

INDUSTRY INSIGHTS

Healthcare Services Sector Update

November 2018

Q Highlights

The **S&P Healthcare Services** Index increased 5.2% over the last month, outperforming S&P 500, which increased 1.8% over the same period.

Over the past month:

The best performing sectors were Healthcare Staffing, led by AMN Healthcare (NYSE:AMN), (up 21.6%), Healthcare Consulting (up 19.3%) and Skilled Nursing (up 14.4%)

The poorest performing sectors were Behavioral Health (down 17.3%), Clinical Laboratories (down 4.6%) and Assisted / Independent Living (down 3.1%)

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.26x 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 | 2018E | |
| Providers | | | | | | | | | |
| Acute Care Hospitals | 4 | \$65,529 | 8.4% | 61.3% | 1.37x | 10.9x | 15.8x | 15.2x | 1.0x |
| Assisted / Independent Living | 3 | 1,907 | (3.1%) | (24.2%) | 1.48x | 13.9x | NM | NM | NM |
| Behavioral Health | 3 | 4,369 | (17.3%) | (7.0%) | 0.69x | 10.0x | 13.0x | 14.1x | 1.4x |
| Dialysis Services | 3 | 36,548 | 1.9% | (7.2%) | 1.77x | 9.4x | 19.0x | 23.3x | 2.6x |
| Healthcare Staffing | 2 | 3,314 | 21.6% | 20.9% | 1.05x | 12.5x | 15.9x | 19.6x | 1.3x |
| Home Health / Hospice | 6 | 15,055 | 11.4% | 74.4% | 1.85x | 16.1x | 32.8x | 29.9x | 1.9x |
| Rehabilitation | 4 | 11,679 | 12.0% | 43.0% | 2.76x | 15.6x | 17.6x | 28.6x | 2.2x |
| Skilled Nursing | 4 | 3,829 | 14.4% | 67.5% | 0.89x | 10.6x | 26.0x | 24.5x | 1.6x |
| Providers - Other | 3 | 4,884 | (3.0%) | (3.5%) | 1.75x | 11.2x | 10.8x | 25.9x | 1.9x |
| Total / Average | 32 | \$147,115 | 5.1% | 25.0% | 1.51x | 12.2x | 18.9x | 22.6x | 1.7x |
| Payors / Managed Care | | | | | | | | | |
| Commercial Managed Care | 4 | \$445,302 | 7.9% | 21.5% | 1.11x | 13.6x | 22.3x | 19.7x | 1.4x |
| Government Managed Care | 3 | 50,670 | 5.8% | 41.1% | 0.51x | 11.0x | 31.3x | 19.5x | 1.3x |
| Specialty Managed Care | 2 | 6,478 | 1.3% | (5.6%) | 0.52x | 9.5x | 10.5x | 16.0x | NM |
| Total / Average | 9 | \$502,450 | 7.6% | 23.1% | 0.71x | 11.4x | 21.4x | 18.4x | 1.4x |
| Consumer Directed Health / Wellness | 6 | \$11,827 | 10.9% | 37.5% | 5.54x | 27.9x | 25.6x | 38.6x | 1.7x |
| HCIT | 20 | \$55,146 | 4.1% | 21.4% | 4.46x | 34.4x | 32.4x | 35.5x | 2.4x |
| Other Outsourced Services | | | | | | | | | |
| Care Management / TPA | 5 | \$7,684 | 10.0% | 11.8% | 1.56x | 15.8x | 31.5x | 24.3x | 1.7x |
| Clinical Laboratories | 6 | 35,095 | (4.6%) | (4.6%) | 2.90x | 10.6x | 15.3x | 15.8x | 2.3x |
| Contract Research Orgs | 5 | 52,308 | 10.3% | 27.7% | 3.32x | 18.1x | 32.1x | 23.1x | 1.6x |
| Hospital Vendors | 4 | 7,906 | 4.0% | (19.3%) | 1.72x | 24.6x | 27.7x | 21.8x | 1.8x |
| Healthcare Consulting | 2 | 2,295 | 19.3% | 34.9% | 1.40x | 11.5x | 15.6x | 26.7x | 2.0x |
| Total / Average | 22 | \$105,288 | 5.0% | 12.4% | 2.18x | 16.1x | 24.4x | 22.3x | 1.9x |
| Product | | | | | | | | | |
| Distribution | 6 | \$75,943 | 3.1% | (2.3%) | 0.41x | 10.2x | 21.0x | 13.6x | 1.8x |
| Pharmacy Management | 3 | 58,846 | 6.2% | 54.3% | 0.84x | 16.3x | 11.7x | 15.2x | 1.6x |
| Total / Average | 9 | \$134,789 | 4.4% | 22.4% | 0.63x | 13.3x | 16.4x | 14.4x | 1.7x |
| Healthcare REITS | 16 | \$105,894 | 5.7% | 6.1% | 11.73x | 17.7x | 23.7x | 28.6x | 1.3x |
| Total / Average (\$MM) | 114 | \$1,062,509 | 5.9% | 20.4% | 2.26x | 15.1x | 21.5x | 22.8x | 1.8x |

Healthcare Services Sector Update ..

