

Healthcare Services Sector Update

June 2016

BY THE NUMBERS

The S&P Healthcare Services Index has increased 1.3% over the last month, outperforming the S&P 500, which did not change over the same period.

Over the past month:

- The best performing sectors were Managed Care – Government (up 11.5%), Healthcare REITs (up 8.6%) and Other Services (up 6.5%)
- The poorest performing sectors were Assisted / Independent Living (down 11.4%), Emergency Services (down 7.6%) and Contract Research Orgs (down 3.8%)

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.34x and 14.2x, respectively.

The sectors with the highest valuation multiples include:

- HCIT (4.67x LTM Revenue, 27.0x LTM EBITDA)
- Pharmacy Management (1.14x LTM Revenue, 26.7x LTM EBITDA)
- Other Services (2.08x LTM Revenue, 22.8x LTM EBITDA)
- Healthcare REITs (14.01x LTM Revenue, 22.0x 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	\$50,070	(0.9%)	(17.0%)	1.26x	8.6x	16.0x	13.5x	1.6x
Assisted/Independent Living	3	3,514	(11.4%)	(51.2%)	1.85x	12.0x	NM	NM	NM
Care Management/TPA	6	6,732	(0.8%)	(0.9%)	1.47x	12.0x	27.2x	38.7x	2.2x
Clinical Laboratories	5	31,831	3.4%	6.7%	4.53x	17.3x	20.9x	16.9x	1.9x
Consumer Directed Health & Wellness	9	17,209	(1.3%)	(18.5%)	3.63x	20.5x	29.1x	32.2x	1.5x
Contract Research Orgs	7	23,949	(3.8%)	0.4%	2.36x	12.9x	21.1x	16.3x	1.1x
Diagnostic Imaging	3	329	(1.4%)	(29.5%)	1.67x	6.2x	20.6x	21.9x	1.8x
Dialysis Services	3	43,281	(0.4%)	2.0%	2.10x	10.2x	25.1x	24.6x	1.8x
Distribution/Supply	8	110,401	2.3%	(9.4%)	0.95x	11.6x	20.3x	17.1x	1.6x
Emergency Services	2	2,216	(7.6%)	(25.6%)	2.32x	14.4x	26.0x	15.1x	0.4x
HCIT	20	46,283	6.4%	(8.3%)	4.67x	27.0x	37.7x	30.2x	1.9x
Healthcare REITs	18	105,968	8.6%	14.2%	14.01x	22.0x	27.6x	37.1x	8.5x
Healthcare Staffing	4	10,131	(0.3%)	(22.5%)	1.19x	13.4x	27.6x	17.6x	1.1x
Home Care/Hospice	7	6,801	1.1%	8.9%	1.03x	12.4x	26.1x	20.2x	1.5x
Skilled Nursing	6	3,405	1.9%	(25.2%)	2.09x	8.2x	19.3x	13.2x	1.2x
Managed Care – Commercial	6	271,870	4.2%	1.4%	0.70x	11.4x	19.4x	20.1x	1.4x
Managed Care – Government	3	19,737	11.5%	(4.7%)	0.32x	8.5x	29.0x	19.5x	1.1x
Other Services	4	11,909	6.5%	(10.4%)	2.08x	22.8x	42.6x	30.5x	1.8x
Pharmacy Management	4	50,245	1.1%	(14.9%)	1.14x	26.7x	22.8x	15.3x	1.1x
Physician Practice Mgmt	2	6,692	6.4%	(2.2%)	1.68x	11.9x	20.2x	16.8x	1.3x
Psychiatric Hospitals	3	7,004	(2.8%)	(25.3%)	0.37x	17.3x	39.0x	22.2x	1.1x
Specialty Managed Care	2	5,947	(0.9%)	25.4%	0.32x	7.7x	17.0x	16.1x	2.1x
Surgicenters/Rehabilitation	7	12,669	2.0%	(0.4%)	2.15x	11.5x	20.0x	21.6x	1.4x
Total/Average (\$MM)	137	\$848,192	1.0%	(9.0%)	2.34x	14.2x	25.2x	21.7x	1.8x

