

INDUSTRY INSIGHTS

# Healthcare Services Sector Update

June 2018



# Q Highlights

The **S&P Healthcare Services** Index increased 2.8% over the last month, outperforming the S&P 500, which increased 0.5% over the same period.

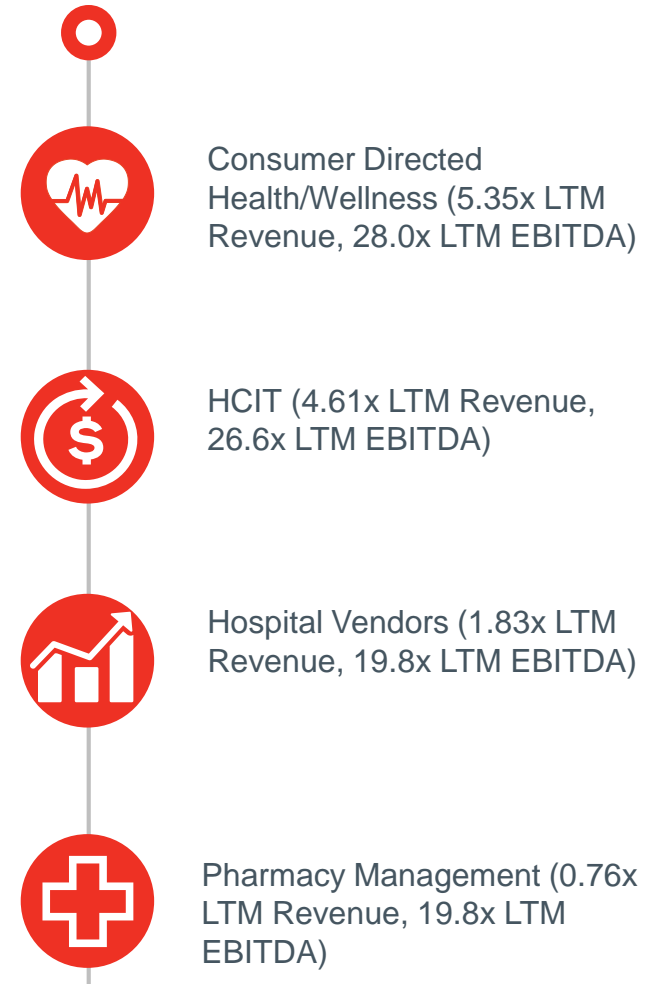
## Over the past month:

The best performing sectors were Assisted / Independent Living (up 10.8%), Specialty Managed Care (up 8.1%) and Hospital Vendors (up 7.1%).

The poorest performing sectors were Healthcare Consulting (down 5.9%), Acute Care Hospitals (down 3.6%) and Distribution (down 3.4%).

