

INDUSTRY INSIGHTS

# Healthcare Services Sector Update

October 2018

# Q Highlights

The **S&P Healthcare Services Index** decreased 6.4% over the last month, slightly less than the broader S&P 500, which decreased 6.9% over the same period.

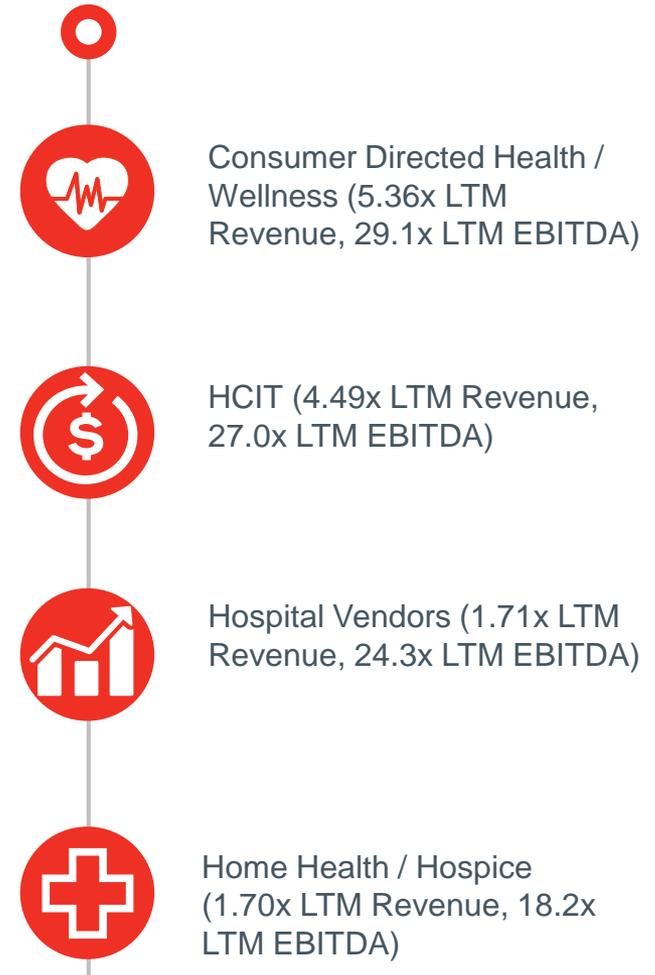
Over the past month:

The best performing sectors were Behavioral Health (up 8.6%), Healthcare Consulting (up 2.8%) and Pharmacy Management (up 2.0%).

The poorest performing sectors were Dialysis Services (down 16.7%), Rehabilitation (down 12.3%) and Government Managed Care (down 11.9%).

