

INDUSTRY INSIGHTS

Healthcare Services Sector Update

August 2019



Q Highlights

The **S&P Healthcare Services** Index declined 6.2% over the last month, as compared to the S&P 500, which declined 1.8% over the same period.

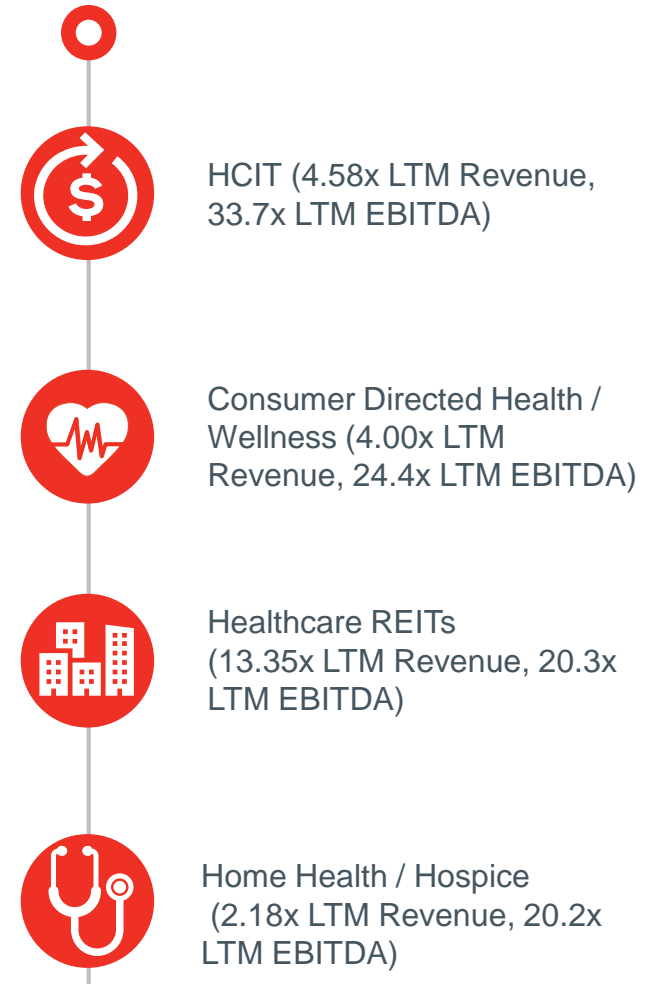
Over the past month:

The sectors experiencing the most growth were Pharmacy Management (up 10.2%), Healthcare Staffing (up 9.2%) and Healthcare REITs (up 7.4%).

The sectors experiencing most decline were Consumer Directed Health / Wellness (down 19.0%), Behavioral Health (14.6%) and Skilled Nursing (14.0%).

