

Healthcare Sector Update

January 2016

BY THE NUMBERS

The S&P Healthcare Services Index decreased 6.9% over the last month, underperforming the S&P 500, which decreased 5.1% over the same period.

Over the past month:

- The best performing sectors were Dialysis Services (up 1.4%) and Specialty Managed Care (up 0.2%)
- The worst performing sectors were Pharmacy Management (down 17.5%), Consumer Directed Health & Wellness (down 16.8%) and Distribution / Supply (down 12.4%)

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 1.93x and 11.7x, respectively.

The sectors with the highest valuation multiples include:

- Healthcare REITs (12.11x LTM Revenue, 17.1x LTM EBITDA)
- HCIT (3.35x LTM Revenue, 17.7x LTM EBITDA)
- Contract Research Orgs (2.44x LTM Revenue, 13.1x LTM EBITDA)
- Other Services (2.08x LTM Revenue, 16.9x LTM EBITDA)

MARKET SECTOR	No. of Cos.	Ag. Eqty Mkt. Value	Average % Change		LTM Multiples		Earnings Ratio		PEG Ratio 2016E
			1 mo	12 mo	Rev	EBITDA	LTM	2016E	
Acute Care Hospitals	5	\$47,115	(1.6%)	(3.2%)	1.05x	7.8x	15.3x	12.6x	1.0x
Assisted / Independent Living	3	3,674	(12.1%)	(46.7%)	2.22x	11.6x	NM	NM	NM
Care Management / TPA	7	9,196	(3.4%)	(6.0%)	1.73x	12.6x	26.7x	17.4x	1.0x
Clinical Laboratories	5	26,434	(6.8%)	(5.9%)	2.11x	12.1x	22.9x	12.9x	1.4x
Consumer Directed Health and Wellness	9	16,234	(16.8%)	(1.0%)	2.42x	15.9x	27.9x	30.4x	1.5x
Contract Research Orgs	7	23,564	(10.3%)	19.5%	2.44x	13.1x	22.5x	16.9x	1.0x
Diagnostic Imaging	3	363	(6.9%)	(33.8%)	1.48x	5.9x	17.2x	13.1x	1.3x
Dialysis Services	2	41,052	1.4%	8.8%	1.90x	10.6x	28.3x	18.9x	1.6x
Distribution / Supply	7	101,597	(12.4%)	(9.7%)	0.27x	10.4x	20.5x	14.9x	1.3x
Emergency Services	2	2,203	(9.1%)	10.9%	2.32x	15.3x	28.4x	16.8x	0.5x
HCIT	17	41,969	(6.2%)	(6.7%)	3.35x	17.7x	35.0x	26.7x	1.7x
Healthcare REITs	18	87,332	(4.6%)	(23.6%)	12.11x	17.1x	19.3x	20.5x	4.6x
Healthcare Staffing	4	8,906	(11.2%)	(13.9%)	1.12x	11.2x	27.6x	16.5x	1.0x
Home Care / Hospice	6	5,557	(7.7%)	29.0%	0.94x	10.8x	20.9x	16.9x	1.2x
Skilled Nursing	6	3,272	(8.6%)	(9.6%)	0.96x	9.3x	21.3x	12.0x	0.8x
Managed Care - Commercial	7	243,512	(4.9%)	10.0%	0.62x	9.9x	17.5x	14.9x	1.2x
Managed Care - Government	3	13,828	(5.7%)	10.1%	0.23x	7.0x	21.7x	16.2x	0.6x
Other Services	4	12,872	(0.1%)	(4.0%)	2.08x	16.9x	39.0x	23.8x	1.7x
Pharmacy Management	4	50,623	(17.5%)	(10.4%)	0.61x	9.2x	27.1x	12.9x	1.0x
Physician Practice Mgmt	2	6,550	(3.1%)	2.2%	1.67x	9.7x	19.9x	15.7x	1.1x
Psychiatric Hospitals	3	6,880	(3.6%)	1.4%	0.34x	15.7x	34.8x	16.9x	0.8x
Specialty Managed Care	2	5,915	0.2%	24.7%	0.32x	9.4x	27.3x	14.2x	1.7x
Surgicenters / Rehabilitation	9	13,007	(4.8%)	8.5%	2.19x	10.7x	16.2x	18.3x	1.5x
Total / Average (\$MM)	136	\$771,655	(6.8%)	(2.1%)	1.93x	11.7x	24.4x	17.3x	1.3x

Source: Capital IQ

CAPITALIZATION PROFILE

	No. of Cos.	Ag. Eqty Mkt. Value	% Total No. of Cos.	% Ag. Eqty Mkt. Value	Average Stock Performance			
					1 mo	YTD	12 mo	36 mo
> \$5 billion	31	\$630,391	23.0%	81.7%	(6.1%)	(6.1%)	(1.5%)	66.6%
\$1 billion – \$5 billion	48	118,365	35.6%	15.3%	(6.4%)	(6.4%)	(1.2%)	43.2%
\$250 million – \$1 billion	33	20,708	24.4%	2.7%	(10.8%)	(10.8%)	(3.6%)	55.4%
\$100 million – \$250 million	9	1,670	6.7%	0.2%	(12.0%)	(12.0%)	(37.6%)	(23.0%)
< \$100 million	14	520	10.4%	0.1%	(7.8%)	(7.8%)	(44.3%)	(19.2%)
Total / Average (\$MM)	135	\$771,655	100.0%	100.0%	(8.6%)	(8.6%)	(17.6%)	24.6%

