

INDUSTRY INSIGHTS

Healthcare Services Sector Update

July 2018



Q Highlights

The **S&P Healthcare Services Index** increased 3.4% over the last month, which was in line with the S&P 500, which increased 3.6% over the same period.

Over the past month:

The best performing sector was Acute Care Hospitals (up 18.7%), driven primarily by LifePoint, which announced a deal to be acquired by Apollo Global Management at a 36% premium to market.* Other top performing sectors included Contract Research Orgs (up 15.2%) and Rehabilitation (up 12.0%).

The poorest performing sectors were Behavioral Health (down 9.5%), Consumer Directed Health/Wellness (down 2.3%) and Dialysis Services (down 1.8%).

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.32x and 14.7x, respectively.

THE SECTORS WITH THE HIGHEST VALUATION MULTIPLES



*Source: Prang, Allison "LifePoint Health Agrees to Apollo Buyout." *The Wall Street Journal* July 23, 2018 Web.

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	
Providers									
Acute Care Hospitals	5	\$61,647	18.7%	47.7%	1.23x	10.6x	15.0x	16.2x	2.1x
Assisted / Independent Living	3	2,176	3.2%	(31.4%)	1.52x	14.7x	NM	NM	NM
Behavioral Health	3	5,523	(9.5%)	(13.8%)	1.12x	11.3x	15.8x	13.5x	1.3x
Dialysis Services	3	42,705	(1.8%)	5.1%	1.87x	9.4x	20.3x	22.8x	1.3x
Healthcare Staffing	2	3,322	3.4%	55.7%	1.07x	12.3x	15.6x	23.1x	1.5x
Home Health / Hospice	6	13,157	1.7%	63.4%	1.80x	17.0x	31.4x	31.6x	2.3x
Rehabilitation	4	11,701	12.0%	65.0%	2.91x	15.7x	19.6x	28.1x	2.3x
Skilled Nursing	4	3,170	(0.4%)	39.8%	0.82x	10.4x	29.2x	19.4x	1.3x
Providers - Other	4	10,735	(0.7%)	(11.3%)	1.81x	12.3x	16.2x	19.3x	0.8x
Total / Average	34	\$154,135	7.8%	31.1%	1.57x	12.6x	20.4x	21.8x	1.6x
Payors / Managed Care									
Commercial Managed Care	5	\$457,649	4.0%	28.9%	0.99x	11.7x	19.3x	17.9x	1.3x
Government Managed Care	3	45,144	6.6%	59.5%	0.41x	9.0x	23.5x	22.3x	1.3x
Specialty Managed Care	2	7,788	4.9%	18.0%	0.62x	8.8x	13.0x	16.8x	1.9x
Total / Average	10	\$510,580	4.3%	31.4%	0.68x	9.9x	18.6x	19.0x	1.5x
Consumer Directed Health / Wellness	6	\$10,957	(2.3%)	21.8%	5.13x	28.3x	33.3x	37.8x	1.8x
HCIT	21	\$58,014	1.5%	15.6%	4.66x	26.4x	34.8x	34.4x	2.4x
Other Outsourced Services									
Care Management / TPA	5	\$6,796	2.9%	12.1%	1.43x	14.7x	21.4x	21.5x	2.2x
Clinical Laboratories	6	41,618	(0.0%)	5.9%	3.31x	12.2x	18.8x	18.0x	2.0x
Contract Research Orgs	5	49,946	15.2%	29.7%	3.57x	19.1x	31.0x	22.2x	1.6x
Hospital Vendors	4	9,021	2.4%	(14.0%)	1.82x	19.0x	25.6x	35.1x	1.6x
Healthcare Consulting	2	1,921	2.4%	25.8%	1.46x	11.7x	13.8x	18.4x	1.4x
Total / Average	22	\$109,303	7.4%	15.9%	2.32x	15.3x	22.1x	23.0x	1.8x
Product									
Distribution	6	\$74,263	(0.5%)	(22.1%)	0.40x	9.8x	18.2x	12.9x	2.3x
Pharmacy Management	3	46,512	2.1%	26.7%	0.72x	18.1x	9.9x	15.6x	1.2x
Total / Average	9	\$120,775	0.5%	(3.3%)	0.56x	14.0x	14.1x	14.3x	1.7x
Healthcare REITS	16	\$95,087	(0.2%)	(12.0%)	11.84x	18.0x	24.5x	36.3x	4.5x
Total / Average (\$MM)	118	\$1,058,851	3.2%	20.4%	2.32x	14.7x	21.7x	23.2x	1.9x

Healthcare Services Sector Update ..

