

VALUE FOCUS

Healthcare Facilities



Mid-Year 2017

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Overview

Following a weak second half of 2016, the healthcare sector recorded relatively healthy gains in the first half of 2017 despite uncertainty surrounding the fate of the Affordable Care Act (ACA). After falling 3.9% from June to December 2016, the Health Care Select Sector SPDR Fund ETF (XLV) increased 14.4% in the first half of 2017, compared to the S&P 500's price appreciation of 8.8% in 1H17.¹

Stock prices rebounded in 1H17 among select subsectors. Homecare, hospice, acute/surgical, and REIT subsectors each outpaced the S&P 500 in 1H17. In contrast, the long-term care/skilled nursing sector experienced continued price weakness, declining 2.0% over 1H17. The specialty services subsector tracked just below the S&P 500 in 1H17.

Political headwinds and instability weighed on healthcare facilities in 2H16 but were partially assuaged in the first half of 2017. Hospitals, early beneficiaries of the Affordable Care Act, face a challenging environment if the new administration makes good on its promises to roll back parts of the legislation, though uncertainty remains. However, attempts

to pass meaningful changes to the ACA have been met with resistance, diminishing the likelihood of major overhauls to current law. Healthcare facilities continue to adapt to new payment models seeking to emphasize quality rather than (the number of) procedures, with both private and public (CMS) insurance plans nudging providers towards quality-based measures. Bundled-payments, Medicare funding, looming labor shortages, and technological integration will all continue to affect healthcare facilities in the near and far future.

Despite near-term uncertainty, long-term healthcare facility fundamentals remain promising. Growing aged populations in the U.S. should continue to drive demand for facility products and services, and current valuation trends and expectations are positive for healthcare facilities overall. However, certain facility sectors may be forced to realign their cost structures and product offerings as providers push patients to lower acuity, and ultimately lower cost, settings.

Industry Perspectives

Push to Lower Acuity

"There are clearly disrupted [sic] forces at play in healthcare as well, but, Welltower's real estate portfolio stands to benefit from this disruption. As healthcare delivery moves from a high cost acute care hospital centric model to smaller, more efficient disease management sites of care connected to ambulatory, post-acute, seniors housing, memory care and home. Our current real estate assets become even more consequential and valuable. Further, this phenomenon calls for a new class of real estate to be developed."

Tom DeRosa

CEO, Welltower Inc. (NYSE: HCN)

on strategy regarding lower acuity admittance²

Total Patient Integration

"I think it's important for everyone to understand, HCA has over 1,700 facilities providing care to our patients. We have 170 plus hospitals, which clearly are the largest component of our revenue, and the destination within our networks and our network system. But we are adding significantly to the number of outpatient facilities, urgent care, freestanding emergency room, ambulatory surgery, as I mentioned previously, physician clinics, breast centers, all of these different components that make it easier for the patient to access, create geography dispersion for our network, and put us in a situation where we can gain a relationship with a patient and hopefully keep them in the HCA system."

Samuel Hazen

President and Chief Operating Officer

HCA Healthcare (NYSE: HCA)

on company investment strategy to increase care offerings⁴

Consumerism in Healthcare

"...Consumerism is definitely a trend that we've been seeing for many years... So as consumers have more skin in the game... and are responsible for a greater portion of their healthcare spend, they're looking for greater value. Our own strategy for really thriving in a consumer-based healthcare environment is based on our emphasis of the outpatient sector. So that's something consumers want more, payers wanted more, it's more convenient, it's a better value and it's a disruption to the acute care business, which we are embracing fully in doing ourselves."

Trevor Fetter

Chairman and CEO, Tenet Healthcare (NYSE: THC)

at the 2017 UBS Global Health Care Conference on the rise of consumerism in healthcare³

Ease in Regulatory Pressure?

"While it is still early, the leaders in this administration appear to be much more interested in feedback and new ideas from practitioners in the [home health/hospice] industry. We're having good dialogs about reducing burdensome regulations that drive increased administrative costs but don't help us deliver better care. It's nice to be at the table as we have been away for so long."

Paul Kusserow

President and CEO, AMEDISYS, Inc. (NASDAQ: AMED)

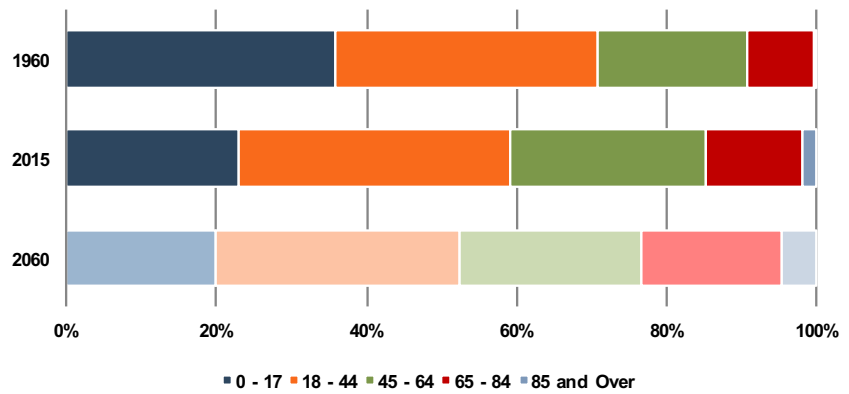
on the current regulatory regime⁵

Macroeconomic Trends

Demographic Trends I

The aging population, driven by declining fertility rates and increasing life expectancy, represents a major demand driver for healthcare services. The U.S. elderly population (persons 65 and above) totaled 48 million in 2015 (15% of the population). The U.S. Census Bureau estimates that the elderly will roughly double by 2060 to 98 million, representing 24% of the total U.S. population.

