

INDUSTRY INSIGHTS:

Healthcare Services Sector Update

September 2017



Q Highlights

The **S&P Healthcare Services** Index increased 1.0% over the last month, underperforming the S&P 500, which increased 1.9% over the same period.

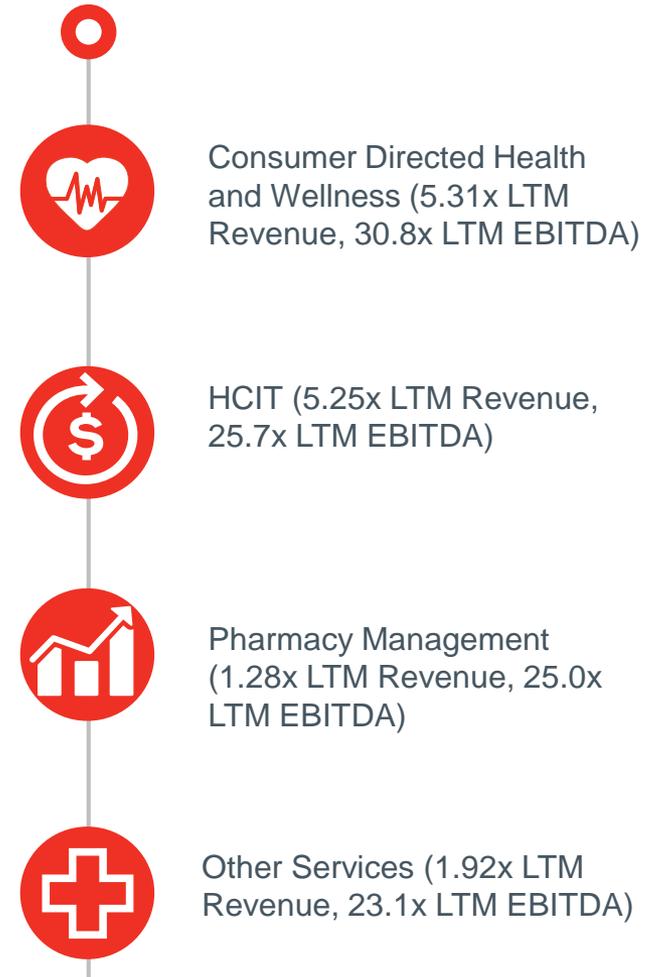
Over the past month:

The best performing sectors were Consumer Directed Health and Wellness (up 15.8%), Care Management / TPA (up 9.0%), and Managed Care – Government (up 8.7%).

The poorest performing sectors were Assisted Living / Independent Living (down 6.5%), Clinical Laboratories (down 6.3%) and Healthcare REITs (down 2.9%).

The current average LTM revenue and LTM EBITDA multiples for the Healthcare Services industry overall are 2.54x and 15.7x, 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	2017E	2017E
Acute Care Hospitals	5	\$44,203	2.9%	(0.8%)	1.12x	8.2x	12.9x	15.1x	1.3x
Assisted / Independent Living	3	2,433	(6.5%)	(36.4%)	1.61x	12.0x	NM	NM	NM
Care Management / TPA	4	6,271	9.0%	21.1%	1.70x	20.9x	24.5x	25.2x	1.5x
Clinical Laboratories	6	35,674	(6.3%)	7.5%	3.71x	13.9x	18.5x	21.4x	1.9x
Consumer Directed Health and Wellness	5	7,903	15.8%	11.3%	5.31x	30.8x	33.2x	49.1x	2.1x
Contract Research Orgs	5	41,932	(1.5%)	25.2%	3.98x	19.2x	33.2x	21.5x	1.5x
Dialysis Services	3	41,878	4.8%	6.4%	1.64x	9.1x	15.2x	21.6x	1.7x
Distribution / Supply	8	94,696	2.7%	(5.4%)	0.89x	12.6x	20.3x	14.8x	2.5x
HCT	19	53,687	5.8%	16.7%	5.25x	25.7x	33.5x	37.4x	2.4x
Healthcare REITs	16	103,593	(2.9%)	(9.7%)	13.49x	19.8x	25.5x	30.4x	7.6x
Healthcare Staffing	3	8,071	(1.5%)	(8.8%)	1.30x	12.1x	19.3x	18.1x	1.2x
Home Care / Hospice	7	8,998	7.8%	39.0%	1.22x	14.8x	35.3x	26.7x	2.4x
Skilled Nursing	6	2,894	5.1%	(5.5%)	1.58x	9.9x	26.2x	17.5x	(1.5x)
Managed Care - Commercial	5	374,239	0.2%	41.4%	0.91x	11.5x	23.7x	18.5x	1.5x
Managed Care - Government	3	28,262	8.7%	41.4%	0.29x	7.8x	25.8x	22.1x	1.6x
Other Services	7	14,729	1.8%	(2.0%)	1.92x	23.1x	24.9x	27.6x	1.9x
Pharmacy Management	4	39,745	2.7%	(7.7%)	1.28x	25.0x	25.3x	21.2x	1.6x
Psychiatric Hospitals	3	6,479	6.5%	15.2%	1.03x	12.4x	24.6x	18.2x	NM
Specialty Managed Care	2	5,785	0.4%	4.0%	0.48x	13.1x	22.0x	20.9x	2.8x
Surgicenters / Rehabilitation	5	8,470	6.5%	18.1%	2.18x	12.2x	28.7x	25.9x	2.1x
Total / Average (\$MM)	119	\$929,941	3.1%	8.5%	2.54x	15.7x	24.9x	23.8x	2.0x