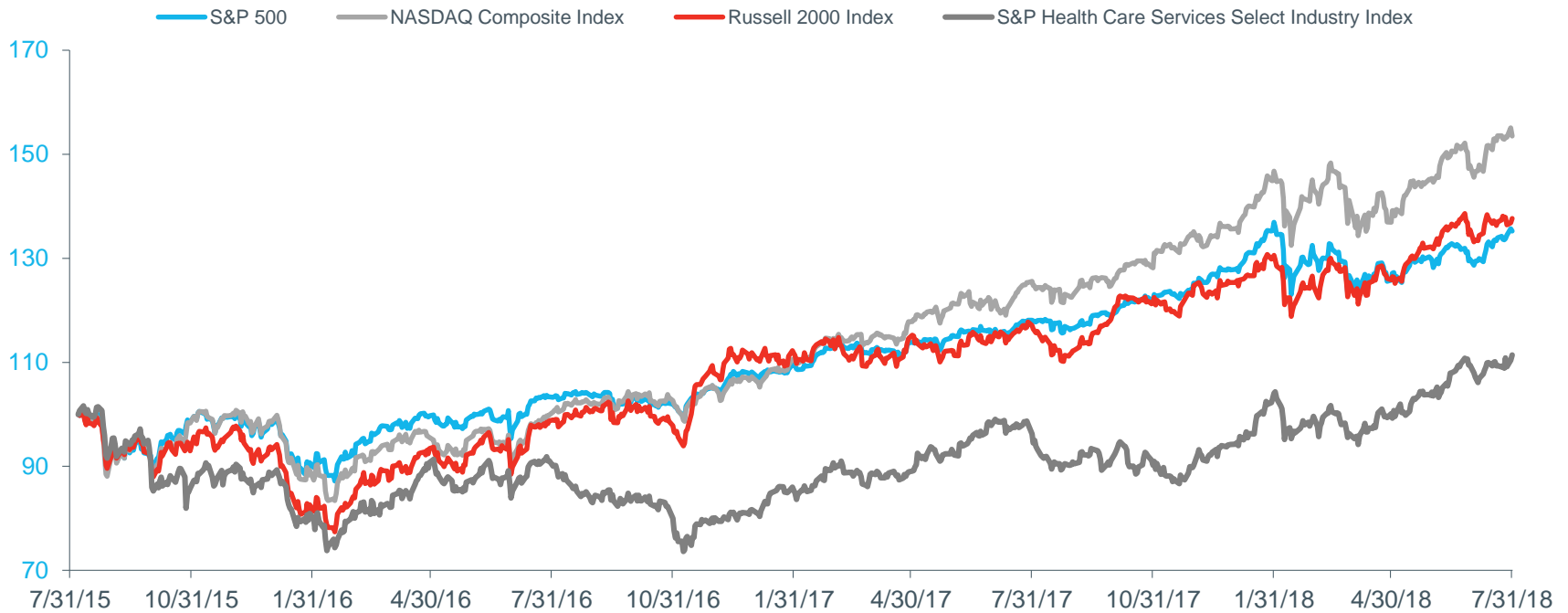
Market Indices	Value at 7/31/2018	% Change			
		1 mo	YTD	12 mo	36 mo
S&P 500	2,816.3	3.6%	5.3%	14.0%	33.9%
NASDAQ Composite Index	7,671.8	2.2%	11.1%	20.9%	49.6%
Russell 2000 Index	1,670.8	1.7%	8.8%	17.2%	34.9%
S&P Composite 1500 Health Care Facilities (Sub Ind)	325.7	15.4%	35.2%	38.1%	7.8%
S&P Composite 1500 Health Care Providers & Services (Industry)	908.8	3.7%	9.2%	19.2%	32.1%
S&P Composite 1500 Managed Health Care (Sub Ind)	1,581.7	4.1%	12.3%	30.2%	81.9%
S&P Health Care Services Select Industry Index	10,695.2	3.4%	16.8%	16.9%	10.1%

