

INDUSTRY INSIGHTS

# Healthcare Services Sector Update

APRIL 2019

# Q Highlights

The **S&P Healthcare Services** Index declined 0.8% over the last month, as compared to the S&P 500, which increased 3.9% over the same period.

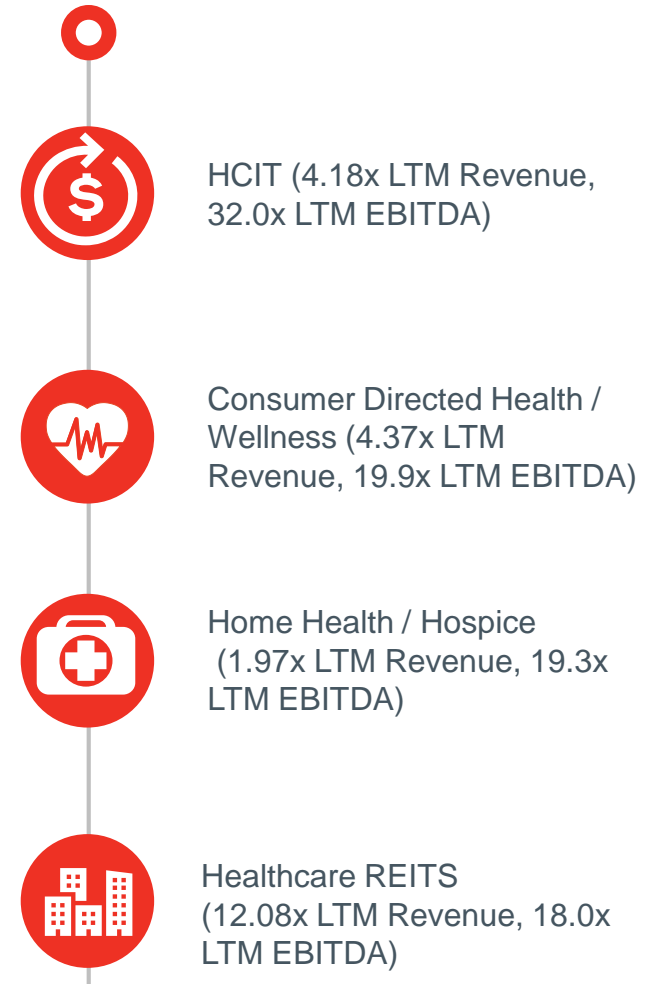
## Over the past month:

The sectors experiencing the most growth were HCIT (up 10.5%) , Healthcare Staffing (up 9.6%) and Healthcare Consulting (up 9.2%)

The sectors experiencing the most decline were Assisted / Independent Living (down 5.7%), Commercial Managed Care (5.3%) and Contract Research Orgs (4.5%)

