

INDUSTRY INSIGHTS:

Healthcare Services Sector Update

March 2018



Q Highlights

The **S&P Healthcare Services** Index declined 1.9% over the last month, but outperformed the S&P 500, which declined 2.7% over the same period.

Over the past month:

The best performing sectors were Specialty Managed Care (up 7.0%), Home Health / Hospice (up 5.7%) and Behavioral Health (up 5.0%).

The poorest performing sectors were Pharmacy Management (down 8.4%), Distribution (down 7.1%) and Commercial Managed Care (down 6.0%).

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.13x and 13.9x, 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	2018E
Providers									
Acute Care Hospitals	5	\$50,055	0.0%	5.3%	1.15x	9.8x	16.7x	15.4x	1.2x
Assisted / Independent Living	3	1,646	(0.1%)	(44.3%)	1.46x	9.4x	NM	NM	NM
Behavioral Health	3	6,344	5.0%	18.6%	1.12x	12.3x	20.4x	15.8x	1.7x
Dialysis Services	3	43,883	(5.2%)	14.5%	1.94x	9.7x	13.9x	21.2x	1.4x
Healthcare Staffing	2	3,118	(0.1%)	31.7%	1.04x	12.3x	16.1x	19.5x	1.2x
Home Health / Hospice	6	10,401	5.7%	33.8%	1.46x	16.2x	36.0x	23.9x	1.8x
Rehabilitation	5	9,883	3.9%	29.8%	2.12x	12.3x	26.8x	19.6x	1.4x
Skilled Nursing	4	2,458	0.3%	12.8%	0.71x	9.3x	25.2x	14.3x	1.0x
Providers - Other	4	11,317	3.8%	(16.3%)	2.00x	12.9x	17.0x	16.9x	0.8x
Total / Average	35	\$139,106	(0.4%)	11.1%	1.44x	11.6x	21.5x	18.3x	1.3x
Payors / Managed Care									
Commercial Managed Care	5	\$396,438	(6.0%)	29.4%	0.94x	11.5x	20.0x	15.9x	1.2x
Government Managed Care	3	32,193	4.9%	51.0%	0.32x	12.3x	23.0x	18.9x	1.1x
Specialty Managed Care	2	5,413	7.0%	1.5%	0.46x	6.3x	10.7x	12.8x	NM
Total / Average	10	\$434,044	(5.0%)	30.7%	0.57x	10.0x	17.9x	15.9x	1.1x
Consumer Directed Health / Wellness	6	\$9,539	0.9%	12.6%	4.53x	25.0x	33.0x	33.5x	1.6x
HCIT	21	\$49,598	(4.0%)	9.2%	4.28x	27.5x	36.0x	31.4x	2.1x
Other Outsourced Services									
Care Management / TPA	5	\$6,528	(1.5%)	9.0%	1.33x	14.0x	21.5x	17.3x	2.2x
Clinical Laboratories	6	38,032	(5.5%)	6.5%	2.70x	11.9x	18.0x	16.3x	1.8x
Contract Research Orgs	5	40,890	(1.0%)	22.2%	3.47x	17.4x	27.2x	18.0x	1.3x
Hospital Vendors	4	8,298	(5.6%)	(17.5%)	1.93x	19.4x	22.1x	24.0x	1.8x
Healthcare Consulting	2	1,686	2.6%	(12.8%)	1.31x	9.4x	12.4x	15.9x	1.2x
Total / Average	22	\$95,434	(3.2%)	11.0%	2.15x	14.4x	20.2x	18.3x	1.7x
Product									
Distribution	6	\$81,077	(7.1%)	(12.6%)	0.38x	9.4x	14.1x	12.0x	4.5x
Pharmacy Management	3	40,572	(8.4%)	5.9%	0.67x	18.8x	8.9x	14.5x	1.0x
Total / Average	9	\$121,649	(7.5%)	(6.4%)	0.53x	14.1x	11.5x	13.2x	2.7x
Healthcare REITS	16	\$84,759	4.6%	(20.6%)	11.45x	17.3x	22.7x	32.3x	7.8x
Total / Average (\$MM)	119	\$934,129	(0.4%)	8.9%	2.13x	13.9x	21.2x	19.6x	2.0x

