

INDUSTRY INSIGHTS:

Healthcare Services Sector Update

October 2016



Q Highlights

The **S&P Healthcare Services Index** decreased 7.5% over the last month, underperforming the S&P 500, which decreased 1.9% over the same period.

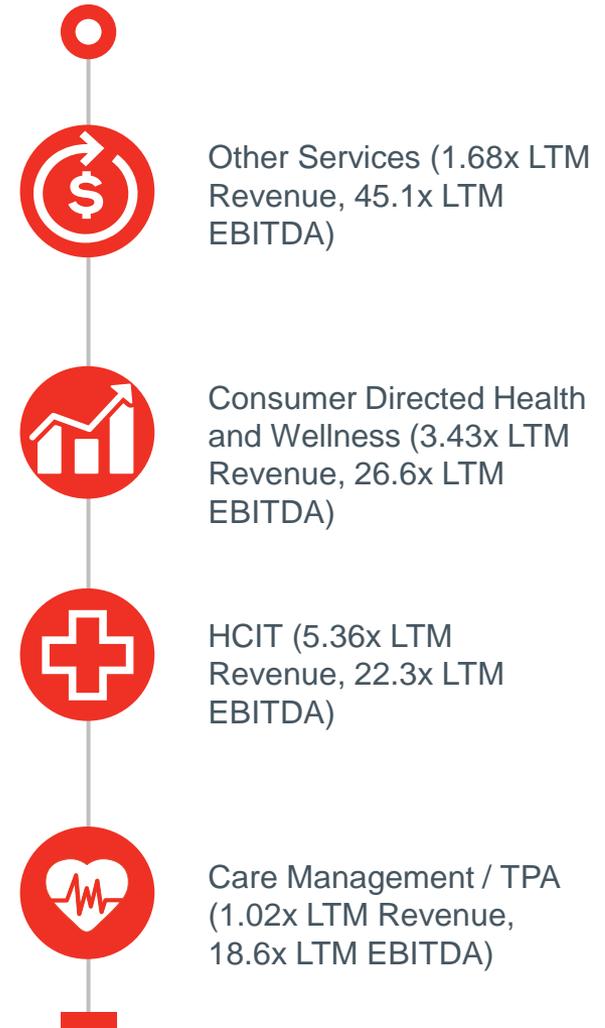
Over the past month:

The best performing sectors were Healthcare Staffing (up 7.0%), Diagnostic Imaging (down 0.2%) and Acute Care Hospitals (down 1.0%). Healthcare Staffing’s performance was driven by Blackstone’s announced acquisition of TeamHealth on October 31, 2016.

The poorest performing sectors were Emergency Services (down 20.6%), Psychiatric Hospitals (down 19.6%) and Distribution / Supply (down 14.3%).

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.18x and 14.2x, respectively.