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.25x and 14.4x 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	2019E	
<b>Providers</b>									
Acute Care Hospitals	4	\$57,913	(3.8%)	26.6%	1.34x	9.0x	13.6x	11.6x	0.9x
Assisted / Independent Living	3	1,310	(5.7%)	(20.2%)	1.34x	14.4x	NM	NM	NM
Behavioral Health	3	4,555	7.9%	(13.1%)	0.76x	14.3x	NM	21.9x	2.1x
Dialysis Services	3	34,845	3.7%	(11.8%)	1.60x	8.6x	15.5x	14.2x	(0.3x)
Healthcare Staffing	2	2,695	9.6%	(24.2%)	0.87x	13.4x	17.9x	17.8x	1.3x
Home Health / Hospice	5	14,538	2.2%	41.4%	1.97x	19.3x	39.5x	28.1x	2.0x
Rehabilitation	4	10,038	8.9%	7.2%	3.60x	14.3x	17.4x	23.7x	1.9x
Skilled Nursing	4	4,073	(0.1%)	63.2%	0.88x	10.2x	24.9x	23.4x	1.6x
Providers - Other	3	3,556	1.0%	(32.9%)	1.65x	11.2x	13.9x	18.6x	1.8x
<b>Total / Average</b>	<b>31</b>	<b>\$133,522</b>	<b>2.6%</b>	<b>4.0%</b>	<b>1.56x</b>	<b>12.7x</b>	<b>20.4x</b>	<b>19.9x</b>	<b>1.4x</b>
<b>Payors / Managed Care</b>									
Commercial Managed Care	4	\$384,602	(5.3%)	(1.2%)	0.99x	12.7x	17.9x	13.4x	1.0x
Government Managed Care	3	42,424	(4.4%)	16.1%	0.43x	8.4x	18.8x	14.2x	1.0x
Specialty Managed Care	2	6,381	0.1%	0.5%	0.52x	10.8x	23.9x	11.4x	1.2x
<b>Total / Average</b>	<b>9</b>	<b>\$433,406</b>	<b>(5.2%)</b>	<b>0.5%</b>	<b>0.64x</b>	<b>10.6x</b>	<b>20.2x</b>	<b>13.0x</b>	<b>1.1x</b>
<b>Consumer Directed Health / Wellness</b>									
<b>HCIT</b>	<b>20</b>	<b>\$51,390</b>	<b>10.5%</b>	<b>25.0%</b>	<b>4.18x</b>	<b>32.0x</b>	<b>33.0x</b>	<b>32.9x</b>	<b>2.3x</b>
<b>Other Outsourced Services</b>									
Care Management / TPA	5	\$8,434	2.1%	49.6%	1.64x	16.2x	21.4x	22.3x	1.7x
Clinical Laboratories	6	39,552	5.2%	15.5%	4.23x	11.3x	19.0x	16.7x	2.4x
Contract Research Orgs	5	52,752	(4.5%)	34.4%	2.81x	16.4x	31.8x	19.6x	1.6x
Hospital Vendors	4	7,877	5.7%	(4.4%)	1.71x	17.8x	21.9x	18.4x	1.4x
Healthcare Consulting	2	1,947	9.2%	18.8%	1.54x	14.6x	47.8x	22.6x	1.6x
<b>Total / Average</b>	<b>22</b>	<b>\$110,562</b>	<b>0.4%</b>	<b>25.7%</b>	<b>2.39x</b>	<b>15.3x</b>	<b>28.4x</b>	<b>19.9x</b>	<b>1.7x</b>
<b>Product</b>									
Distribution	6	\$65,004	0.4%	(20.7%)	0.33x	9.2x	19.5x	11.2x	1.7x
Pharmacy Management	2	664	(4.0%)	(56.7%)	0.67x	14.9x	NM	16.8x	0.7x
<b>Total / Average</b>	<b>8</b>	<b>\$65,668</b>	<b>(1.8%)</b>	<b>(38.7%)</b>	<b>0.50x</b>	<b>12.1x</b>	<b>19.5x</b>	<b>14.0x</b>	<b>1.2x</b>
<b>Healthcare REITS</b>									
<b>Total / Average (\$MM)</b>	<b>112</b>	<b>\$913,371</b>	<b>1.6%</b>	<b>6.6%</b>	<b>2.25x</b>	<b>14.4x</b>	<b>22.6x</b>	<b>20.8x</b>	<b>1.5x</b>