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.22x and 14.6x, 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	\$63,059	(4.2%)	63.8%	1.22x	10.2x	14.3x	13.9x	1.0x
Assisted / Independent Living	3	1,992	(8.7%)	(14.7%)	1.49x	13.4x	NM	NM	NM
Behavioral Health	3	5,394	8.6%	14.2%	0.86x	10.3x	15.4x	13.5x	1.5x
Dialysis Services	3	36,080	(16.7%)	(6.8%)	1.81x	9.2x	17.6x	24.5x	2.1x
Healthcare Staffing	2	2,725	(6.4%)	9.4%	0.91x	11.2x	12.6x	27.4x	1.9x
Home Health / Hospice	6	13,406	(7.8%)	60.0%	1.70x	18.2x	35.4x	27.3x	1.8x
Rehabilitation	4	10,370	(12.3%)	34.9%	2.64x	14.4x	15.9x	25.8x	2.0x
Skilled Nursing	4	3,342	1.2%	45.9%	0.83x	10.0x	24.5x	20.1x	1.3x
Providers - Other	3	5,022	(10.9%)	7.1%	1.85x	12.5x	11.1x	25.8x	2.2x
<b>Total / Average</b>	<b>33</b>	<b>\$141,391</b>	<b>(6.4%)</b>	<b>23.8%</b>	<b>1.48x</b>	<b>12.2x</b>	<b>18.3x</b>	<b>22.3x</b>	<b>1.7x</b>
<b>Payors / Managed Care</b>									
Commercial Managed Care	5	\$483,947	(1.3%)	22.8%	1.05x	12.2x	21.7x	18.7x	1.4x
Government Managed Care	3	48,389	(11.9%)	47.0%	0.49x	10.8x	30.0x	20.3x	1.3x
Specialty Managed Care	2	6,474	(9.9%)	(5.0%)	0.54x	9.4x	24.2x	15.6x	NM
<b>Total / Average</b>	<b>10</b>	<b>\$538,810</b>	<b>(2.4%)</b>	<b>24.6%</b>	<b>0.69x</b>	<b>10.8x</b>	<b>25.3x</b>	<b>18.2x</b>	<b>1.4x</b>
<b>Consumer Directed Health / Wellness</b>	<b>6</b>	<b>\$11,304</b>	<b>(4.2%)</b>	<b>33.0%</b>	<b>5.36x</b>	<b>29.1x</b>	<b>27.3x</b>	<b>39.6x</b>	<b>1.8x</b>
<b>HCIT</b>	<b>20</b>	<b>\$53,443</b>	<b>(10.2%)</b>	<b>18.3%</b>	<b>4.49x</b>	<b>27.0x</b>	<b>33.7x</b>	<b>33.8x</b>	<b>2.3x</b>
<b>Other Outsourced Services</b>									
Care Management / TPA	5	\$6,980	(0.2%)	1.1%	1.44x	14.6x	25.7x	23.2x	1.8x
Clinical Laboratories	6	37,058	(9.9%)	4.5%	3.17x	10.8x	15.7x	16.2x	2.1x
Contract Research Orgs	5	49,221	(8.0%)	10.5%	3.19x	17.3x	30.8x	21.1x	1.5x
Hospital Vendors	4	7,363	(8.7%)	(26.7%)	1.71x	24.3x	25.4x	19.6x	1.5x
Healthcare Consulting	2	2,146	2.8%	38.0%	1.54x	12.4x	13.3x	33.9x	2.4x
<b>Total / Average</b>	<b>22</b>	<b>\$102,768</b>	<b>(8.0%)</b>	<b>5.6%</b>	<b>2.21x</b>	<b>15.9x</b>	<b>22.2x</b>	<b>22.8x</b>	<b>1.9x</b>
<b>Product</b>									
Distribution	6	\$73,897	(5.4%)	(3.8%)	0.39x	10.0x	20.7x	12.8x	1.6x
Pharmacy Management	3	56,469	2.0%	56.2%	0.77x	17.1x	11.2x	17.3x	1.0x
<b>Total / Average</b>	<b>9</b>	<b>\$130,365</b>	<b>(2.2%)</b>	<b>22.2%</b>	<b>0.58x</b>	<b>13.6x</b>	<b>16.0x</b>	<b>15.0x</b>	<b>1.3x</b>
<b>Healthcare REITS</b>	<b>16</b>	<b>\$98,272</b>	<b>1.6%</b>	<b>(1.4%)</b>	<b>11.43x</b>	<b>17.5x</b>	<b>23.0x</b>	<b>30.4x</b>	<b>13.6x</b>
<b>Total / Average (\$MM)</b>	<b>116</b>	<b>\$1,076,352</b>	<b>(5.5%)</b>	<b>18.6%</b>	<b>2.22x</b>	<b>14.6x</b>	<b>21.4x</b>	<b>22.9x</b>	<b>2.3x</b>