Source: S&P Global Market Intelligence as of March 31, 2018, 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			
	3/31/2018	1 mo	YTD	12 mo	36 mo
S&P 500	2,640.9	(2.7%)	(1.2%)	11.8%	27.7%
NASDAQ Composite Index	7,063.5	(2.9%)	2.3%	19.5%	44.1%
Russell 2000 Index	1,529.4	1.1%	(0.4%)	10.4%	22.1%
S&P Composite 1500 Health Care Facilities (Sub Ind)	265.5	0.7%	10.2%	6.9%	3.0%
S&P Composite 1500 Health Care Providers & Services (Industry)	811.3	(5.0%)	(2.5%)	16.2%	22.4%
S&P Composite 1500 Managed Health Care (Sub Ind)	1,360.3	(5.3%)	(3.4%)	30.7%	62.0%
S&P Health Care Services Select Industry Index	9,335.2	(1.9%)	1.9%	7.7%	1.5%

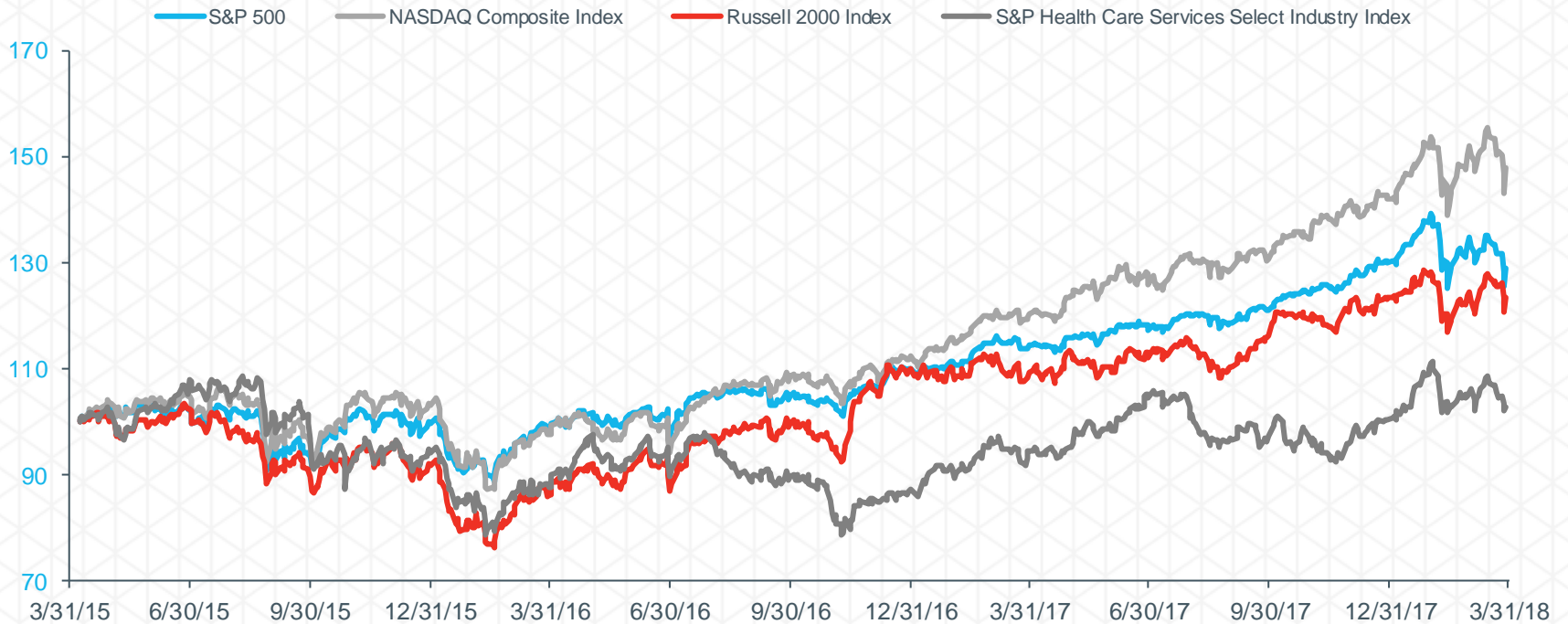
Interest Rates	Value at	1 mo	3 mo	12 mo
	3/31/2018	ago	ago	ago
LIBOR - USD - 6 months	2.45%	2.22%	1.84%	1.42%
U.S. Treasury - 2 years	2.27%	2.25%	1.91%	1.30%
U.S. Treasury - 5 years	2.56%	2.65%	2.21%	1.96%
U.S. Treasury - 10 years	2.74%	2.87%	2.43%	2.41%
U.S. Treasury - 30 years	2.97%	3.13%	2.76%	3.01%
U.S. Prime Rate	4.75%	4.50%	4.50%	4.00%