Source: S&P Global Market Intelligence as of September 30, 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 9/30/2017	% Change			
		1 mo	YTD	12 mo	36 mo
S&P 500	2,519.4	1.9%	12.5%	16.2%	27.7%
NASDAQ Composite Index	6,496.0	1.0%	20.7%	22.3%	44.6%
Russell 2000 Index	1,490.9	6.1%	9.9%	19.1%	35.3%
S&P Composite 1500 Health Care Facilities (Sub Ind)	235.8	1.3%	12.0%	4.7%	(3.4%)
S&P Composite 1500 Health Care Providers & Services (Industry)	765.5	(0.6%)	16.8%	20.2%	47.0%
S&P Composite 1500 Managed Health Care (Sub Ind)	1,261.3	(0.7%)	27.4%	41.3%	105.2%
S&P Health Care Services Select Industry Index	9,115.9	1.0%	16.4%	10.8%	21.6%

Interest Rates

	Value at 9/30/2017	1 mo ago	3 mo ago	12 mo ago
LIBOR - USD - 6 months	1.51%	1.45%	1.45%	1.24%
U.S. Treasury - 2 years	1.47%	1.33%	1.38%	0.77%
U.S. Treasury - 5 years	1.92%	1.74%	1.89%	1.15%
U.S. Treasury - 10 years	2.33%	2.15%	2.30%	1.61%
U.S. Treasury - 30 years	2.86%	2.75%	2.84%	2.34%
U.S. Prime Rate	4.25%	4.25%	4.25%	3.50%

