
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): May 3, 2022

Surgery Partners, Inc.

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-37576
(Commission
File Number)

47-3620923
(IRS Employer
Identification No.)

**310 Seven Springs Way, Suite 500
Brentwood, Tennessee 37027**
(Address of Principal Executive Offices) (Zip Code)

(615) 234-5900
(Registrant's Telephone Number, Including Area Code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.01 per share	SGRY	The Nasdaq Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition.

On May 3, 2022, Surgery Partners, Inc. issued a press release announcing results for the three months ended March 31, 2022. See the press release attached as Exhibit 99.1.

In accordance with General Instruction B.2 of Form 8-K, the information in this Current Report on Form 8-K, including Exhibit 99.1, shall not be deemed "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933.

Surgery Partners makes reference to non-GAAP financial measures in the attached press release and a reconciliation of such non-GAAP financial measures to the most directly comparable GAAP financial measures is provided therein.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits:

99.1	Press release dated May 3, 2022
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SURGERY PARTNERS, INC.

By: /s/ David T. Doherty
David T. Doherty
Executive Vice President and Chief Financial Officer

Date: May 3, 2022



SURGERY PARTNERS, INC. ANNOUNCES FIRST QUARTER 2022 RESULTS

- Revenues increased 16.4% to \$596.2 million, when compared to the prior year period
 - Days adjusted same-facility revenues increased 8.2% from the prior year period
 - Days adjusted same-facility case volume increased 6.3% from the prior year period
- Net income attributable to common stockholders was \$12.2 million
 - Adjusted EBITDA increased 5.8% over the prior year period to \$77.1 million, inclusive of a \$1.0 million benefit from the recognition of CARES Act grants
 - Excluding CARES Act grants, Adjusted EBITDA increased 22.3% over the prior year period
- Raising guidance for 2022 Adjusted EBITDA to \$375 million to \$385 million and 2022 revenue to \$2.5 billion to \$2.6 billion

BRENTWOOD, Tenn., May 3, 2022 (GLOBE NEWSWIRE) - Surgery Partners, Inc. (NASDAQ:SGRY) ("Surgery Partners" or the "Company"), a leading provider of surgical services, today announced results for the first quarter ended March 31, 2022.

Wayne DeVeydt, Executive Chairman of the Board of Surgery Partners, noted, "During the first quarter of 2022 we continued the strong operational execution that helped us navigate the challenges of the COVID-19 pandemic. We performed over 142,000 surgical cases this quarter, with impressive growth across all of our specialties. This helped fuel strong top-line expansion and Adjusted EBITDA of \$77.1 million."

Eric Evans, Chief Executive Officer, stated, "Our double-digit growth in surgical case volume and revenue, yielded strong Adjusted EBITDA performance consistent with our expectations. Although the Omicron variant affected some of our operations in January and February, we ended the quarter with all specialties returning to normal levels. Adjusted EBITDA margin was 12.9% for the first quarter, as our management team closely monitored labor and supply costs while continuing to deliver outstanding clinical quality and a differentiated patient and physician experience. In April, we also finalized a multi-faceted partnership with ValueHealth and acquired interest in three ASCs and four in-development and fully-syndicated de novos. The de novo centers are primarily orthopedic focused and leverage ValueHealth's proven value-based care reimbursement model. These initial acquisitions are illustrative of the growth we anticipate our partnership will deliver for both companies moving forward."

Dave Doherty, Chief Financial Officer, commented, "With the strong results we reported today, we have high confidence in our ability to exceed our prior Adjusted EBITDA and revenue guidance for 2022. As it relates to labor and supply chain inflation and how well we are positioned to overcome such macro conditions, we would note our premium labor as a percent of total revenue was consistent with pre-pandemic periods and our supply costs were consistent with the first quarter of last year. We remain diligently focused on active, real-time and strategic management of cost drivers to optimize margins in the current economic environment and to enable continued investment in growth."

Furthermore, Dave stated, "We are raising our Adjusted EBITDA guidance to a range of \$375 million to \$385 million, with 2022 revenue projected to be in the range of \$2.5 billion to \$2.6 billion. Our balance sheet and liquidity position combined with an active and robust M&A pipeline allows us to remain committed to our annual capital deployment goals of at least \$200 million."

