

INDUSTRY INSIGHTS:

Healthcare Services Sector Update

January 2017



Q Highlights

The **S&P Healthcare Services** Index increased 5.3% over the last month, outperforming the S&P 500, which increased 1.8% over the same period.

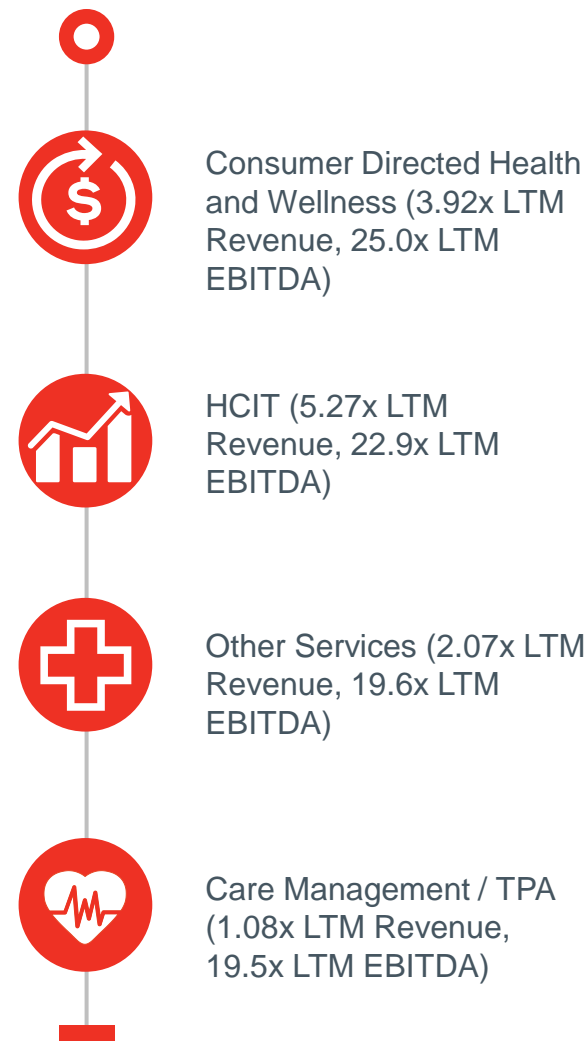
Over the past month:

The best performing sectors were Assisted / Independent Living (up 17.5%), HCIT (up 10.8%) and Emergency Services (up 10.6%).

The poorest performing sectors were Skilled Nursing (down 6.3%), Diagnostic Imaging (down 4.3%) and Dialysis Services (down 3.4%).