THE SECTORS WITH THE HIGHEST VALUATION MULTIPLES



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	2016E	2016E
Acute Care Hospitals	5	\$45,700	(1.0%)	3.5%	1.15x	8.3x	16.4x	15.5x	1.6x
Assisted / Independent Living	3	3,300	(12.8%)	(30.1%)	1.74x	10.8x	NM	NM	NM
Care Management / TPA	5	4,879	(7.5%)	(3.2%)	1.02x	18.6x	22.4x	29.8x	2.2x
Clinical Laboratories	6	31,219	(6.6%)	11.3%	5.48x	12.4x	21.1x	19.8x	2.0x
Consumer Directed Health and Wellness	8	9,452	(7.0%)	(6.3%)	3.43x	26.6x	29.1x	27.6x	1.4x
Contract Research Orgs	7	35,166	(8.1%)	15.8%	2.74x	16.6x	25.5x	17.7x	1.3x
Diagnostic Imaging	3	428	(0.2%)	6.6%	1.78x	6.7x	25.7x	30.8x	4.0x
Dialysis Services	3	37,577	(7.8%)	(14.5%)	1.69x	8.5x	27.9x	18.2x	1.4x
Distribution / Supply	8	90,255	(14.3%)	(19.5%)	0.86x	11.4x	17.1x	15.8x	1.6x
Emergency Services	2	1,500	(20.6%)	(41.4%)	1.72x	12.8x	6.8x	10.5x	0.3x
HCIT	22	44,617	(6.8%)	(6.6%)	5.36x	22.3x	35.4x	33.5x	1.8x
Healthcare REITs	18	102,635	(6.9%)	12.0%	11.79x	17.2x	27.5x	33.7x	7.5x
Healthcare Staffing	4	8,827	7.0%	(20.6%)	0.99x	11.1x	24.1x	15.5x	1.0x
Home Care / Hospice	7	6,280	(4.3%)	(8.0%)	0.94x	12.4x	26.3x	20.8x	1.6x
Skilled Nursing	6	3,107	(3.8%)	(14.5%)	1.68x	12.4x	17.9x	12.1x	1.1x
Managed Care - Commercial	6	260,887	(2.2%)	6.1%	0.63x	9.1x	18.4x	18.8x	1.1x
Managed Care - Government	3	18,794	(5.7%)	8.4%	0.25x	5.8x	25.0x	18.9x	1.0x
Other Services	4	9,524	(2.0%)	(24.8%)	1.68x	45.1x	35.1x	26.0x	2.0x
Pharmacy Management	4	43,789	(4.9%)	(20.3%)	0.99x	17.0x	20.3x	14.5x	1.1x
Physician Practice Mgmt.	2	5,671	(7.4%)	(12.8%)	1.54x	12.8x	16.8x	15.1x	1.2x
Psychiatric Hospitals	3	4,797	(19.6%)	(30.5%)	0.32x	9.8x	27.1x	17.6x	0.9x
Specialty Managed Care	2	5,351	(12.1%)	(1.1%)	0.44x	7.6x	14.3x	19.7x	2.6x
Surgicenters / Rehabilitation	7	11,771	(7.5%)	9.9%	2.02x	10.6x	17.9x	20.6x	1.3x
Total / Average (\$MM)	138	\$785,527	(7.1%)	(7.8%)	2.18x	14.2x	22.6x	20.6x	1.8x

Healthcare Services Sector Update ..

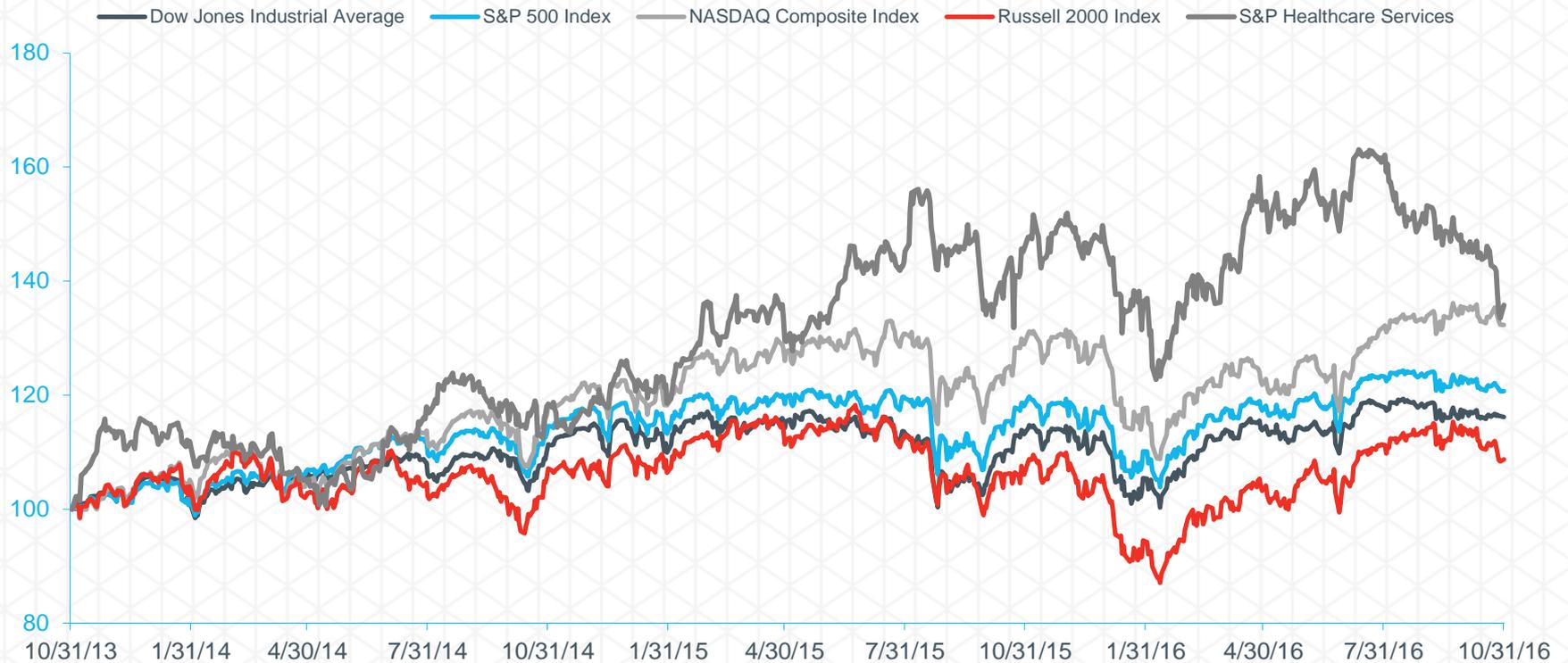
Market Indices	Value at	% Change			
	10/31/2016	1 mo	YTD	12 mo	36 mo
Dow Jones Industrial Average	18,142.4	(0.9%)	4.1%	2.7%	16.7%
S&P 500 Index	2,126.2	(1.9%)	4.0%	2.3%	21.0%
NASDAQ Composite Index	5,189.1	(2.3%)	3.6%	2.7%	32.4%
Russell 2000 Index	1,191.4	(4.8%)	4.9%	2.5%	8.3%
AMEX Sector Index - Healthcare	74.2	(9.2%)	(22.6%)	(15.6%)	(30.2%)
S&P Healthcare Facilities (Sub Ind) Index	275.9	(9.5%)	(20.8%)	(19.0%)	(6.9%)
S&P Healthcare Providers & Services (Industry) Index	545.7	(7.5%)	(11.1%)	(9.0%)	23.7%
S&P Managed Healthcare (Sub Ind) Index	467.3	(4.2%)	8.2%	11.4%	98.4%
S&P Healthcare Services	447.8	(7.5%)	(7.2%)	(6.7%)	36.8%

