

INDUSTRY INSIGHTS:

Healthcare Services Sector Update

July 2017



Q Highlights

The **S&P Healthcare Services** Index decreased 4.8% over the last month, underperforming the S&P 500, which increased 1.9% over the same period.

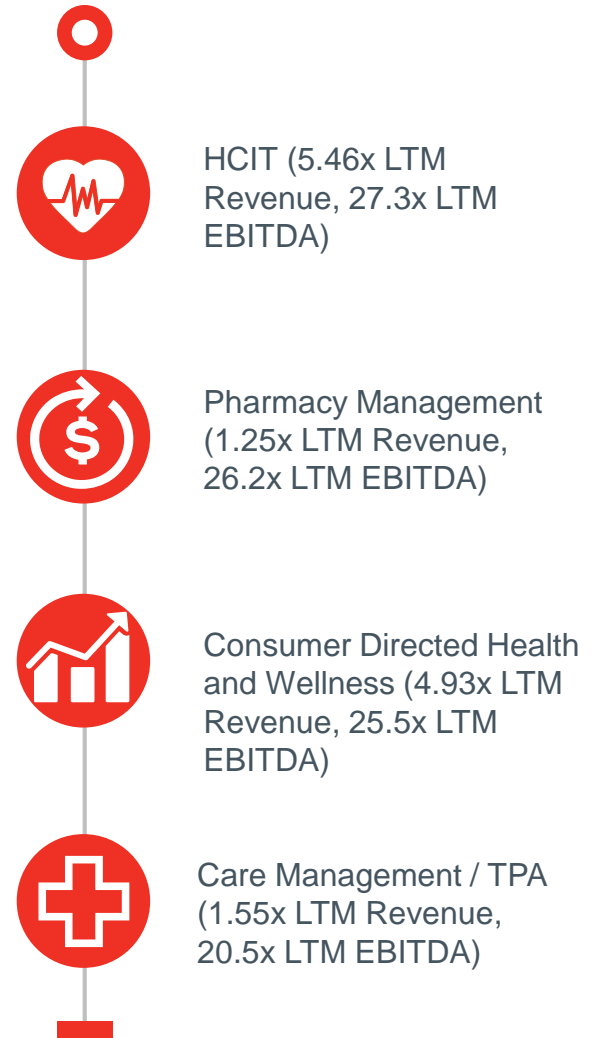
Over the past month:

The best performing sectors were Psychiatric Hospitals (up 5.5%), Managed Care - Commercial (up 1.9%), and Specialty Managed Care (up 0.9%).

The poorest performing sectors were Home Care / Hospice (down 9.7%), Healthcare Staffing (down 9.0%) and Acute Care Hospitals (down 8.8%).

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.44x and 14.3x, respectively.

THE SECTORS WITH THE HIGHEST VALUATION MULTIPLES



Healthcare Services Sector Update ..

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	\$45,134	(8.8%)	(3.1%)	1.14x	8.2x	13.8x	13.6x	1.1x
Assisted / Independent Living	3	3,124	(4.0%)	(24.1%)	1.68x	11.4x	NM	NM	NM
Care Management / TPA	4	5,687	(3.0%)	3.5%	1.55x	20.5x	21.9x	23.5x	1.3x
Clinical Laboratories	6	39,134	(0.5%)	16.0%	4.26x	15.3x	20.4x	23.5x	2.4x
Consumer Directed Health and Wellness	6	9,624	0.6%	31.3%	4.93x	25.5x	33.4x	42.6x	2.4x
Contract Research Orgs	7	43,241	0.8%	25.9%	3.18x	17.2x	33.3x	21.1x	1.5x
Diagnostic Imaging	3	528	(0.7%)	55.7%	1.76x	6.5x	34.0x	32.1x	2.1x
Dialysis Services	3	42,009	(1.8%)	(3.3%)	1.69x	9.2x	15.1x	23.6x	1.7x
Distribution / Supply	8	104,191	(1.3%)	(4.7%)	0.95x	12.9x	20.9x	18.1x	2.2x
HCIT	19	51,817	(0.4%)	16.9%	5.46x	27.3x	27.3x	32.1x	2.0x
Healthcare REITs	17	107,152	(2.5%)	(10.2%)	12.84x	18.7x	23.3x	28.8x	7.1x
Healthcare Staffing	3	8,747	(9.0%)	(22.1%)	1.43x	11.7x	16.3x	16.7x	1.2x
Home Care / Hospice	7	8,260	(9.7%)	19.3%	1.13x	13.4x	35.1x	25.0x	2.2x
Skilled Nursing	6	3,107	(7.6%)	(6.4%)	1.54x	9.8x	23.5x	16.6x	1.7x
Managed Care - Commercial	5	362,720	1.9%	35.1%	0.87x	11.7x	26.9x	18.2x	1.5x
Managed Care - Government	3	25,381	(1.3%)	29.8%	0.25x	6.4x	27.5x	24.4x	1.4x
Other Services	5	14,814	(3.0%)	(7.0%)	1.94x	16.8x	33.7x	34.9x	2.1x
Pharmacy Management	4	39,171	(1.0%)	(15.0%)	1.25x	26.2x	24.2x	20.0x	1.4x
Psychiatric Hospitals	3	6,567	5.5%	(3.8%)	0.83x	11.5x	21.2x	18.1x	1.0x
Specialty Managed Care	2	6,163	0.9%	22.9%	0.46x	9.2x	26.1x	16.1x	0.8x
Surgicenters / Rehabilitation	5	7,773	(5.5%)	12.9%	2.07x	11.9x	27.3x	23.7x	1.7x
Total / Average (\$MM)	124	\$934,345	(2.4%)	8.1%	2.44x	14.3x	25.3x	23.6x	1.9x

