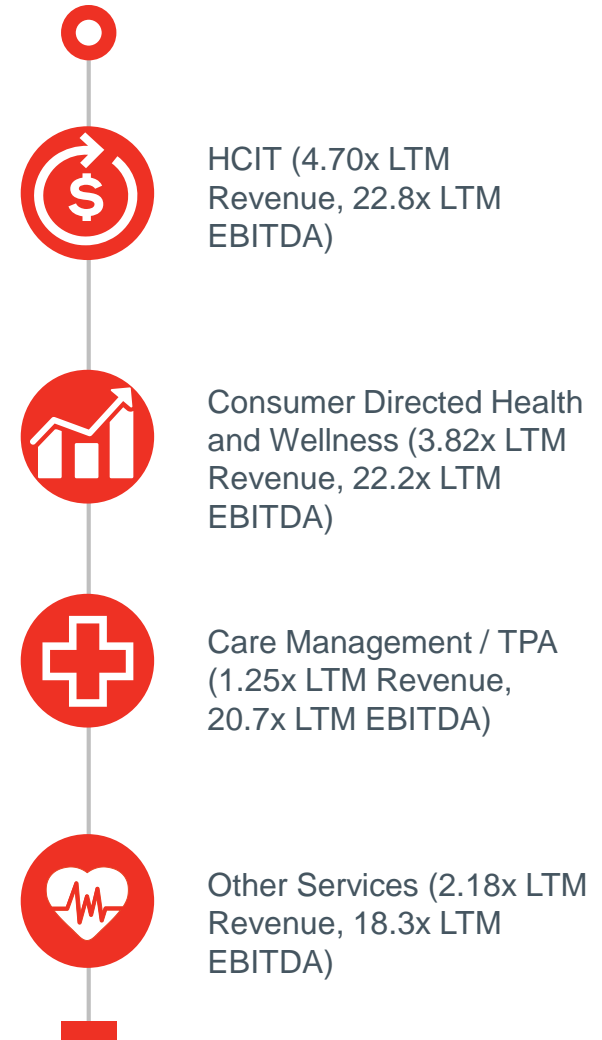
Over the past month:

The best performing sectors were Emergency Services (up 12.0%), Care Management / TPA (up 4.9%), and HCIT (up 4.1%).

The poorest performing sectors were Healthcare Staffing (down 9.9%), Assisted Living / Independent Living (down 8.1%) and Pharmacy Management (down 6.1%).

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.30x and 13.1x, respectively.