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.29x and 14.9x, 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	2018E	
<b>Providers</b>									
Acute Care Hospitals	5	\$52,052	(3.6%)	13.8%	1.15x	10.0x	13.9x	14.1x	1.9x
Assisted / Independent Living	3	2,113	10.8%	(35.5%)	1.53x	16.7x	NM	NM	NM
Behavioral Health	3	6,162	1.1%	3.2%	1.12x	12.0x	19.7x	14.3x	1.3x
Dialysis Services	3	43,471	(0.3%)	5.1%	1.88x	9.5x	20.0x	19.7x	0.7x
Healthcare Staffing	2	3,214	2.2%	42.0%	1.04x	11.9x	15.0x	22.3x	1.5x
Home Health / Hospice	6	13,127	4.6%	42.7%	1.77x	16.9x	37.4x	29.6x	2.2x
Rehabilitation	4	10,453	1.9%	37.9%	2.78x	14.7x	18.1x	25.5x	2.1x
Skilled Nursing	4	3,211	0.3%	39.5%	0.81x	10.4x	28.7x	19.3x	1.3x
Providers - Other	4	10,818	(1.4%)	(21.3%)	1.83x	12.5x	16.2x	20.7x	0.8x
<b>Total / Average</b>	<b>34</b>	<b>\$144,620</b>	<b>(0.7%)</b>	<b>12.9%</b>	<b>1.55x</b>	<b>12.7x</b>	<b>21.1x</b>	<b>20.7x</b>	<b>1.5x</b>
<b>Payors / Managed Care</b>									
Commercial Managed Care	5	\$438,857	0.8%	26.2%	0.97x	11.4x	18.9x	17.2x	1.3x
Government Managed Care	3	42,342	6.1%	48.0%	0.39x	11.3x	24.2x	20.8x	1.0x
Specialty Managed Care	2	7,441	8.1%	15.9%	0.60x	8.8x	13.3x	17.2x	2.1x
<b>Total / Average</b>	<b>10</b>	<b>\$488,640</b>	<b>1.3%</b>	<b>28.0%</b>	<b>0.65x</b>	<b>10.5x</b>	<b>18.8x</b>	<b>18.4x</b>	<b>1.4x</b>
<b>Consumer Directed Health / Wellness</b>	<b>6</b>	<b>\$11,266</b>	<b>3.3%</b>	<b>17.6%</b>	<b>5.35x</b>	<b>28.0x</b>	<b>32.6x</b>	<b>37.4x</b>	<b>1.8x</b>
<b>HCIT</b>	<b>21</b>	<b>\$56,893</b>	<b>5.2%</b>	<b>15.0%</b>	<b>4.61x</b>	<b>26.6x</b>	<b>32.8x</b>	<b>35.0x</b>	<b>2.4x</b>
<b>Other Outsourced Services</b>									
Care Management / TPA	5	\$6,616	1.6%	6.0%	1.51x	16.2x	21.4x	21.8x	2.4x
Clinical Laboratories	6	41,677	(0.1%)	6.0%	2.99x	12.1x	18.8x	17.8x	2.0x
Contract Research Orgs	5	43,505	2.8%	13.7%	3.36x	17.8x	28.2x	20.0x	1.4x
Hospital Vendors	4	8,846	7.1%	(12.1%)	1.83x	19.8x	28.2x	35.9x	1.5x
Healthcare Consulting	2	1,879	(5.9%)	3.9%	1.47x	11.7x	14.0x	17.9x	1.3x
<b>Total / Average</b>	<b>22</b>	<b>\$102,523</b>	<b>1.8%</b>	<b>7.7%</b>	<b>2.23x</b>	<b>15.5x</b>	<b>22.1x</b>	<b>22.7x</b>	<b>1.7x</b>
<b>Product</b>									
Distribution	6	\$75,147	(3.4%)	(21.9%)	0.38x	9.5x	17.2x	12.4x	2.1x
Pharmacy Management	3	45,638	1.5%	23.0%	0.76x	19.8x	9.6x	18.1x	1.3x
<b>Total / Average</b>	<b>9</b>	<b>\$120,785</b>	<b>(1.5%)</b>	<b>(5.0%)</b>	<b>0.57x</b>	<b>14.6x</b>	<b>13.4x</b>	<b>15.2x</b>	<b>1.7x</b>
<b>Healthcare REITS</b>	<b>16</b>	<b>\$95,315</b>	<b>5.3%</b>	<b>(14.0%)</b>	<b>11.84x</b>	<b>18.0x</b>	<b>24.3x</b>	<b>35.9x</b>	<b>4.6x</b>
<b>Total / Average (\$MM)</b>	<b>118</b>	<b>\$1,020,043</b>	<b>2.3%</b>	<b>13.1%</b>	<b>2.29x</b>	<b>14.9x</b>	<b>21.8x</b>	<b>22.6x</b>	<b>1.8x</b>