# Healthcare Services Sector Update ..

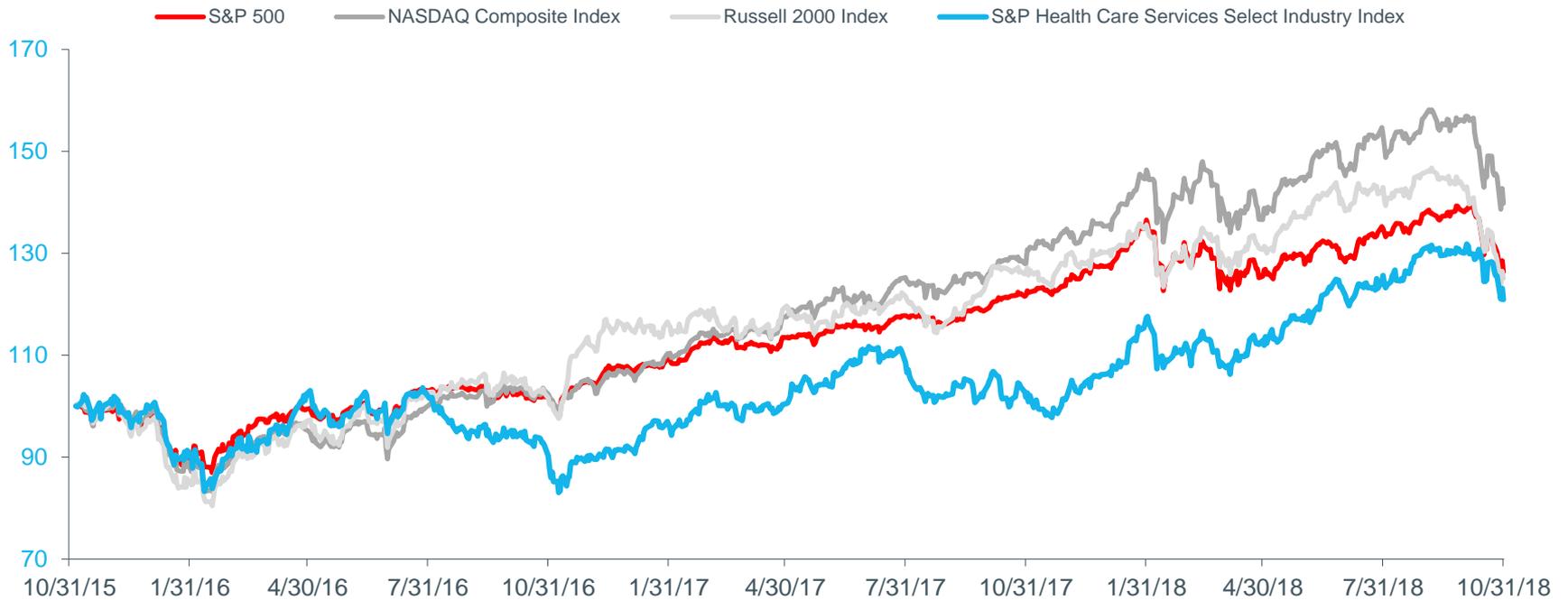
Market Indices	Value at	% Change			
	10/31/2018	1 mo	YTD	12 mo	36 mo
S&P 500	2,711.7	(6.9%)	1.4%	5.3%	30.4%
NASDAQ Composite Index	7,305.9	(9.2%)	5.8%	8.6%	44.6%
Russell 2000 Index	1,511.4	(10.9%)	(1.6%)	0.6%	30.1%
S&P Composite 1500 Health Care Facilities (Sub Ind)	328.2	(4.6%)	36.3%	51.0%	45.7%
S&P Composite 1500 Health Care Providers & Services (Industry)	956.0	(3.6%)	14.9%	21.9%	51.1%
S&P Composite 1500 Managed Health Care (Sub Ind)	1,668.8	(2.5%)	18.5%	23.9%	100.2%
<b>S&amp;P Health Care Services Select Industry Index</b>	<b>10,661.6</b>	<b>(6.4%)</b>	<b>16.4%</b>	<b>20.8%</b>	<b>25.6%</b>

Interest Rates	Value at	1 mo	3 mo	12 mo
	10/31/2018	ago	ago	ago
LIBOR - USD - 6 months	2.80%	2.60%	2.53%	1.57%
U.S. Treasury - 2 years	2.87%	2.81%	2.66%	1.58%
U.S. Treasury - 5 years	2.99%	2.94%	2.85%	2.00%
U.S. Treasury - 10 years	3.16%	3.06%	2.98%	2.37%
U.S. Treasury - 30 years	3.40%	3.20%	3.11%	2.88%
U.S. Prime Rate	5.25%	5.25%	5.00%	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	35	\$950,226	30.2%	88.3%	(5.5%)	12.8%	17.0%	48.9%
\$1 billion - \$5 billion	43	108,756	37.1%	10.1%	(5.8%)	20.3%	17.4%	41.7%
\$250 million - \$1 billion	26	16,292	22.4%	1.5%	(9.4%)	6.1%	6.9%	39.8%
\$100 million - \$250 million	5	766	4.3%	0.1%	(7.9%)	6.7%	0.3%	(44.9%)
< \$100 million	7	329	6.0%	0.0%	(10.0%)	(23.4%)	(24.3%)	(10.8%)
<b>Total / Average (\$MM)</b>	<b>116</b>	<b>\$1,076,368</b>	<b>100.0%</b>	<b>100.0%</b>	<b>(7.7%)</b>	<b>4.5%</b>	<b>3.5%</b>	<b>14.9%</b>