Source: S&P Global Market Intelligence as of July 31, 2017, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

Healthcare Services Sector Update ..

Market Indices	Value at	% Change			
	07/31/2017	1 mo	YTD	12 mo	36 mo
S&P 500 Index	2,470.3	1.9%	10.3%	13.6%	28.0%
NASDAQ Composite Index	6,348.1	3.4%	17.9%	23.0%	45.3%
Russell 2000 Index	1,425.1	0.7%	5.0%	16.8%	27.2%
S&P Composite 1500 Healthcare Facilities (Sub Ind) Index	235.9	(6.7%)	12.0%	(0.1%)	(1.0%)
S&P Composite 1500 Healthcare Providers & Services (Industry)	762.4	(0.4%)	16.3%	14.5%	51.7%
S&P Composite 1500 Managed Healthcare (Sub Ind)	1,214.8	1.6%	22.7%	34.3%	110.0%
S&P Healthcare Services Select Industry Index	9,149.2	(4.8%)	16.8%	4.1%	22.5%

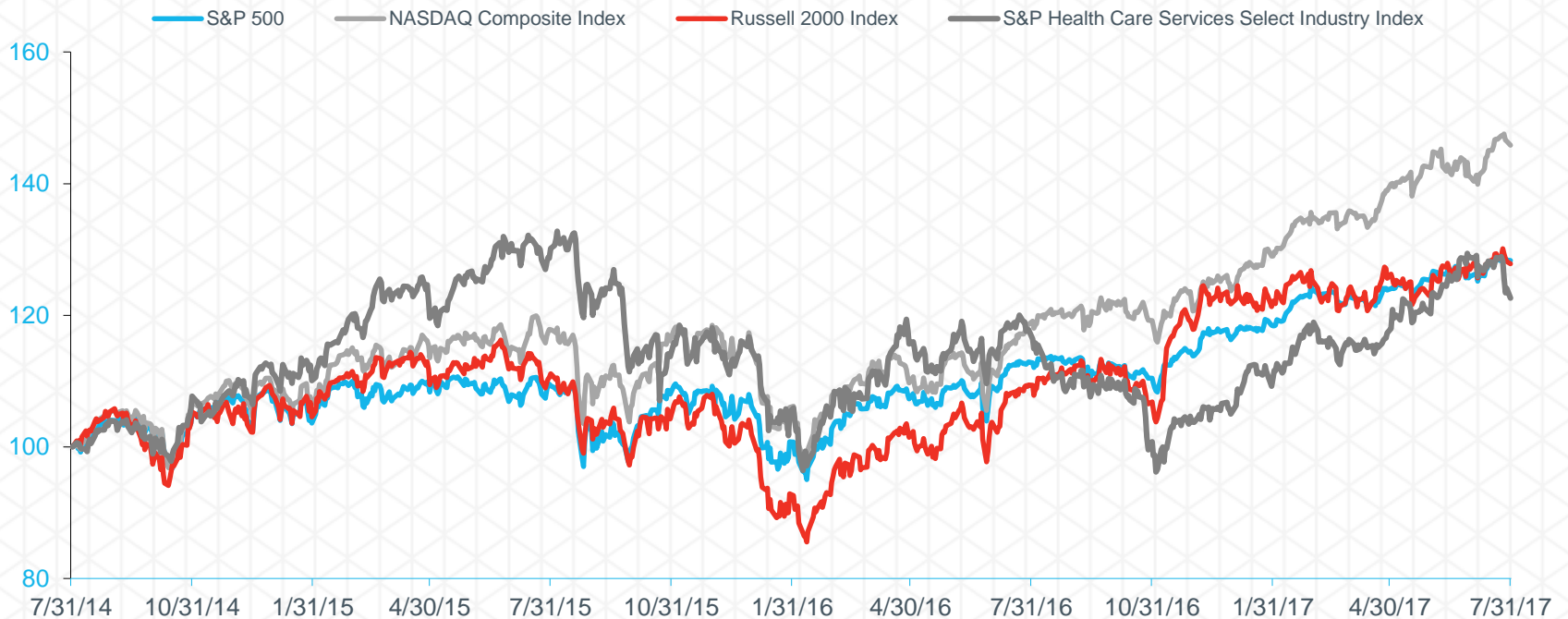
Interest rates	Value at	1 mo	3 mo	12 mo
	07/31/2017	ago	ago	ago
LIBOR - USD - 6 months	1.46%	1.45%	1.43%	1.11%
U.S. Treasury - 2 years	1.34%	1.38%	1.28%	0.67%
U.S. Treasury - 5 years	1.84%	1.89%	1.82%	1.03%
U.S. Treasury - 10 years	2.29%	2.30%	2.28%	1.46%
U.S. Treasury - 30 years	2.90%	2.84%	2.95%	2.19%
U.S. Prime Rate	4.25%	4.25%	4.00%	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	31	\$783,510	25.0%	83.9%	(1.4%)	15.5%	7.6%	42.2%
\$1 billion - \$5 billion	48	130,947	38.7%	14.0%	(2.2%)	18.8%	11.5%	38.0%
\$250 million - \$1 billion	31	18,669	25.0%	2.0%	(4.0%)	8.7%	0.6%	9.1%
\$100 million - \$250 million	6	872	4.8%	0.1%	(4.6%)	(17.2%)	14.3%	14.3%
< \$100 million	8	346	6.5%	0.0%	3.4%	(11.7%)	(5.6%)	(35.3%)
Total / Average (\$MM)	124	\$934,345	100.0%	100.0%	(1.8%)	2.8%	5.7%	13.7%