# Healthcare Services Sector Update ..

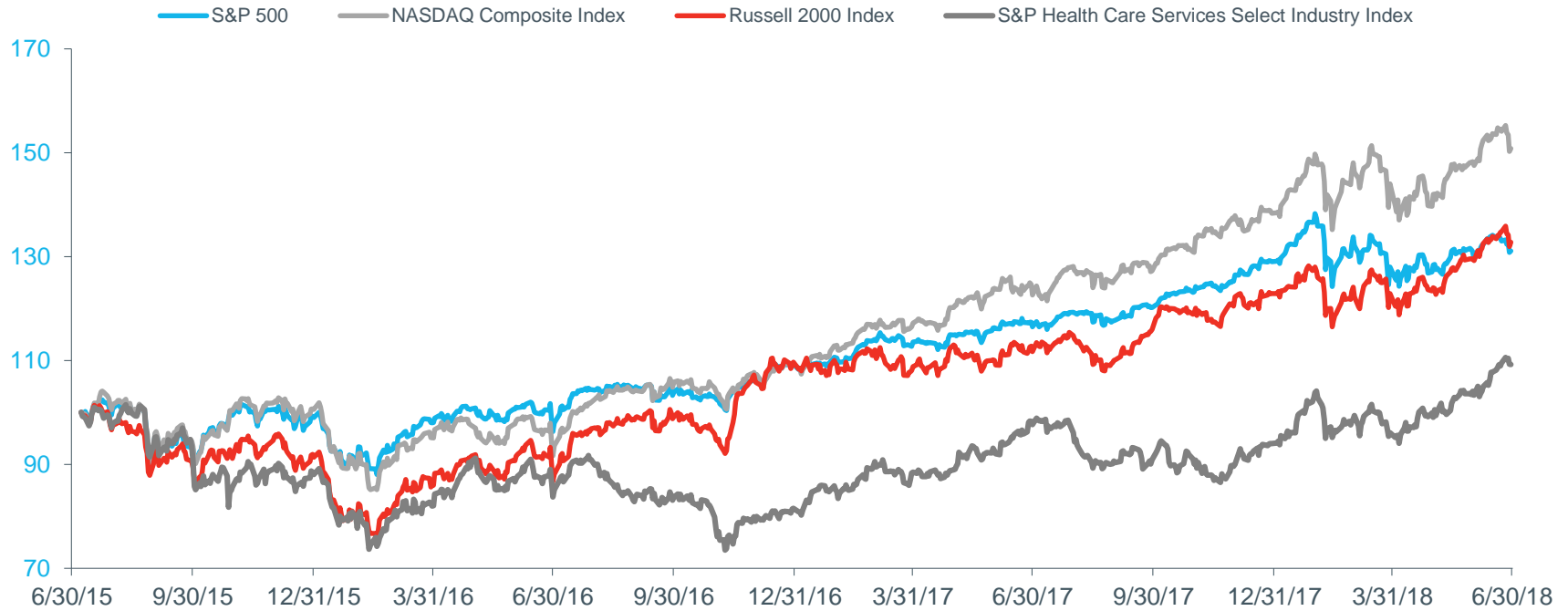
Market Indices	Value at	% Change			
	6/30/2018	1 mo	YTD	12 mo	36 mo
S&P 500	2,718.4	0.5%	1.7%	12.2%	31.8%
NA SDAQ Composite Index	7,510.3	0.9%	8.8%	22.3%	50.6%
Russell 2000 Index	1,643.1	0.6%	7.0%	16.1%	31.0%
S&P Composite 1500 Health Care Facilities (Sub Ind)	282.3	(0.8%)	17.2%	11.7%	(5.9%)
S&P Composite 1500 Health Care Providers & Services (Industry)	876.2	2.0%	5.3%	14.5%	24.9%
S&P Composite 1500 Managed Health Care (Sub Ind)	1,520.0	3.1%	8.0%	27.2%	65.8%
<b>S&amp;P Health Care Services Select Industry Index</b>	<b>10,342.7</b>	<b>2.8%</b>	<b>12.9%</b>	<b>7.6%</b>	<b>6.6%</b>

Interest Rates	Value at	1 mo	3 mo	12 mo
	6/30/2018	ago	ago	ago
LIBOR - USD - 6 months	2.50%	2.47%	2.45%	1.45%
U.S. Treasury - 2 years	2.52%	2.40%	2.27%	1.38%
U.S. Treasury - 5 years	2.72%	2.66%	2.56%	1.89%
U.S. Treasury - 10 years	2.85%	2.82%	2.74%	2.30%
U.S. Treasury - 30 years	2.98%	2.99%	2.97%	2.84%
U.S. Prime Rate	5.00%	4.75%	4.75%	4.25%