Interest rates	Value at	1 mo	3 mo	12 mo
	10/31/2016	ago	ago	ago
LIBOR - USD - 6 months	1.26%	1.24%	1.11%	0.55%
U.S. Treasury - 2 years	0.86%	0.77%	0.67%	0.75%
U.S. Treasury - 5 years	1.32%	1.15%	1.03%	1.52%
U.S. Treasury - 10 years	1.84%	1.61%	1.46%	2.15%
U.S. Treasury - 30 years	2.59%	2.34%	2.19%	2.19%
U.S. Prime Rate	3.50%	3.50%	3.50%	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	28	\$631,354	20.3%	80.4%	(6.9%)	(2.4%)	(2.0%)	29.8%
\$1 billion - \$5 billion	48	128,083	34.8%	16.3%	(6.7%)	(3.1%)	(0.3%)	23.1%
\$250 million - \$1 billion	42	24,333	30.4%	3.1%	(5.8%)	0.0%	(0.7%)	18.8%
\$100 million - \$250 million	7	1,312	5.1%	0.2%	4.6%	16.5%	11.7%	11.5%
< \$100 million	13	445	9.4%	0.1%	(4.9%)	(14.5%)	(23.6%)	(24.5%)
Total / Average (\$MM)	138	\$785,527	100.0%	100.0%	(3.9%)	(0.7%)	(3.0%)	11.7%