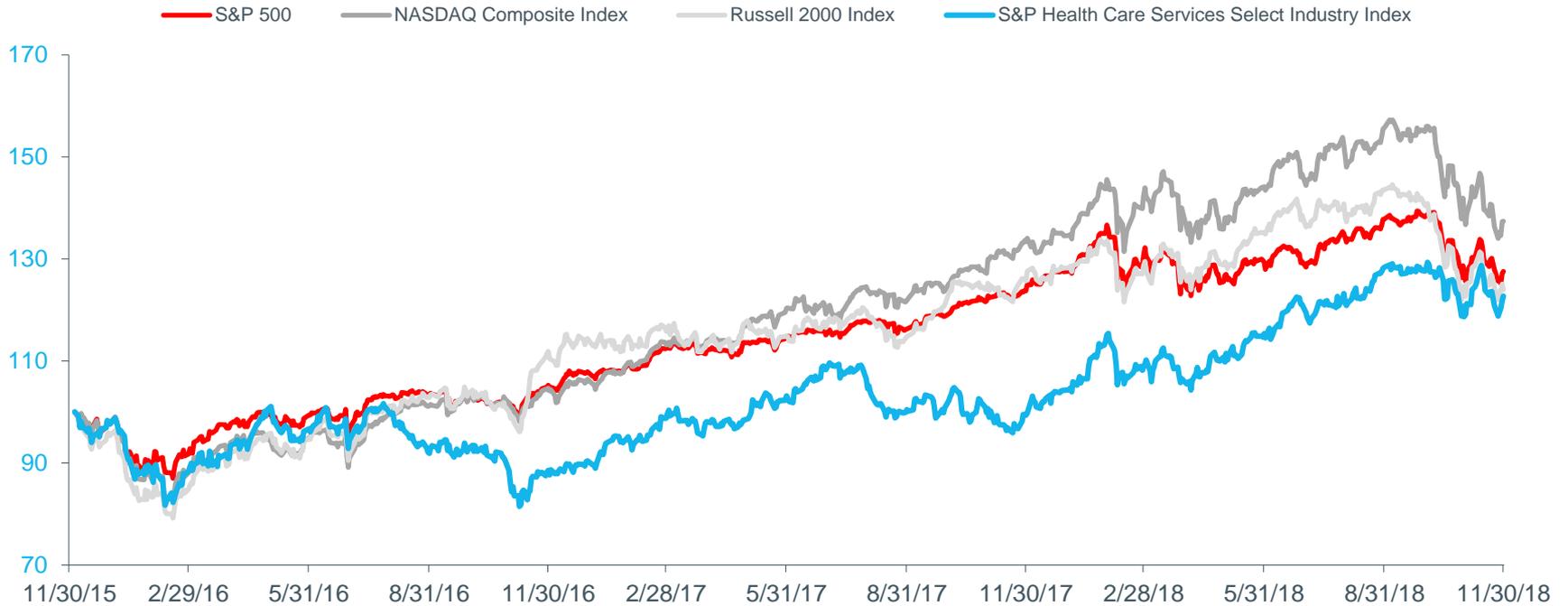
| Market Indices | Value at | % Change | | | |
|--|-----------------|-------------|--------------|--------------|--------------|
| | 11/30/2018 | 1 mo | YTD | 12 mo | 36 mo |
| S&P 500 | 2,760.2 | 1.8% | 3.2% | 4.3% | 32.7% |
| NASDAQ Composite Index | 7,330.5 | 0.3% | 6.2% | 6.6% | 43.5% |
| Russell 2000 Index | 1,533.3 | 1.4% | (0.1%) | (0.7%) | 28.0% |
| S&P Composite 1500 Health Care Facilities (Sub Ind) | 355.3 | 8.2% | 47.5% | 52.1% | 54.6% |
| S&P Composite 1500 Health Care Providers & Services (Industry) | 1,012.9 | 6.0% | 21.7% | 21.3% | 62.5% |
| S&P Composite 1500 Managed Health Care (Sub Ind) | 1,770.6 | 6.1% | 25.7% | 21.8% | 123.3% |
| S&P Health Care Services Select Industry Index | 11,215.5 | 5.2% | 22.5% | 23.5% | 29.4% |

