

INDUSTRY INSIGHTS

# Healthcare Services Sector Update

August 2019



# Q Highlights

The **S&P Healthcare Services** Index declined 6.2% over the last month, as compared to the S&P 500, which declined 1.8% over the same period.

## Over the past month:

The sectors experiencing the most growth were Pharmacy Management (up 10.2%), Healthcare Staffing (up 9.2%) and Healthcare REITs (up 7.4%).

The sectors experiencing most decline were Consumer Directed Health / Wellness (down 19.0%), Behavioral Health (14.6%) and Skilled Nursing (14.0%).

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.40x and 15.1x, 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	2019E	
<b>Providers</b>									
Acute Care Hospitals	4	\$56,300	(8.4%)	(6.6%)	1.34x	9.2x	14.1x	11.6x	1.1x
Assisted / Independent Living	3	1,682	3.5%	(20.6%)	2.00x	20.1x	NM	NM	NM
Behavioral Health	3	3,895	(14.6%)	(27.8%)	0.93x	13.4x	NM	18.2x	1.8x
Dialysis Services	3	28,489	(4.9%)	(27.3%)	1.55x	8.3x	17.2x	12.7x	2.7x
Healthcare Staffing	2	3,103	9.2%	0.4%	1.10x	19.6x	22.2x	19.1x	1.4x
Home Health / Hospice	5	16,591	0.0%	20.4%	2.18x	20.2x	37.6x	31.7x	2.3x
Rehabilitation	4	10,134	(3.1%)	(15.7%)	3.56x	11.1x	17.5x	25.7x	1.9x
Skilled Nursing	3	4,013	(14.0%)	18.7%	1.36x	15.7x	21.7x	22.0x	1.5x
Providers - Other	3	2,763	(12.2%)	(42.2%)	1.76x	11.7x	14.2x	21.4x	1.6x
<b>Total / Average</b>	<b>30</b>	<b>\$126,971</b>	<b>(4.9%)</b>	<b>(11.2%)</b>	<b>1.75x</b>	<b>14.4x</b>	<b>20.6x</b>	<b>20.3x</b>	<b>1.8x</b>
<b>Payors / Managed Care</b>									
Commercial Managed Care	4	\$385,058	(7.3%)	(11.9%)	0.88x	11.7x	15.8x	13.6x	1.0x
Government Managed Care	3	41,074	(7.2%)	(21.7%)	0.43x	8.4x	17.4x	13.7x	0.8x
Specialty Managed Care	2	8,013	7.1%	18.4%	0.56x	7.9x	17.1x	11.0x	NM
<b>Total / Average</b>	<b>9</b>	<b>\$434,144</b>	<b>(7.0%)</b>	<b>(12.2%)</b>	<b>0.62x</b>	<b>9.3x</b>	<b>16.8x</b>	<b>12.8x</b>	<b>0.9x</b>
<b>Consumer Directed Health / Wellness</b>	<b>5</b>	<b>\$6,915</b>	<b>(19.0%)</b>	<b>(40.5%)</b>	<b>3.88x</b>	<b>23.2x</b>	<b>25.6x</b>	<b>26.3x</b>	<b>1.8x</b>
<b>HCIT</b>	<b>24</b>	<b>\$58,910</b>	<b>(5.2%)</b>	<b>2.2%</b>	<b>4.57x</b>	<b>33.6x</b>	<b>30.2x</b>	<b>35.5x</b>	<b>2.3x</b>
<b>Other Outsourced Services</b>									
Care Management / TPA	5	\$9,185	(2.5%)	52.0%	1.63x	15.4x	23.9x	23.7x	1.6x
Clinical Laboratories	6	42,147	1.0%	3.6%	4.64x	11.2x	19.0x	18.3x	2.7x
Contract Research Orgs	5	57,081	(1.7%)	12.7%	2.98x	17.5x	31.6x	20.6x	1.8x
Hospital Vendors	4	5,839	(3.3%)	(32.0%)	1.56x	14.7x	22.7x	18.5x	1.8x
Healthcare Consulting	2	2,402	6.6%	20.5%	1.77x	16.0x	NM	25.4x	1.8x
<b>Total / Average</b>	<b>22</b>	<b>\$116,654</b>	<b>(0.7%)</b>	<b>10.5%</b>	<b>2.52x</b>	<b>14.9x</b>	<b>24.3x</b>	<b>21.3x</b>	<b>2.0x</b>
<b>Product</b>									
Distribution	6	\$66,598	(3.7%)	(6.5%)	0.31x	8.7x	20.5x	11.3x	1.3x
Pharmacy Management	1	439	10.2%	(71.9%)	0.20x	12.5x	NM	33.3x	1.3x
<b>Total / Average</b>	<b>7</b>	<b>\$67,037</b>	<b>3.3%</b>	<b>(39.2%)</b>	<b>0.25x</b>	<b>10.6x</b>	<b>20.5x</b>	<b>22.3x</b>	<b>1.3x</b>
<b>Healthcare REITS</b>	<b>16</b>	<b>\$127,677</b>	<b>7.4%</b>	<b>21.8%</b>	<b>13.35x</b>	<b>20.3x</b>	<b>22.4x</b>	<b>46.2x</b>	<b>NM</b>
<b>Total / Average (\$MM)</b>	<b>113</b>	<b>\$938,308</b>	<b>(2.8%)</b>	<b>-7.0%</b>	<b>2.39x</b>	<b>15.0x</b>	<b>21.7x</b>	<b>21.9x</b>	<b>1.7x</b>