Capitalization Profile	No. of Co's	Ag. Equity Mkt. Value	% Total No. of Co's	% Ag. Equity Mkt. Value	Average Stock Performance			
					1 mo	YTD	12 mo	36 mo
> \$5 billion	37	\$893,672	31.4%	87.6%	2.0%	5.9%	7.6%	28.0%
\$1 billion - \$5 billion	45	109,778	38.1%	10.8%	4.3%	17.8%	14.0%	16.9%
\$250 million - \$1 billion	25	15,430	21.2%	1.5%	2.0%	12.8%	13.5%	30.0%
\$100 million - \$250 million	5	867	4.2%	0.1%	(1.7%)	44.9%	23.5%	(33.4%)
< \$100 million	6	296	5.1%	0.0%	1.9%	(9.7%)	(12.1%)	(40.8%)
<b>Total / Average (\$MM)</b>	<b>118</b>	<b>\$1,020,043</b>	<b>100.0%</b>	<b>100.0%</b>	<b>1.7%</b>	<b>14.3%</b>	<b>9.3%</b>	<b>0.1%</b>

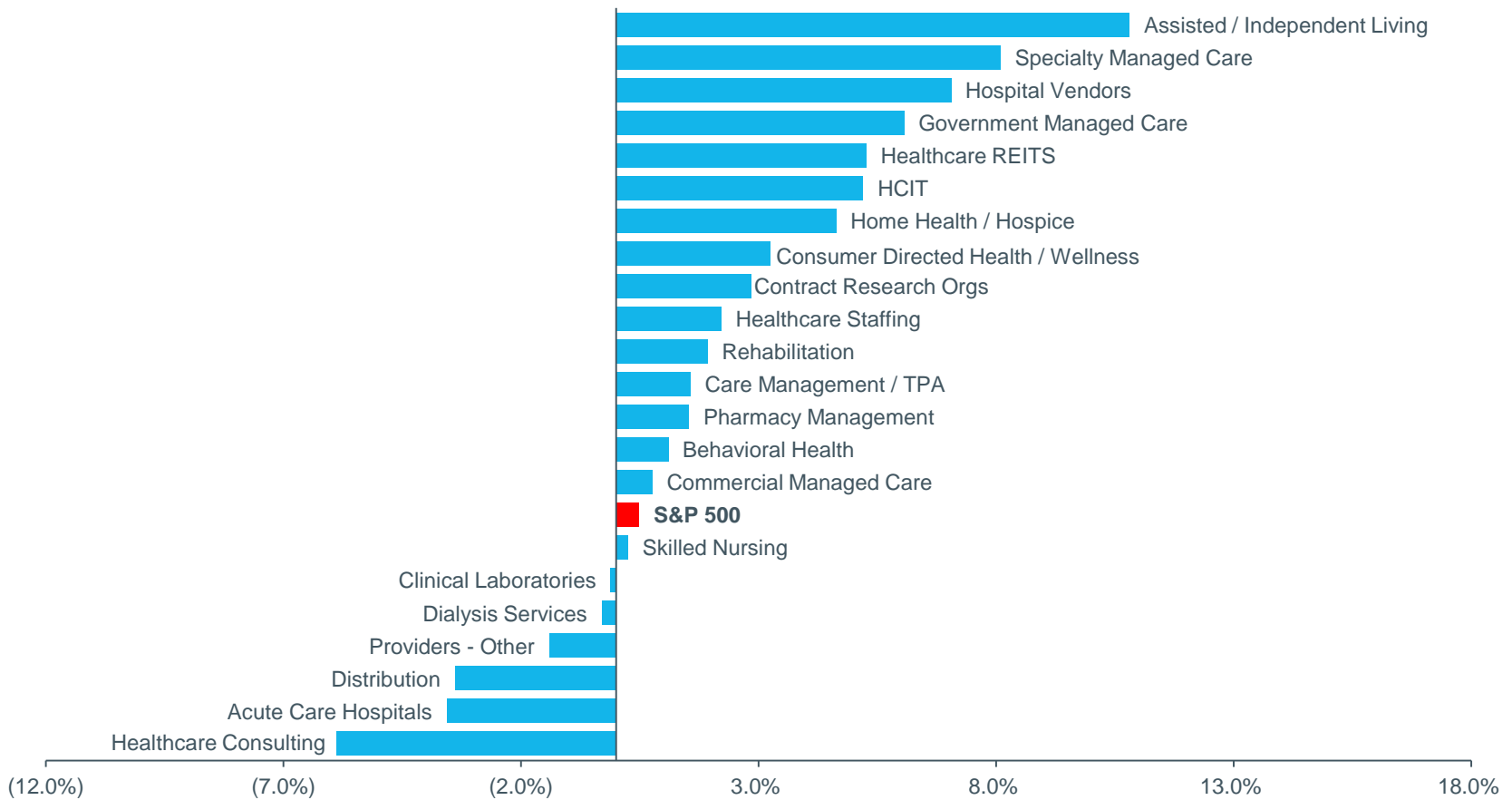
# Healthcare Services Market Performance

