

Healthcare Services Sector Update

April 2016

BY THE NUMBERS

The S&P Healthcare Services Index has increased 7.2% over the last month, outperforming the S&P 500, which increased 0.1% over the same period.

Over the past month:

- The best performing sectors were Assisted / Independent Living (up 17.9%), Emergency Services (up 12.6%) and Psychiatric Hospitals (up 11.2%)
- The poorest performing sectors were Other Services (down 17.1%), Managed Care - Government (down 4.6%) and Care Management / TPA (down 2.9%)

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.37x and 14.2x, respectively.

The sectors with the highest valuation multiples include:

- HCIT (3.38x LTM Revenue, 28.3x LTM EBITDA)
- Pharmacy Management (1.07x LTM Revenue, 28.0x LTM EBITDA)
- Healthcare REITs (13.24x LTM Revenue, 20.5x LTM EBITDA)
- Clinical Laboratories (6.38x LTM Revenue, 18.0x LTM EBITDA)

MARKET SECTOR	No. of Cos.	Ag. Eqty Mkt. Value	Average % Change		LTM Multiples		Earnings Ratio		PEG Ratio 2016E
			1 mo	12 mo	Rev	EBITDA	LTM	2016E	
Acute Care Hospitals	5	\$53,143	4.1%	3.7%	1.30x	8.8x	16.4x	14.4x	1.5x
Assisted / Independent Living	3	4,244	17.9%	(45.2%)	1.93x	12.7x	NM	NM	NM
Care Management / TPA	7	9,797	(2.9%)	(12.0%)	1.58x	12.4x	29.1x	24.4x	1.5x
Clinical Laboratories	5	29,948	4.9%	2.6%	6.38x	18.0x	19.4x	15.4x	1.6x
Consumer Directed Health & Wellness	9	18,590	11.1%	1.3%	3.59x	18.7x	29.4x	31.5x	1.8x
Contract Research Orgs	7	24,977	5.0%	15.9%	2.49x	13.5x	22.3x	17.4x	1.1x
Diagnostic Imaging	3	325	2.7%	(45.4%)	1.61x	6.2x	20.7x	15.8x	1.3x
Dialysis Services	3	42,968	(0.6%)	(1.2%)	2.11x	10.1x	19.6x	20.0x	1.7x
Distribution / Supply	7	104,613	0.1%	(12.6%)	0.66x	11.5x	24.5x	16.4x	1.6x
Emergency Services	2	2,460	12.6%	(8.4%)	2.48x	15.9x	13.5x	18.4x	0.5x
HCIT	17	40,965	4.0%	(14.4%)	3.38x	28.3x	33.1x	33.5x	2.0x
Healthcare REITs	18	95,563	0.8%	(6.2%)	13.24x	20.5x	27.4x	30.9x	6.7x
Healthcare Staffing	4	9,432	6.2%	(17.3%)	1.20x	13.3x	29.4x	16.4x	1.0x
Home Care / Hospice	7	6,732	3.6%	29.7%	1.03x	12.0x	20.2x	20.1x	1.5x
Skilled Nursing	6	3,899	8.1%	(16.4%)	2.65x	8.4x	20.2x	14.0x	1.4x
Managed Care – Commercial	6	263,931	0.3%	10.6%	0.70x	10.0x	18.4x	15.7x	1.4x
Managed Care – Government	3	17,473	(4.6%)	1.6%	0.29x	7.7x	27.6x	18.1x	1.0x
Other Services	4	10,924	(17.1%)	(15.0%)	2.00x	23.1x	39.1x	27.6x	1.6x
Pharmacy Management	4	48,688	7.1%	(14.7%)	1.07x	28.0x	29.4x	14.6x	1.0x
Physician Practice Mgmt	2	6,649	9.1%	0.6%	1.60x	10.2x	19.8x	16.7x	1.2x
Psychiatric Hospitals	3	7,742	11.2%	(5.5%)	0.40x	17.0x	40.2x	23.2x	1.1x
Specialty Managed Care	2	6,012	7.3%	37.8%	0.43x	8.4x	15.7x	15.5x	2.3x
Surgicenters / Rehabilitation	7	13,248	9.5%	10.4%	2.28x	11.4x	20.8x	23.0x	1.4x
Total / Average (\$MM)	134	\$822,323	4.4%	(4.4%)	2.37x	14.2x	24.4x	20.1x	1.6x