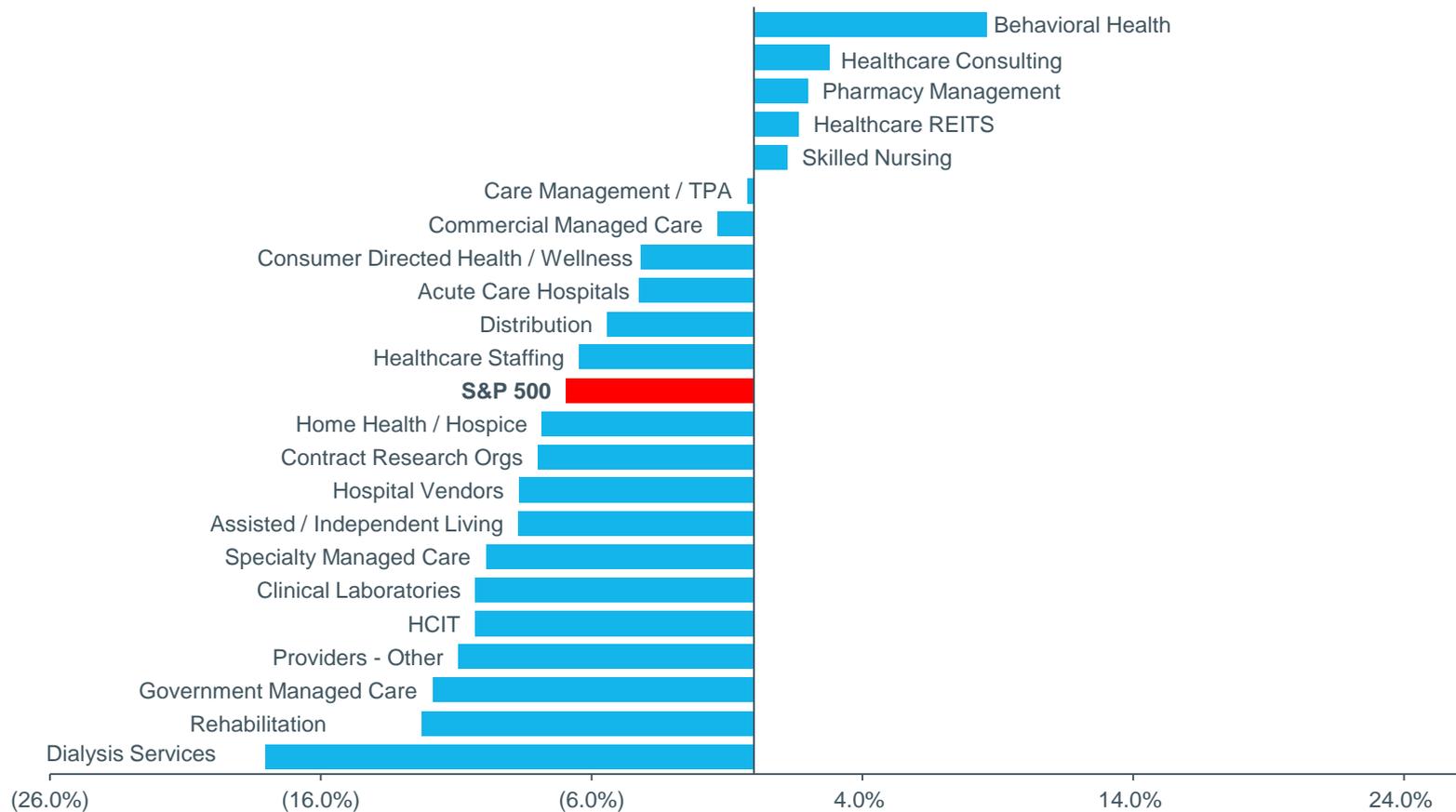
# Healthcare Services Market Performance