# Healthcare Services Sector Update ..

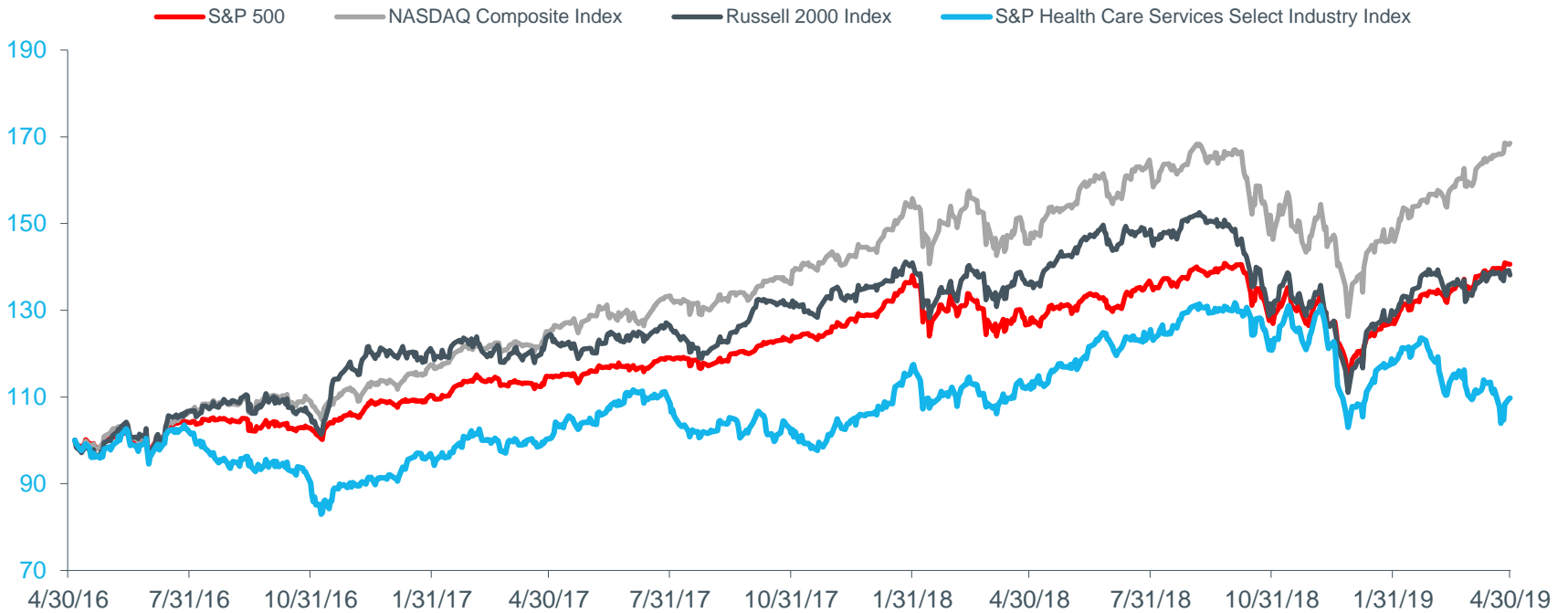
Market Indices	Value at	% Change			
	4/30/2019	1 mo	YTD	12 mo	36 mo
S&P 500	2,945.8	3.9%	17.5%	11.2%	42.6%
NA SDAQ Composite Index	8,095.4	4.7%	22.0%	14.6%	69.5%
Russell 2000 Index	1,591.2	3.3%	18.0%	3.2%	40.7%
S&P Composite 1500 Health Care Facilities (Sub Ind)	316.9	(1.6%)	6.2%	20.3%	29.3%
S&P Composite 1500 Health Care Providers & Services (Industry)	839.9	(3.1%)	(4.6%)	(2.9%)	31.2%
S&P Composite 1500 Managed Health Care (Sub Ind)	1,476.4	(5.9%)	(4.9%)	0.6%	68.4%
<b>S&amp;P Health Care Services Select Industry Index</b>	<b>9,547.6</b>	<b>(0.8%)</b>	<b>1.9%</b>	<b>(1.6%)</b>	<b>10.6%</b>

Interest Rates	Value at	1 mo	3 mo	12 mo
	4/30/2019	ago	ago	ago
LIBOR - USD - 6 months	2.62%	2.66%	2.80%	2.51%
U.S. Treasury - 2 years	2.27%	2.27%	2.45%	2.49%
U.S. Treasury - 5 years	2.28%	2.23%	2.44%	2.79%
U.S. Treasury - 10 years	2.51%	2.41%	2.64%	2.93%
U.S. Treasury - 30 years	2.94%	2.82%	3.01%	3.10%
U.S. Prime Rate	5.50%	5.50%	5.50%	4.75%

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	34	\$800,933	30.4%	87.7%	(0.2%)	9.5%	10.0%	39.8%
\$1 billion - \$5 billion	43	99,244	38.4%	10.9%	0.9%	12.1%	28.7%	54.0%
\$250 million - \$1 billion	18	11,203	16.1%	1.2%	(0.1%)	10.4%	(3.3%)	46.0%
\$100 million - \$250 million	9	1,666	8.0%	0.2%	(0.2%)	9.5%	8.9%	52.4%
< \$100 million	8	326	7.1%	0.0%	(13.6%)	17.3%	(41.8%)	(37.6%)
<b>Total / Average (\$MM)</b>	<b>112</b>	<b>\$913,371</b>	<b>100.0%</b>	<b>100.0%</b>	<b>(2.6%)</b>	<b>11.8%</b>	<b>0.5%</b>	<b>30.9%</b>