Source: Capital IQ

MARKET INDICES	Value at 4/30/16	% Change			
		1 mo	YTD	12 mo	36 mo
Dow Jones Industrial Average	17,774	0.3%	2.0%	(0.4%)	19.8%
S&P 500 Index	2,065.3	0.1%	1.0%	(1.0%)	29.3%
NASDAQ Composite Index	4,775.4	(1.9%)	(4.6%)	(3.4%)	43.5%
Russell 2000 Index	1,140.4	2.7%	0.4%	(6.5%)	20.4%
AMEX Sector Index – Healthcare	88.1	16.0%	(8.0%)	(15.3%)	(0.0%)
S&P Healthcare Facilities (Sub Ind) Index	342.7	5.1%	(1.6%)	(20.5%)	28.5%
S&P Healthcare Providers & Services (Industry) Index	609.0	1.4%	(0.8%)	(4.5%)	60.8%
S&P Managed Healthcare (Sub Ind) Index	393.4	(9.8%)	(8.9%)	0.8%	82.3%
S&P Healthcare Services	502.6	7.2%	4.1%	17.6%	63.4%

Source: Capital IQ

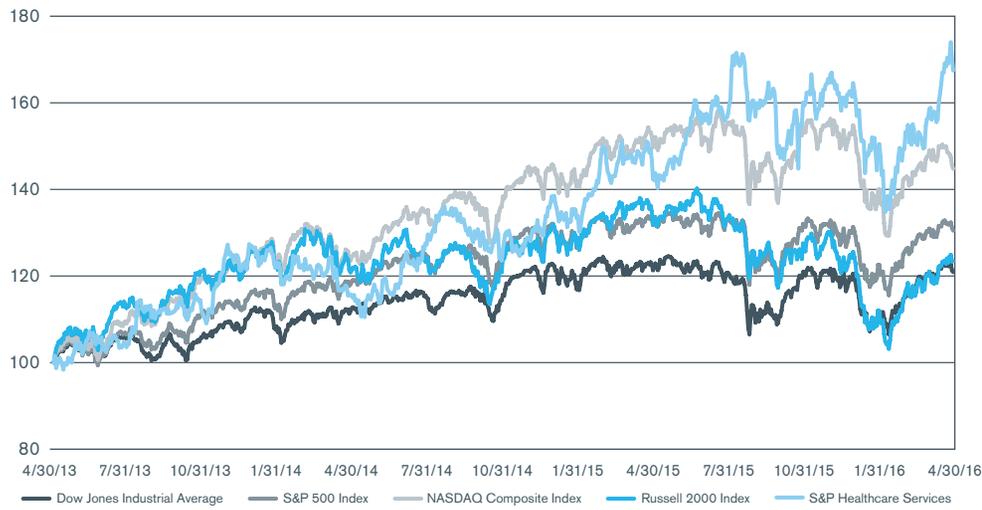
INTEREST RATES	Value at 4/30/16	1 mo ago	3 mo ago	12 mo ago
LIBOR – USD – 6 months	0.90%	0.90%	0.86%	0.41%
U.S. Treasury – 2 years	0.77%	0.76%	0.76%	0.58%
U.S. Treasury – 5 years	1.28%	1.26%	1.34%	1.44%
U.S. Treasury – 10 years	1.82%	1.83%	1.93%	2.05%
U.S. Treasury – 30 years	2.67%	2.66%	2.76%	2.76%
U.S. Prime Rate	3.50%	3.50%	3.50%	3.50%

Source: Capital IQ

CAPITALIZATION PROFILE	No. of Cos.	Ag. Eqty Mkt. Value	% Total No. of Cos.	% Ag. Eqty Mkt. Value	Average Stock Performance			
					1 mo	YTD	12 mo	36 mo
> \$5 billion	30	\$669,365	22.4%	81.4%	1.5%	(0.9%)	(1.3%)	56.3%
\$1 billion – \$5 billion	51	131,016	38.1%	15.9%	4.5%	2.3%	(0.5%)	43.4%
\$250 million – \$1 billion	32	20,017	23.9%	2.4%	6.1%	(3.4%)	(7.5%)	46.6%
\$100 million – \$250 million	7	1,408	5.2%	0.2%	9.0%	(1.7%)	(32.3%)	2.8%
< \$100 million	14	517	10.4%	0.1%	4.4%	(3.2%)	(46.9%)	(21.2%)
Total / Average (\$MM)	134	\$822,323	100.0%	100.0%	5.1%	(1.4%)	(17.7%)	25.6%