# Healthcare Services Sector Update ..

Market Indices	Value at 8/31/2019	% Change			
		1 mo	YTD	12 mo	36 mo
S&P 500	2,926.5	(1.8%)	16.7%	0.9%	34.8%
NASDAQ Composite Index	7,962.9	(2.6%)	20.0%	(1.8%)	52.7%
Russell 2000 Index	1,494.8	(5.1%)	10.8%	(14.1%)	20.6%
S&P Composite 1500 Health Care Facilities (Sub Ind)	311.4	(8.3%)	4.3%	(10.0%)	40.3%
S&P Composite 1500 Health Care Providers & Services (Industry)	853.8	(5.3%)	(3.0%)	(12.2%)	33.5%
S&P Composite 1500 Managed Health Care (Sub Ind)	1,484.9	(7.3%)	(4.4%)	(12.0%)	68.5%
<b>S&amp;P Health Care Services Select Industry Index</b>	<b>9,558.2</b>	<b>(6.2%)</b>	<b>2.0%</b>	<b>(15.9%)</b>	<b>16.6%</b>

Interest Rates	Value at 8/31/2019	1 mo ago	3 mo ago	12 mo ago
LIBOR - USD - 6 months	2.04%	2.21%	2.52%	2.54%
U.S. Treasury - 2 years	1.50%	1.89%	1.95%	2.62%
U.S. Treasury - 5 years	1.40%	1.84%	1.94%	2.74%
U.S. Treasury - 10 years	1.51%	2.02%	2.14%	2.85%
U.S. Treasury - 30 years	1.97%	2.53%	2.58%	3.01%
U.S. Prime Rate	5.25%	5.50%	5.50%	5.00%

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	34	\$820,992	30.1%	87.5%	(1.1%)	14.9%	0.5%	40.4%
\$1 billion - \$5 billion	43	103,116	38.1%	11.0%	(4.1%)	19.2%	4.3%	79.0%
\$250 million - \$1 billion	21	12,459	18.6%	1.3%	(0.2%)	(9.9%)	(29.0%)	(16.8%)
\$100 million - \$250 million	8	1,495	7.1%	0.2%	0.8%	35.7%	8.0%	95.2%
< \$100 million	7	244	6.2%	0.0%	(8.6%)	(2.0%)	(37.2%)	(50.8%)
<b>Total / Average (\$MM)</b>	<b>113</b>	<b>\$938,308</b>	<b>100.0%</b>	<b>100.0%</b>	<b>(2.6%)</b>	<b>11.6%</b>	<b>(10.7%)</b>	<b>29.4%</b>