First Quarter 2022 Results

Revenues for the first quarter of 2022 increased 16.4% to \$596.2 million from \$512.4 million for the first quarter of 2021. Days adjusted same-facility revenues for the first quarter of 2022 increased 8.2% from the same period last year, with an increase in revenue per case of 1.7% and an increase in day adjusted same-facility cases of 6.3%. For the first quarter of 2022, the Company's net income attributable to common stockholders and Adjusted EBITDA was \$12.2 million and \$77.1 million, respectively, compared to a net loss attributable to common stockholders of \$31.3 million and Adjusted EBITDA of \$72.9 million for the same period last year. For the first quarter 2022 and 2021, Adjusted EBITDA benefited from

recognition of \$1.0 million and \$10.7 million of CARES Act grants, respectively. Excluding CARES Act grants in the first quarter of 2022 and 2021, Adjusted EBITDA would have been \$76.1 million and \$62.2 million, respectively.

Liquidity

Surgery Partners had cash and cash equivalents of \$378.9 million, and \$203.0 million of borrowing capacity under its revolving credit facility, at March 31, 2022. Cash flows from operating activities was \$79.8 million in the first quarter of 2022, compared to \$50.2 million in the prior year quarter. The increase was driven primarily by the receipt of \$32.8 million related to the settlement of a previous stockholder litigation matter. Net operating cash inflows, defined as operating cash flows less distributions to non-controlling interests, was \$43.6 million for the first quarter of 2022.

The Company's ratio of total net debt to EBITDA, as calculated under the Company's credit agreement, was approximately 5.9x at the end of the first quarter of 2022.

2022 Outlook

The Company raises its guidance for projected 2022 Adjusted EBITDA to \$375 million to \$385 million and 2022 revenue to \$2.5 billion to \$2.6 billion.

Conference Call Information

Surgery Partners will hold a conference call today, May 3, 2022, at 8:30 a.m. (Eastern Time). The conference call can be accessed live over the phone by dialing 1-877-451-6152, or for international callers, 1-201-389-0879. A replay will be available three hours after the call and can be accessed by dialing 1-844-512-2921, or for international callers, 1-412-317-6671. The passcode for the live call and the replay is 13728830. The replay will be available until May 17, 2022.

Interested investors and other parties may also listen to a simultaneous webcast of the conference call by logging onto the Investor Relations section of the Company's website at www.surgerypartners.com. The replay will also be available on this same website for a limited time following the call.

To learn more about Surgery Partners, please visit the Company's website at www.surgerypartners.com. Surgery Partners uses its website as a channel of distribution for material Company information. Financial and other material information regarding Surgery Partners is routinely posted on the Company's website and is readily accessible.

About Surgery Partners

Headquartered in Brentwood, Tennessee, Surgery Partners is a leading healthcare services company with a differentiated outpatient delivery model focused on providing high-quality, cost-effective solutions for surgical and related ancillary care in support of both patients and physicians. Founded in 2004, Surgery Partners is one of the largest and fastest growing surgical services businesses in the country, with more than 180 locations in 31 states, including ambulatory surgery centers, surgical hospitals, multi-specialty physician practices and urgent care facilities. For additional information, visit www.surgerypartners.com.

Forward-Looking Statements

This press release contains forward-looking statements, including those regarding growth, our anticipated operating results for future periods and other similar statements. These statements can be identified by the use of words such as “believes,” “anticipates,” “expects,” “intends,” “plans,” “continues,” “estimates,” “predicts,” “projects,” “forecasts,” “may,” “could,” and similar expressions. All forward looking statements are based on current expectations and beliefs as of the date of this release and are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those discussed in, or implied by, the forward-looking statements, including but not limited to, (i) the continuing effects of the ongoing COVID-19 pandemic in the United States and specifically in the regions in which we operate, the impact to the state and local economies of restrictive orders, vaccine and other mandates and the pandemic generally, our ability to respond quickly to challenging economic conditions, the unpredictability of our case volume in the current environment, our ability to preserve or raise sufficient funds to continue operations throughout this period of uncertainty, the impact of our cost-cutting measures on our future performance, our ability to cause distributions from our subsidiaries, the responsiveness of our payors, including Medicaid and Medicare, to the challenging operating conditions, including their willingness and ability to continue paying in a timely manner and to advance payments in a timely manner, if at all, (ii) our ability to execute on our operational and strategic initiatives, (iii) the timing and impact of our portfolio optimization efforts, (iv) our ability to continue to improve same-facility volume and revenue growth on the timeline anticipated, if at all, (v) our ability to successfully integrate acquisitions, (vi) the anticipated impact and timing of our ongoing efficiency efforts, as well as our ongoing procurement and revenue cycle efforts, (vii) potential reductions to payments we receive from third-party payors, including government health care programs and private insurance organizations, (viii) the impact of adverse weather conditions and other events outside of our control, and (ix) the other risks identified and discussed from time to time in the Company’s reports filed with the SEC, including in Item 1A under the heading “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021. Except as required by law, the Company undertakes no obligation to revise or update publicly any forward-looking statements to reflect events or circumstances after the date of this report, or to reflect the occurrence of unanticipated events or circumstances.