| Interest Rates | Value at | 1 mo | 3 mo | 12 mo |
|--------------------------|------------|-------|-------|-------|
| | 11/30/2018 | ago | ago | ago |
| LIBOR - USD - 6 months | 2.89% | 2.80% | 2.54% | 1.67% |
| U.S. Treasury - 2 years | 2.80% | 2.87% | 2.62% | 1.78% |
| U.S. Treasury - 5 years | 2.85% | 2.99% | 2.74% | 2.13% |
| U.S. Treasury - 10 years | 3.02% | 3.16% | 2.85% | 2.42% |
| U.S. Treasury - 30 years | 3.31% | 3.40% | 3.01% | 2.83% |
| 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 | 36 | \$942,632 | 31.6% | 88.7% | 6.0% | 19.1% | 19.8% | 53.3% |
| \$1 billion - \$5 billion | 43 | 104,895 | 37.7% | 9.9% | 6.7% | 29.3% | 26.5% | 46.1% |
| \$250 million - \$1 billion | 23 | 14,077 | 20.2% | 1.3% | 5.1% | 9.6% | 8.2% | 41.1% |
| \$100 million - \$250 million | 3 | 468 | 2.6% | 0.0% | 2.4% | 44.3% | 47.3% | (15.0%) |
| < \$100 million | 9 | 436 | 7.9% | 0.0% | (24.4%) | (43.3%) | (39.1%) | (38.3%) |
| Total / Average (\$MM) | 114 | \$1,062,509 | 100.0% | 100.0% | (0.9%) | 11.8% | 12.5% | 17.4% |

