

INDUSTRY INSIGHTS:

Healthcare Services Sector Update

August 2017



Q Highlights

The **S&P Healthcare Services** Index decreased 1.3% over the last month, underperforming the S&P 500, which increased 0.1% over the same period.

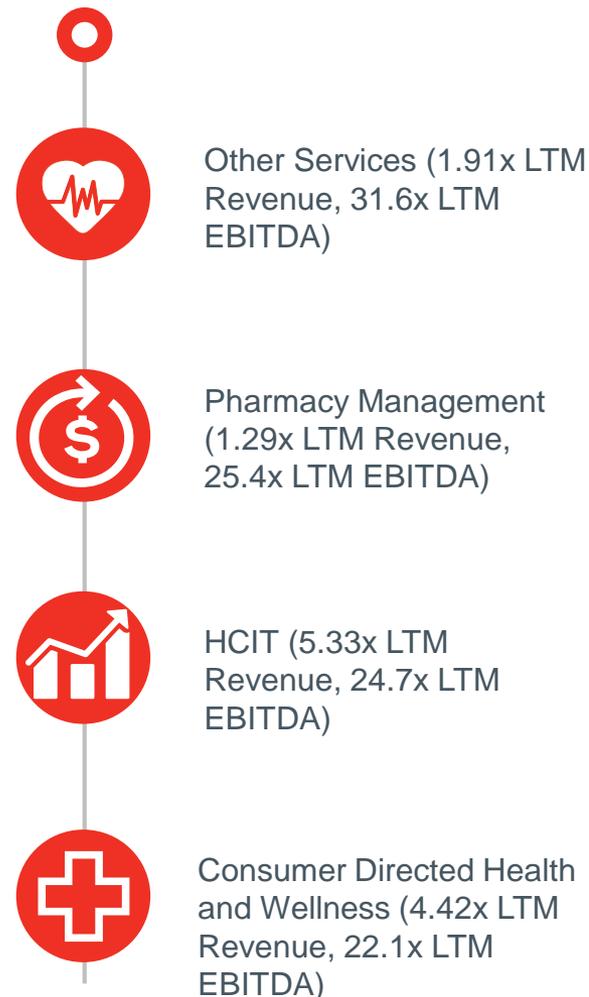
Over the past month:

The best performing sectors were Diagnostic Imaging⁽¹⁾ (up 31.3%), Contract Research Organizations (up 6.2%), and Managed Care – Government (up 5.8%).

The poorest performing sectors were Assisted Living / Independent Living (down 13.4%), Distribution / Supply (down 9.6%) and Skilled Nursing (down 7.8%).

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.46x and 15.1x, respectively.

THE SECTORS WITH THE HIGHEST VALUATION MULTIPLES



⁽¹⁾ Note: The Diagnostic Imaging sector's performance in part to movements in RadNet, Inc.'s stock price in the past month.

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	2017E	2017E
Acute Care Hospitals	5	\$43,671	(2.0%)	(1.3%)	1.11x	8.1x	12.7x	15.0x	1.3x
Assisted / Independent Living	3	2,718	(13.4%)	(29.1%)	1.63x	12.2x	NM	NM	NM
Care Management / TPA	4	5,866	3.1%	10.2%	1.60x	19.5x	22.5x	22.9x	1.3x
Clinical Laboratories	6	38,714	(1.0%)	18.2%	4.02x	15.5x	20.2x	23.5x	2.0x
Consumer Directed Health and Wellness	6	9,459	(1.3%)	13.5%	4.42x	22.1x	33.0x	43.1x	3.5x
Contract Research Orgs	6	47,518	6.2%	32.7%	3.82x	19.0x	36.1x	22.5x	1.5x
Diagnostic Imaging	2	501	31.3%	50.0%	1.72x	6.5x	14.0x	35.3x	NM
Dialysis Services	3	40,410	(3.1%)	1.4%	1.61x	8.9x	14.6x	20.7x	1.6x
Distribution / Supply	8	94,021	(9.6%)	(10.3%)	0.88x	12.5x	20.0x	14.8x	2.4x
HCT	19	51,821	1.2%	12.2%	5.33x	24.7x	33.7x	35.8x	2.4x
Healthcare REITs	16	107,218	(0.3%)	(8.6%)	13.60x	20.0x	26.1x	30.7x	7.8x
Healthcare Staffing	3	8,493	(4.7%)	(13.4%)	1.26x	11.3x	30.7x	16.8x	1.1x
Home Care / Hospice	7	8,602	4.4%	36.0%	1.17x	14.0x	36.1x	25.5x	2.3x
Skilled Nursing	6	2,876	(7.8%)	(6.4%)	1.57x	9.7x	22.3x	15.5x	3.5x
Managed Care - Commercial	5	379,164	4.6%	45.3%	0.91x	11.7x	23.9x	18.7x	1.5x
Managed Care - Government	3	26,755	5.8%	35.8%	0.28x	7.6x	25.2x	21.5x	1.5x
Other Services	5	14,144	(4.7%)	(9.4%)	1.91x	31.6x	29.6x	23.4x	1.8x
Pharmacy Management	4	39,504	0.9%	(10.2%)	1.29x	25.4x	25.4x	21.1x	1.6x
Psychiatric Hospitals	3	6,263	(3.1%)	5.4%	0.99x	12.0x	23.0x	16.5x	NM
Specialty Managed Care	2	5,765	(2.8%)	6.5%	0.48x	13.6x	22.7x	21.9x	1.8x
Surgicenters / Rehabilitation	5	8,277	5.2%	20.7%	2.11x	12.0x	28.0x	23.9x	1.9x
Total / Average (\$MM)	121	\$941,760	0.4%	9.5%	2.46x	15.1x	25.0x	23.5x	2.3x