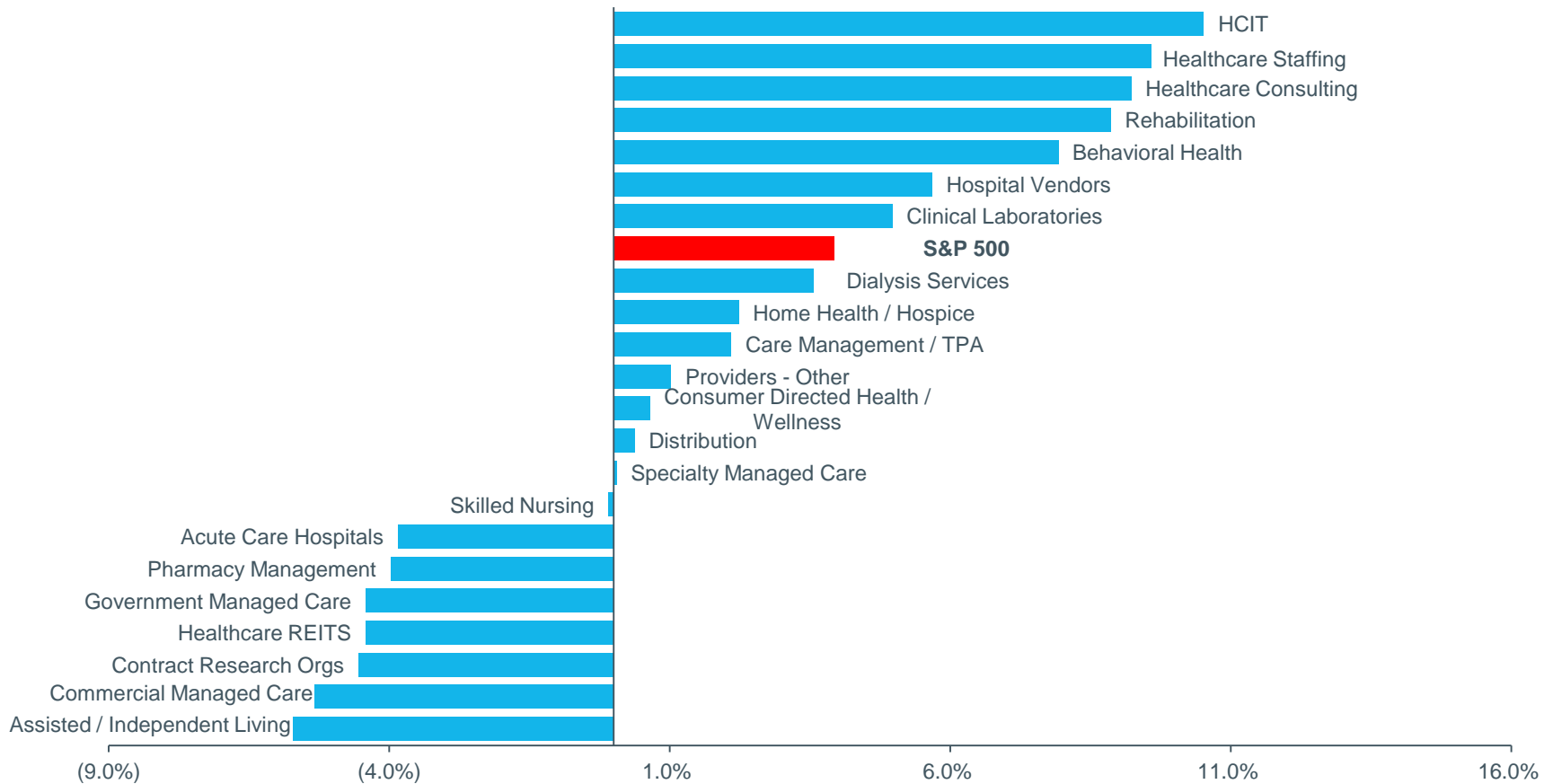
# Healthcare Services Market Performance