Source: Capital IQ

MARKET INDICES	Value at 6/30/16	% Change			
		1 mo	YTD	12 mo	36 mo
Dow Jones Industrial Average	17,930.0	0.3%	2.9%	1.8%	20.3%
S&P 500 Index	2,098.9	(0.0%)	2.7%	1.7%	30.7%
NASDAQ Composite Index	4,842.7	(1.8%)	(3.3%)	(2.9%)	42.3%
Russell 2000 Index	1,151.9	0.1%	1.4%	(8.1%)	17.8%
AMEX Sector Index – Healthcare	86.1	(0.6%)	(10.1%)	(15.8%)	(0.9%)
S&P Healthcare Facilities (Sub Ind) Index	328.2	0.4%	(5.8%)	(33.1%)	13.6%
S&P Healthcare Providers & Services (Industry) Index	611.4	2.6%	(0.4%)	(15.6%)	51.8%
S&P Managed Healthcare (Sub Ind) Index	437.7	5.2%	1.4%	(8.8%)	99.8%
S&P Healthcare Services	511.5	1.3%	6.0%	9.2%	65.3%

Source: Capital IQ

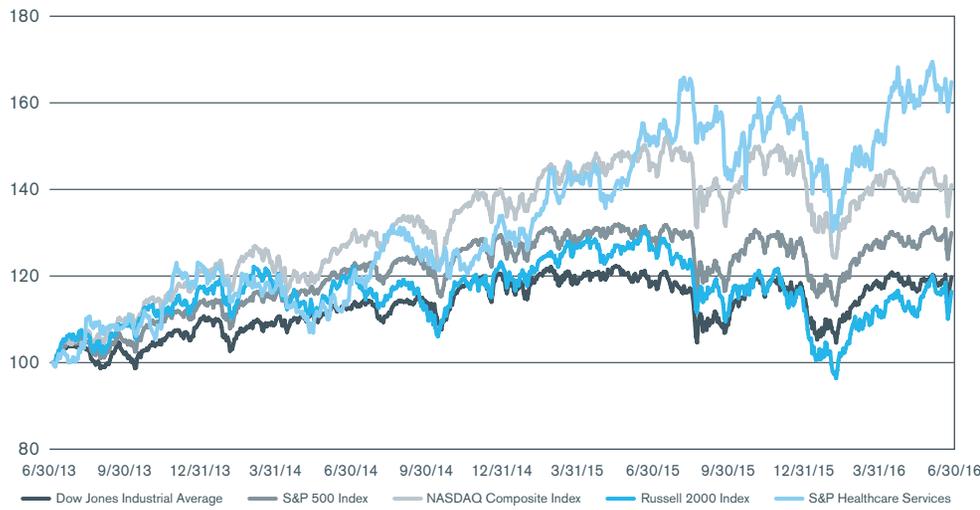
INTEREST RATES	Value at 6/30/16	1 mo ago	3 mo ago	12 mo ago
LIBOR – USD – 6 months	0.92%	0.98%	0.90%	0.44%
U.S. Treasury – 2 years	0.58%	0.90%	0.76%	0.64%
U.S. Treasury – 5 years	1.02%	1.37%	1.26%	1.63%
U.S. Treasury – 10 years	1.49%	1.84%	1.83%	2.33%
U.S. Treasury – 30 years	2.30%	2.64%	2.66%	2.66%
U.S. Prime Rate	3.50%	3.50%	3.50%	3.50%

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	29	\$684,584	21.2%	80.7%	3.9%	2.3%	(2.6%)	54.3%
\$1 billion – \$5 billion	53	140,108	38.7%	16.5%	1.6%	3.4%	(4.9%)	42.5%
\$250 million – \$1 billion	37	22,321	27.0%	2.6%	2.3%	1.1%	(10.3%)	29.3%
\$100 million – \$250 million	4	711	2.9%	0.1%	(7.9%)	(22.1%)	(42.2%)	(35.0%)
< \$100 million	14	469	10.2%	0.1%	0.3%	(16.1%)	(46.5%)	(22.0%)
Total/Average (\$MM)	137	\$848,192	100.0%	100.0%	0.0%	(6.3%)	(21.3%)	13.8%