U.S. Population Distribution by Age Group

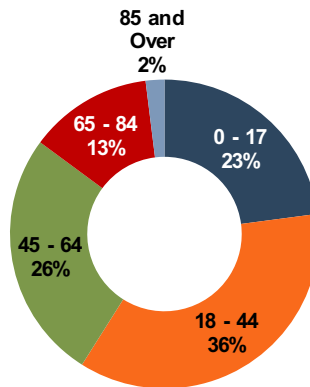


Source: US Census Bureau, 2015

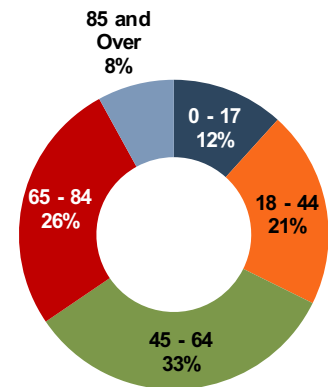
Demographic Trends II

The elderly account for nearly one third of total healthcare consumption. Personal healthcare spending for the elderly was \$19,000 per person in 2012, five times the spending per child (\$3,600) and almost triple the spending per working-age person (\$6,600).⁶

U.S. Population Distribution by Age



U.S. Healthcare Cost Distribution by Age



Source: US Census Bureau, Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group, 2012

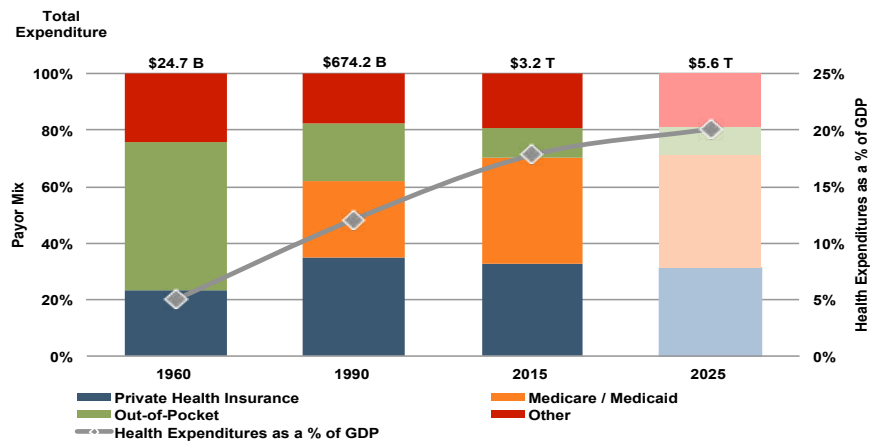
Macroeconomic Trends (continued)

U.S. Healthcare Expenditure I

Demographic shifts underlie the expected growth in total U.S. healthcare expenditure from \$3.2 trillion in 2015 to \$5.6 trillion in 2025. Healthcare spending as a percentage of GDP is expected to expand from 18% in 2015 to 20% by 2025.

Since inception, Medicare has accounted for an increasing proportion of total U.S. healthcare expenditures. Medicare currently provides healthcare benefits for an estimated 57 million elderly and disabled Americans, constituting approximately 15% of the federal budget in 2016. Medicare

U.S. Healthcare Consumption Payor Mix and as % of GDP

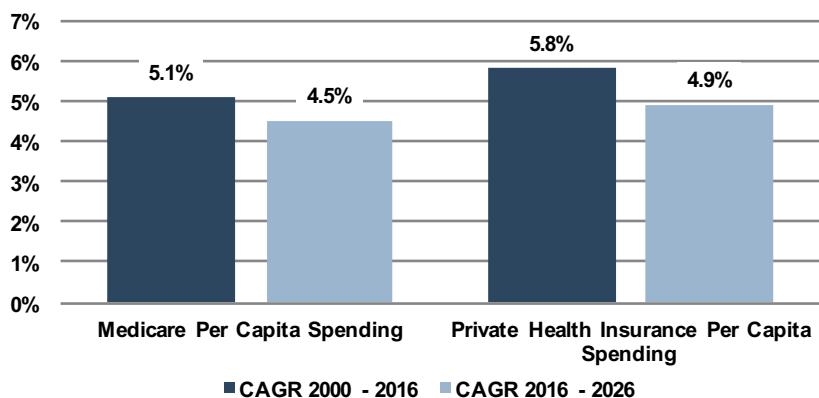


represents the largest portion of total healthcare costs, constituting 20% of total health spending in 2015. Medicare accounts for 25% of hospital spending, 29% of retail prescription drugs sales, and 23% of physician services.⁷

U.S. Healthcare Expenditure II

The ACA contributed to the reduction in Medicare spending in recent years, stemming from curtailed increases in Medicare payments to healthcare providers, and establishing several new policies and programs designed to reduce costs. Despite the slow-down in Medicare spending in recent periods, spending is expected to accelerate over the next ten years, driven by increased utilization of services, demographics, and healthcare cost inflation. On a per person basis, Medicare spending is projected to grow at 4.5% annually between 2016

Average Spending Growth Rates, Medicare and Private Health Insurance



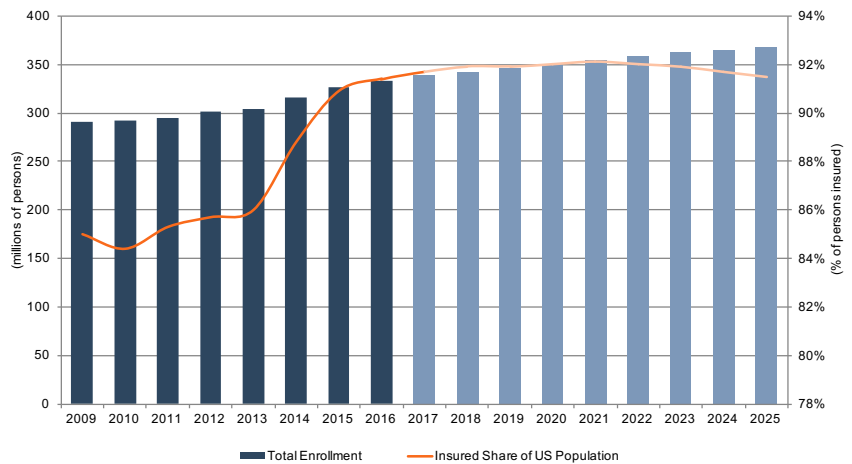
to 2026, compared to the actual average annualized growth rate of 5.7% between 2000 and 2014.⁸