Interest Rates	Value at 7/31/2018	1 mo ago	3 mo ago	12 mo ago
LIBOR - USD - 6 months	2.53%	2.50%	2.51%	1.46%
U.S. Treasury - 2 years	2.67%	2.52%	2.49%	1.34%
U.S. Treasury - 5 years	2.85%	2.72%	2.79%	1.83%
U.S. Treasury - 10 years	2.96%	2.85%	2.93%	2.29%
U.S. Treasury - 30 years	3.08%	2.98%	3.10%	2.89%
U.S. Prime Rate	5.00%	5.00%	4.75%	4.25%

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	38	\$935,983	32.2%	88.4%	4.1%	10.4%	13.9%	29.7%
\$1 billion - \$5 billion	41	103,616	34.7%	9.8%	2.1%	19.7%	18.2%	20.5%
\$250 million - \$1 billion	29	18,375	24.6%	1.7%	(1.3%)	11.6%	18.6%	32.7%
\$100 million - \$250 million	4	586	3.4%	0.1%	(4.0%)	33.1%	17.8%	(5.0%)
< \$100 million	6	291	5.1%	0.0%	(1.8%)	(10.9%)	(17.1%)	(40.9%)
Total / Average (\$MM)	118	\$1,058,851	100.0%	100.0%	(0.2%)	12.8%	10.3%	7.4%