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	33	\$804,344	27.7%	86.1%	(1.9%)	(3.1%)	7.3%	16.7%
\$1 billion - \$5 billion	41	106,936	34.5%	11.4%	0.2%	(1.4%)	2.1%	13.2%
\$250 million - \$1 billion	35	21,989	29.4%	2.4%	2.4%	2.2%	14.2%	2.4%
\$100 million - \$250 million	3	459	2.5%	0.0%	(1.8%)	21.4%	(20.4%)	(25.0%)
< \$100 million	7	402	5.9%	0.0%	(0.6%)	1.3%	(4.8%)	(34.3%)
Total / Average (\$MM)	119	\$934,129	100.0%	100.0%	(0.3%)	4.1%	(0.3%)	(5.4%)

Source: S&P Global Market Intelligence as of March 31, 2018, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

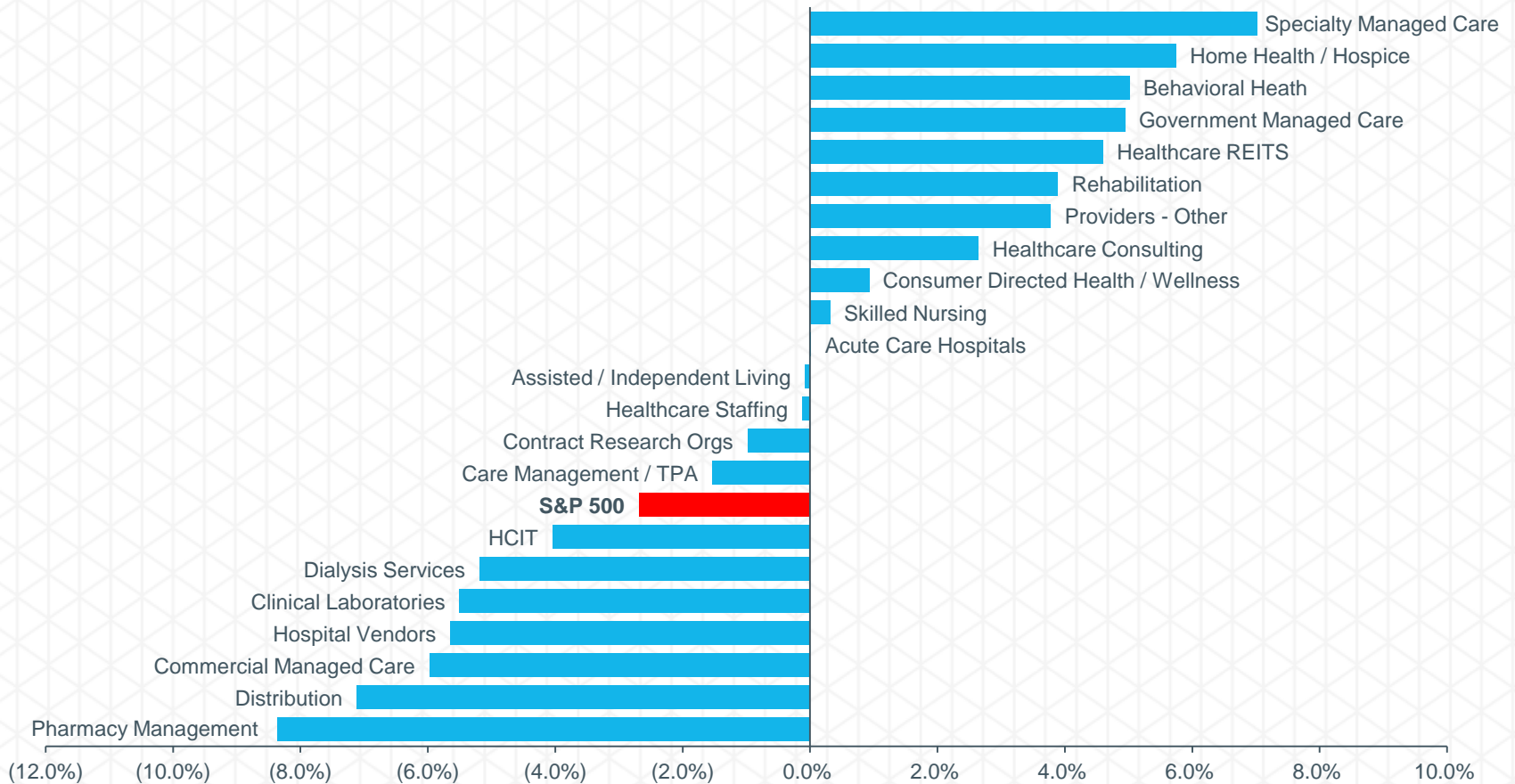
Healthcare Services Market Performance

Performance of Market Indices for Latest 36 Months



Healthcare Services Sector Change .o

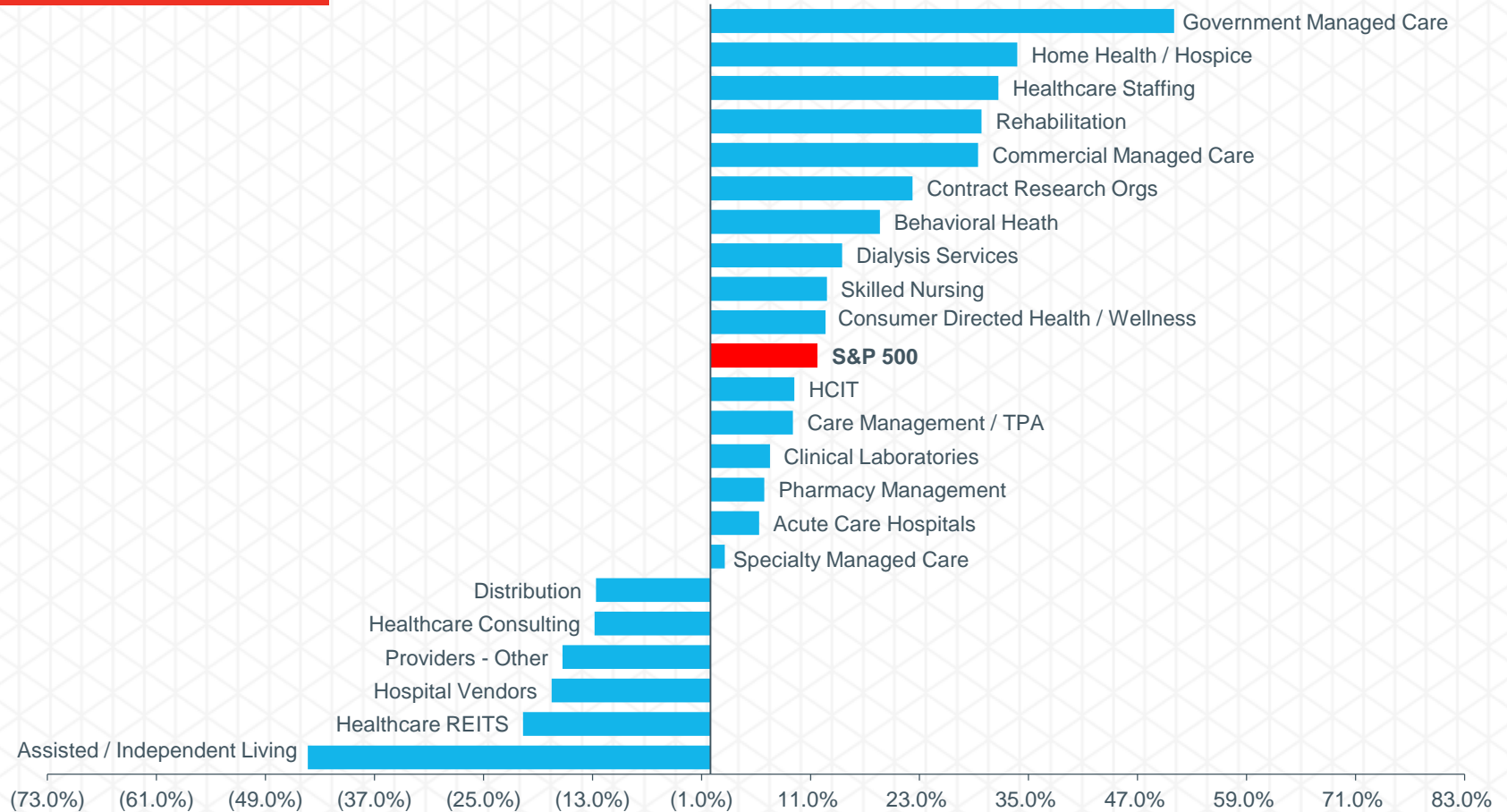
Average % - 1 Month Change



Source: S&P Global Market Intelligence as of March 31, 2018, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