## Performance of Market Indices for Latest 36 Months



# Healthcare Services Sector Change

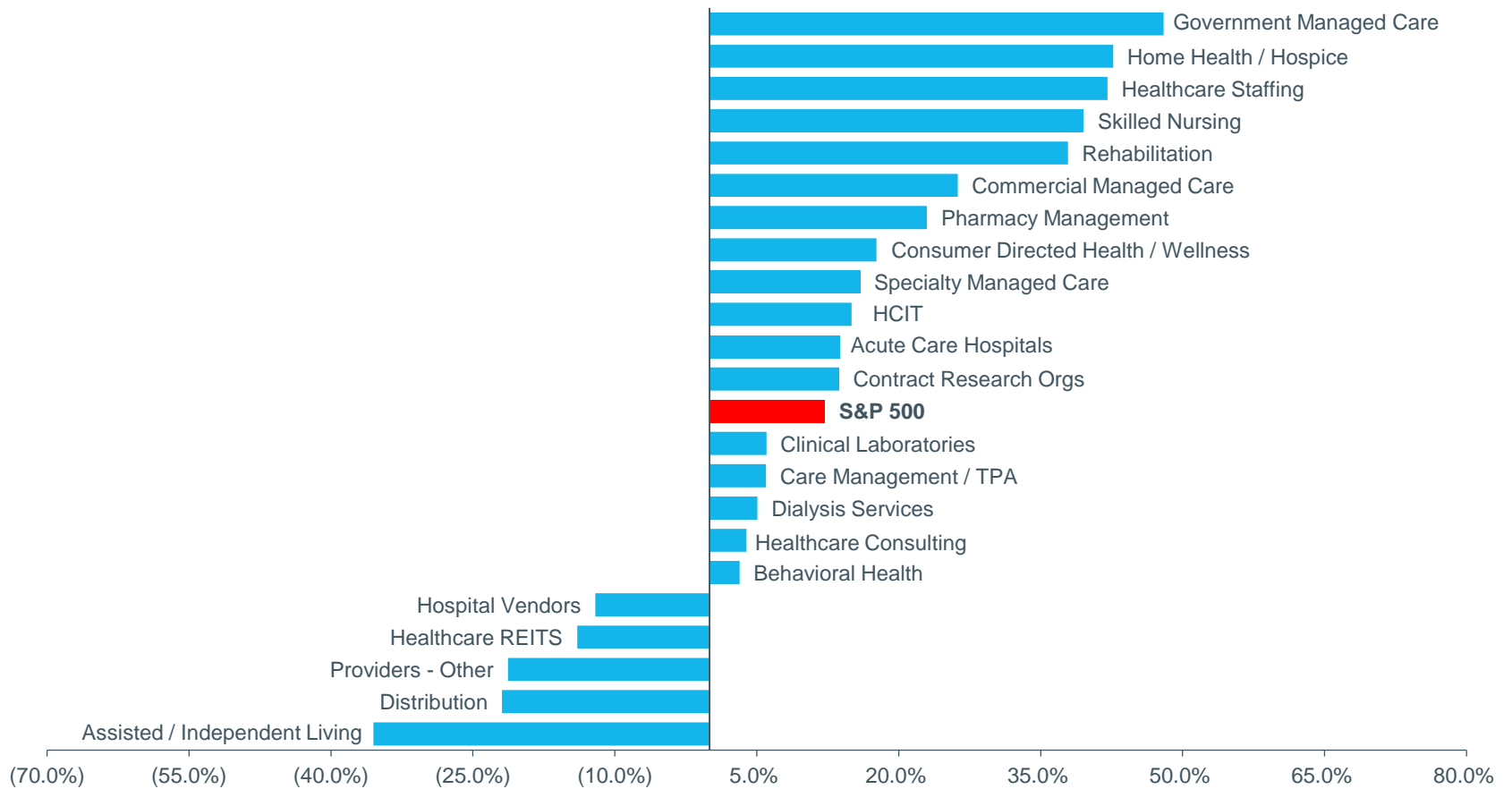
Average % - 1 Month Change



Source: S&P Global Market Intelligence as of June 30, 2018, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