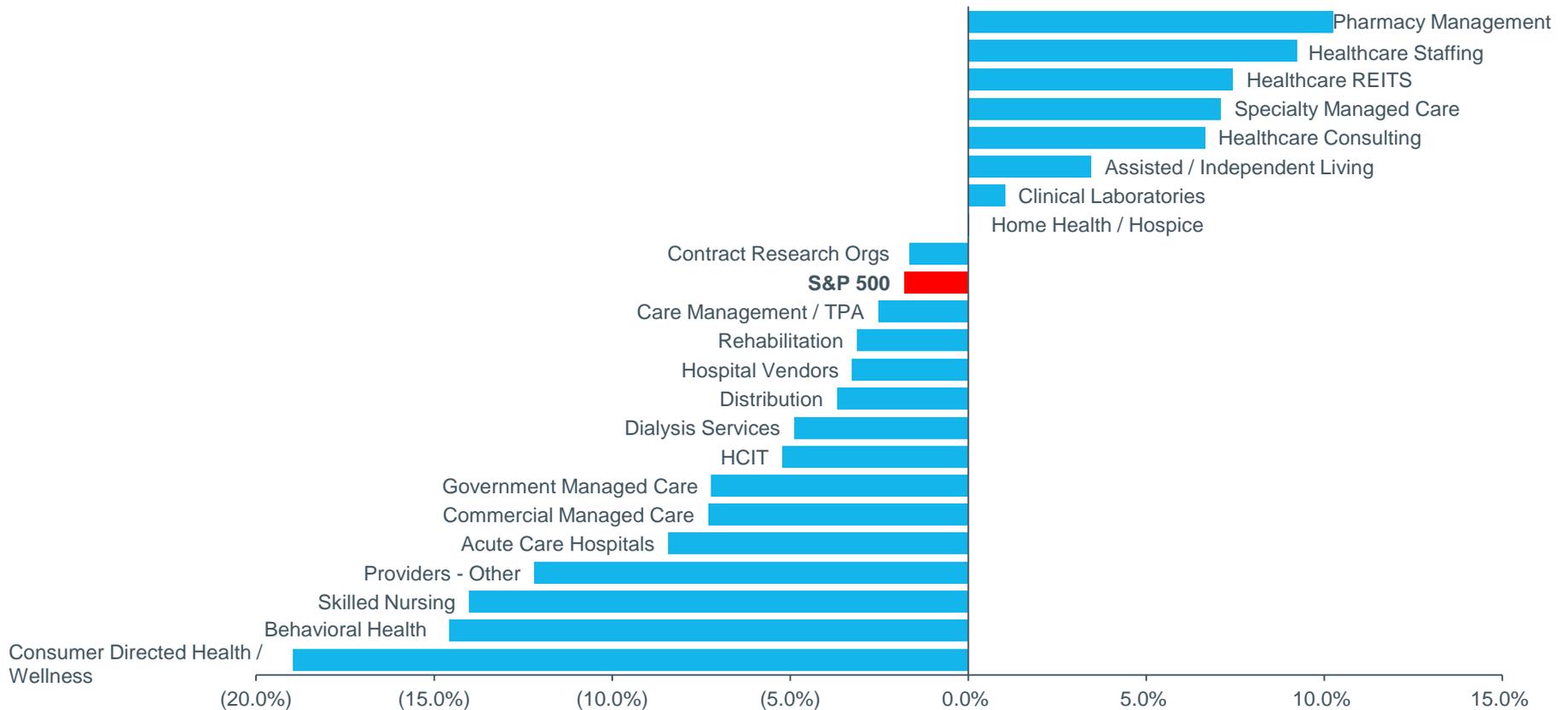
# Healthcare Services Market Performance