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.40x and 15.1x, 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	
Providers									
Acute Care Hospitals	4	\$56,300	(8.4%)	(6.6%)	1.34x	9.2x	14.1x	11.6x	1.1x
Assisted / Independent Living	3	1,682	3.5%	(20.6%)	2.00x	20.1x	NM	NM	NM
Behavioral Health	3	3,895	(14.6%)	(27.8%)	0.93x	13.4x	NM	18.2x	1.8x
Dialysis Services	3	28,489	(4.9%)	(27.3%)	1.55x	8.3x	17.2x	12.7x	2.7x
Healthcare Staffing	2	3,103	9.2%	0.4%	1.10x	19.6x	22.2x	19.1x	1.4x
Home Health / Hospice	5	16,591	0.0%	20.4%	2.18x	20.2x	37.6x	31.7x	2.3x
Rehabilitation	4	10,134	(3.1%)	(15.7%)	3.56x	11.1x	17.5x	25.7x	1.9x
Skilled Nursing	3	4,013	(14.0%)	18.7%	1.36x	15.7x	21.7x	22.0x	1.5x
Providers - Other	3	2,763	(12.2%)	(42.2%)	1.76x	11.7x	14.2x	21.4x	1.6x
Total / Average	30	\$126,971	(4.9%)	(11.2%)	1.75x	14.4x	20.6x	20.3x	1.8x
Payors / Managed Care									
Commercial Managed Care	4	\$385,058	(7.3%)	(11.9%)	0.88x	11.7x	15.8x	13.6x	1.0x
Government Managed Care	3	41,074	(7.2%)	(21.7%)	0.43x	8.4x	17.4x	13.7x	0.8x
Specialty Managed Care	2	8,013	7.1%	18.4%	0.56x	7.9x	17.1x	11.0x	NM
Total / Average	9	\$434,144	(7.0%)	(12.2%)	0.62x	9.3x	16.8x	12.8x	0.9x
Consumer Directed Health / Wellness	5	\$6,915	(19.0%)	(40.5%)	3.88x	23.2x	25.6x	26.3x	1.8x
HCIT	24	\$58,910	(5.2%)	2.2%	4.57x	33.6x	30.2x	35.5x	2.3x
Other Outsourced Services									
Care Management / TPA	5	\$9,185	(2.5%)	52.0%	1.63x	15.4x	23.9x	23.7x	1.6x
Clinical Laboratories	6	42,147	1.0%	3.6%	4.64x	11.2x	19.0x	18.3x	2.7x
Contract Research Orgs	5	57,081	(1.7%)	12.7%	2.98x	17.5x	31.6x	20.6x	1.8x
Hospital Vendors	4	5,839	(3.3%)	(32.0%)	1.56x	14.7x	22.7x	18.5x	1.8x
Healthcare Consulting	2	2,402	6.6%	20.5%	1.77x	16.0x	NM	25.4x	1.8x
Total / Average	22	\$116,654	(0.7%)	10.5%	2.52x	14.9x	24.3x	21.3x	2.0x
Product									
Distribution	6	\$66,598	(3.7%)	(6.5%)	0.31x	8.7x	20.5x	11.3x	1.3x
Pharmacy Management	1	439	10.2%	(71.9%)	0.20x	12.5x	NM	33.3x	1.3x
Total / Average	7	\$67,037	3.3%	(39.2%)	0.25x	10.6x	20.5x	22.3x	1.3x
Healthcare REITS	16	\$127,677	7.4%	21.8%	13.35x	20.3x	22.4x	46.2x	NM
Total / Average (\$MM)	113	\$938,308	(2.8%)	-7.0%	2.39x	15.0x	21.7x	21.9x	1.7x

Healthcare Services Sector Update ..

Market Indices	Value at 8/31/2019	% Change			
		1 mo	YTD	12 mo	36 mo
S&P 500	2,926.5	(1.8%)	16.7%	0.9%	34.8%
NASDAQ Composite Index	7,962.9	(2.6%)	20.0%	(1.8%)	52.7%
Russell 2000 Index	1,494.8	(5.1%)	10.8%	(14.1%)	20.6%
S&P Composite 1500 Health Care Facilities (Sub Ind)	311.4	(8.3%)	4.3%	(10.0%)	40.3%
S&P Composite 1500 Health Care Providers & Services (Industry)	853.8	(5.3%)	(3.0%)	(12.2%)	33.5%
S&P Composite 1500 Managed Health Care (Sub Ind)	1,484.9	(7.3%)	(4.4%)	(12.0%)	68.5%
S&P Health Care Services Select Industry Index	9,558.2	(6.2%)	2.0%	(15.9%)	16.6%

Interest Rates	Value at 8/31/2019	1 mo ago	3 mo ago	12 mo ago
LIBOR - USD - 6 months	2.04%	2.21%	2.52%	2.54%
U.S. Treasury - 2 years	1.50%	1.89%	1.95%	2.62%
U.S. Treasury - 5 years	1.40%	1.84%	1.94%	2.74%
U.S. Treasury - 10 years	1.51%	2.02%	2.14%	2.85%
U.S. Treasury - 30 years	1.97%	2.53%	2.58%	3.01%
U.S. Prime Rate	5.25%	5.50%	5.50%	5.00%