THE SECTORS WITH THE HIGHEST VALUATION MULTIPLES



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Market Sector	# of	Ag. Equity	Average % Change		LTM Multiples		Earnings Ratio		PEG Ratio
	Co's	Mkt. Value	1 mo	12 mo	Rev	EBITDA	LTM	2017E	2017E
Acute Care Hospitals	5	\$50,364	0.7%	6.5%	1.20x	8.5x	17.6x	14.4x	1.5x
Assisted / Independent Living	3	3,020	(8.1%)	(16.3%)	1.69x	11.3x	NM	NM	NM
Care Management / TPA	5	5,741	4.9%	25.5%	1.25x	20.7x	22.3x	22.8x	1.6x
Clinical Laboratories	6	35,999	1.1%	26.8%	5.76x	11.8x	19.7x	20.4x	2.5x
Consumer Directed Health and Wellness	7	8,223	(0.6%)	33.1%	3.82x	22.2x	23.4x	37.2x	2.0x
Contract Research Orgs	7	37,928	3.0%	20.9%	2.88x	16.9x	22.5x	17.1x	1.3x
Diagnostic Imaging	3	413	(0.4%)	31.8%	1.80x	6.4x	32.6x	22.3x	1.8x
Dialysis Services	3	39,622	(0.3%)	(5.6%)	1.67x	8.8x	18.2x	22.1x	1.7x
Distribution / Supply	8	100,194	(1.1%)	(3.0%)	0.91x	12.4x	20.7x	16.3x	2.3x
Emergency Services	2	1,601	12.0%	16.6%	1.39x	7.9x	8.5x	7.8x	0.5x
HCIT	22	72,091	4.1%	8.7%	4.70x	22.8x	33.1x	27.2x	1.8x
Healthcare REITs	18	102,282	(0.7%)	3.2%	12.01x	17.5x	26.1x	33.1x	5.4x
Healthcare Staffing	3	9,620	(9.9%)	5.4%	1.84x	13.5x	18.9x	16.8x	1.2x
Home Care / Hospice	7	8,000	4.1%	26.5%	1.16x	14.5x	32.6x	23.7x	1.9x
Skilled Nursing	6	3,086	(4.6%)	(6.4%)	1.53x	9.8x	20.5x	14.6x	1.3x
Managed Care - Commercial	6	314,763	(0.9%)	20.3%	0.73x	11.0x	20.2x	18.4x	1.4x
Managed Care - Government	3	21,083	(0.3%)	20.6%	0.22x	5.2x	32.1x	19.7x	1.2x
Other Services	5	10,730	1.2%	(17.7%)	2.18x	18.3x	40.4x	43.3x	2.5x
Pharmacy Management	4	41,995	(6.1%)	(2.2%)	1.08x	17.6x	23.1x	17.2x	1.3x
Physician Practice Mgmt.	2	6,403	(2.5%)	7.5%	1.53x	13.4x	19.9x	16.3x	1.2x
Psychiatric Hospitals	3	5,649	(2.0%)	(15.7%)	0.93x	11.2x	21.4x	16.8x	1.0x
Specialty Managed Care	2	5,724	(3.6%)	20.0%	0.42x	8.0x	17.6x	16.4x	1.2x
Surgicenters / Rehabilitation	5	7,405	(4.4%)	19.9%	2.15x	11.5x	21.9x	22.8x	1.6x
Total / Average (\$MM)	135	\$891,936	(0.6%)	9.8%	2.30x	13.1x	23.3x	21.2x	1.7x

Source: Capital IQ as of March 31, 2017, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

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Market Indices	Value at	% Change			
	03/31/2017	1 mo	YTD	12 mo	36 mo
S&P 500 Index	2,362.7	(0.0%)	5.5%	14.7%	26.2%
NASDAQ Composite Index	5,911.7	1.5%	9.8%	21.4%	40.8%
Russell 2000 Index	1,385.9	(0.1%)	2.1%	24.4%	18.1%
S&P Composite 1500 Healthcare Facilities (Sub Ind) Index	248.3	(0.2%)	17.9%	6.7%	26.5%
S&P Composite 1500 Healthcare Providers & Services (Industry)	698.1	(1.3%)	6.5%	11.4%	44.0%
S&P Composite 1500 Managed Healthcare (Sub Ind)	1,041.2	(0.9%)	5.2%	19.6%	86.2%
S&P Healthcare Services Select Industry Index	8,664.2	(0.9%)	10.6%	4.8%	24.4%