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.34x and 13.2x, 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	2016E	2016E
Acute Care Hospitals	5	\$45,863	8.1%	6.8%	1.14x	8.2x	15.6x	17.9x	2.1x
Assisted / Independent Living	3	3,426	17.5%	(7.4%)	1.79x	11.3x	NM	NM	NM
Care Management / TPA	5	5,157	(0.6%)	20.7%	1.08x	19.5x	23.7x	30.8x	2.1x
Clinical Laboratories	6	33,816	2.3%	27.7%	6.58x	12.0x	20.9x	24.7x	2.0x
Consumer Directed Health and Wellness	7	8,177	2.3%	41.8%	3.92x	25.0x	21.2x	53.3x	2.4x
Contract Research Orgs	7	38,821	5.0%	25.1%	3.05x	18.3x	27.8x	19.8x	1.5x
Diagnostic Imaging	3	399	(4.3%)	17.8%	1.85x	6.7x	39.7x	19.3x	1.5x
Dialysis Services	3	38,054	(3.4%)	(6.8%)	1.70x	8.7x	20.3x	18.9x	1.6x
Distribution / Supply	8	95,286	3.6%	(6.1%)	0.84x	11.5x	18.8x	17.6x	2.2x
Emergency Services	2	1,417	10.6%	(14.7%)	1.41x	8.6x	7.3x	9.7x	0.5x
HCIT	22	43,705	10.8%	(2.1%)	5.27x	22.9x	35.1x	32.3x	1.8x
Healthcare REITs	18	96,591	0.0%	6.5%	11.51x	16.7x	26.1x	40.3x	9.5x
Healthcare Staffing	4	13,429	3.3%	5.0%	1.73x	13.3x	19.3x	16.9x	1.2x
Home Care / Hospice	7	7,417	4.0%	19.0%	1.11x	13.3x	29.6x	24.1x	2.0x
Skilled Nursing	6	3,195	(6.3%)	13.1%	1.69x	10.7x	22.8x	12.0x	1.1x
Managed Care - Commercial	6	304,238	1.9%	28.8%	0.68x	12.2x	21.0x	17.0x	1.6x
Managed Care - Government	3	20,481	9.0%	30.4%	0.25x	5.9x	26.2x	20.6x	1.2x
Other Services	4	9,537	0.7%	(21.1%)	2.07x	19.6x	36.1x	27.3x	1.9x
Pharmacy Management	4	44,708	0.4%	(3.5%)	1.02x	16.6x	19.0x	15.8x	1.2x
Physician Practice Mgmt.	2	6,355	2.5%	(1.4%)	1.57x	12.7x	18.8x	16.9x	1.3x
Psychiatric Hospitals	3	5,288	10.3%	(15.2%)	0.94x	12.3x	26.2x	17.0x	0.8x
Specialty Managed Care	2	5,997	3.7%	16.9%	0.39x	6.2x	17.3x	22.2x	2.7x
Surgicenters / Rehabilitation	6	9,244	4.0%	21.6%	2.31x	12.1x	21.9x	26.1x	1.8x
Total / Average (\$MM)	136	\$840,600	3.7%	8.8%	2.34x	13.2x	23.4x	22.8x	2.0x

Source: Capital IQ as of January 31, 2017, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

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Market Indices	Value at	% Change			
	01/31/2017	1 mo	YTD	12 mo	36 mo
S&P 500 Index	2,278.9	1.8%	1.8%	17.5%	27.8%
NASDAQ Composite Index	5,614.8	4.3%	4.3%	21.7%	36.8%
Russell 2000 Index	1,361.8	0.3%	0.3%	31.5%	20.4%
S&P Composite 1500 Healthcare Facilities (Sub Ind) Index	229.2	8.8%	8.8%	6.3%	16.7%
S&P Composite 1500 Healthcare Providers & Services (Industry)	674.2	2.9%	2.9%	13.9%	46.6%
S&P Composite 1500 Managed Healthcare (Sub Ind)	1,011.9	2.2%	2.2%	27.2%	99.7%
S&P Healthcare Services Select Industry Index	8,247.3	5.3%	5.3%	5.0%	23.5%