## Performance of Market Indices for Latest 36 Months



# Healthcare Services Sector Change

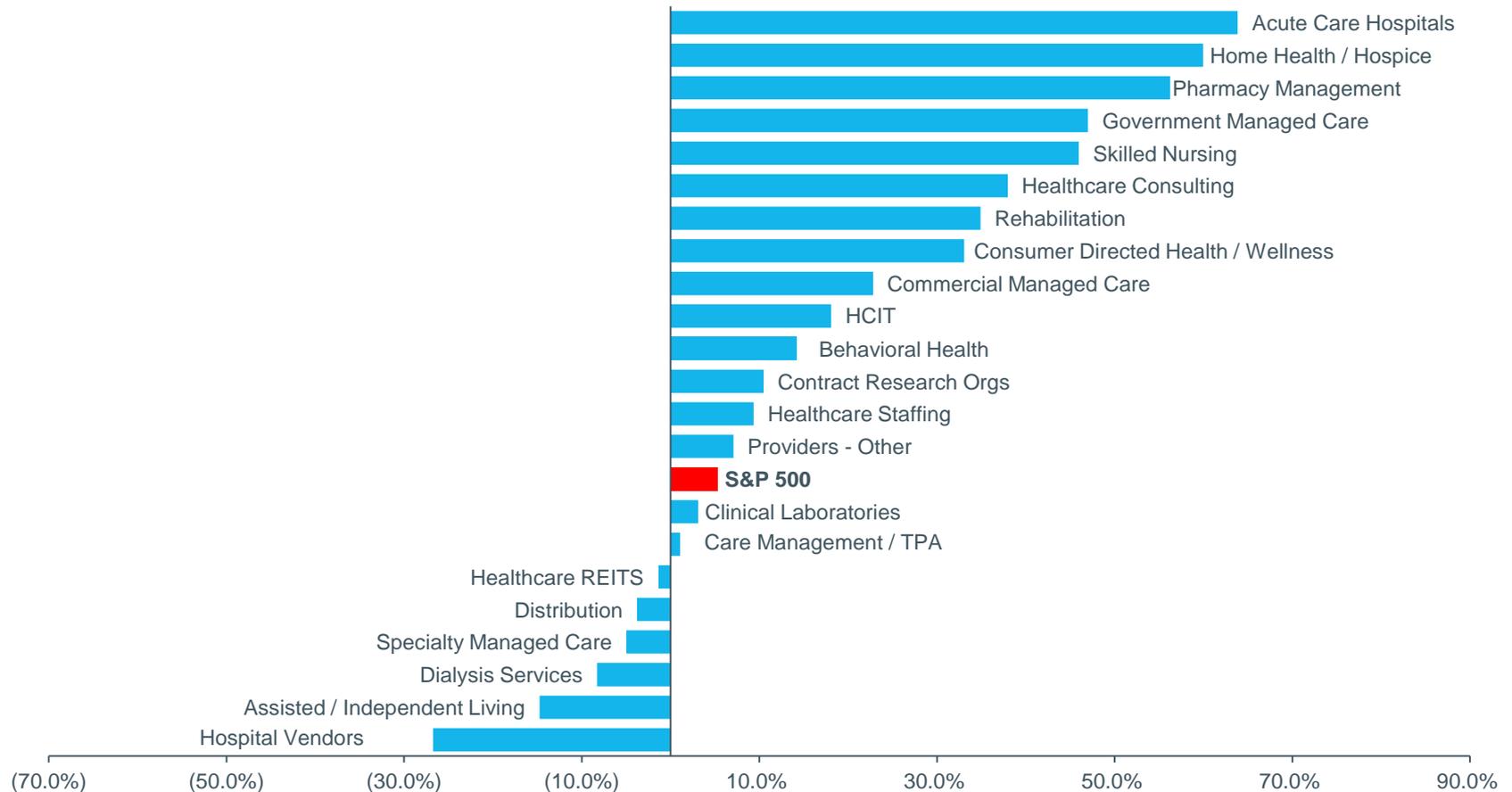
Average % - 1 Month Change



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