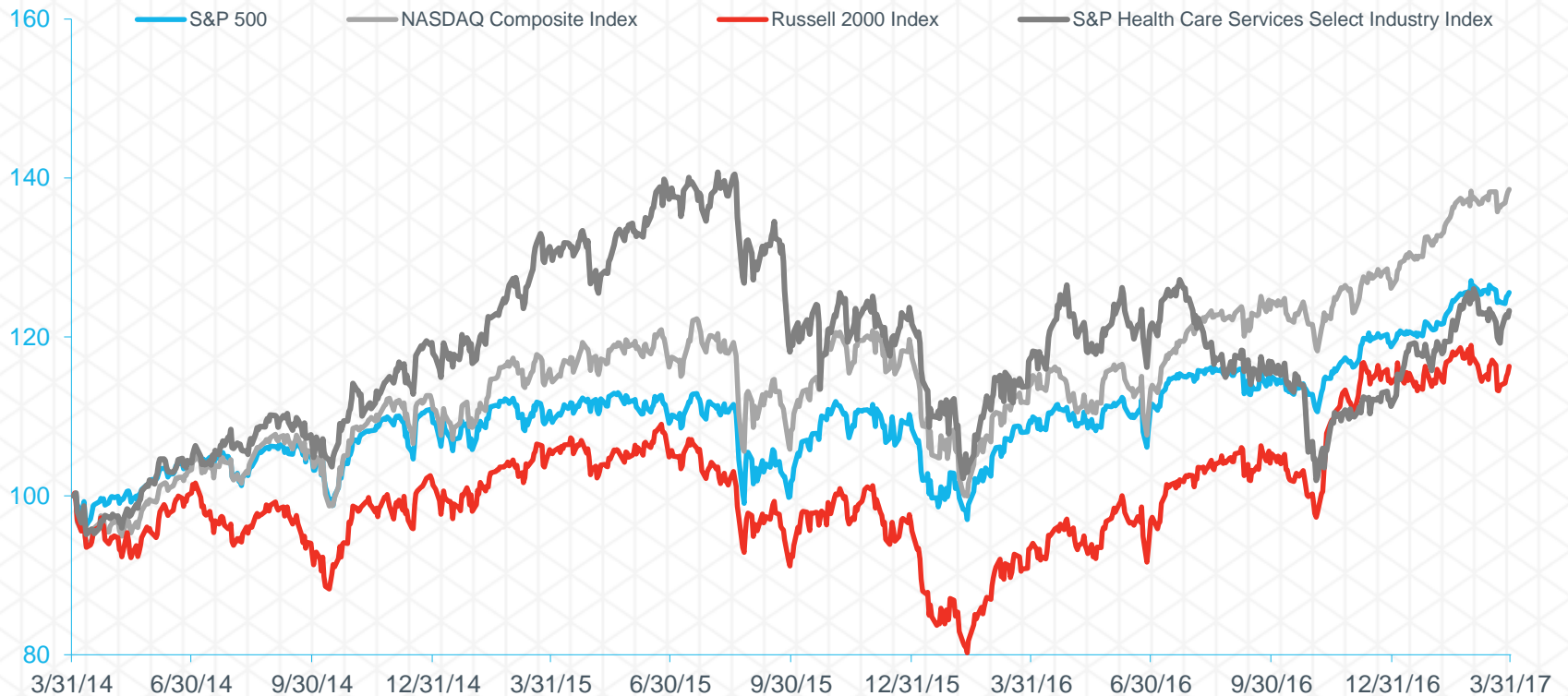
Interest rates	Value at	1 mo	3 mo	12 mo
	03/31/2017	ago	ago	ago
LIBOR - USD - 6 months	1.42%	1.37%	1.32%	0.90%
U.S. Treasury - 2 years	1.27%	1.22%	1.20%	0.73%
U.S. Treasury - 5 years	1.93%	1.88%	1.91%	1.23%
U.S. Treasury - 10 years	2.40%	2.36%	2.43%	1.78%
U.S. Treasury - 30 years	3.02%	2.97%	3.05%	3.05%
U.S. Prime Rate	4.00%	3.75%	3.75%	3.50%

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	30	\$741,892	22.2%	83.2%	(0.7%)	8.0%	8.4%	37.3%
\$1 billion - \$5 billion	47	126,182	34.8%	14.1%	1.2%	10.3%	14.9%	25.6%
\$250 million - \$1 billion	35	21,754	25.9%	2.4%	(2.5%)	(0.1%)	11.4%	10.5%
\$100 million - \$250 million	10	1,721	7.4%	0.2%	(4.1%)	(1.5%)	1.8%	(45.9%)
< \$100 million	13	388	9.6%	0.0%	(10.0%)	(9.5%)	(18.8%)	(32.1%)
Total / Average (\$MM)	135	\$891,936	100.0%	100.0%	(3.2%)	1.4%	3.5%	(0.9%)

Source: Capital IQ as of March 31, 2017, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