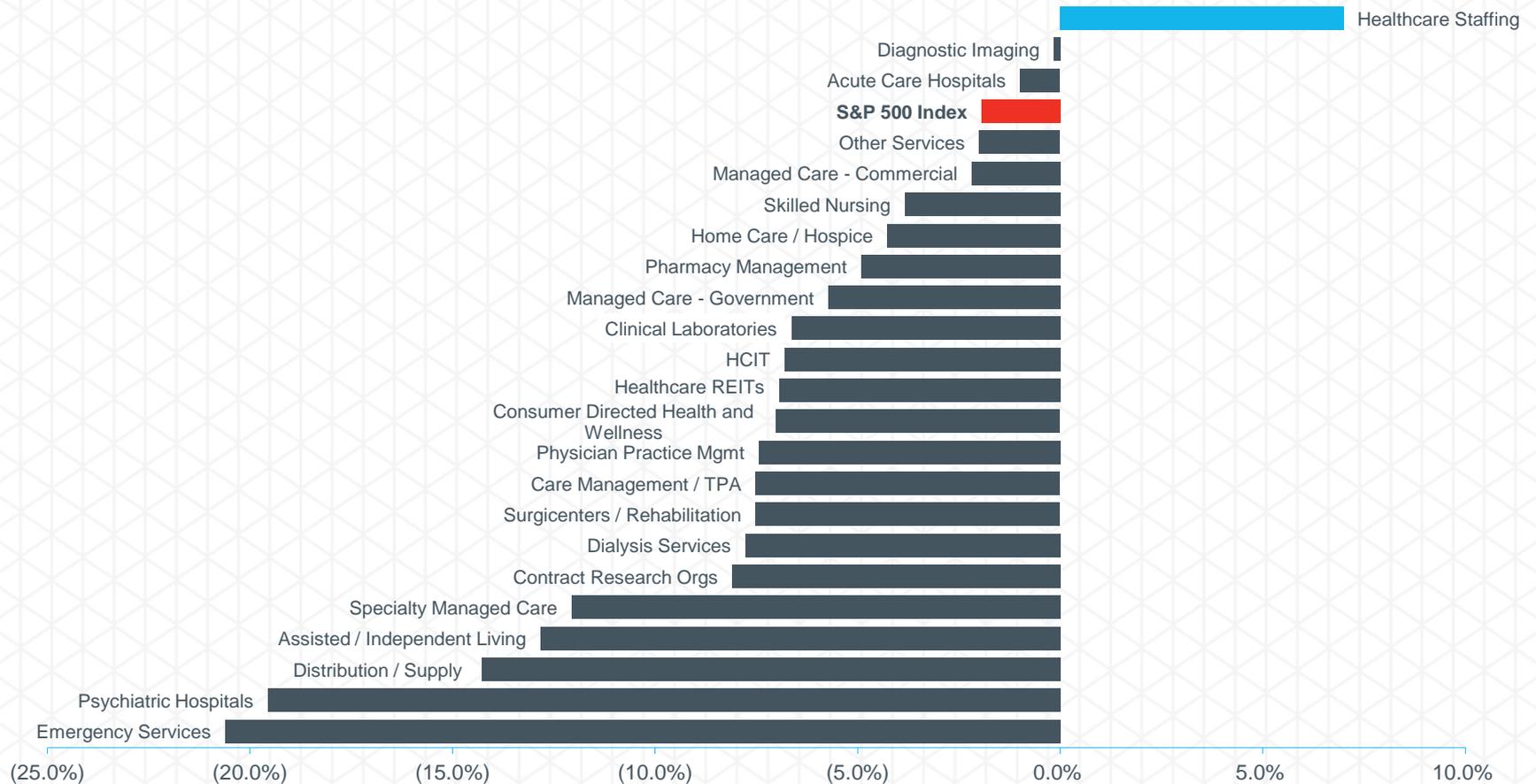
Healthcare Services Sector Update .oo

Performance of Market Indices for Latest 36 Months



Healthcare Services Sector Update o.o

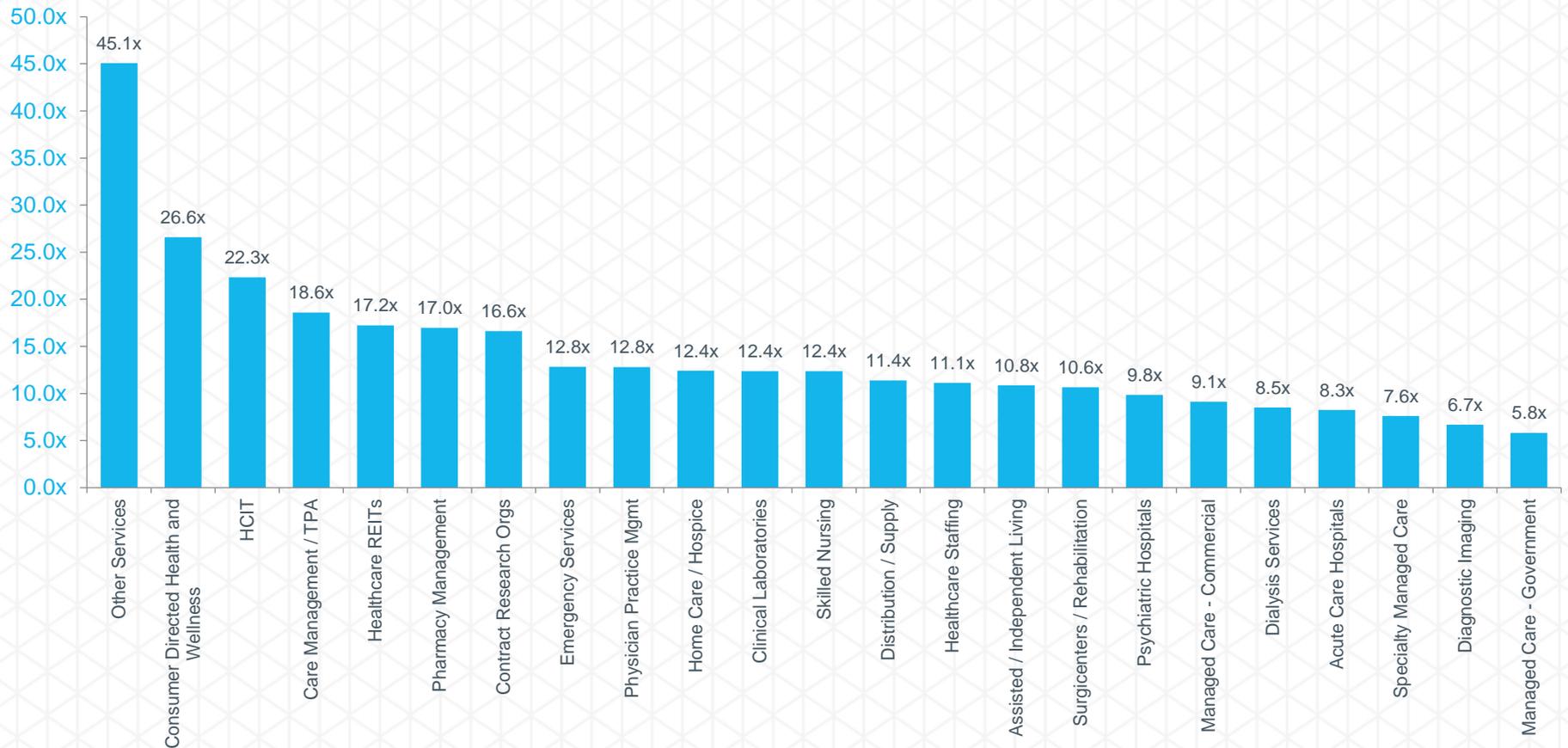
Average % - 1 Month



Source: Capital IQ as October 31, 2016, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

Healthcare Services Sector Update

Overview of Subsector EV/LTM EBITDA



Source: Capital IQ as of October 31, 2016, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

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

Brooks Dexter

Managing Director
Head of Healthcare M&A
Los Angeles
+1 424 249 1646
brooks.dexter@duffandphelps.com

Eric Coburn

Managing Director
New York
+1 212 450 2839
eric.coburn@duffandphelps.com

Laca Wong-Hammond

Managing Director
New York
+1 212 871 3915
laca.wong-hammond@duffandphelps.com

Jordan Lampos

Director
Los Angeles
+1 424 249 1668
jordan.lampos@duffandphelps.com

West Clark

Vice President
New York
+1 212 871 9739
west.clark@duffandphelps.com

About Duff & Phelps

Duff & Phelps is the premier global valuation and corporate finance advisor with expertise in complex valuation, disputes and investigations, M&A, real estate, restructuring, and compliance and regulatory consulting. The firm's more than 2,000 employees serve a diverse range of clients from offices around the world.

M&A advisory, capital raising and secondary market advisory services in the United States are provided by Duff & Phelps Securities, LLC. Member FINRA/SIPC. Pagemill Partners is a Division of Duff & Phelps Securities, LLC. M&A advisory and capital raising advisory services are provided in a number of European countries through Duff & Phelps Securities Ltd, UK, which includes branches in Ireland and Germany. Duff & Phelps Securities Ltd, UK, is regulated by the Financial Conduct Authority.