Source: S&P Global Market Intelligence as of August 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 8/31/2017	% Change			
		1 mo	YTD	12 mo	36 mo
S&P 500	2,471.7	0.1%	10.4%	13.9%	23.4%
NASDAQ Composite Index	6,428.7	1.3%	19.4%	23.3%	40.4%
Russell 2000 Index	1,405.3	(1.4%)	3.5%	13.3%	19.7%
S&P Composite 1500 Health Care Facilities (Sub Ind)	232.7	(1.4%)	10.5%	4.8%	(9.4%)
S&P Composite 1500 Health Care Providers & Services (Industry)	770.3	1.0%	17.5%	20.4%	45.7%
S&P Composite 1500 Managed Health Care (Sub Ind)	1,270.6	4.6%	28.4%	44.2%	105.7%
S&P Health Care Services Select Industry Index	9,027.0	(1.3%)	15.2%	10.1%	16.4%

Interest Rates

	Value at 8/31/2017	1 mo ago	3 mo ago	12 mo ago
LIBOR - USD - 6 months	1.45%	1.46%	1.42%	1.24%
U.S. Treasury - 2 years	1.33%	1.34%	1.28%	0.80%
U.S. Treasury - 5 years	1.71%	1.84%	1.75%	1.18%
U.S. Treasury - 10 years	2.12%	2.29%	2.20%	1.57%
U.S. Treasury - 30 years	2.73%	2.90%	2.86%	2.23%
U.S. Prime Rate	4.25%	4.25%	4.00%	3.50%