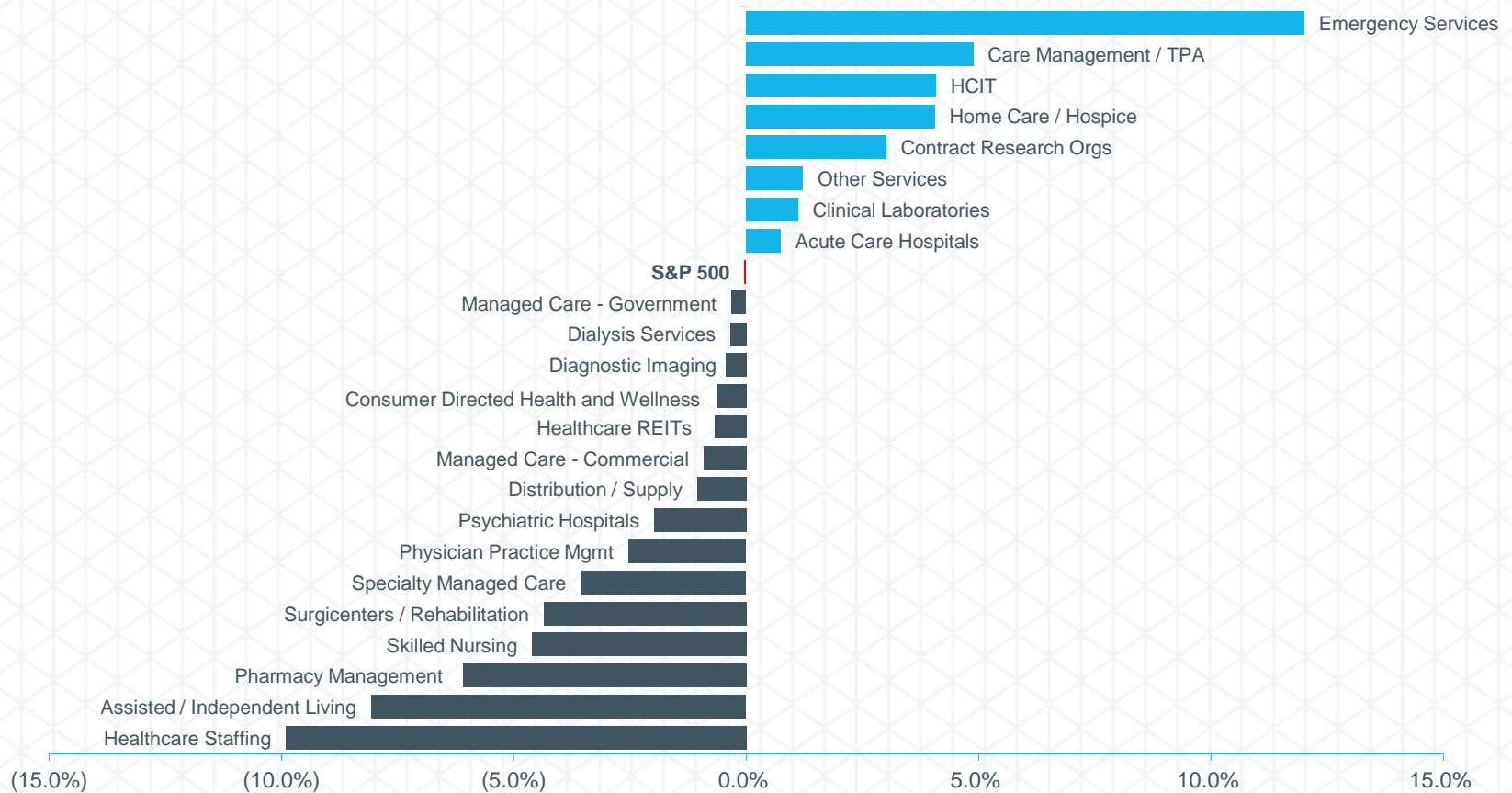
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Performance of Market Indices for Latest 36 Months