Source: S&P Global Market Intelligence as of July 31, 2017, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

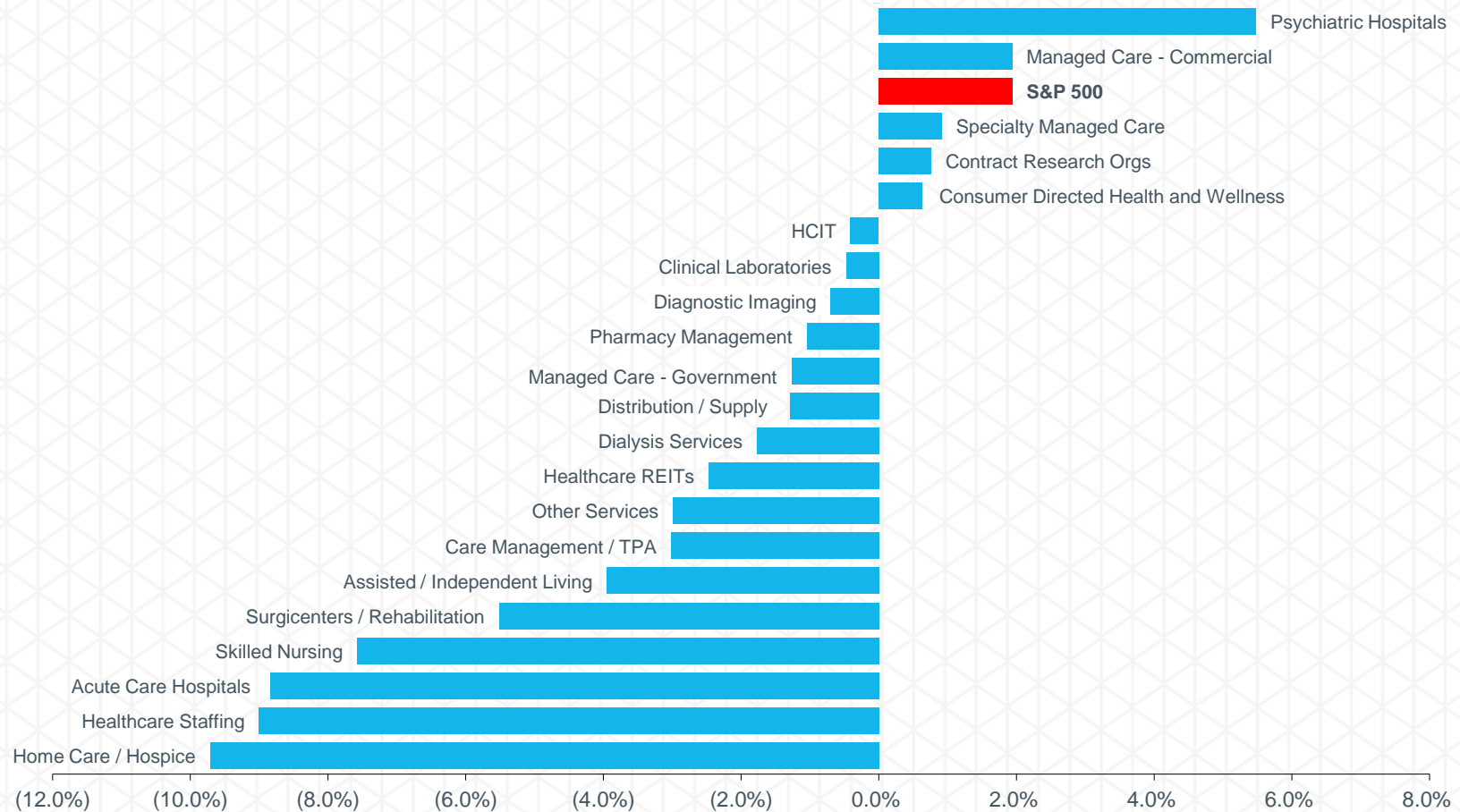
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Performance of Market Indices for Latest 36 Months