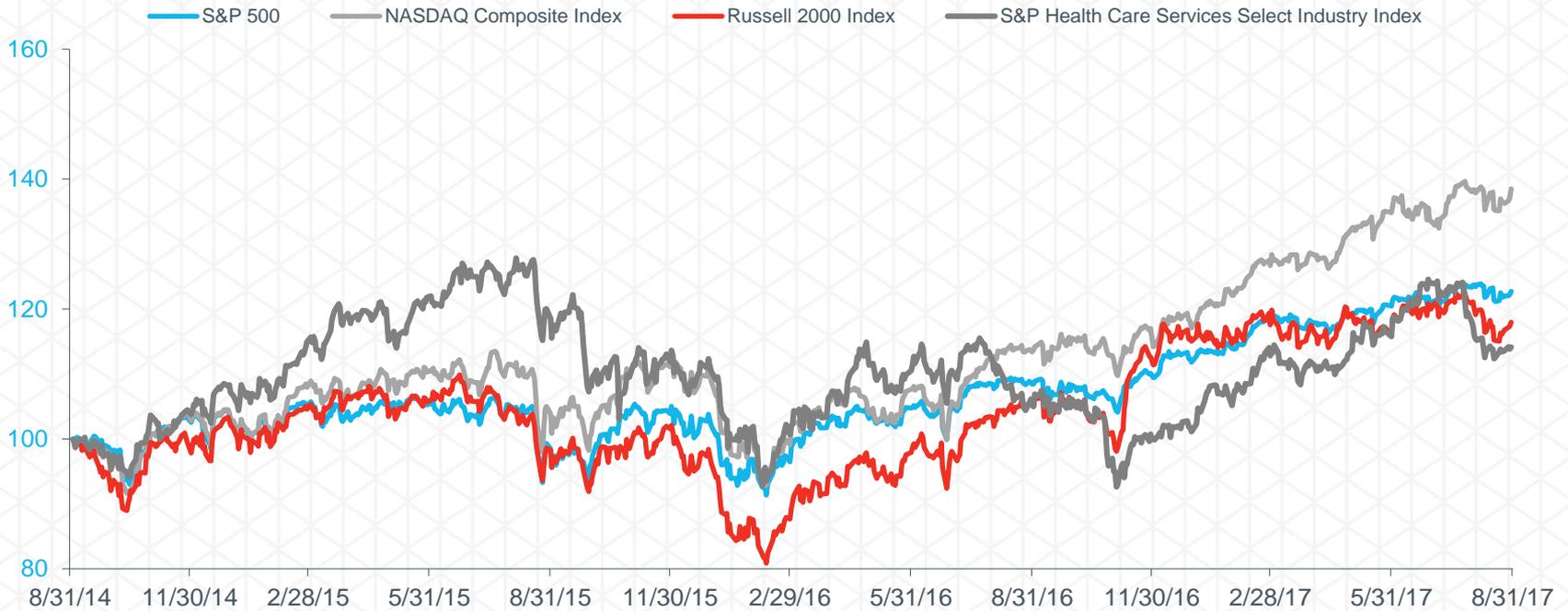
Capitalization Profile

	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	33	\$801,058	27.3%	85.1%	(0.2%)	15.7%	11.2%	37.7%
\$1 billion - \$5 billion	43	120,185	35.5%	12.8%	(0.6%)	18.3%	11.8%	32.7%
\$250 million - \$1 billion	32	19,450	26.4%	2.1%	0.0%	10.2%	1.6%	7.1%
\$100 million - \$250 million	3	503	2.5%	0.1%	5.1%	(5.9%)	(27.6%)	47.9%
< \$100 million	10	563	8.3%	0.1%	1.6%	(19.7%)	(13.6%)	(41.3%)
Total / Average (\$MM)	121	\$941,760	100.0%	100.0%	1.2%	3.7%	(3.3%)	16.8%

Source: S&P Global Market Intelligence as of August 31, 2017, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

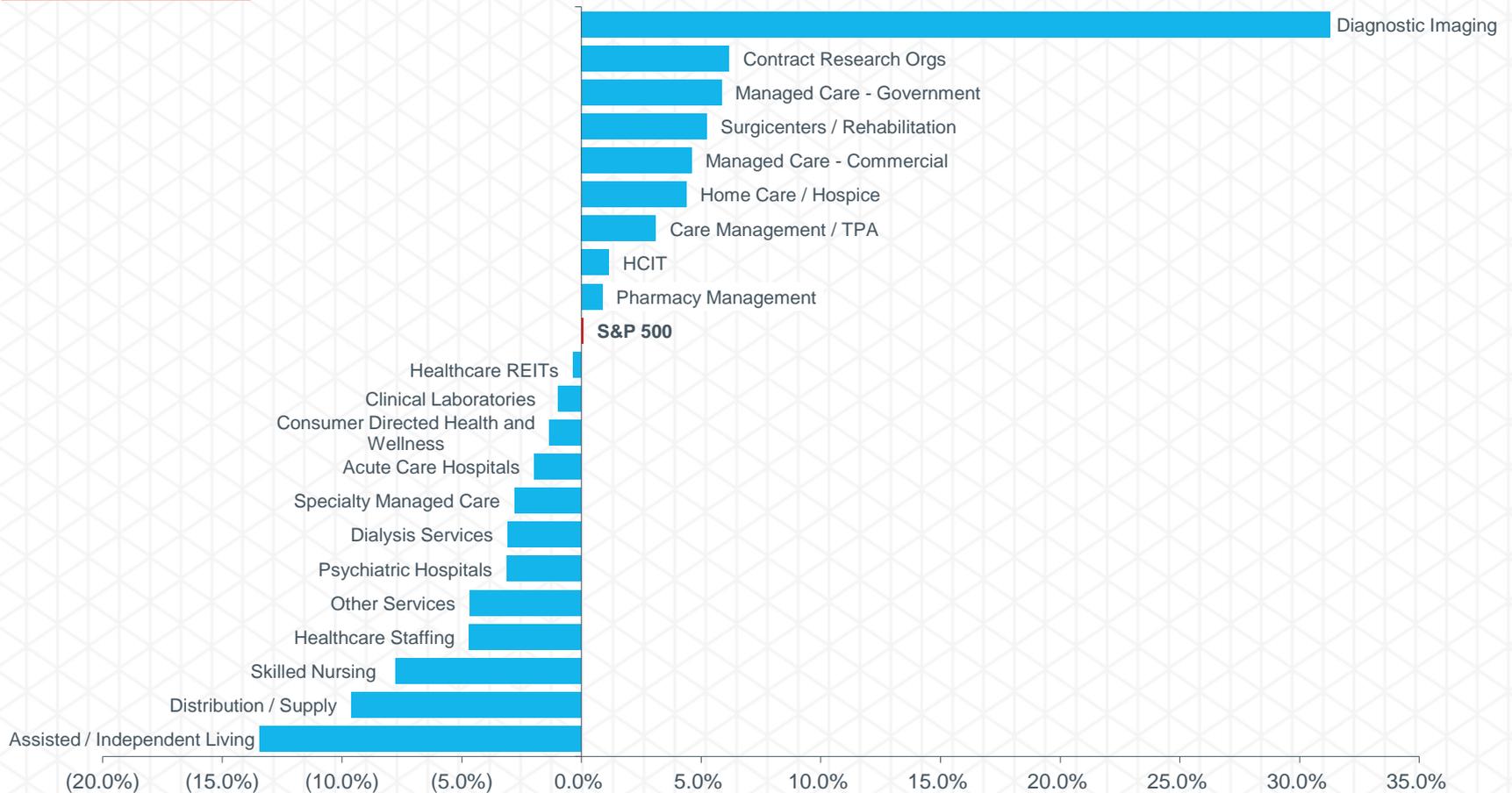
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Performance of Market Indices for Latest 36 Months