Macroeconomic Trends (continued)

Health Insurance Coverage

The ACA was passed, in part, to address the number of Americans without health insurance. People covered by insurance are more likely to use healthcare services. According to current projections, the Center for Medicare and Medicaid Services (CMS) estimates the percentage of Americans enrolled in a health insurance plan will grow from 85% in 2009 to 92% by year-end 2020.⁹

Health Insurance Enrollment Totals

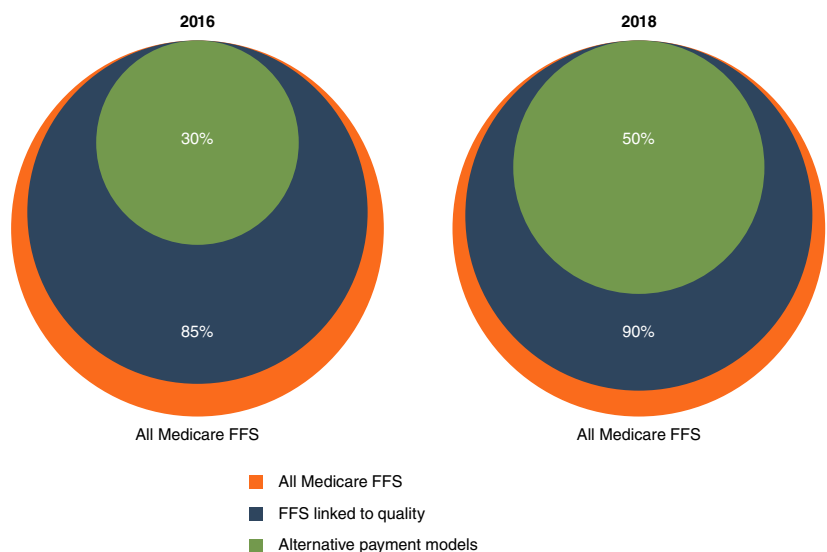


Source: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group
Mercer Capital Analysis

Fee-For-Service vs. Value-Based Care

The transition of the healthcare delivery paradigm from fee-for-service (FFS) to value models is expected to lead to fewer hospital admissions and procedures, given the focus on cost-cutting and efficiency. In 2015, the Department of Health and Human Services (HHS) announced goals to have 85% and 90% of all Medicare payments tied to quality or value by 2016 and 2018, respectively, and 30% and 50% of total Medicare payments tied to alternative payment models by the end of 2016 and 2018, respectively. In March 2016, the HHS estimated 30% of Medicare payments were tied to alternative, value-based models, nearly one year ahead of schedule.^{10,11}