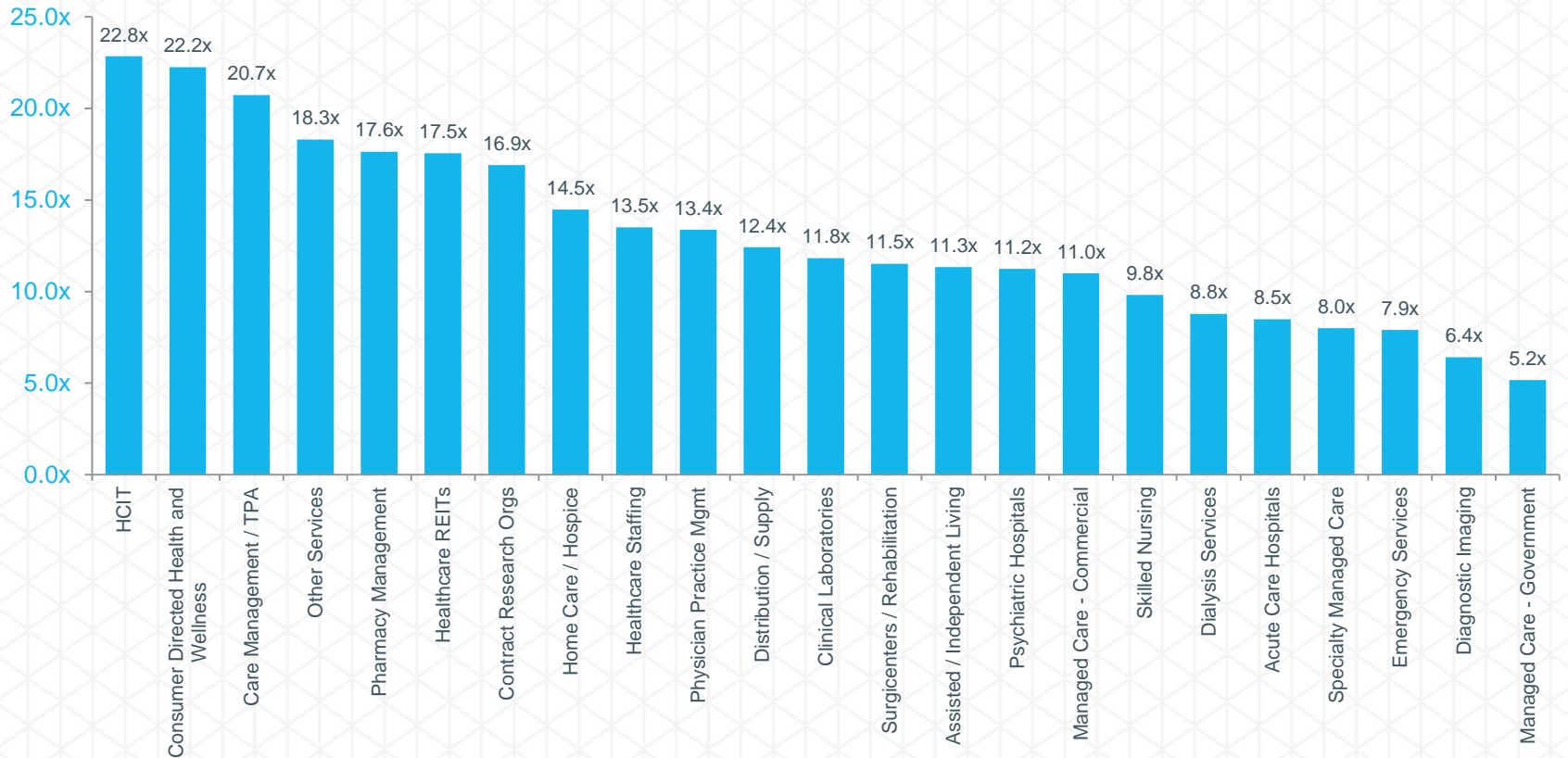
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Average % - 1 Month



Healthcare Services Sector Update

Overview of Subsector EV/LTM EBITDA



For the detailed March 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
 +1 651 393 4052
Philip.smith@duffandphelps.com

Laca Wong-Hammond

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

Jordan Lampos

Director
 Los Angeles
 +1 424 249 1668
jordan.lampos@duffandphelps.com

Adam Stormoen

Director
 Minneapolis
 +1 612 720 8136
adam.stormoen@duffandphelps.com

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