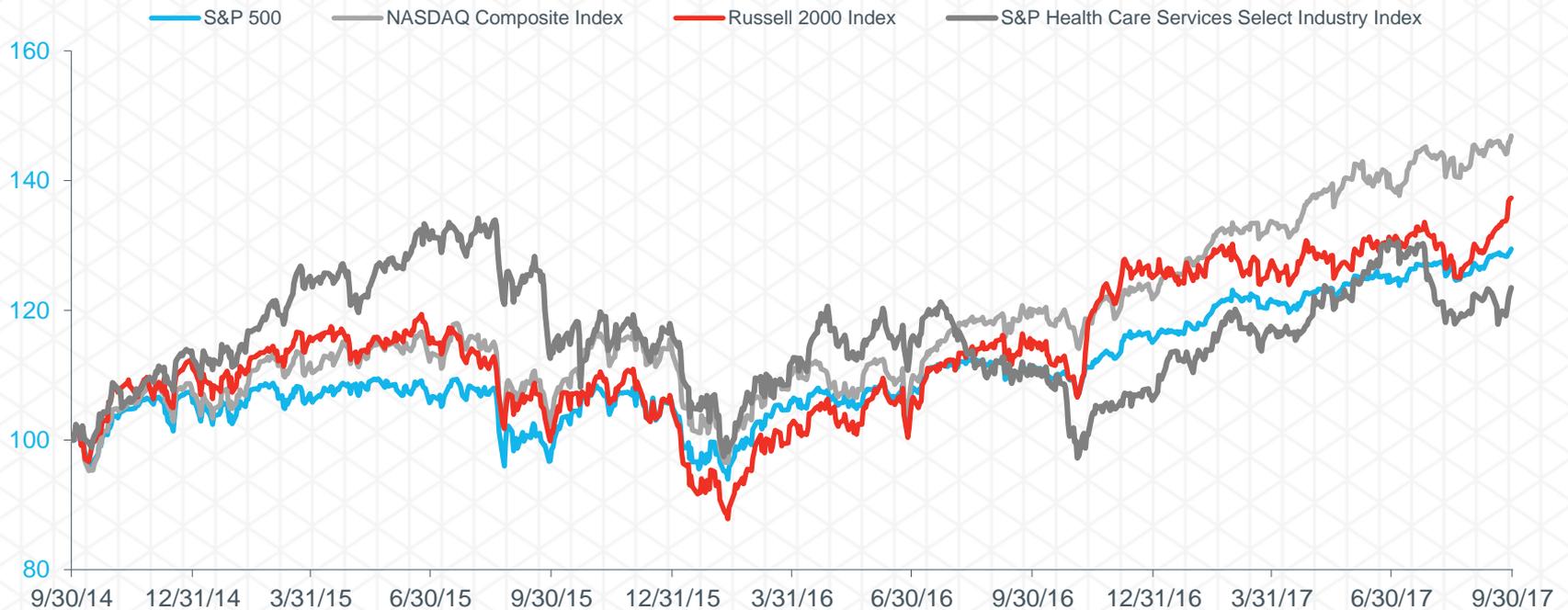
Capitalization Profile

	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	32	\$787,373	26.9%	84.7%	(0.3%)	13.6%	9.9%	39.7%
\$1 billion - \$5 billion	44	123,366	37.0%	13.3%	4.9%	21.8%	12.3%	44.2%
\$250 million - \$1 billion	30	18,166	25.2%	2.0%	6.5%	12.4%	5.4%	15.6%
\$100 million - \$250 million	4	564	3.4%	0.1%	(3.7%)	(28.4%)	(40.3%)	30.2%
< \$100 million	9	473	7.6%	0.1%	4.7%	(6.2%)	2.8%	(29.2%)
Total / Average (\$MM)	119	\$929,941	100.0%	100.0%	2.4%	2.6%	(2.0%)	20.1%

Source: S&P Global Market Intelligence as of September 30, 2017, and includes the most actively traded healthcare companies for respective covered sectors, excluding most microcap companies.

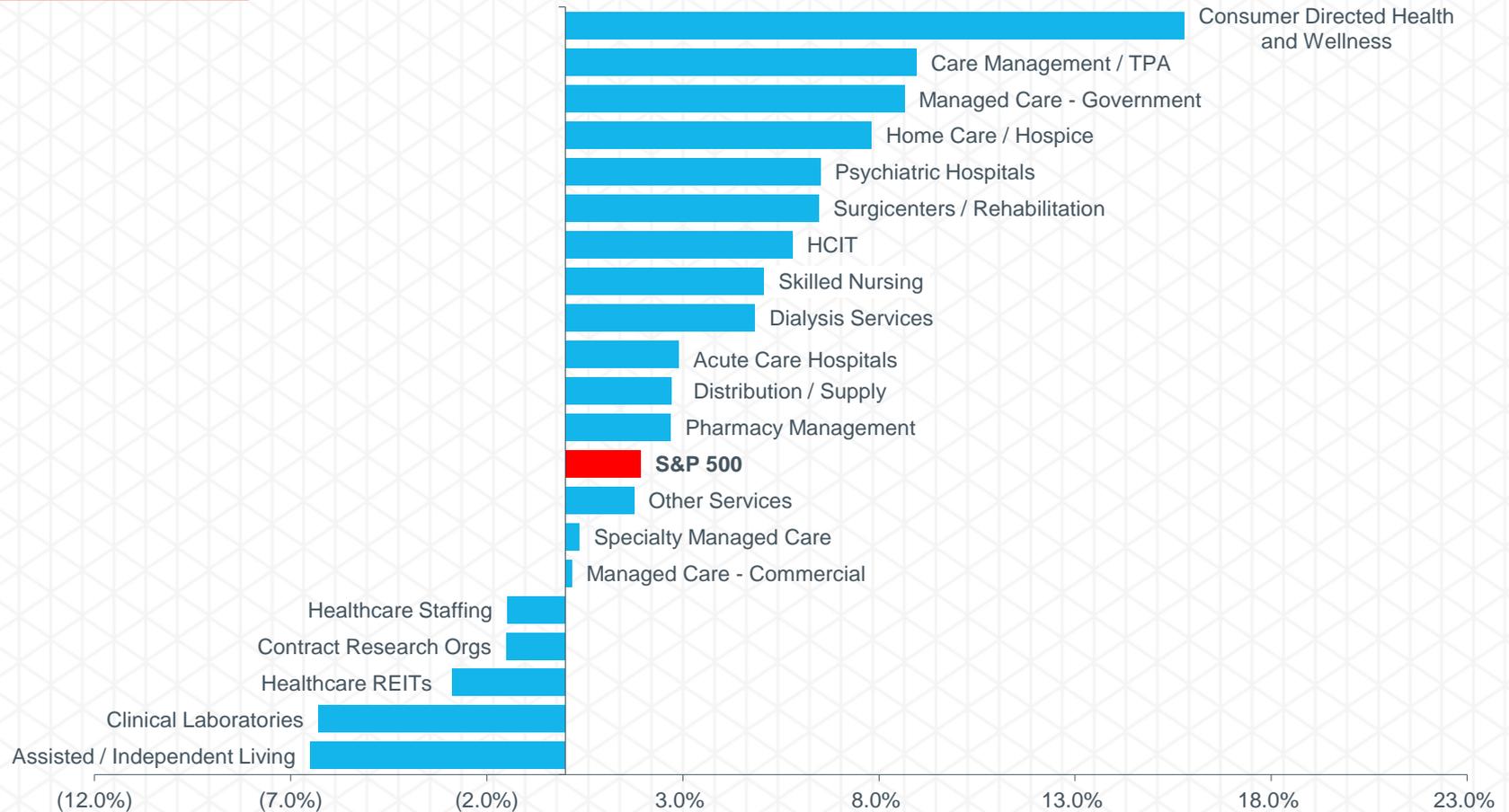
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Performance of Market Indices for Latest 36 Months