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	\$820,992	30.1%	87.5%	(1.1%)	14.9%	0.5%	40.4%
\$1 billion - \$5 billion	43	103,116	38.1%	11.0%	(4.1%)	19.2%	4.3%	79.0%
\$250 million - \$1 billion	21	12,459	18.6%	1.3%	(0.2%)	(9.9%)	(29.0%)	(16.8%)
\$100 million - \$250 million	8	1,495	7.1%	0.2%	0.8%	35.7%	8.0%	95.2%
< \$100 million	7	244	6.2%	0.0%	(8.6%)	(2.0%)	(37.2%)	(50.8%)
Total / Average (\$MM)	113	\$938,308	100.0%	100.0%	(2.6%)	11.6%	(10.7%)	29.4%

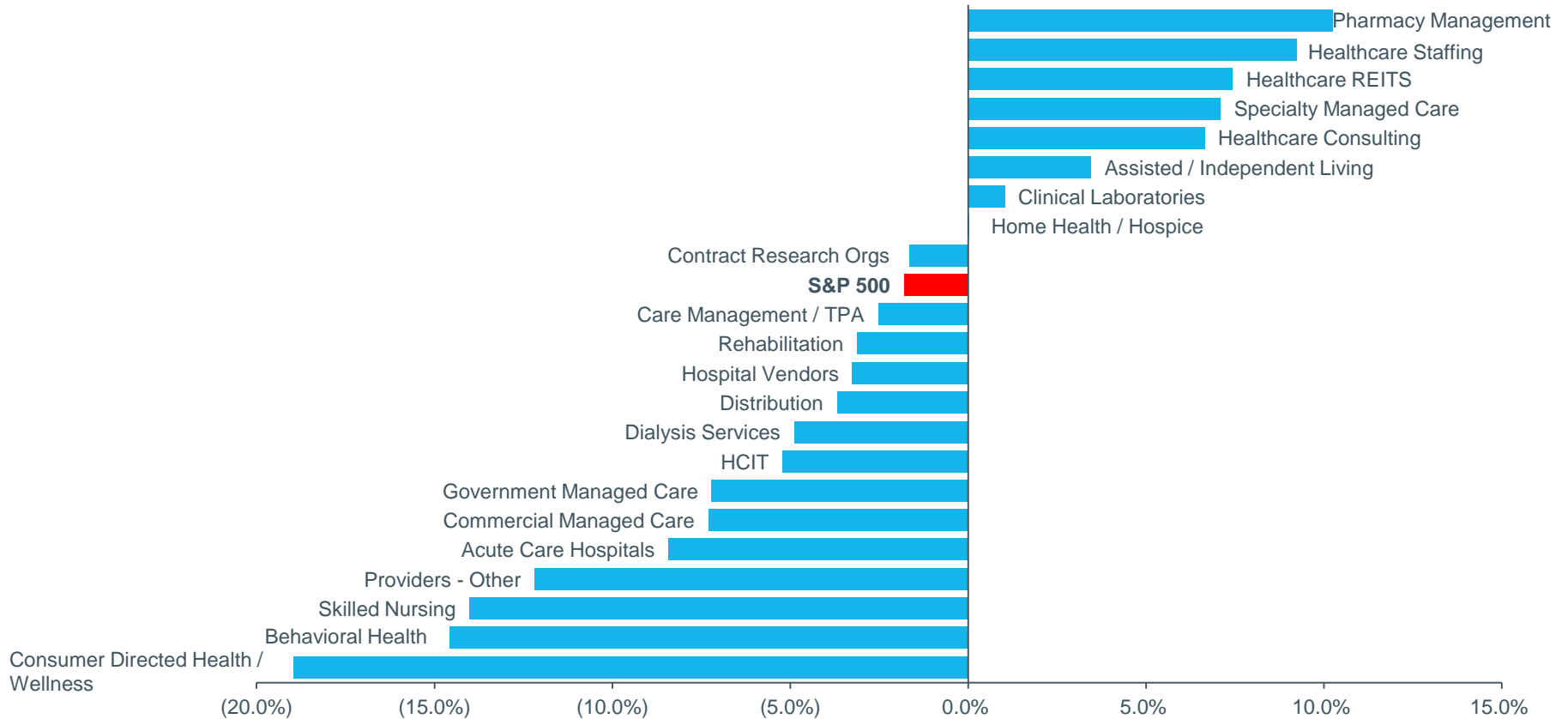
Healthcare Services Market Performance

Performance of Market Indices for Latest 36 Months



Healthcare Services Sector Change

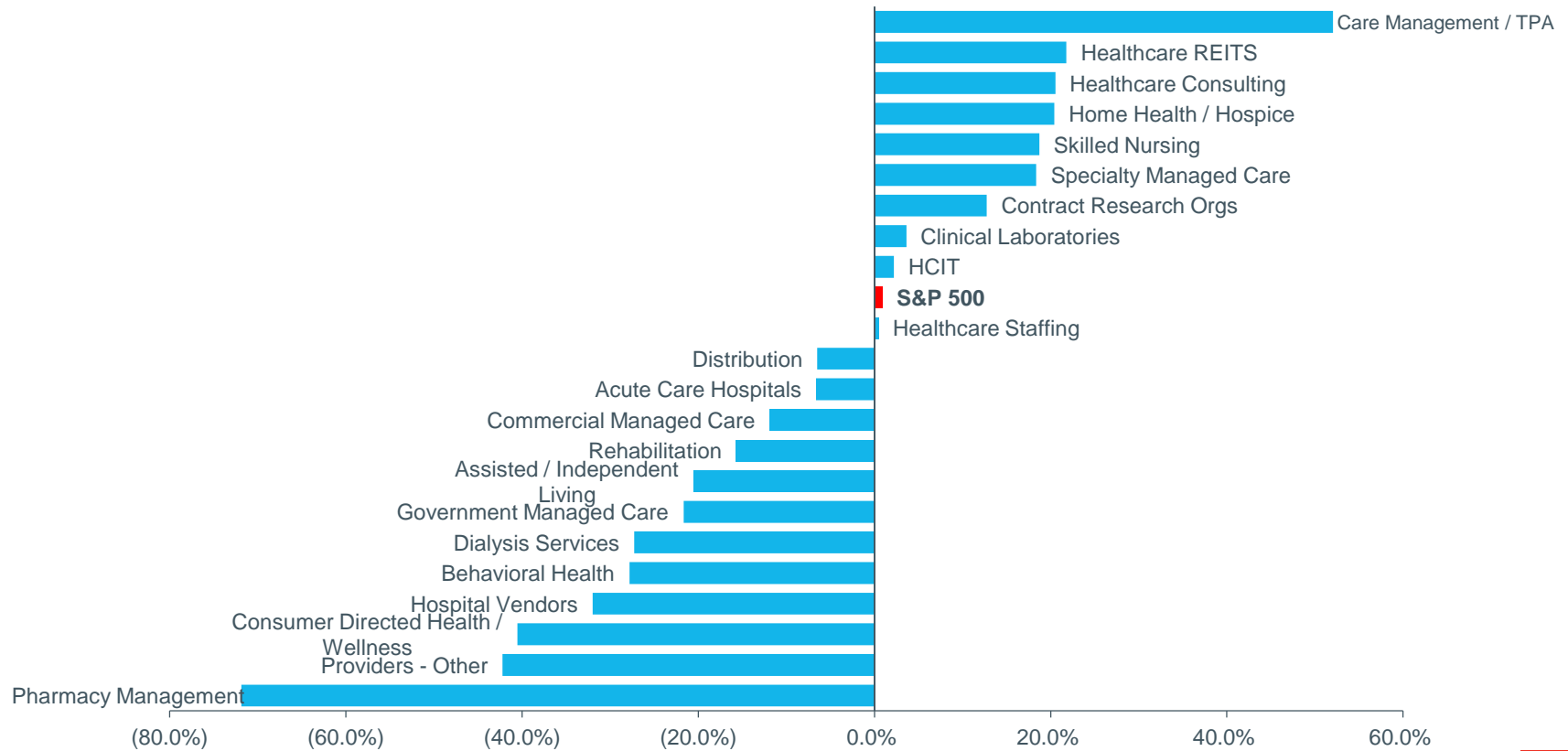
Average % - 1 Month Change