Use of Non-GAAP Financial Measures

In addition to the results prepared in accordance with generally accepted accounting principles in the United States ("GAAP") provided throughout this press release, Surgery Partners has presented the following non-GAAP financial measures: Adjusted net income (loss) attributable to common stockholders, Adjusted net income (loss) per share attributable to common stockholders, Adjusted EBITDA and Adjusted EBITDA excluding grant funds, which exclude various items detailed in the attached "Reconciliation of Non-GAAP Financial Measures".

These non-GAAP financial measures are not intended to replace financial performance measures determined in accordance with GAAP. Rather, they are presented as supplemental measures of the Company's performance that management believes may enhance the evaluation of the Company's ongoing operating results. These non-GAAP financial measures are not presented in accordance with GAAP, and the Company's computation of these non-GAAP financial measures may vary from similar measures used by other companies. These measures have limitations as an analytical tool and should not be considered in isolation or as a substitute or alternative to revenue, net income or loss, operating income or loss, cash flows from operating activities, total indebtedness or any other measures of operating performance, liquidity or indebtedness derived in accordance with GAAP.

SURGERY PARTNERS, INC.
Selected Consolidated Financial Data
(Dollars in millions, except per share amounts, shares in thousands)

	Three Months Ended March 31,	
	2022	2021
Revenues	\$ 596.2	\$ 512.4
Operating expenses:		
Salaries and benefits	178.9	151.7
Supplies	171.6	147.3
Professional and medical fees	63.6	55.5
Lease expense	20.0	22.8
Other operating expenses	37.3	31.6
Cost of revenues	471.4	408.9
General and administrative expenses	29.5	26.8
Depreciation and amortization	27.4	25.7
Transaction and integration costs	7.1	5.3
Grant funds	(1.2)	(15.1)
Gain on disposals and deconsolidations, net	(0.1)	(0.9)
Equity in earnings of unconsolidated affiliates	(3.1)	(2.6)
Litigation settlement	(32.8)	—
Other income, net	(2.4)	—
	<u>495.8</u>	<u>448.1</u>
Operating income	100.4	64.3
Interest expense, net	(56.3)	(53.3)
Income before income taxes	44.1	11.0
Income tax expense	(1.3)	(0.2)
Net income	42.8	10.8
Less: Net income attributable to non-controlling interests	(30.6)	(31.8)
Net income (loss) attributable to Surgery Partners, Inc.	12.2	(21.0)
Less: Amounts attributable to participating securities	—	(10.3)
Net income (loss) attributable to common stockholders	<u>\$ 12.2</u>	<u>\$ (31.3)</u>
Net income (loss) per share attributable to common stockholders		
Basic	\$ 0.14	\$ (0.57)
Diluted ⁽¹⁾	\$ 0.14	\$ (0.57)
Weighted average common shares outstanding		
Basic	87,995	54,773
Diluted ⁽¹⁾	90,272	54,773

⁽¹⁾The impact of potentially dilutive securities for the three months ended March 31, 2021 was not considered because the effect would be anti-dilutive.