Fee-For-Service vs. Value-Based Care

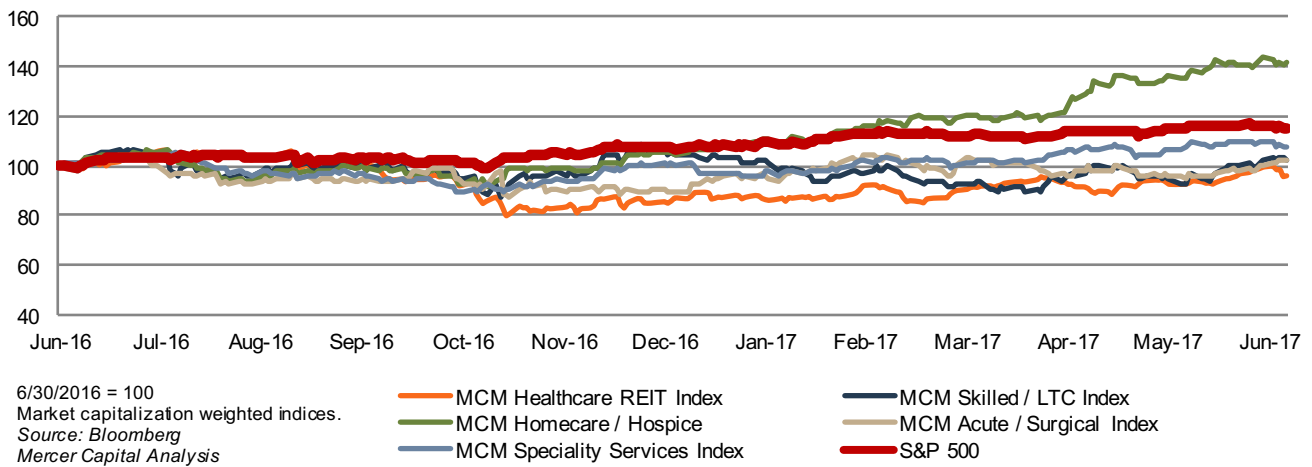


Source: CMS

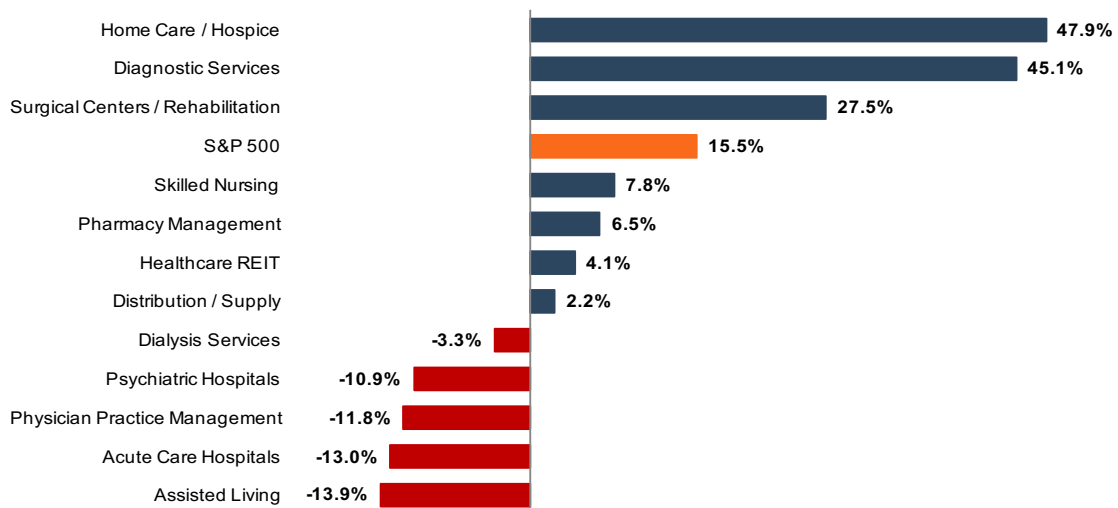
Valuation Trends

While healthcare facility subsectors generally underperformed broader markets in 2016, stock price appreciation rebounded in 1H17 among select subsectors. The homecare/hospice subsector rose nearly 40% in 1H17, while the acute/surgical subsector rose 13.3%. On the flip-side, the long-term care/skilled nursing subsector declined 2.0% over 1H17, driven by flat to declining occupancy and weakening trends in the senior living sector of the healthcare facilities market. While healthcare-focused REITs registered price appreciation on par with the S&P 500 in 1H17 (8.7%), sharp declines in 2H16 resulted in a 4.0% price decline for the year ended June 2017.

Mercer Capital Healthcare Facility Select Indices: One Year Performance



Median Stock Price % Change, 1 Year

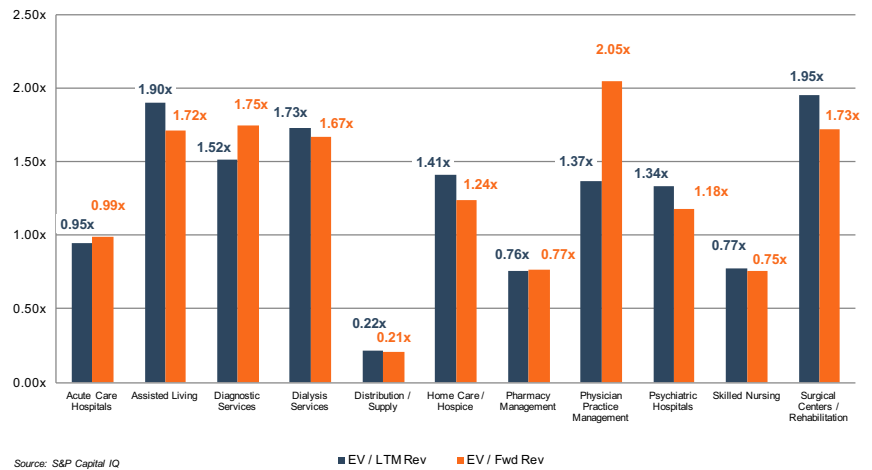


Source: S&P Capital IQ
Mercer Capital Analysis

Valuation Trends (continued)

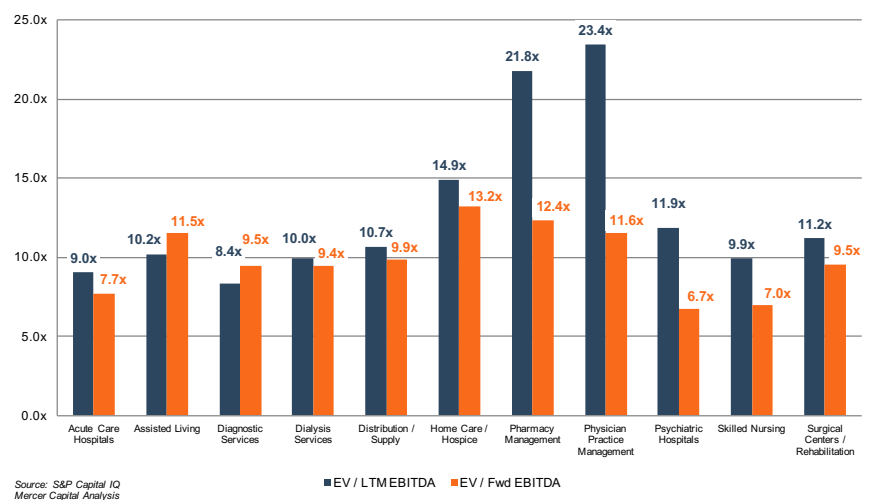
Revenue Multiples

Excluding healthcare REITs, sub-sectors with the highest LTM revenue multiples at mid-year 2017 were surgical and rehabilitation, assisted living, and dialysis services. Forward multiples imply varying degrees of estimated growth in revenues for sub-sectors over the next twelve months.



EBITDA Multiples

Excluding REITs, the sub-sectors with the highest EBITDA multiples at mid-year 2017 were physician practice management, pharmacy management, and homecare / hospice facilities. Forward EBITDA is expected to grow across most sectors over the next twelve months.