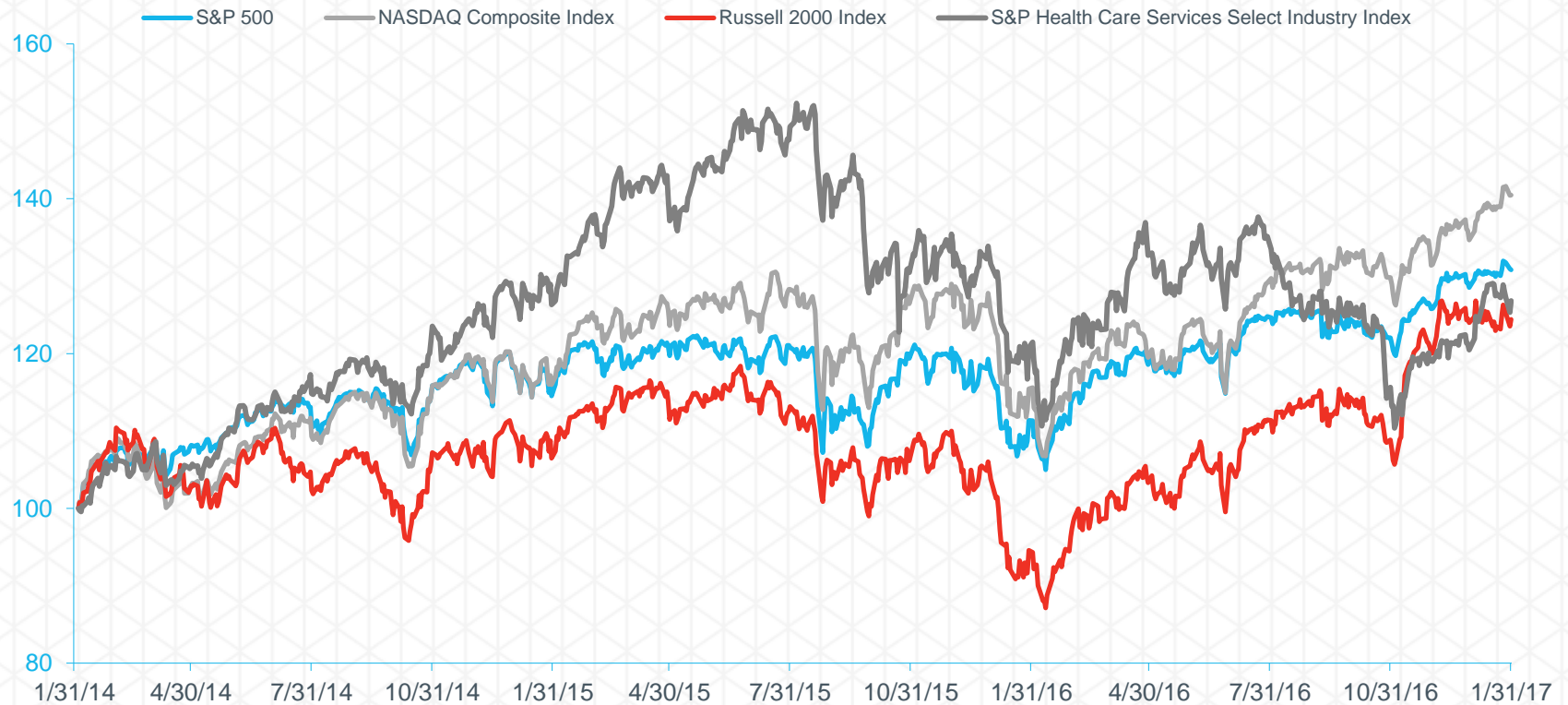
Interest rates	Value at 01/31/2017	1 mo ago	3 mo ago	12 mo ago
LIBOR - USD - 6 months	1.36%	1.32%	1.26%	0.86%
U.S. Treasury - 2 years	1.19%	1.20%	0.86%	0.76%
U.S. Treasury - 5 years	1.91%	1.91%	1.32%	1.34%
U.S. Treasury - 10 years	2.45%	2.43%	1.84%	1.93%
U.S. Treasury - 30 years	3.05%	3.05%	2.59%	2.59%
U.S. Prime Rate	3.75%	3.75%	3.50%	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	29	\$690,571	21.3%	82.2%	3.4%	3.4%	9.6%	38.1%
\$1 billion - \$5 billion	48	125,196	35.3%	14.9%	4.7%	4.7%	9.3%	21.4%
\$250 million - \$1 billion	37	22,846	27.2%	2.7%	(1.9%)	(1.9%)	18.0%	24.9%
\$100 million - \$250 million	10	1,620	7.4%	0.2%	2.5%	2.5%	(1.6%)	(48.9%)
< \$100 million	12	367	8.8%	0.0%	7.3%	7.3%	3.0%	(25.7%)
Total / Average (\$MM)	136	\$840,600	100.0%	100.0%	3.2%	3.2%	7.6%	2.0%

Source: Capital IQ as January 31, 2017, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