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

Healthcare Services Sector Change

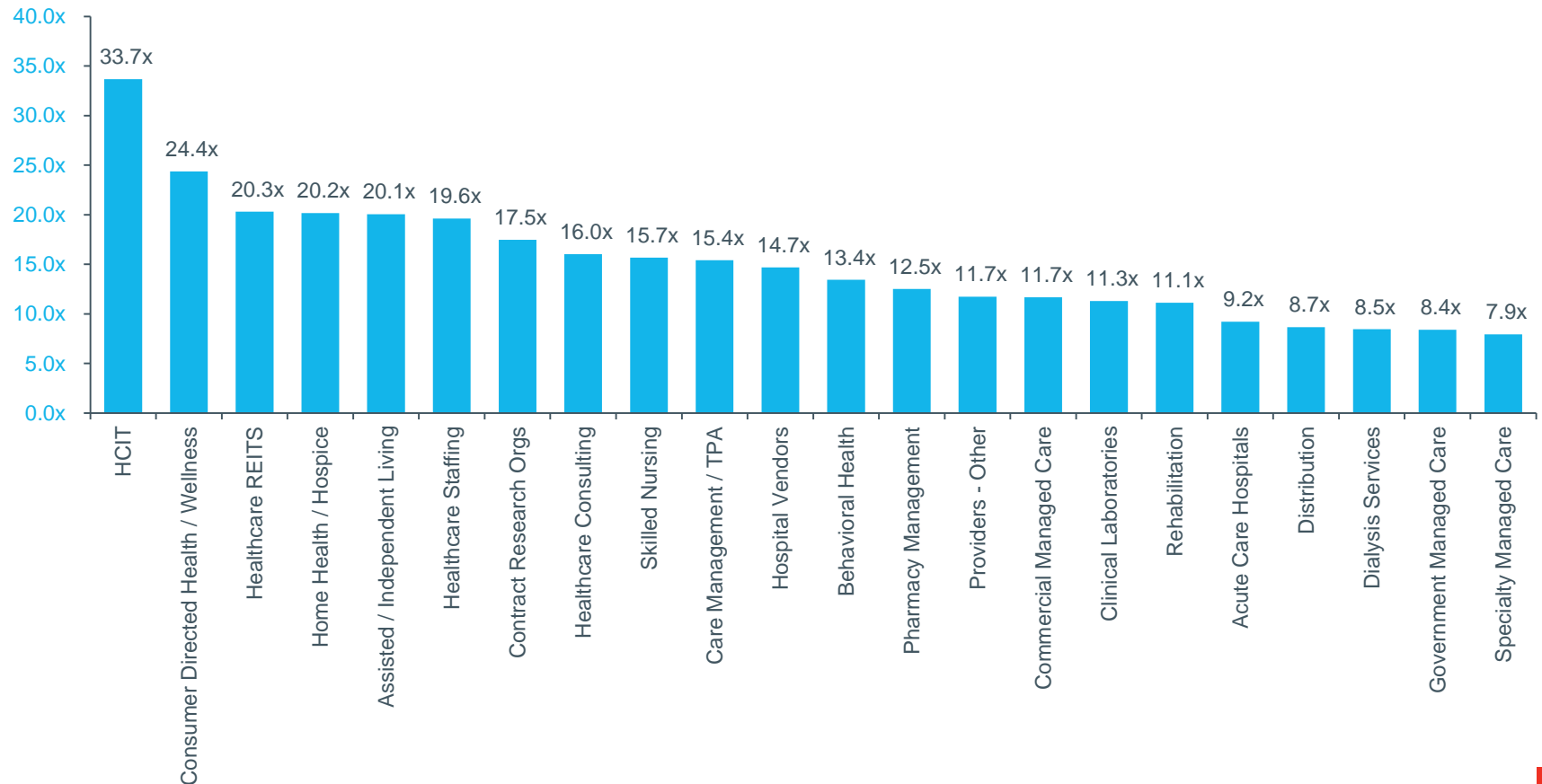
Average % - 12 Month Change



Source: S&P Global Market Intelligence as of August 31 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 August 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.

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.