# Healthcare Services Sector Change

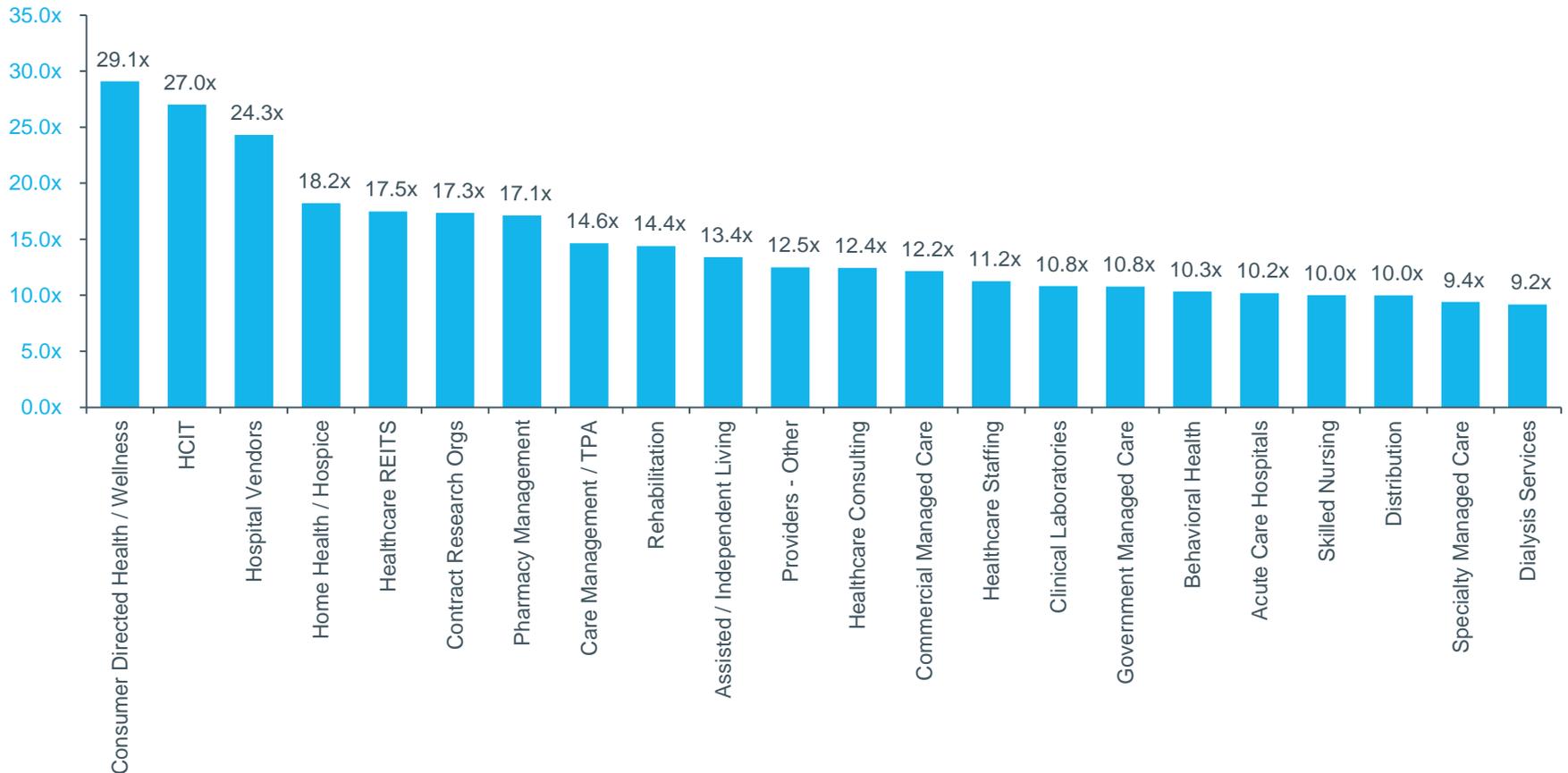
Average % - 12 Month Change



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

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