Mergers & Acquisitions

Transactions Summary

Buyer / Acquirer	Target / Seller	Announce Date	Close Date	Implied Enterprise Value (\$ millions)	Implied Enterprise Value /	
					EBITDA	Revenue
Optum, Inc.	Surgical Care Affiliates, Inc. (nka:SCAI Holdings, LLC)	1/7/17	3/24/17	\$4,169.0	12.3x	3.31x
Bain Capital Private Equity, LP	Surgery Partners, Inc.	5/9/17	NA	2,787.1	11.1x	2.45x
American Securities	Air Methods Corporation	3/14/17	4/20/17	2,486.5	8.7x	2.12x
Surgery Partners, Inc.	National Specialty Hospitals, Inc.	5/9/17	NA	760.0	NA	NA
Teladoc, Inc.	Best Doctors, Inc.	6/19/17	7/14/17	440.0	NA	NA
HCA Holdings, Inc. (nka:HCA Healthcare, Inc.)	Memorial University Medical Center, Inc.	4/19/17	NA	430.0	NA	NA
Owens & Minor, Inc.	Byram Healthcare Centers, Inc.	5/2/17	NA	380.0	NA	NA
Shanghai Hongda Mining Co., Ltd.	MIVIP Healthcare Holdings LLC	1/19/17	NA	375.0	NA	NA
The GEO Group, Inc.	Community Education Centers, Inc.	2/22/17	4/6/17	360.0	NA	NA
Physicians Realty L.P.	BCC Cancer Center Venture, L.P.	6/27/17	6/30/17	290.0	NA	NA
Collaborative Care Services, Inc.	American Health Network, Inc.	4/8/17	5/22/17	230.0	NA	NA
KKR Credit Advisors (US) LLC	Angelica Corporation	4/3/17	6/30/17	125.0	NA	NA
WNS (Holdings) Limited	HealthHelp Inc	3/15/17	3/15/17	95.0	NA	NA
Olympus America Inc.	Image Stream Medical, Inc.	4/28/17	NA	87.0	NA	2.81x
Cross Country Healthcare, Inc.	Advantage RN, LLC	6/13/17	7/5/17	86.8	8.7x	0.87x
RWS Holdings plc	LUZ, Inc.	2/14/17	2/17/17	82.5	NA	2.83x
Saint Francis Health System, Inc.	EASTAR Health System, LLC (nka:Saint Francis Muskogee)	2/3/17	3/31/17	64.3	NA	NA

Implied Enterprise Value in \$ millions

Source: Capital IQ, Mercer Capital Analysis

Transactions Summary (continued)

Buyer / Acquirer	Target / Seller	Announce Date	Close Date	Implied Enterprise Value (\$ millions)	Implied Enterprise Value /	
					EBITDA	Revenue
Envoy Health Management LLC	WRB Communications, Inc.	5/8/17	5/8/17	30.0	13.6x	2.00x
Premier Healthcare Management	Washington County Health Center Auxiliary, Inc.	6/30/17	NA	29.6	NA	NA
Colonial Oaks Senior Living Holdco, LLC	Nazareth Vista, LLC	3/6/17	6/28/17	25.8	NA	NA
Regional Medical Center Anniston	Anniston HMA, LLC	3/3/17	4/28/17	25.0	NA	NA
Maryland Adult Day Health, Inc.	Rainbow ADHC, LLC	3/1/17	3/1/17	24.7	NA	1.37x
Aier (USA) International Holdings, Inc.	AW Healthcare Management LLC	12/30/16	3/31/17	24.0	NA	NA
Novation Companies, Inc.	Healthcare Staffing, Inc.	2/1/17	NA	24.0	NA	NA
Chartwell Retirement Residences	The Orchards Retirement Residence	1/10/17	NA	22.0	NA	NA
The Blackstone Group L.P.	HCRIX Royal LLC	3/13/17	3/13/17	17.1	NA	NA
Sienna Senior Living Inc.	Retirement Suites of Kawartha Lakes (nka:Kawartha Lakes Retirement Residence.)	6/6/17	7/5/17	15.6	NA	NA
Northstar Healthcare Acquisitions, LLC	Hamilton Vein Inc.	1/6/17	3/13/17	13.3	NA	NA
Navicent Health Inc.	Oconee Regional Medical Center, Inc.	6/29/17	NA	12.2	NA	NA
Mettrum Health Corp.	2344823 Ontario Inc.	1/10/17	1/10/17	10.8	NA	NA

Implied Enterprise Value in \$ millions

Source: Capital IQ, Mercer Capital Analysis

Public Company Pricing

Acute Care Hospitals

Company Name	Ticker	Price			Δ Stock Price		EV	LTM			EV / Rev.	EV / EBITDA	EV / NTM Rev.	EV / NTM EBITDA
		2Q17	4Q16	2Q16	Half-year	Annual		2Q17	2Q17	2Q17				
		2Q17	4Q16	2Q16	Half-year	Annual		2Q17	2Q17	2Q17				
Community Health Systems, Inc.	CYH	\$9.96	\$5.59	\$12.05	78.2%	-17.3%	\$15,776	\$17,478	\$1,780	0.90x	8.9x	1.03x	7.9x	
HCA Healthcare, Inc.	HCA	\$87.20	\$74.02	\$77.01	17.8%	13.2%	\$64,619	\$42,267	\$8,203	1.53x	7.9x	1.47x	7.5x	
LifePoint Health, Inc.	LPNT	\$67.15	\$56.80	\$65.37	18.2%	2.7%	\$5,650	\$6,416	\$760	0.88x	7.4x	0.86x	7.0x	
Tenet Healthcare Corp.	THC	\$19.34	\$14.84	\$27.64	30.3%	-30.0%	\$19,087	\$19,324	\$2,074	0.99x	9.2x	0.96x	7.2x	
Quorum Health Corporation	QHC	\$4.15	\$7.27	\$10.71	-42.9%	-61.3%	\$1,408	\$2,117	\$90	0.66x	15.6x	0.72x	8.7x	
Universal Health Services, Inc.	UHS	\$121.97	\$106.10	\$133.53	14.9%	-8.7%	\$15,925	\$10,111	\$1,711	1.58x	9.3x	1.48x	8.7x	
Median					18.0%	-13.0%				0.95x	9.0x	0.99x	7.7x	

\$ in millions, except per share pricing
Source: Capital IQ, Mercer Capital Analysis