## Performance of Market Indices for Latest 36 Months



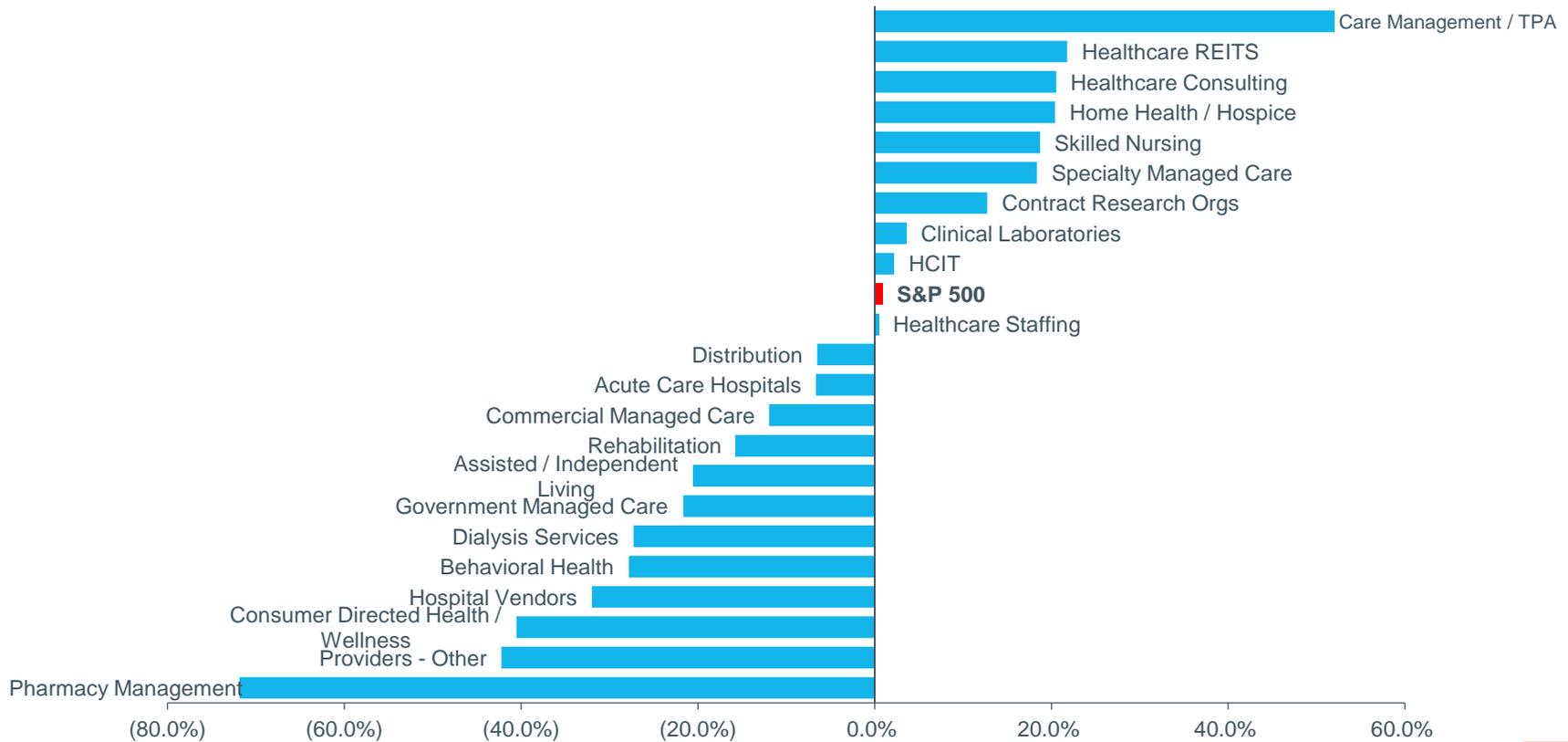
# Healthcare Services Sector Change

Average % - 1 Month Change



# Healthcare Services Sector Change

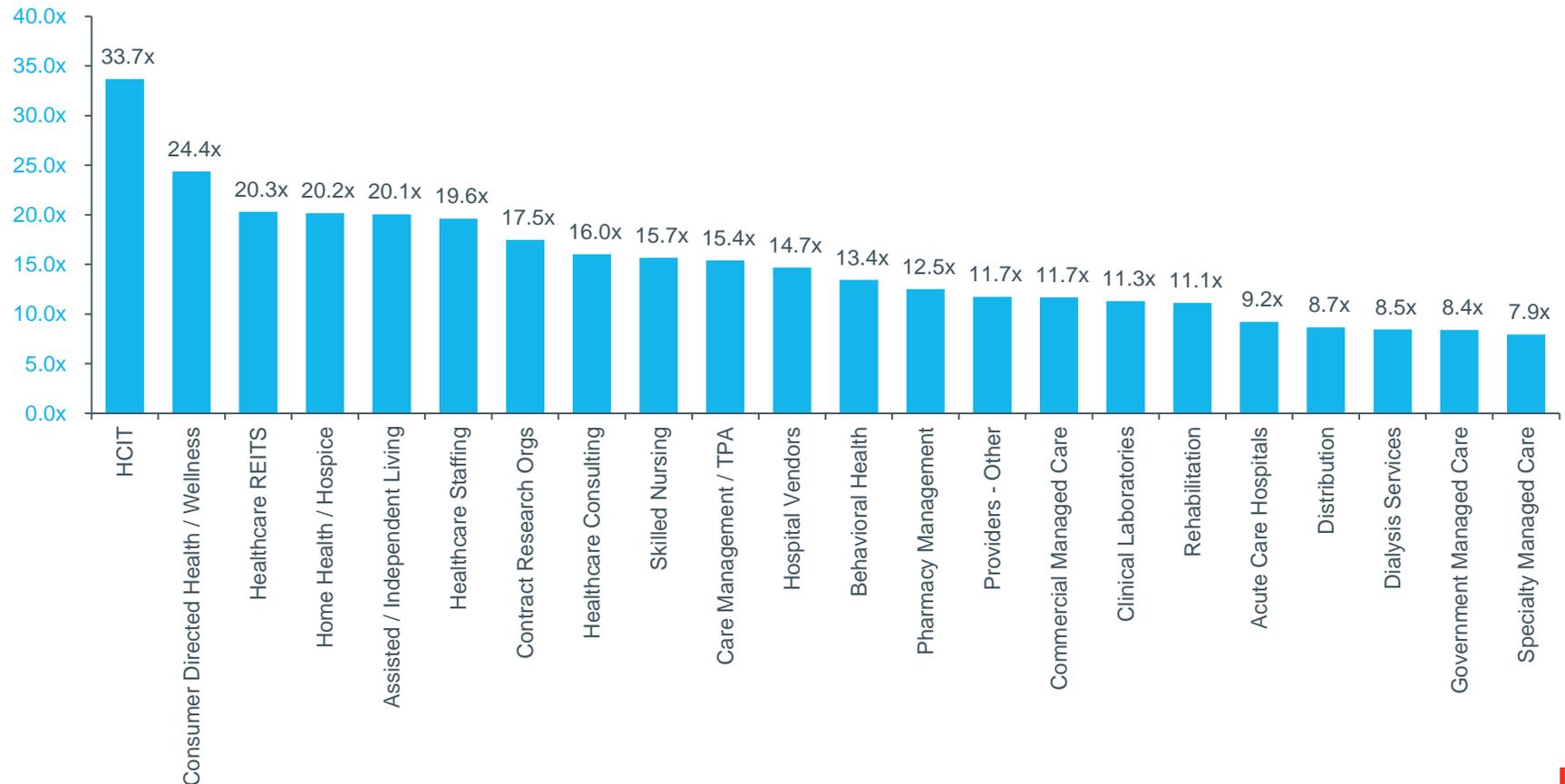
Average % - 12 Month Change



Source: S&P Global Market Intelligence as of August 31 2019, 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 August 31 2019, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

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

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