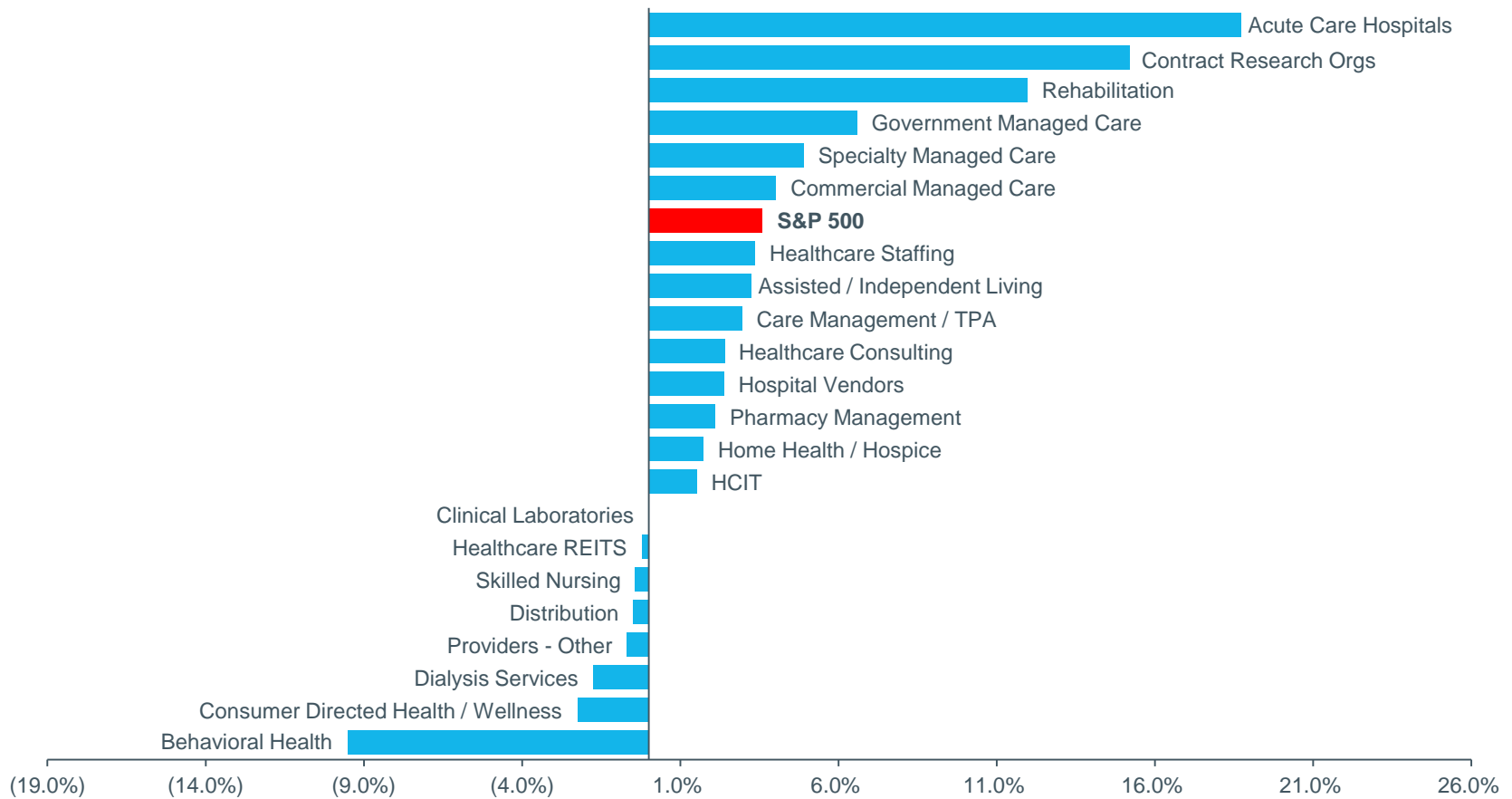
Healthcare Services Market Performance

Performance of Market Indices for Latest 36 Months



Healthcare Services Sector Change

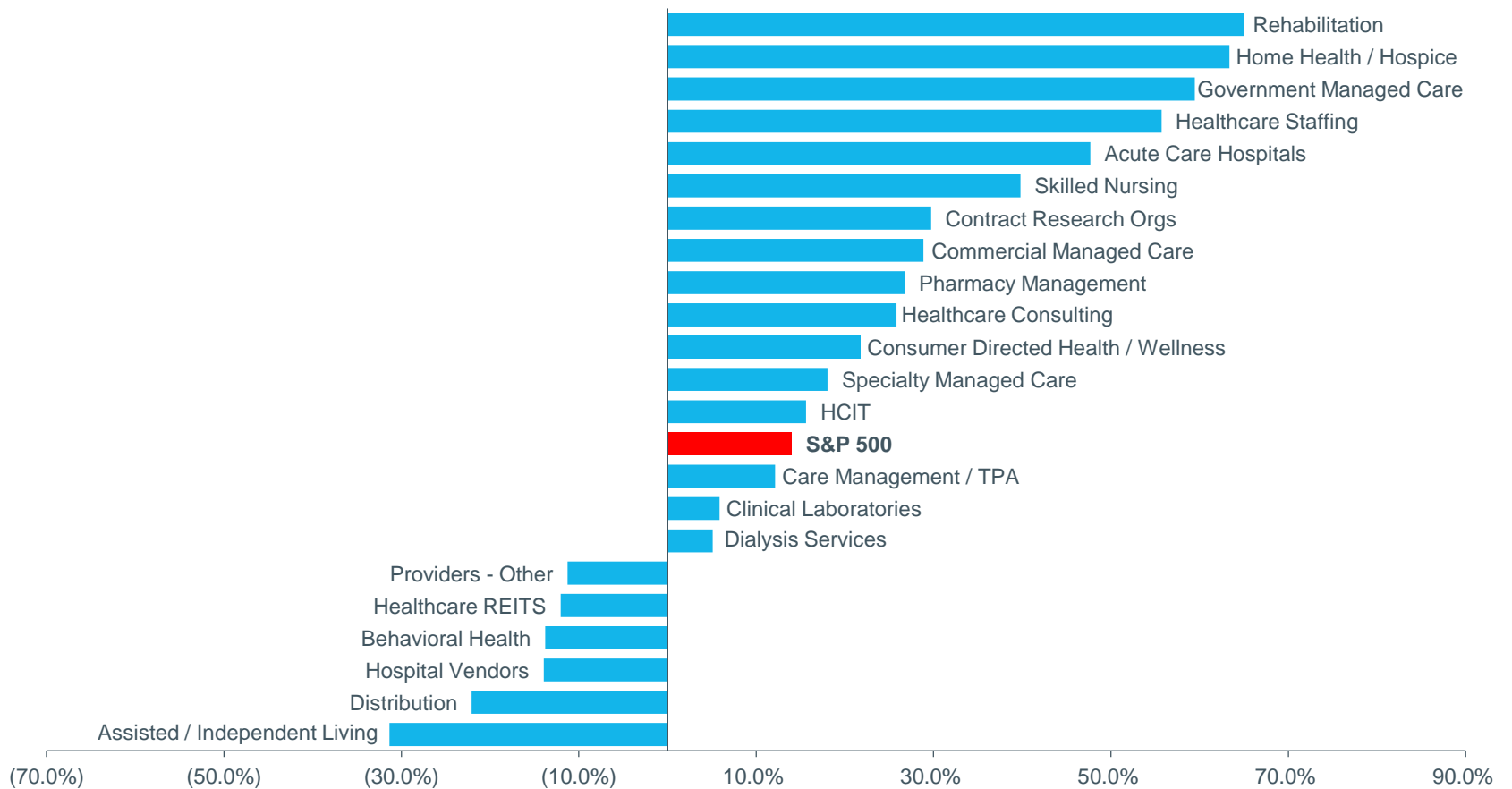
Average % - 1 Month Change



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

Healthcare Services Sector Change