SURGERY PARTNERS, INC.
Selected Financial and Operating Data
(Dollars in millions, except per case and per share amounts)

	March 31, 2022	December 31, 2021
Balance Sheet Data (at period end):		
Cash and cash equivalents	\$ 378.9	\$ 389.9
Total current assets	937.0	946.1
Total assets	6,289.5	6,117.6
Current maturities of long-term debt	68.0	60.4
Total current liabilities	542.3	536.8
Long-term debt, less current maturities	3,025.2	2,878.4
Total liabilities	3,935.4	3,817.8
Non-controlling interests—redeemable	341.5	330.2
Total Surgery Partners, Inc. stockholders' equity	1,160.9	1,089.0
Non-controlling interests—non-redeemable	851.7	880.6
Total stockholders' equity	2,012.6	1,969.6

	Three Months Ended March 31,	
	2022	2021
Cash Flow Data:		
Net cash provided by (used in):		
Operating activities	\$ 79.8	\$ 50.2
Investing activities	(47.1)	(14.3)
Purchases of property and equipment	(18.2)	(14.5)
Payments for acquisitions, net of cash acquired	(31.1)	(2.1)
Financing activities	(43.7)	187.8
Distributions to non-controlling interests	(36.2)	(31.3)

	Three Months Ended March 31,	
	2022	2021
Other Data:		
Number of surgical facilities as of the end of period	127	127
Number of consolidated surgical facilities as of the end of period	108	107
Cases	142,266	125,127
Revenue per case	\$ 4,191	\$ 4,095
Adjusted EBITDA ⁽¹⁾	\$ 77.1	\$ 72.9
Adjusted EBITDA excluding grant funds ⁽¹⁾	\$ 76.1	\$ 62.2
Adjusted EBITDA margin ⁽²⁾	12.9 %	14.2 %
Adjusted net loss per share attributable to common stockholders - Basic ⁽¹⁾	\$ (0.09)	\$ (0.30)
Adjusted net loss per share attributable to common stockholders - Diluted ⁽¹⁾	\$ (0.09)	\$ (0.30)

⁽¹⁾ A reconciliation of these non-GAAP financial measures appears below.

⁽²⁾ Defined as Adjusted EBITDA as a % of Revenues.

SURGERY PARTNERS, INC.
Supplemental Information
(Dollars in millions, except per case amounts)

	Three Months Ended March 31,	
	2022	2021
Same-facility Information ⁽¹⁾:		
Cases	147,290	136,357
Case growth	8.0 %	N/A
Revenue per case	\$ 3,921	\$ 3,854
Revenue per case growth	1.7 %	N/A
Number of work days in the period	64	63
Case growth (days adjusted)	6.3 %	N/A
Revenue growth (days adjusted)	8.2 %	N/A

⁽¹⁾ Same-facility information includes cases and revenues from our consolidated and non-consolidated surgical facilities (excluding facilities acquired in new markets or divested during the current and prior periods).

	Three Months Ended March 31,	
	2022	2021
Segment Revenues:		
Surgical facility services	\$ 578.8	\$ 495.8
Ancillary services	17.4	16.6
Total revenues	<u>\$ 596.2</u>	<u>\$ 512.4</u>

	Three Months Ended March 31,	
	2022	2021
Adjusted EBITDA:		
Surgical facility services	\$ 101.0	\$ 95.0
Ancillary services	0.1	(0.9)
All other	(24.0)	(21.2)
Total Adjusted EBITDA	<u>\$ 77.1</u>	<u>\$ 72.9</u>

SURGERY PARTNERS, INC.
Reconciliation of Non-GAAP Financial Measures
(Dollars in millions)

The following table reconciles Adjusted EBITDA to income before income taxes in the reported condensed consolidated financial information, the most directly comparable GAAP financial measure:

	Three Months Ended March 31,	
	2022	2021
Income before income taxes	\$ 44.1	\$ 11.0
Net income attributable to non-controlling interests	(30.6)	(31.8)
Depreciation and amortization	27.4	25.7
Interest expense, net	56.3	53.3
Equity-based compensation expense	3.7	5.2
Transaction, integration and acquisition costs ⁽¹⁾	7.1	9.4
Gain on disposals and deconsolidations, net	(0.1)	(0.9)
Litigation settlement and other litigation costs ⁽²⁾	(30.8)	1.0
Adjusted EBITDA ⁽³⁾	\$ 77.1	\$ 72.9
Less: Impact of grant funds ⁽⁴⁾	(1.0)	(10.7)
Adjusted EBITDA excluding grant funds	\$ 76.1	\$ 62.2

⁽¹⁾ This amount includes transaction and integration costs of \$7.1 million and \$5.3 million for the three months ended March 31, 2022 and 2021, respectively. This amount further includes start-up costs related to a de novo surgical hospital of \$4.1 million for the three months ended March 31, 2021, with no comparable costs for the three months ended March 31, 2022.