Assisted Living

Company Name	Ticker	Price			Δ Stock Price		EV	LTM			EV / Rev.	EV / EBITDA	EV / NTM Rev.	EV / NTM EBITDA
		2Q17	4Q16	2Q16	Half-year	Annual		2Q17	2Q17	2Q17				
		2Q17	4Q16	2Q16	Half-year	Annual		2Q17	2Q17	2Q17				
Brookdale Senior Living Inc.	BKD	\$14.71	\$12.42	\$15.44	18.4%	-4.7%	\$7,746	\$4,078	\$759	1.90x	10.2x	1.72x	11.5x	
Capital Senior Living Corporation	CSU	\$15.21	\$16.05	\$17.67	-5.2%	-13.9%	\$1,434	\$458	\$78	3.13x	18.5x	2.97x	13.8x	
Five Star Senior Living Inc.	FVE	\$1.50	\$2.70	\$2.34	-44.4%	-35.9%	\$116	\$1,130	\$13	0.10x	8.8x	0.08x	6.3x	
Median					-5.2%	-13.9%				1.90x	10.2x	1.72x	11.5x	

\$ in millions, except per share pricing
Source: Capital IQ, Mercer Capital Analysis

Quick References

Enterprise Value	Market Capitalization + Total Debt + Preferred Equity + Minority Interest - Cash and Short Term Investments
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortization
LTM	Last Twelve Months
NTM	Next Twelve Month Estimates

Public Company Pricing (continued)

Diagnostic Services

Company Name	Ticker	Price		Δ Stock Price		EV 2Q17	LTM		EV / Rev. 2Q17	EV / EBITDA 2Q17	EV / NTM Rev. 2Q18	EV / NTM EBITDA 2Q18	
		2Q17	4Q16	2Q16	Half-year		Annual	Rev.					EBITDA
								2Q17					2Q17
Alliance Healthcare Services, Inc.	AIQ	\$13.30	\$9.60	\$6.24	38.5%	113.1%	\$794	\$524	\$132	1.52x	6.0x	NA	NA
Quest Diagnostics Incorporated	DGX	\$110.71	\$90.66	\$79.54	22.1%	39.2%	\$18,826	\$7,588	\$1,444	2.48x	13.0x	2.43x	12.0x
RadNet, Inc.	RDNT	\$7.75	\$6.45	\$5.34	20.2%	45.1%	\$989	\$909	\$118	1.09x	8.4x	1.07x	6.9x
Median					22.1%	45.1%				1.52x	8.4x	1.75x	9.5x

\$ in millions, except per share pricing
Source: Capital IQ, Mercer Capital Analysis

Dialysis Services

Company Name	Ticker	Price		Δ Stock Price		EV 2Q17	LTM		EV / Rev. 2Q17	EV / EBITDA 2Q17	EV / NTM Rev. 2Q18	EV / NTM EBITDA 2Q18	
		2Q17	4Q16	2Q16	Half-year		Annual	Rev.					EBITDA
								2Q17					2Q17
DaVita Inc.	DVA	\$64.76	\$64.20	\$77.32	0.9%	-16.2%	\$21,969	\$15,014	\$2,448	1.46x	9.0x	1.43x	8.8x
Fresenius Medical Care AG & Co. KGAA	FME	\$96.44	\$84.24	\$85.55	5.9%	9.7%	\$39,076	\$19,570	\$3,572	2.00x	10.9x	1.92x	10.1x
Median					3.4%	-3.3%				1.73x	10.0x	1.67x	9.4x

\$ in millions, except per share pricing
Source: Capital IQ, Mercer Capital Analysis

Distribution / Supply

Company Name	Ticker	Price		Δ Stock Price		EV 2Q17	LTM		EV / Rev. 2Q17	EV / EBITDA 2Q17	EV / NTM Rev. 2Q18	EV / NTM EBITDA 2Q18	
		2Q17	4Q16	2Q16	Half-year		Annual	Rev.					EBITDA
								2Q17					2Q17
AmerisourceBergen Corporation	ABC	\$94.10	\$77.19	\$77.65	21.9%	21.2%	\$23,116	\$151,584	\$2,426	0.15x	9.5x	0.14x	9.9x
Cardinal Health, Inc.	CAH	\$77.92	\$71.16	\$76.21	9.5%	2.2%	\$28,288	\$129,976	\$3,069	0.22x	9.2x	0.21x	8.8x
Henry Schein, Inc.	HSIC	\$183.02	\$151.71	\$176.80	20.6%	3.5%	\$16,582	\$11,782	\$1,005	1.41x	16.5x	1.34x	15.5x
McKesson Corporation	MCK	\$164.16	\$139.63	\$184.91	17.6%	-11.2%	\$42,032	\$199,851	\$3,943	0.21x	10.7x	0.20x	9.6x
Patterson Companies, Inc.	PDCO	\$46.67	\$40.31	\$46.58	15.8%	0.2%	\$5,425	\$5,593	\$408	0.97x	13.3x	0.95x	12.6x
Median					17.6%	2.2%				0.22x	10.7x	0.21x	9.9x

\$ in millions, except per share pricing
Source: Capital IQ, Mercer Capital Analysis

Public Company Pricing (continued)

Home Care / Hospice

Company Name	Ticker	Price		Δ Stock Price		EV	LTM			EV / Rev.	EV / EBITDA	EV / NTM Rev.	EV / NTM EBITDA	
		2Q17	4Q16	2Q16	Half-year		Annual	Rev.	EBITDA					2Q17
		2Q17	4Q16	2Q16	Half-year		Annual	2Q17	2Q17					2Q17
Addus HomeCare Corporation	ADUS	\$37.20	\$35.05	\$17.43	6.1%	113.4%	\$456	\$411	\$33	1.11x	13.6x	1.04x	12.1x	
Almost Family, Inc.	AFAM	\$61.65	\$44.10	\$42.61	39.8%	44.7%	\$1,008	\$716	\$40	1.41x	25.0x	1.19x	13.2x	
Amedisys, Inc.	AMED	\$62.81	\$42.63	\$50.48	47.3%	24.4%	\$2,152	\$1,455	\$106	1.48x	20.4x	1.39x	14.7x	
Chemed Corporation	CHE	\$204.24	\$159.74	\$135.23	27.9%	51.0%	\$3,401	\$1,617	\$227	2.10x	15.0x	2.04x	13.3x	
LHC Group, Inc.	LHCG	\$67.89	\$45.70	\$43.28	48.6%	56.9%	\$1,361	\$962	\$92	1.41x	14.8x	1.29x	13.9x	
The Providence Service Corporation	PRSC	\$50.61	\$38.05	\$44.88	33.0%	12.8%	\$703	\$1,606	\$68	0.44x	10.3x	0.44x	11.3x	
Median					36.4%	47.9%				1.41x	14.9x	1.24x	13.2x	