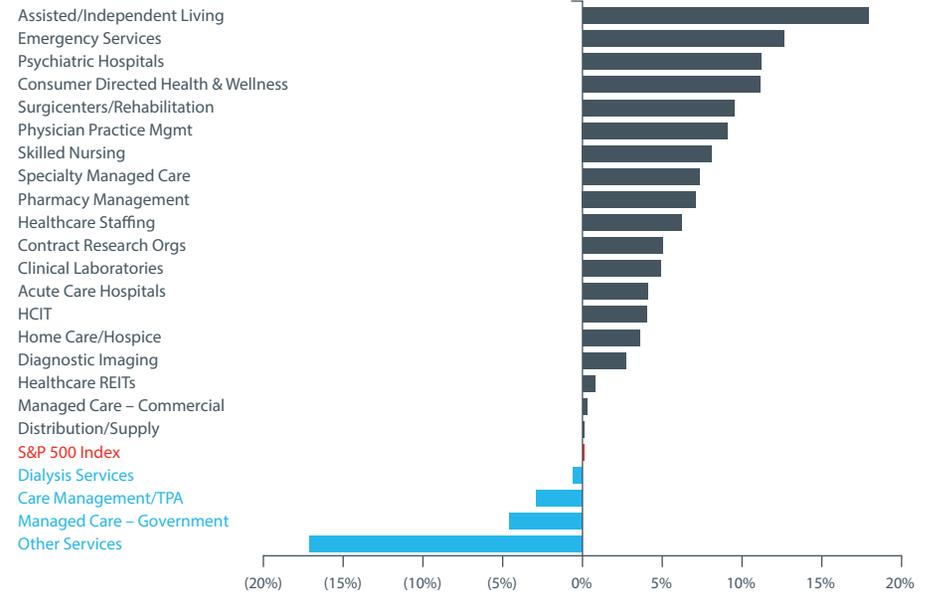
Source: Capital IQ

Performance of Market Indices for Latest 36 Months



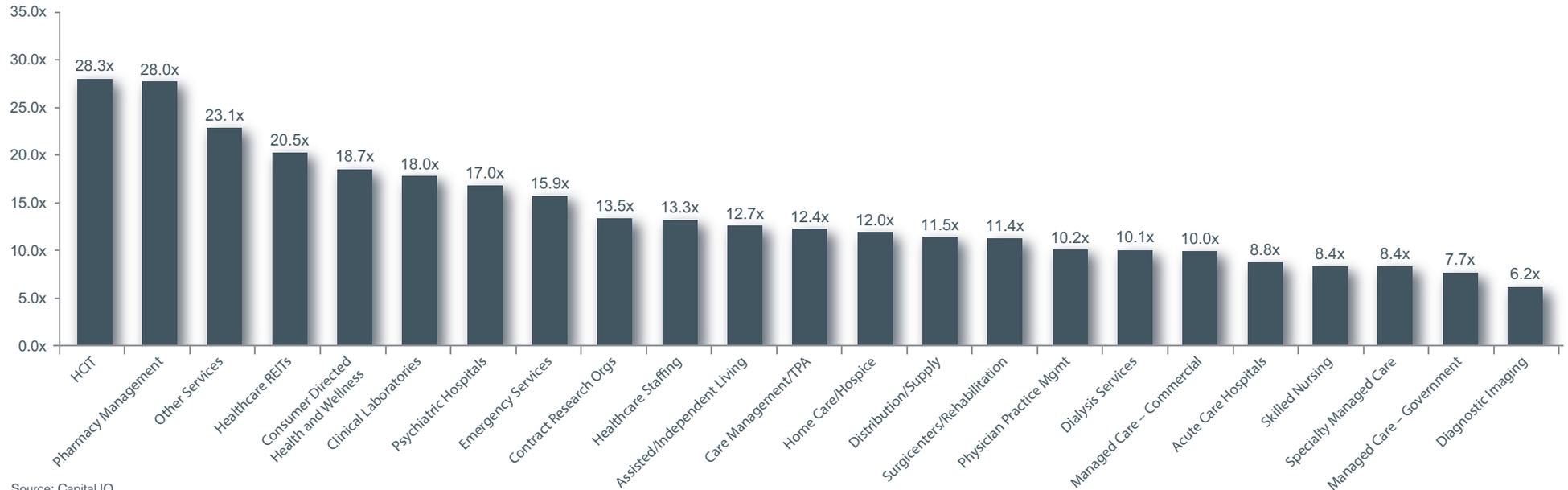
Source: Capital IQ

Average % Change — 1 Month



Source: Capital IQ

Overview of Subsector EV / LTM EBITDA



Source: Capital IQ

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

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