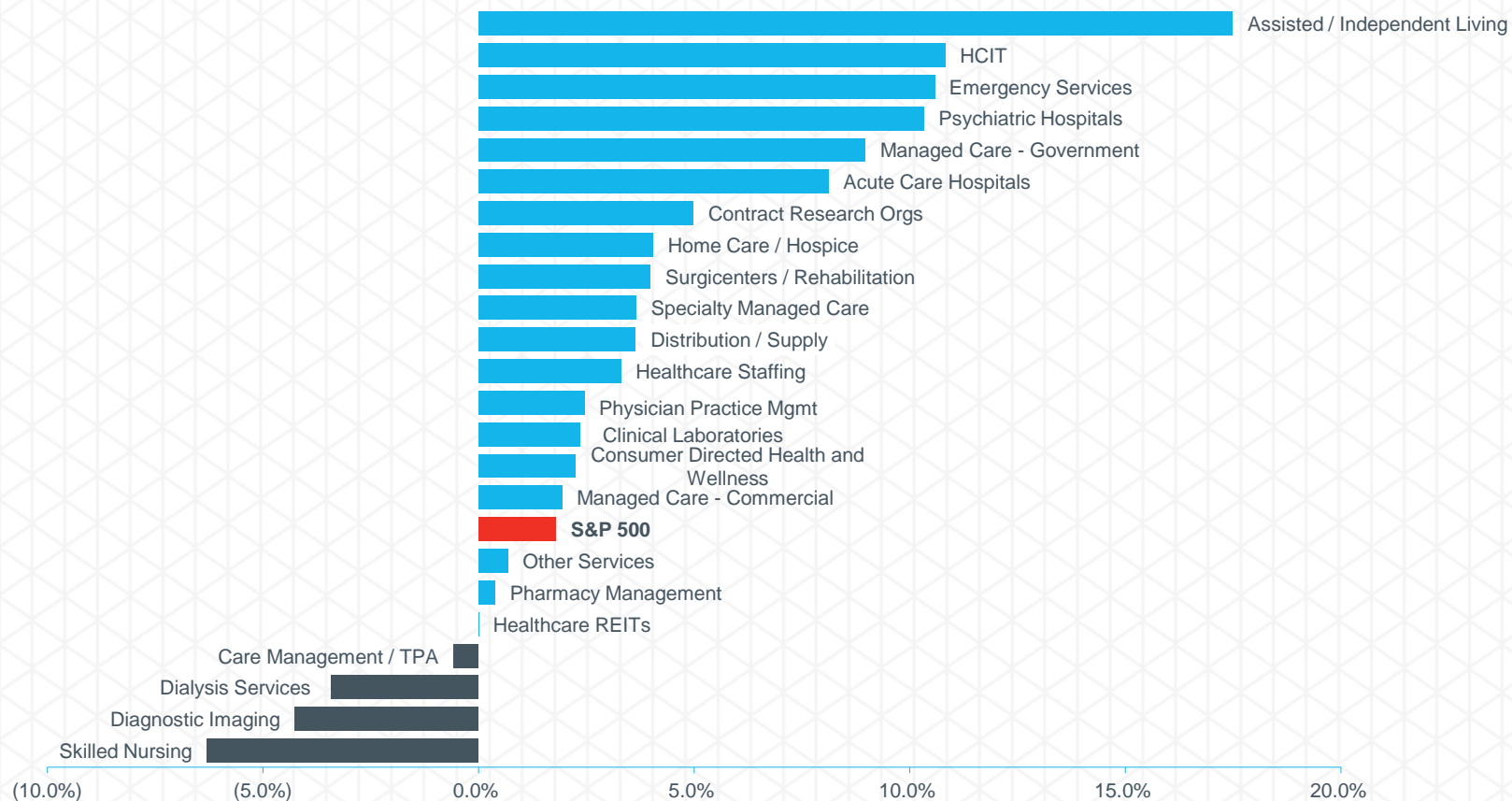
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Performance of Market Indices for Latest 36 Months