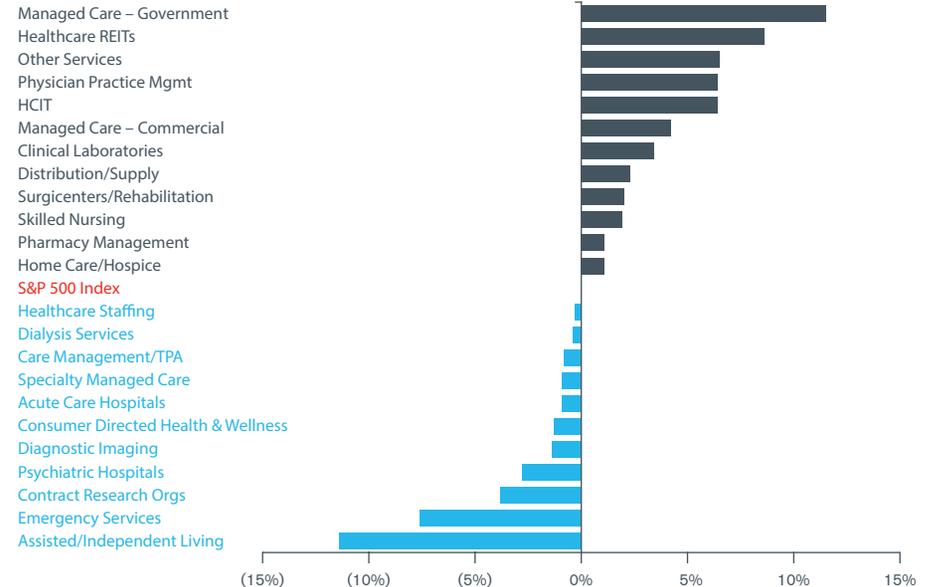
Source: Capital IQ

Performance of Market Indices for Latest 36 Months



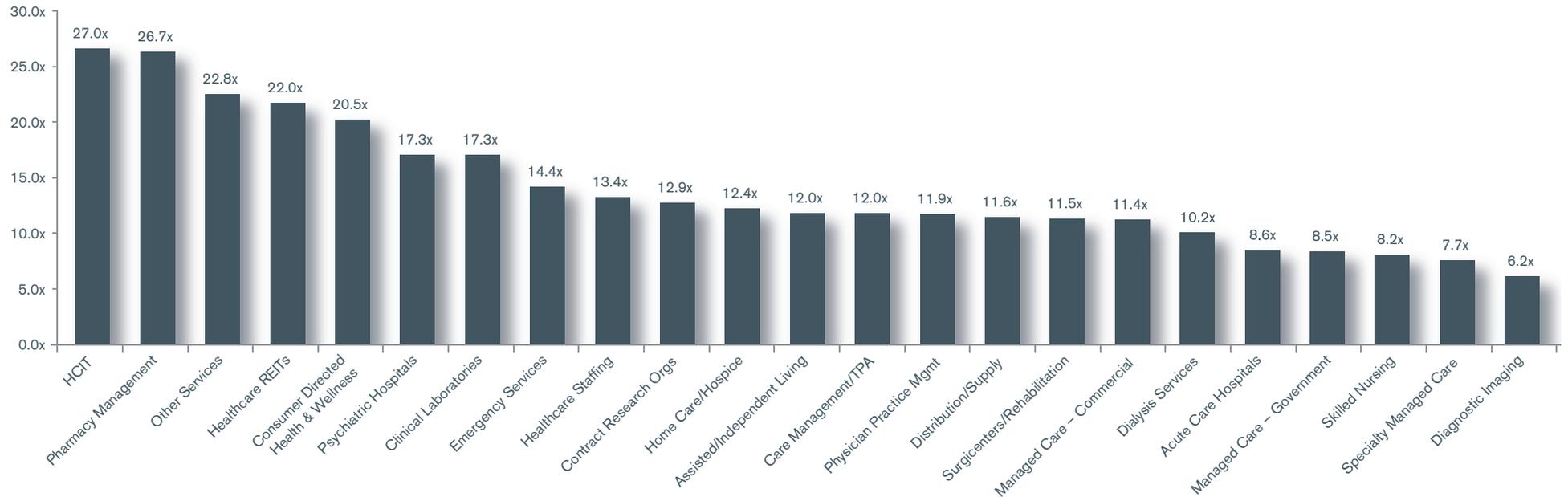
Source: Capital IQ

Average % Change — 1 Month



Source: Capital IQ

Overview of Subsector EV / LTM EBITDA



Source: Capital IQ

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

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