
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

March 14, 2016
Date of report (date of earliest event reported)

Surgery Partners, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdictions of
incorporation or organization)

001-37576
(Commission
File Number)

47-3620923
(I.R.S. Employer
Identification Nos.)

40 Burton Hills Boulevard, Suite 500
Nashville, Tennessee 37215
(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 registrants 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))
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Item 2.02 Results of Operations and Financial Condition.

The information contained in Item 7.01 below, to the extent it relates to Surgery Partners, Inc.'s (the "Company") historical results of operation and financial condition as of and for the year ended December 31, 2015, is incorporated herein by reference.

Item 7.01 Regulation FD Disclosure

On March 14, 2016, the Company announced its intention, subject to certain conditions, to obtain an incremental term loan in an aggregate principal amount of \$80 million (the "Incremental Term Loan") under the Company's first lien credit agreement, dated as of November 3, 2014. A copy of the presentation materials to be provided to potential lenders is furnished hereto as Exhibit 99.1.

The Company intends to use the proceeds of the Incremental Term Loan to fund certain proposed acquisitions and for other corporate purposes.

These acquisitions are consistent with the Company's long-standing business strategy of consolidating the highly fragmented surgical facility and physician services industry and attempting to create value through acquisitions. The Company's uses a systematic approach to surgery facility and physician services acquisitions from identification through integration. The Company integration strategy typically includes the rationalization of operating and overhead costs, improvement in managed care contracting, continued physician recruitment and the target utilization of its ancillary services platform within its platform.

This report may contain "forward-looking" statements as defined by the Private Securities Litigation Reform Act of 1995 or by the U.S. Securities and Exchange Commission (the "SEC") in its rules, regulations and releases. These statements include, but are not limited to, the Company's expectations regarding the acquisitions and the performance of its business and the other non- historical statements. These statements can be identified by the use of words such as "believes" "anticipates," "expects," "intends," "plans," "continues," "estimates," "predicts," "projects," "forecasts," and similar expressions. All forward looking statements are based on management's current expectations and beliefs only as of the date of this report 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 the risks identified and discussed from time to time in the Company's reports filed with the SEC, including the Company's most recent Annual Report on Form 10-K. Readers are strongly encouraged to review carefully the full cautionary statements described in these reports. 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.

The information contained herein and in the accompanying exhibit shall not be deemed filed for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Lender Presentation dated March 2016

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/ Michael T. Doyle
Michael T. Doyle
Chief Executive Officer

Date: March 14, 2016

EXHIBIT INDEX

Exhibit
No.

Description

99.1 Lender Presentation dated March 2016

Lender Presentation

March 2016



Executive Summary

- **Surgery Partners, Inc. ("Surgery Partners" or the "Company") is a leading surgical services company with a differentiated outpatient care delivery model**
 - National platform of 101 surgical facilities comprised of 96 ambulatory surgery centers ("ASCs") and 5 surgical hospitals across 29 states as of December 31, 2015
 - Unique focus on ancillary services drives industry leading same-facility revenue growth and sustainable margins
 - 2015 same-facility revenue growth of 10.7%
 - 2015 Revenue and Credit Agreement EBITDA of \$959.9 million and \$210.9 million, respectively
- **In October 2015, Surgery Partners completed its IPO, the net proceeds of which were used to pay down \$243.5 million of Second Lien Term Loan**
 - Current equity valuation of \$770.5 million and implied enterprise value of \$2.0 billion, representing 12.4x EV / EBITDA
 - Meaningful deleveraging through IPO and remainder of the year as a result of significant free cash flow generation
 - Subsequent to the IPO, the Company increased the Revolver size from \$80.0 million to \$150.0 million
- **Surgery Partners intends to raise \$80 million of Incremental First Lien Term Loan to fund 2 acquisitions under signed LOI (the "Transaction")**
 - Net leverage neutral, pro forma for the Transaction – 4.5x first lien net leverage and 5.8x total net leverage based on 2015 Credit Agreement EBITDA of \$226.7 million
 - Transaction is expected to close in late March
- **The Company is seeking an amendment to the existing First Lien Term Loan Credit Agreement to allow \$50 million of unused debt capacity under the general debt / general lien basket to be used to increase the amount of Incremental First Lien Term Loan capacity**
 - \$80 million Incremental First Lien Term Loan will be incurred under the incremental free and clear basket (\$30 million of existing free and clear basket plus additional \$50 million)
 - \$50 million general debt / general lien basket will be eliminated
 - 101 soft call will be reset for 6 months post closing
 - Upon effectiveness of the amendment, consenting First Lien Term Loan lenders will be paid 12.5 bps fee
- **Surgery Partners continues to carefully evaluate the credit markets for opportunities to enhance long term flexibility, including a fixed-rate component of its capital structure**

Sources and Uses and Pro Forma Capitalization

Sources and Uses

Sources of Funds

Incremental First Lien Term Loan	\$	80.0
Purchase Consideration Payable ⁽¹⁾		14.4
Cash from Balance Sheet		2.1
Total Sources	\$	96.5