# Healthcare Services Sector Change

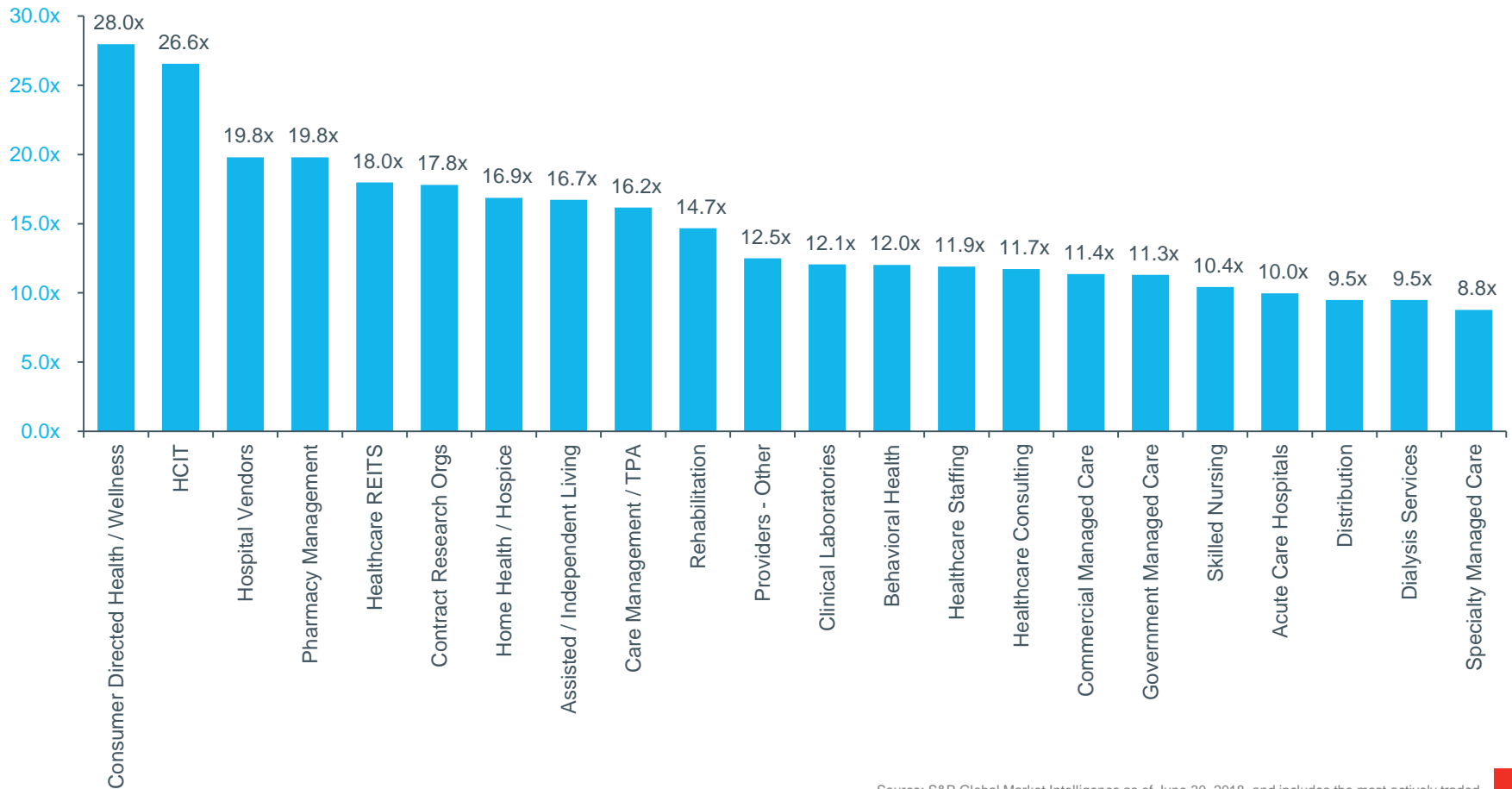
Average % - 12 Month Change



Source: S&P Global Market Intelligence as of June 30, 2018, 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 June 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

### Laca Wong-Hammond

Managing Director  
New York  
+1 212 871 3915  
laca.wong-hammond@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

## 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.*