## Performance of Market Indices for Latest 36 Months



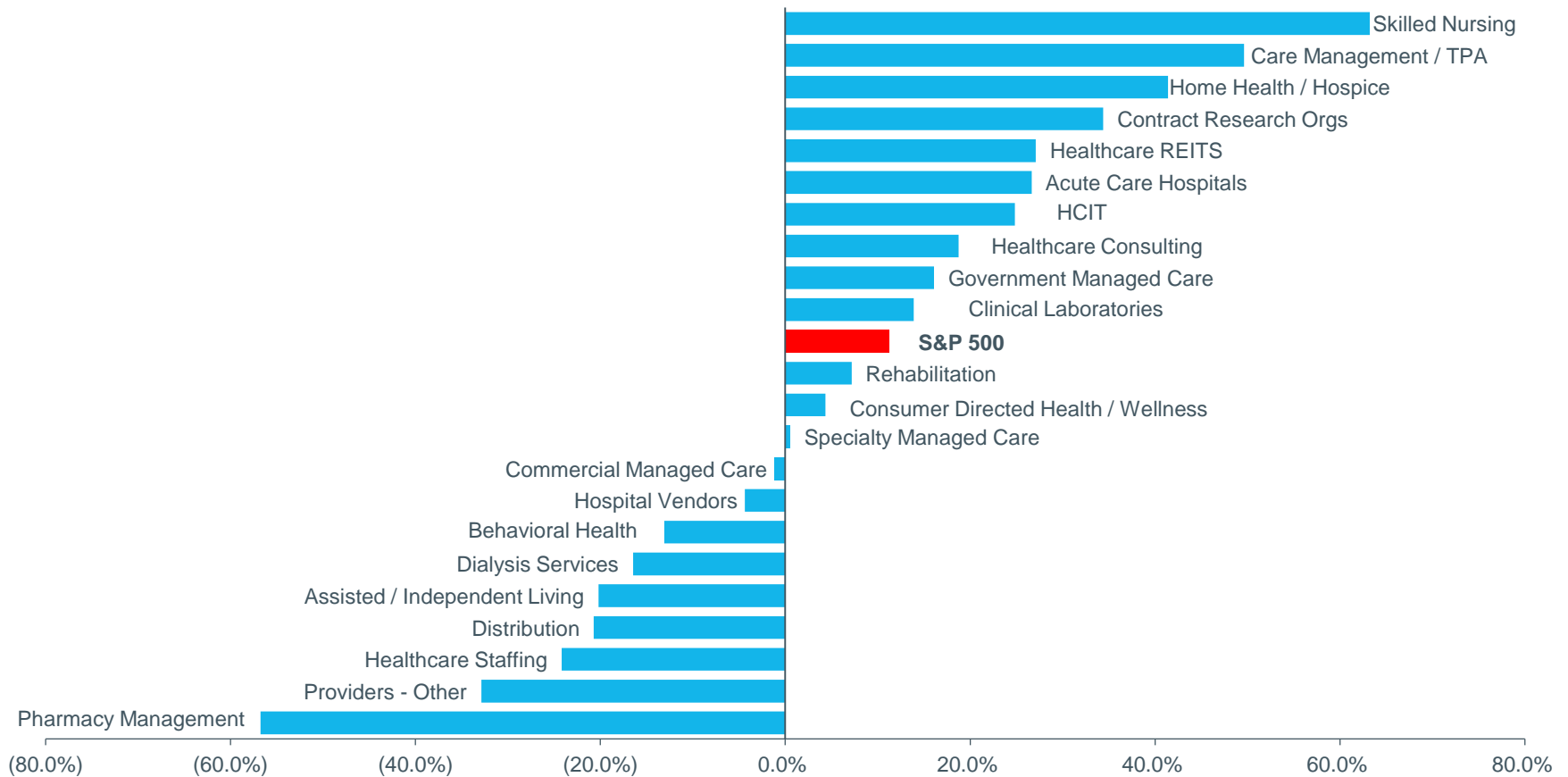
# Healthcare Services Sector Change

Average % - 1 Month Change



# Healthcare Services Sector Change

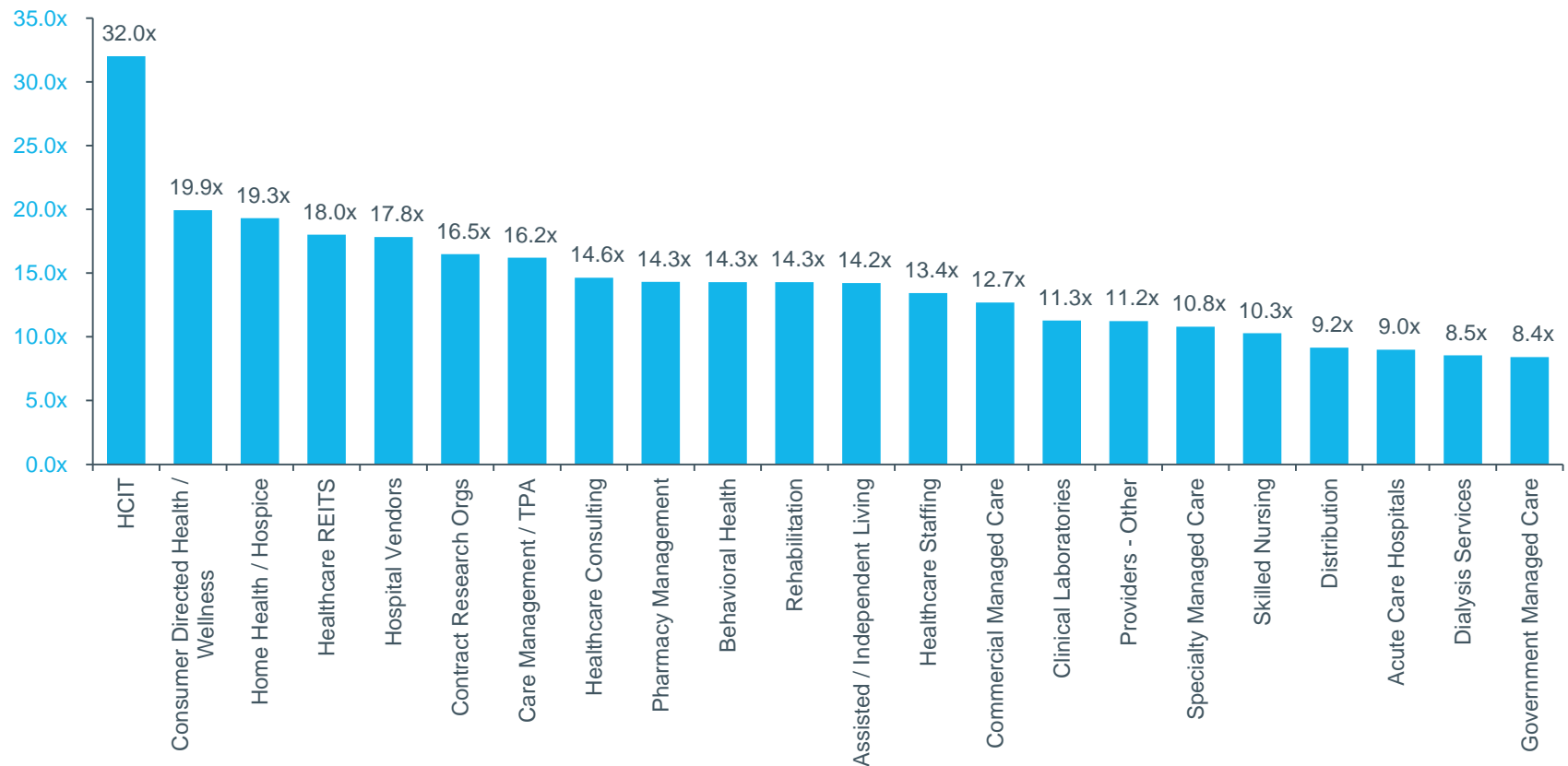
Average % - 12 Month Change



Source: S&P Global Market Intelligence as of April 30 2019, 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 April 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

## 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](http://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.*