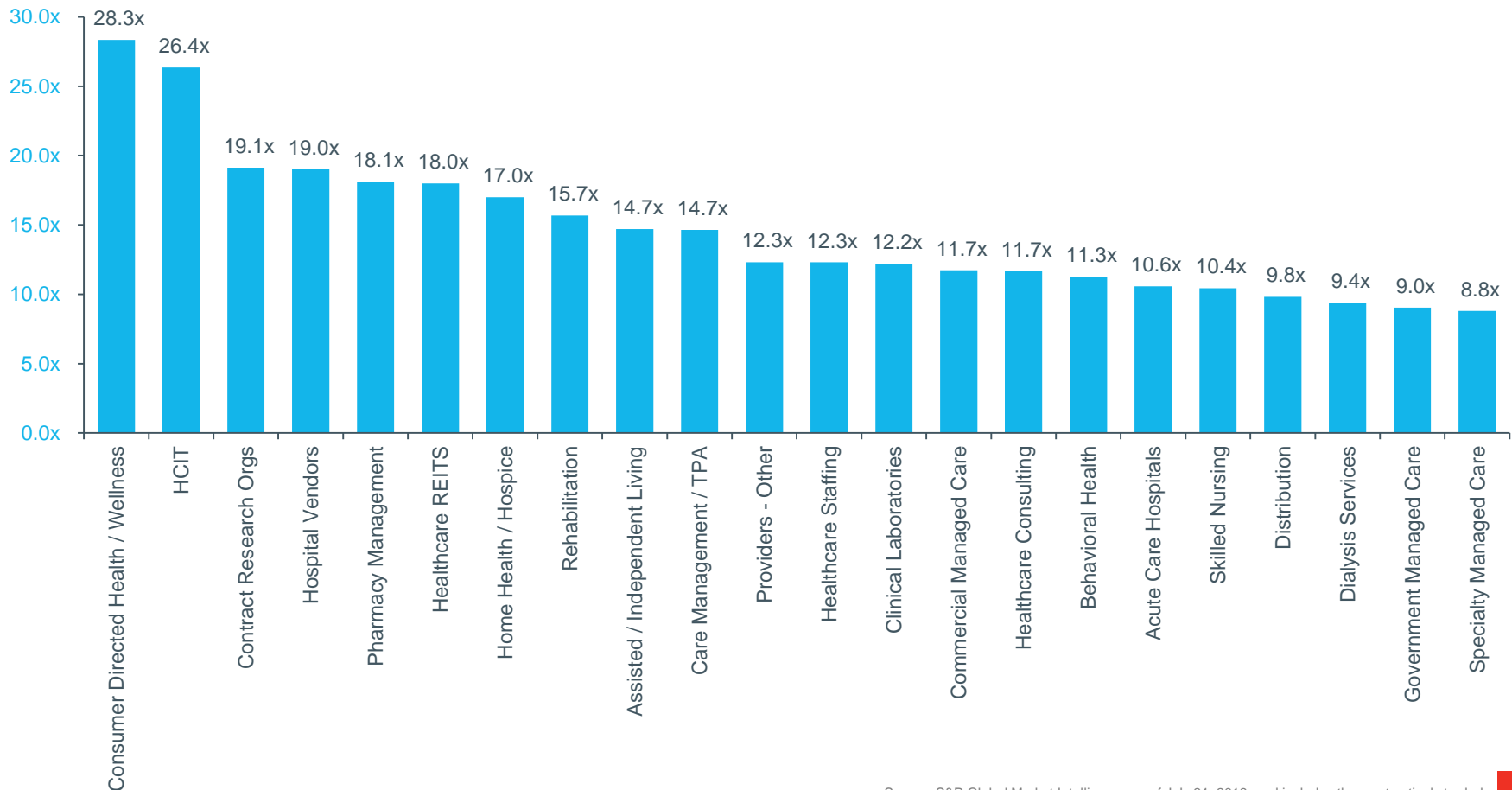
Average % - 12 Month Change



Source: S&P Global Market Intelligence as of July 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



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

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

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