\$ in millions, except per share pricing
Source: Capital IQ, Mercer Capital Analysis

Pharmacy Management

Company Name	Ticker	Price		Δ Stock Price		EV	LTM			EV / Rev.	EV / EBITDA	EV / NTM Rev.	EV / NTM EBITDA	
		2Q17	4Q16	2Q16	Half-year		Annual	Rev.	EBITDA					2Q17
		2Q17	4Q16	2Q16	Half-year		Annual	2Q17	2Q17					2Q17
BioScrip, Inc.	BIOS	\$2.72	\$1.04	\$2.55	161.1%	6.5%	\$859	\$901	\$25	0.95x	34.3x	1.02x	16.1x	
Express Scripts Holding Company	ESRX	\$63.84	\$68.79	\$75.80	-7.2%	-15.8%	\$50,530	\$100,276	\$7,160	0.50x	7.1x	0.49x	6.7x	
Omniceil, Inc.	OMCL	\$43.10	\$33.90	\$34.23	27.1%	25.9%	\$1,769	\$680	\$43	2.60x	41.5x	2.32x	16.1x	
PharMerica Corporation	PMC	\$26.25	\$25.15	\$24.66	4.4%	6.4%	\$1,236	\$2,206	\$133	0.56x	9.3x	0.51x	8.6x	
Median					15.8%	6.5%				0.76x	21.8x	0.77x	12.4x	

\$ in millions, except per share pricing
Source: Capital IQ, Mercer Capital Analysis

Public Company Pricing (continued)

Physician Practice Management

Company Name	Ticker	Price		Δ Stock Price		EV 2Q17	LTM			EV / Rev. 2Q17	EV / EBITDA 2Q17	EV / NTM Rev. 2Q18	EV / NTM EBITDA 2Q18	
		2Q17	4Q16	2Q16	Half-year		Annual	Rev.	EBITDA					2Q17
Birner Dental Management Services, Inc.	BDMS	\$13.50	\$16.00	\$14.50	-15.6%	-6.9%	\$34	\$60	\$1	0.56x	35.2x	NA	NA	
MEDNAX, Inc.	MD	\$60.37	\$66.66	\$72.43	-9.4%	-16.7%	\$7,280	\$3,337	\$628	2.18x	11.6x	2.05x	11.6x	
Median					-12.5%	-11.8%				1.37x	23.4x	2.05x	11.6x	

\$ in millions, except per share pricing
Source: Capital IQ, Mercer Capital Analysis

Psychiatric Hospitals

Company Name	Ticker	Price		Δ Stock Price		EV 2Q17	LTM			EV / Rev. 2Q17	EV / EBITDA 2Q17	EV / NTM Rev. 2Q18	EV / NTM EBITDA 2Q18	
		2Q17	4Q16	2Q16	Half-year		Annual	Rev.	EBITDA					2Q17
AAC Holdings, Inc.	AAC	\$6.93	\$7.24	\$22.82	-4.3%	-69.6%	\$357	\$267	\$30	1.34x	11.9x	1.18x	6.7x	
Acadia Healthcare Company, Inc.	ACHC	\$49.38	\$33.10	\$55.40	49.2%	-10.9%	\$7,550	\$2,833	\$575	2.67x	13.1x	2.58x	11.5x	
Magellan Health, Inc.	MGLN	\$72.90	\$75.25	\$65.77	-3.1%	10.8%	\$2,090	\$5,280	\$243	0.40x	8.6x	0.34x	6.2x	
Median					-3.1%	-10.9%				1.34x	11.9x	1.18x	6.7x	

\$ in millions, except per share pricing
Source: Capital IQ, Mercer Capital Analysis

Skilled Nursing

Company Name	Ticker	Price		Δ Stock Price		EV 2Q17	LTM			EV / Rev. 2Q17	EV / EBITDA 2Q17	EV / NTM Rev. 2Q18	EV / NTM EBITDA 2Q18	
		2Q17	4Q16	2Q16	Half-year		Annual	Rev.	EBITDA					2Q17
Diversicare Healthcare Services, Inc.	DVCR	\$9.30	\$10.28	\$8.11	-9.5%	14.6%	\$148	\$516	\$26	0.29x	5.7x	NA	NA	
Genesis Healthcare, Inc.	GEN	\$1.74	\$4.25	\$1.77	-59.1%	-1.7%	\$4,846	\$5,453	\$450	0.89x	10.8x	0.90x	7.0x	
The Ensign Group, Inc.	ENSG	\$21.77	\$22.12	\$20.84	-1.6%	4.5%	\$1,356	\$1,751	\$122	0.77x	11.1x	0.75x	7.5x	
Kindred Healthcare, Inc.	KND	\$11.65	\$7.74	\$10.81	50.5%	7.8%	\$4,320	\$7,081	\$471	0.61x	9.2x	0.62x	4.8x	
National HealthCare Corporation	NHC	\$70.14	\$74.80	\$63.09	-6.2%	11.2%	\$1,006	\$948	\$102	1.06x	9.9x	NA	NA	
Median					-6.2%	7.8%				0.77x	9.9x	0.75x	7.0x	