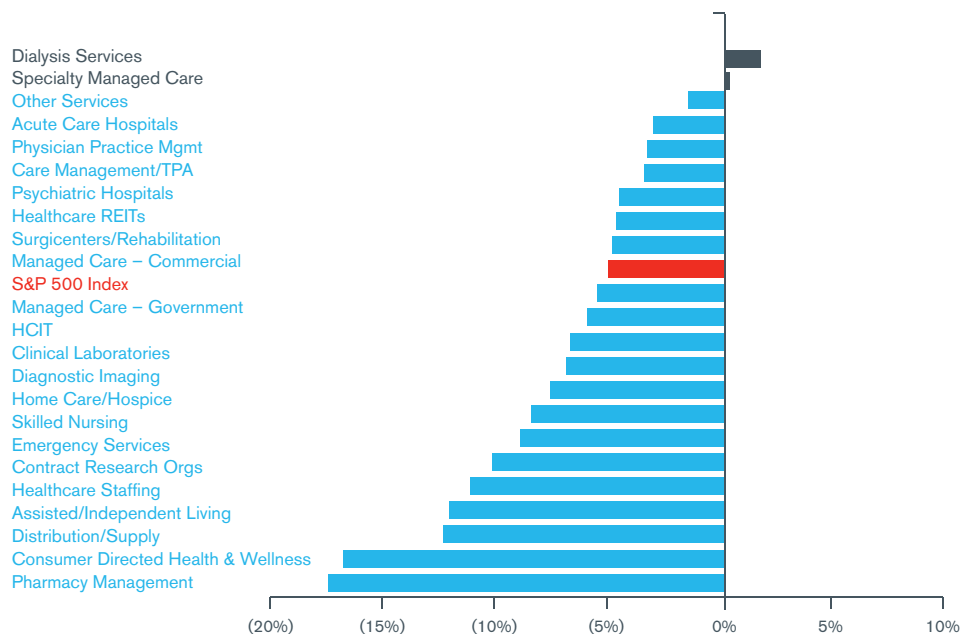
Source: Capital IQ

MARKET INDICES

	Value at 1/31/16	% Change			
		1 mo	YTD	12 mo	36 mo
Dow Jones Industrial Average	16,466	(5.5%)	(5.5%)	(4.1%)	18.8%
S&P 500 Index	1,940.2	(5.1%)	(5.1%)	(2.7%)	29.5%
NASDAQ Composite Index	4,614.0	(7.9%)	(7.9%)	(0.5%)	46.8%
Russell 2000 Index	1,035.4	(8.8%)	(8.8%)	(11.2%)	14.8%
AMEX Sector Index – Healthcare	77.5	(19.1%)	(19.1%)	(22.8%)	(9.5%)
S&P Healthcare Facilities (Sub Ind) Index	320.1	(8.1%)	(8.1%)	(19.2%)	37.7%
S&P Healthcare Providers & Services (Industry) Index	579.0	(5.7%)	(5.7%)	(3.5%)	69.1%
S&P Managed Healthcare (Sub Ind) Index	410.7	(4.9%)	(4.9%)	12.5%	112.1%
S&P Healthcare Services	449.6	(6.9%)	(6.9%)	15.0%	45.2%

Source: Capital IQ

Average % Change – 1 month



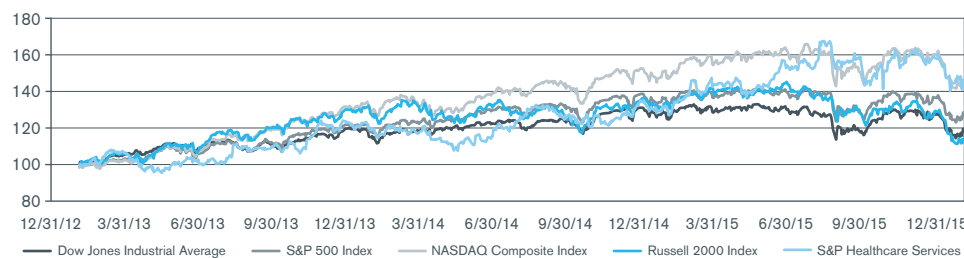
Source: Capital IQ

INTEREST RATES

	Value at 1/31/16	1 mo ago	3 mo ago	12 mo ago
LIBOR – USD – 6 months	0.86%	0.55%	0.53%	0.33%
U.S. Treasury – 2 years	0.76%	0.75%	0.72%	0.47%
U.S. Treasury – 5 years	1.34%	1.52%	1.53%	1.50%
U.S. Treasury – 10 years	1.93%	2.15%	2.19%	2.19%
U.S. Treasury – 30 years	2.76%	2.94%	2.91%	2.91%
U.S. Prime Rate	3.50%	3.25%	3.25%	3.25%

Source: Capital IQ

Performance of Market Indices for Latest 36 months



Source: Capital IQ

For the detailed January trading multiples for individual healthcare services companies, please contact one of our professionals below.

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