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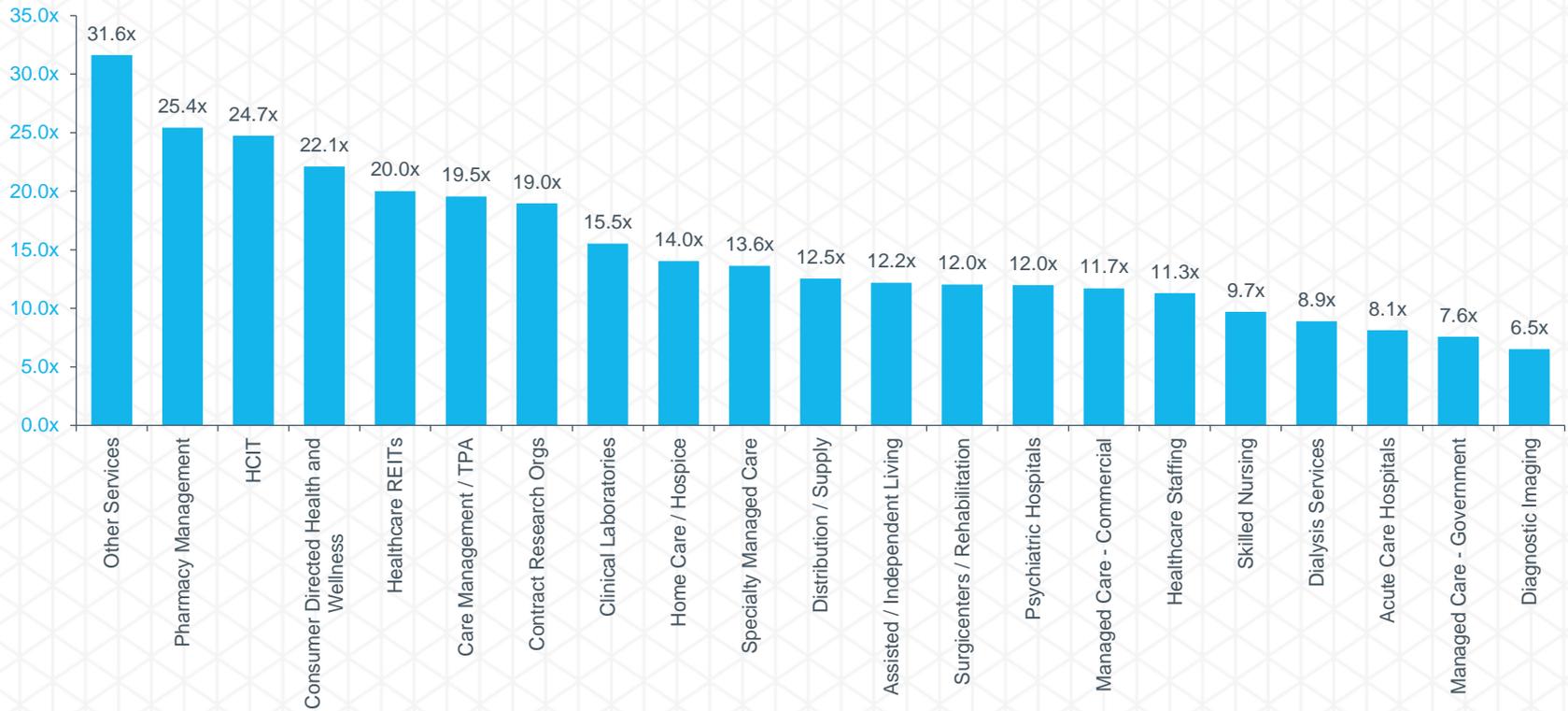
Average % - 1 Month



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Healthcare Services Sector Update

Overview of Subsector EV/LTM EBITDA



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

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