\$ in millions, except per share pricing
Source: Capital IQ, Mercer Capital Analysis

Public Company Pricing (continued)

Surgical Centers / Rehabilitation

Company Name	Ticker	Price		Δ Stock Price		EV	LTM			EV / Rev.	EV / EBITDA	EV / NTM Rev.	EV / NTM EBITDA	
		2Q17	4Q16	2Q16	Half-year		Annual	2Q17	2Q17					2Q17
		2Q17	4Q16	2Q16	Half-year		Annual	2Q17	2Q17					2Q17
Envision Healthcare Corporation	EVHC	\$62.67	\$63.29	\$77.54	-1.0%	-19.2%	\$14,032	\$6,038	\$983	2.32x	14.3x	1.73x	13.0x	
HealthSouth Corporation	HLS	\$48.40	\$40.81	\$37.97	18.6%	27.5%	\$7,360	\$3,773	\$817	1.95x	9.0x	1.84x	8.9x	
Select Medical Holdings Corporation	SEM	\$15.35	\$13.25	\$10.87	15.8%	41.2%	\$5,323	\$4,258	\$475	1.25x	11.2x	1.18x	9.5x	
Median					15.8%	27.5%				1.95x	11.2x	1.73x	9.5x	

\$ in millions, except per share pricing
Source: Capital IQ, Mercer Capital Analysis

Healthcare REIT

Company Name	Ticker	Price		Δ Stock Price		EV	LTM			EV / Rev.	EV / EBITDA	EV / NTM Rev.	EV / NTM EBITDA	
		2Q17	4Q16	2Q16	Half-year		Annual	2Q17	2Q17					2Q17
		2Q17	4Q16	2Q16	Half-year		Annual	2Q17	2Q17					2Q17
Sabra Health Care REIT, Inc.	SBRA	\$23.70	\$23.20	\$18.90	2.1%	25.4%	\$2,774	\$251	\$211	11.05x	13.2x	8.63x	9.2x	
Welltower Inc.	HCN	\$73.96	\$64.45	\$71.59	14.7%	3.3%	\$39,938	\$4,188	\$2,048	9.54x	19.5x	9.24x	19.1x	
HCP, Inc.	HCP	\$31.57	\$28.65	\$30.22	10.2%	4.5%	\$22,405	\$2,022	\$1,168	11.08x	19.2x	11.89x	18.9x	
Healthcare Realty Trust Incorporated	HR	\$33.84	\$29.47	\$33.36	14.8%	1.4%	\$5,180	\$419	\$236	12.38x	21.9x	11.82x	20.3x	
LTC Properties, Inc.	LTC	\$50.99	\$45.51	\$49.00	12.0%	4.1%	\$2,667	\$168	\$147	15.90x	18.1x	15.09x	17.0x	
Omega Healthcare Investors, Inc.	OHI	\$32.36	\$29.50	\$30.89	9.7%	4.8%	\$11,255	\$927	\$854	12.15x	13.2x	14.22x	12.7x	
Ventas, Inc.	VTR	\$69.48	\$61.06	\$69.47	13.8%	0.0%	\$36,712	\$3,524	\$1,885	10.42x	19.5x	10.17x	18.7x	
Median					12.0%	4.1%				11.08x	19.2x	11.82x	18.7x	

\$ in millions, except per share pricing
Source: Capital IQ, Mercer Capital Analysis

End Notes & Sources

- ¹ XLV currently includes 63 stocks in the Health Care Select Sector Index – a benchmark representing select healthcare stocks included in the S&P 500.
- ² “Welltower’s (HCN) CEO Tom DeRosa on Q2 2017 Results - Earnings Call Transcript,” Available online at <https://seekingalpha.com/article/4091944-welltowers-hcn-ceo-tom-derosa-q2-2017-results-earnings-call-transcript?part=single>. Accessed August 30, 2017.
- ³ Tenet Healthcare Presentation UBS Global Health Care Conference. Bloomberg L.P. Subscription Required. Accessed August 30, 2017.
- ⁴ “HCA Healthcare (HCA) Q2 2017 Results - Earnings Call Transcript,” Available online at <https://seekingalpha.com/article/4090391-hca-healthcare-hca-q2-2017-results-earnings-call-transcript?part=single>. Accessed August 30, 2017.
- ⁵ “AMEDISYS’ (AMED) CEO Paul Kusserow on Q1 2017 Results - Earnings Call Transcript,” Available online at <https://seekingalpha.com/article/4070057-amedisys-amed-ceo-paul-kusserow-q1-2017-results-earnings-call-transcript?part=single>. Accessed August 30, 2017.
- ⁶ “NHE Fact Sheet,” Available online at <https://www.cms.gov/research-statistics-data-and-systems/statistics-trends-and-reports/nationalhealthexpend-data/nhe-fact-sheet.html>, Accessed August 29, 2017.
- ⁷ “The Facts on Medicare Spending and Financing,” Available online at <http://kff.org/medicare/issue-brief/the-facts-on-medicare-spending-and-financing/>, Accessed August 29, 2017.
- ⁸ “The Facts on Medicare Spending and Financing,” Available online at <http://kff.org/medicare/issue-brief/the-facts-on-medicare-spending-and-financing/>, Accessed August 29, 2017.
- ⁹ “Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group,” Available online at, <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsProjected.html>, Accessed August 23, 2016.
- ¹⁰ “Value Based Reimbursement: The Rock Thrown Into The Health Care Pond,” Available online at <http://healthaffairs.org/blog/2016/07/08/value-based-reimbursement-the-rock-thrown-into-the-health-care-pond/>, Accessed August 22, 2016.
- ¹¹ “HHS reaches goal of tying 30 percent of Medicare payments to quality ahead of schedule,” Available online at <http://www.hhs.gov/about/news/2016/03/03/hhs-reaches-goal-tying-30-percent-medicare-payments-quality-ahead-schedule.html>, Accessed August 22, 2016.

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