Healthcare Services Sector Change

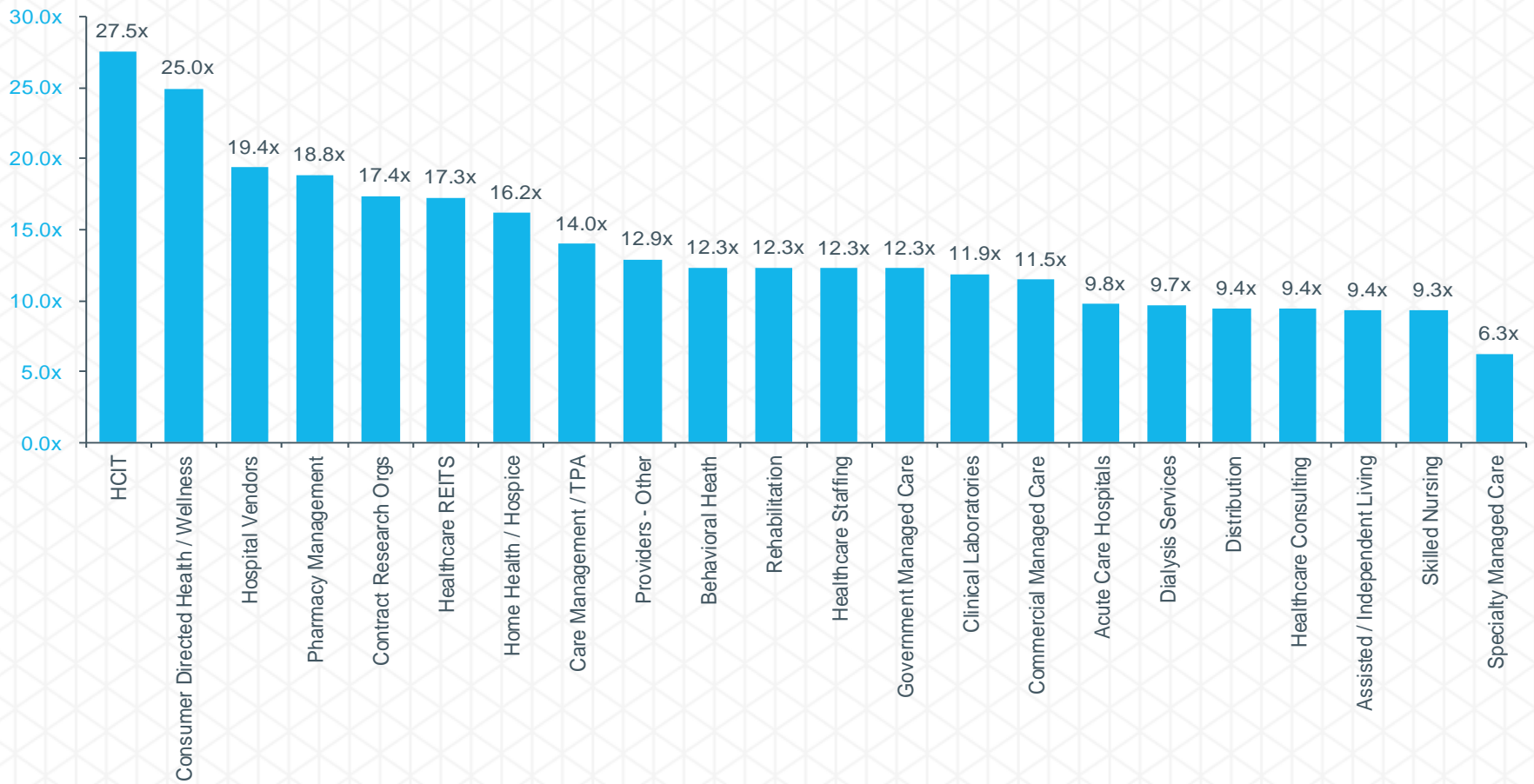
Average % - 12 Month Change



Source: S&P Global Market Intelligence as of March 31, 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 March trading multiples for individual healthcare services companies, please contact one of our professionals below.

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