⁽²⁾ This amount includes other litigation costs of \$2.0 million and \$1.0 million for the three months ended March 31, 2022 and 2021, respectively. This amount also includes a litigation settlement gain of \$32.8 million for the three months ended March 31, 2022, with no comparable activity for the three months ended March 31, 2021.

⁽³⁾ We use Adjusted EBITDA as a measure of financial performance. Adjusted EBITDA is a key measure used by management to assess operating performance, make business decisions and allocate resources. Non-controlling interests represent the interests of third parties, such as physicians, and in some cases, healthcare systems that own an interest in surgical facilities that we consolidate for financial reporting purposes. We believe that it is helpful to investors to present Adjusted EBITDA as defined above because it excludes the portion of net income attributable to these third-party interests and clarifies for investors our portion of Adjusted EBITDA generated by our surgical facilities and other operations. Adjusted EBITDA is not a measurement of financial performance under GAAP, and should not be considered in isolation or as a substitute for net income, operating income or any other measure calculated in accordance with GAAP. The items excluded from Adjusted EBITDA are significant components in understanding and evaluating our financial performance. We believe such adjustments are appropriate, as the magnitude and frequency of such items can vary significantly and are not related to the assessment of normal operating performance. Our calculation of Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies.

⁽⁴⁾ Represents the impact of grant funds recognized, net of amounts attributable to non-controlling interests.

SURGERY PARTNERS, INC.
Reconciliation of Non-GAAP Financial Measures
(Dollars in millions, except per share amounts, shares in thousands)

From time to time, the Company incurs certain non-recurring gains or losses that are normally non-operational in nature and that it does not consider relevant in assessing its ongoing operating performance. When significant, Surgery Partners' management and Board of Directors typically exclude these gains or losses when evaluating the Company's operating performance and in certain instances when evaluating performance for incentive compensation purposes. Additionally, the Company believes that certain investors and equity analysts exclude these or similar items when evaluating the Company's current or future operating performance and in making informed investment decisions regarding the Company. Accordingly, the Company provides adjusted net loss attributable to common stockholders and adjusted net loss per share attributable to common stockholders as supplements to the comparable GAAP financial measures. Adjusted net loss attributable to common stockholders and adjusted net loss per share attributable to common stockholders should not be considered measures of financial performance under GAAP, and the items excluded from such measures are significant components in understanding and assessing financial performance. These measures should not be considered in isolation or as an alternative to the comparable GAAP financial measures as presented in the consolidated financial statements.

The following table reconciles net income as reflected in the consolidated statements of operations to adjusted net loss attributable to common stockholders used to calculate adjusted net loss per share attributable to common stockholders:

	Three Months Ended March 31,	
	2022	2021
Consolidated Statements of Operations Data:		
Net income	\$ 42.8	\$ 10.8
<i>Plus (minus):</i>		
Net income attributable to non-controlling interests	(30.6)	(31.8)
Amounts attributable to participating securities	—	(10.3)
Equity-based compensation expense	3.7	5.2
Transaction, integration and acquisition costs	7.1	9.4
Gain on disposals and deconsolidations, net	(0.1)	(0.9)
Litigation settlement and other litigation costs	(30.8)	1.0
Adjusted net loss attributable to common stockholders	<u>\$ (7.9)</u>	<u>\$ (16.6)</u>
Adjusted net loss per share attributable to common stockholders		
Basic	\$ (0.09)	\$ (0.30)
Diluted ⁽¹⁾	\$ (0.09)	\$ (0.30)
Weighted average common shares outstanding		
Basic	87,995	54,773
Diluted ⁽¹⁾	87,995	54,773

⁽¹⁾ The impact of potentially dilutive securities for all periods was not considered because the effect would be anti-dilutive in those periods.

Contact
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