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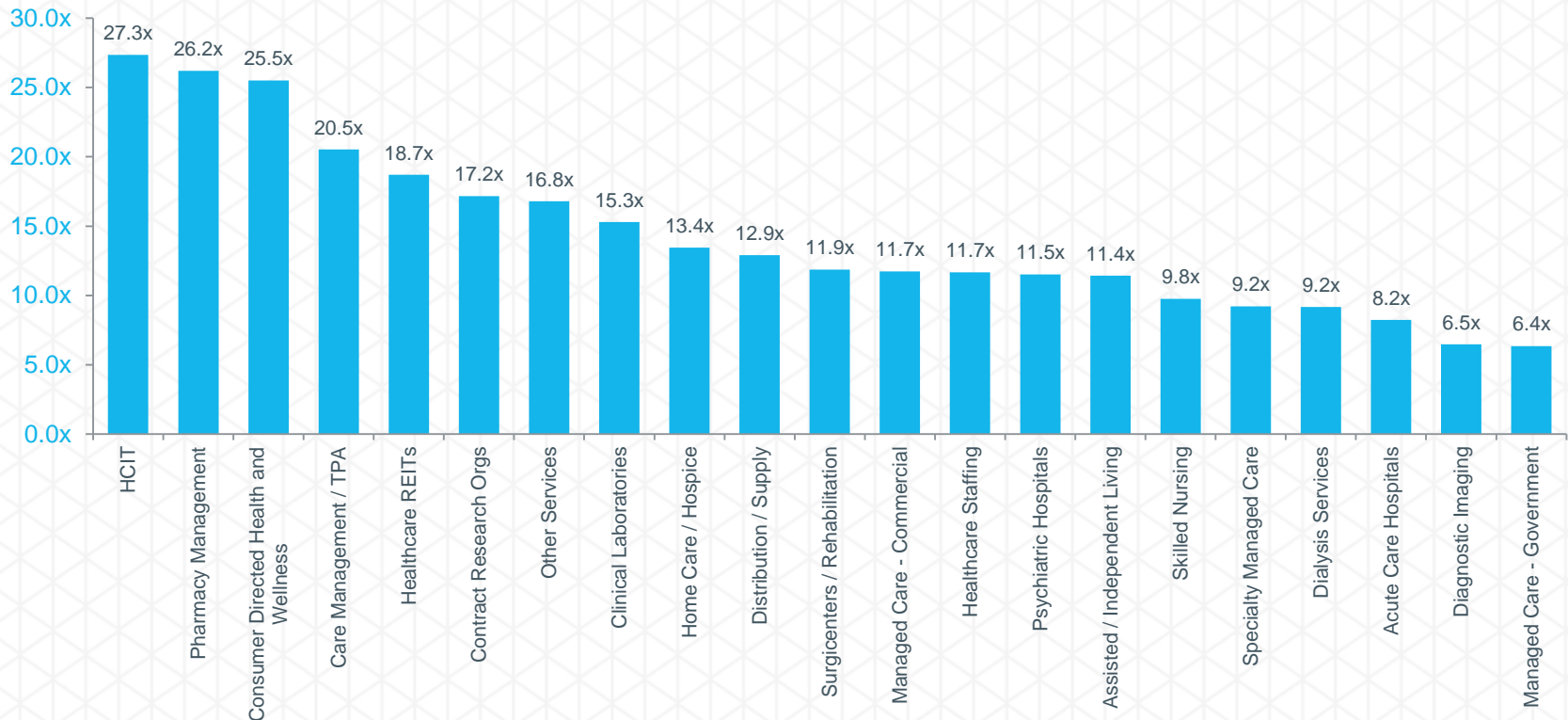
Average % - 1 Month



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Healthcare Services Sector Update

Overview of Subsector EV/LTM EBITDA



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

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