Uses of Funds

Purchase Price of Acquisitions	\$	91.1
Estimated Fees and Expenses		5.4
Total Uses	\$	96.5

Pro Forma Capitalization

12/31/15

	Actual	Pro Forma ⁽²⁾
Cash and Cash Equivalents	\$ 57.9	\$ 55.9
Revolving Credit Facility	\$ 125.3	\$ 125.3
First Lien Term Loan	861.3	861.3
Incremental First Lien Term Loan	-	80.0
Second Lien Term Loan	246.5	246.5
Subordinated Notes A	1.0	1.0
Facility Level Debt and Other	51.9	51.9
Total Debt	\$ 1,286.0	\$ 1,366.0
Market Capitalization	770.5	770.5
Total Capitalization	\$ 2,056.5	\$ 2,136.5

	Actual	Pro Forma ⁽²⁾
Credit Agreement EBITDA	\$ 210.9	\$ 226.7
Maintenance CapEx ⁽³⁾	27.4	27.4
Free Cash Flow	\$ 183.5	\$ 199.3
First Lien Net Leverage	4.4x	4.5x
Total Net Leverage	5.8x	5.8x
Credit Agreement EBITDA / Cash Interest	2.9x	2.9x
Free Cash Flow / Cash Interest	2.5x	2.6x

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- (1) Represents contingent consideration payable in equal installments over 3 years related to an acquisition in connection with the Transaction, subject to continued employment of the sellers.
 (2) Pro forma for the Transaction.
 (3) Maintenance CapEx normalized for one-time capex primarily related to integration and relocation of a surgical facility and is not pro forma for the Transaction.



Summary of Terms

Borrower	Surgery Center Holdings, Inc.
Facility	\$80 million Incremental First Lien Term Loan
Guarantors	Same as existing First Lien Term Loan
Security	Same as existing First Lien Term Loan
Maturity	November 3, 2020 (Same as existing First Lien Term Loan)
Pricing	L + 425 (Same as existing First Lien Term Loan)
LIBOR Floor	1.0% (Same as existing First Lien Term Loan)
New Issue Price	TBD
Amortization	1.0% per year (Same as existing First Lien Term Loan)
Voluntary Prepayments	Reset 101 soft call for 6 months
Mandatory Prepayments	Same as existing First Lien Term Loan
Financial Covenants	None (Same as existing First Lien Term Loan)
Negative Covenants	Same as existing First Lien Term Loan \$50 million general debt / general lien basket will be eliminated

Acquisitions Under Signed LOI

- As part of the Transaction, Surgery Partners intends to fund the acquisition of 1 ASC (with a physician practice, lab and pharmacy) and 1 physician practice
 - Acquisitions are under signed LOI for an aggregate purchase price of \$91.1 million
 - Incremental EBITDA contribution in the aggregate of \$15.8 million, representing an aggregate effective purchase multiple of 5.8x
- Acquisitions are expected to close in late March

Acquisitions under Signed LOI	
Purchase Price (\$ mm)	\$91.1
Full-Year EBITDA Contribution (\$ mm)	\$15.8
Effective Purchase Multiple	5.8x

Anticipated Transaction Timeline

March 2016						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

 Denotes holiday

Date	Event
March 14, 2016	<ul style="list-style-type: none">▪ Announce Transaction▪ Distribute Loan Amendment Documentation
March 18, 2016	<ul style="list-style-type: none">▪ Signature Pages Due for Loan Amendment Documentation
March 31, 2016	<ul style="list-style-type: none">▪ Close and Fund

Appendix

Credit Agreement EBITDA Reconciliation

	2015	EBITDA Adjustments
Net Income	\$ 72.8	
Less: Net Income attributable to NCI	(71.4)	1. Includes cost savings from corporate overhead reduction, office consolidation, optimized supply chain and revenue synergies from diagnostic and anesthesia services penetration and greater leverage in managed care contract negotiations due to significant enhanced scale of platform
Plus:		2. Represents pro forma impact for acquired anesthesia entities, physician practices and surgical facilities in 2015 including contribution to surgical facilities and ancillary services segments and other adjustments related to lab and pharmacy business initiatives
Income Tax (Benefit) Expense	(149.0)	3. Relates to the losses associated with de novo practices opened during the last 12 months
Interest Expense, Net	101.0	
Depreciation and Amortization	34.5	
EBITDA	\$ (12.0)	
Plus:		
Management Fee	2.3	
Merger Transaction, Integration and Practice Acquisition Costs	20.6	
Termination of Management Agreement and IPO Costs	5.8	
Tax Receivable Agreement Expense	119.9	
Non-cash Stock Compensation Expense	7.5	
Loss on Debt Extinguishment	16.1	
(Gain) Loss on Disposal of Investments and Long-lived Assets, net	(2.1)	
Adjusted EBITDA	\$ 158.1	
1. Synergies	21.2	
2. Pro Forma Acquisitions	30.3	
3. De Novo Start-up Losses	1.3	
Credit Agreement EBITDA	\$ 210.9	