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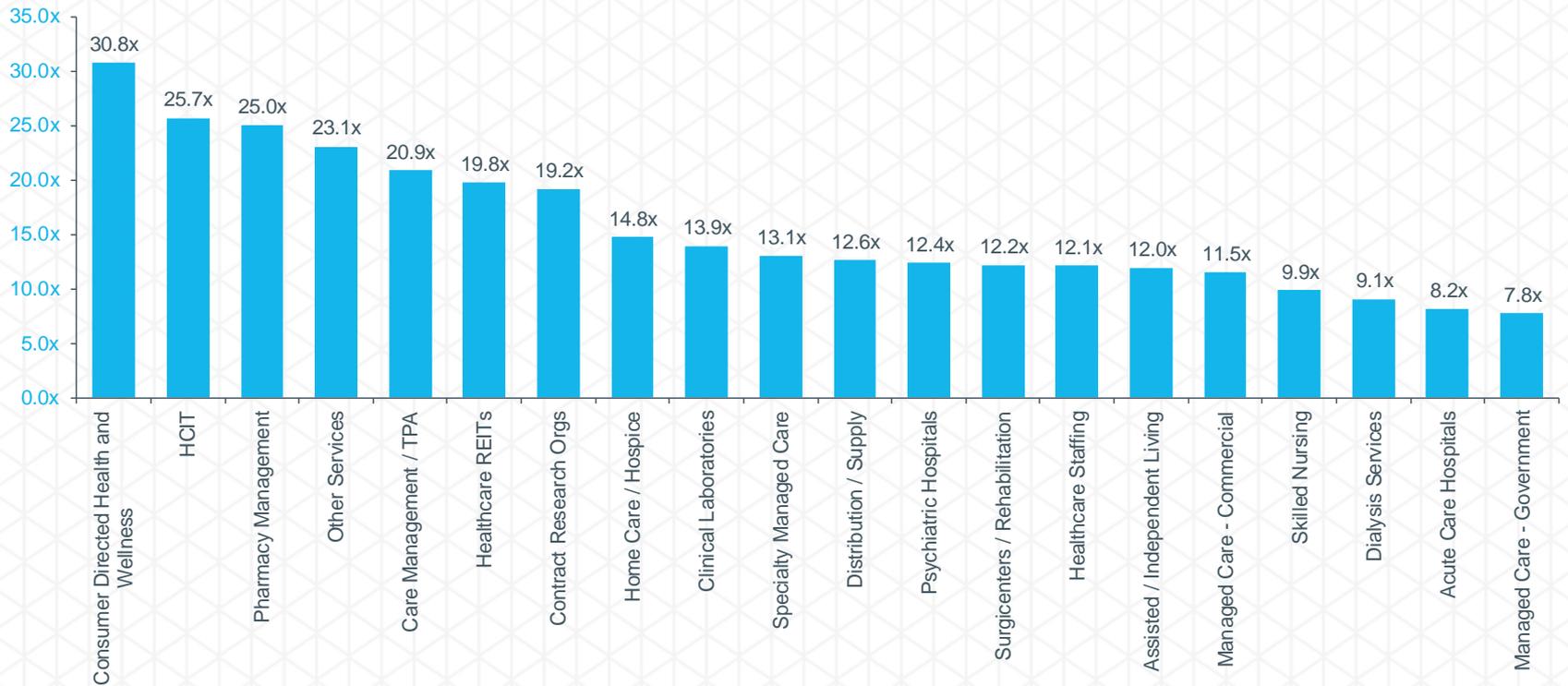
Average % - 1 Month



Source: S&P Global Market Intelligence as of September 30, 2017, 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



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

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