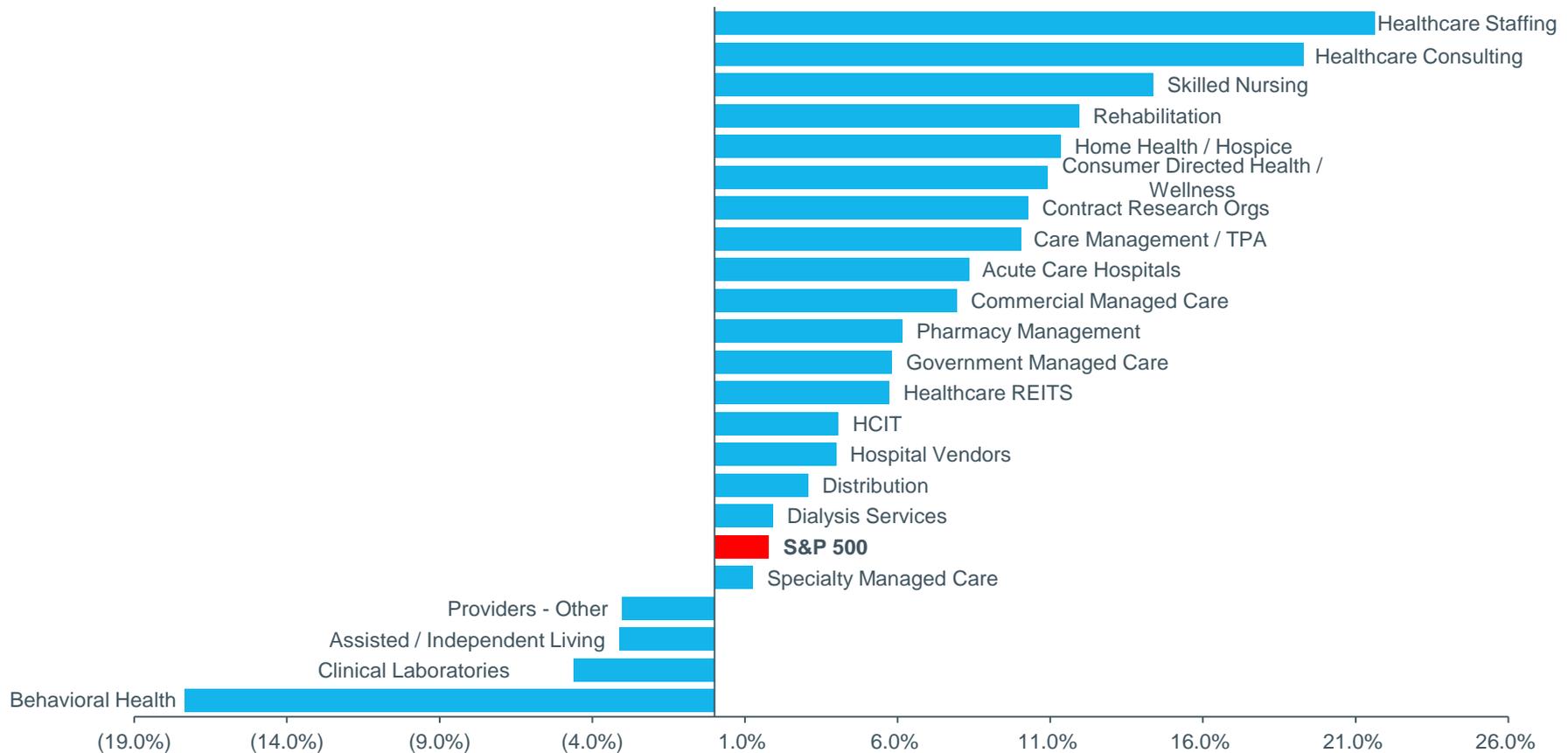
Healthcare Services Market Performance

Performance of Market Indices for Latest 36 Months



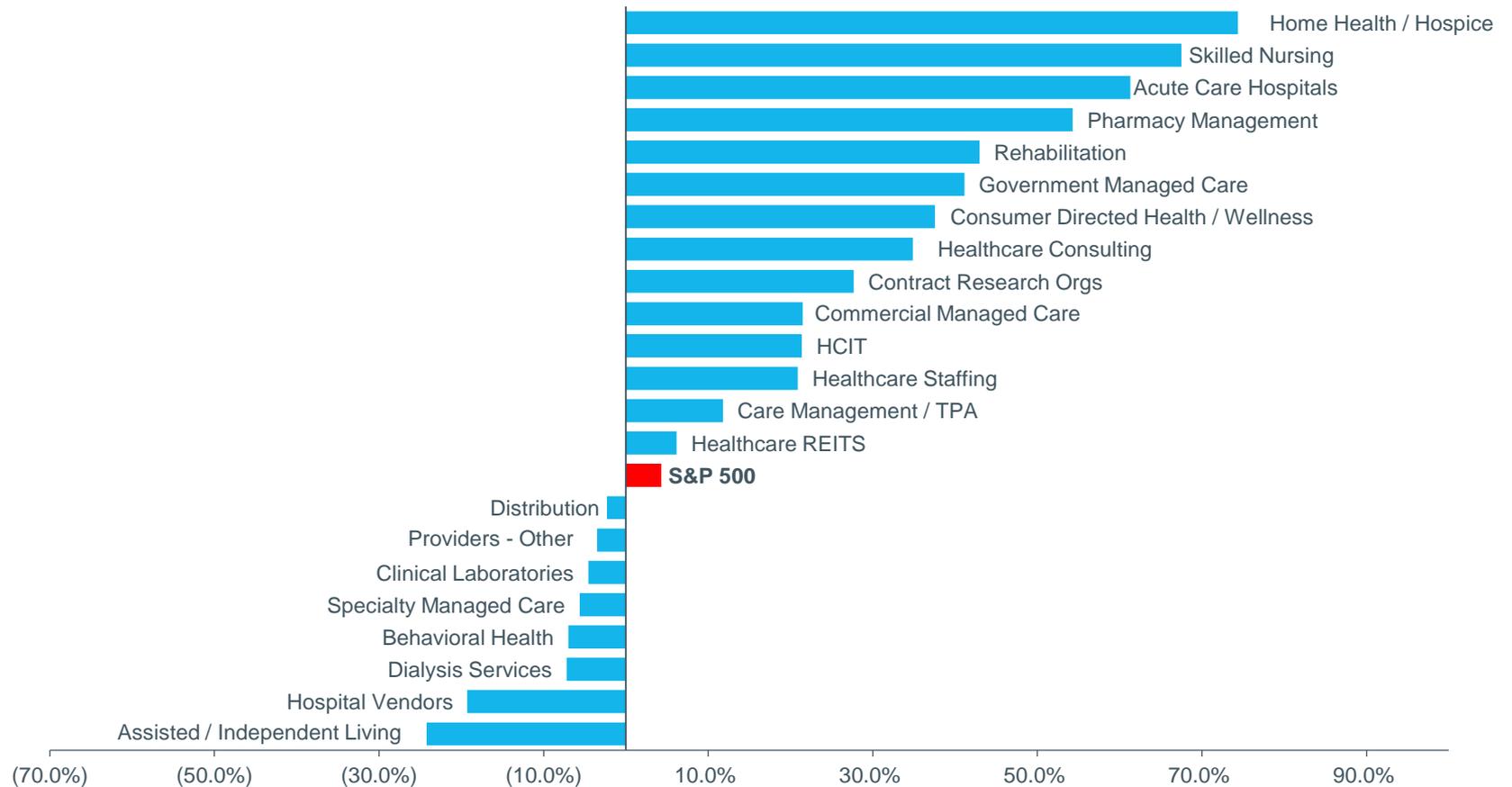
Healthcare Services Sector Change

Average % - 1 Month Change



Healthcare Services Sector Change

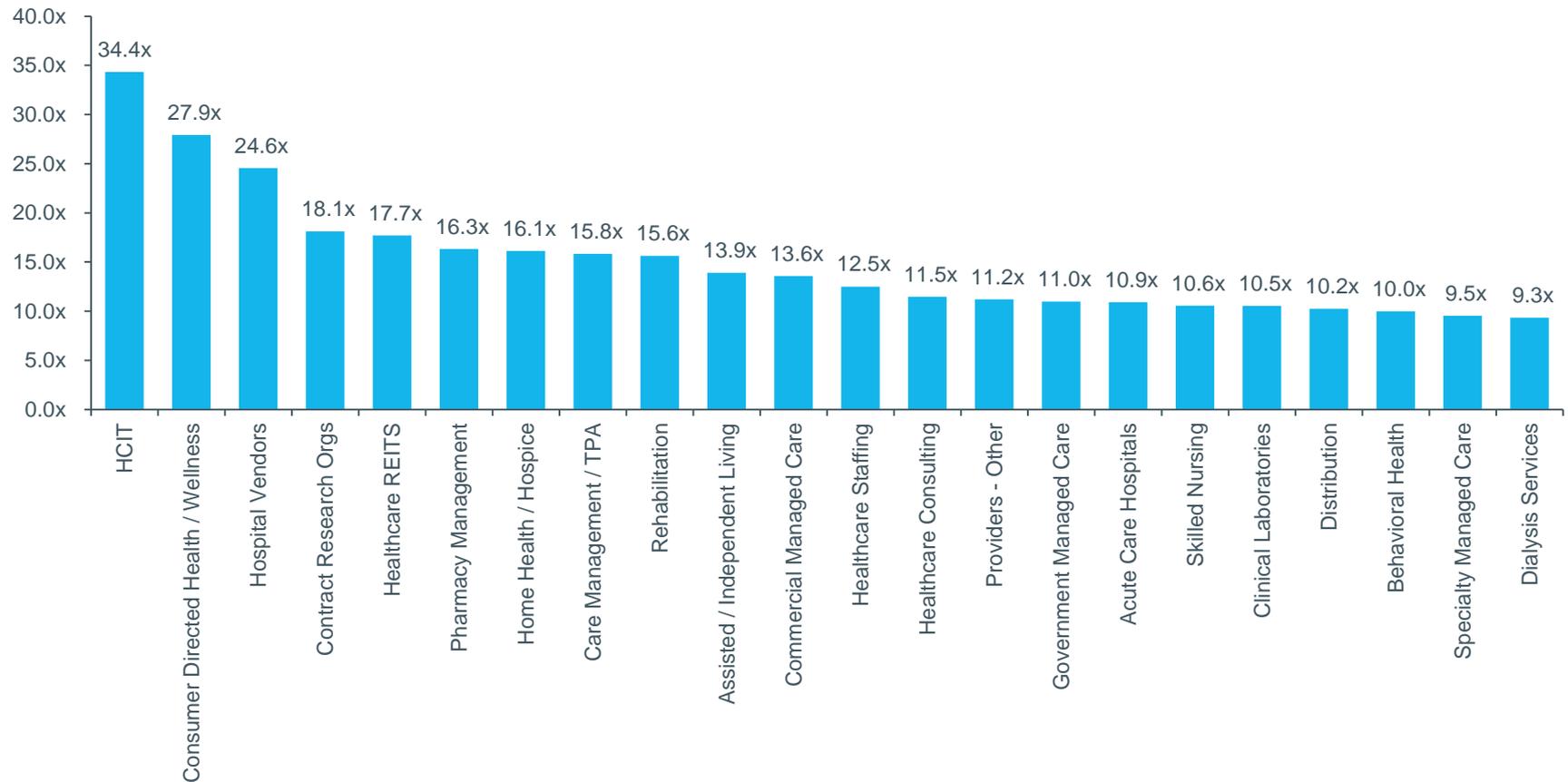
Average % - 12 Month Change



Source: S&P Global Market Intelligence as of November 30 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 November trading multiples for individual healthcare services companies, please contact one of our professionals below.

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