Healthcare Services Sector Update

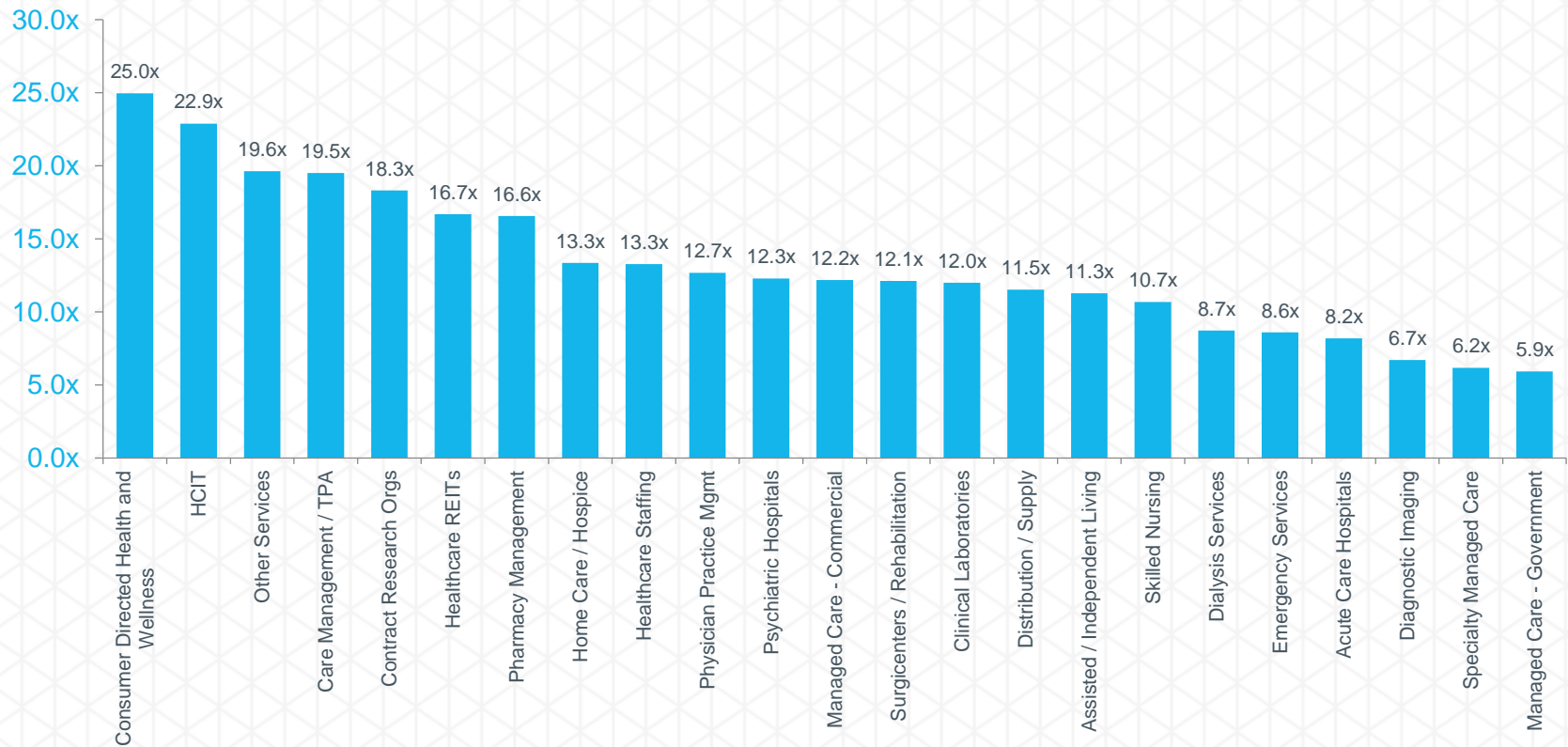
Average % - 1 Month



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Healthcare Services Sector Update

Overview of Subsector EV/LTM EBITDA



Source: Capital IQ as of January 31, 2017, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

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

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