

**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): **July 22, 2020**

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)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

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:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
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 July 22, 2020, Surgery Partners, Inc. (“Surgery Partners” or the “Company”) announced that its wholly-owned subsidiary, Surgery Center Holdings, Inc., intends to issue \$115 million of additional 10.000% Senior Notes due 2027 (the “Additional Notes”), the proceeds of which are expected to be used for general corporate purposes and to fund growth-related activities, including, but not limited to, service line expansions, physician recruiting and technology infrastructure investments and potential acquisitions.

While the Company is still in the process of completing the financial closing procedures related to the quarter ended June 30, 2020, in connection with the offering of Additional Notes, the Company is providing investors with the following preliminary unaudited estimates for the quarter June 30, 2020:

- Surgical case volumes are expected to be at least 82,500, a decrease of 38% as compared to the prior year period, primarily related to the impact of the COVID-19 pandemic
- Revenues are expected to be at least \$370.0 million, a decrease of approximately 17% as compared to the prior year period
 - o Days adjusted Same-facility Revenues is expected to decrease approximately 18% to 19% over the prior period as a result of the COVID-19 pandemic, driven by volume declines that were partially offset by higher net revenue per case and mix
 - o Revenues and Days adjusted Same-facility Revenues specifically exclude an estimated \$43 million in direct grant payments received and recognized as revenue in the quarter as part of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), which we expect to record separately as “Grant Funds”
- The Company expects to report a Net Loss for the second quarter of 2020 between \$(34) million and \$(38) million
 - o Net Loss includes an after-tax benefit of approximately \$20 million from direct grant payments received as a part of the CARES Act
- The Company expects Adjusted EBITDA to be at least \$57 million, a decrease of approximately 7% as compared to the prior year period
 - o Adjusted EBITDA includes a benefit of approximately \$27 million (net of non-controlling interest) from direct grant payments received as a part of the CARES Act
- Consolidated cash and cash equivalents are expected to be greater than \$200 million as of June 30, 2020 and exclude approximately \$120 million of Medicare Advanced Payments that the Company expects to begin to repay starting in August 2020; and
- The Company’s revolving credit facility is undrawn as of June 30, 2020, and the Company has the capacity to draw approximately \$113 million, after consideration of outstanding Letters of Credit

Preliminary Unaudited Selected Financial Data

These preliminary unaudited estimates regarding surgical case volumes, Revenues, Same-facility Revenues, Adjusted EBITDA, and Consolidated Cash and Cash Equivalents for the quarter ended June 30, 2020 are the responsibility of management and are subject to quarter-end in connection with the completion of our customary financial closing procedures, including management’s review and finalization and to accounting review procedures by our independent registered public accounting firm, which have not yet been performed. During the course of our review process, items may be identified that would require us to make adjustments, which could result in material changes to our preliminary unaudited estimated financial results. Consequently, the results should not be viewed as a substitute for our earnings release and Quarterly Report on Form 10-Q, which are expected to be released on August 5, 2020. Actual results may differ materially from our preliminary expectations. We will provide a full GAAP reconciliation of final Adjusted EBITDA when we report our full second quarter financial results.

Non-GAAP Financial Measures

Adjusted EBITDA is a financial measure that has not been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) and the Company’s definition and computation of this non-GAAP financial measures may vary from those used by other companies. This measure has limitations as an analytical tool and should not be considered in isolation or as a substitute or alternative to net income or loss, operating income or loss, or any other measures of operating performance derived in accordance with GAAP. The Company defines the term “Adjusted EBITDA” as income before income taxes adjusted for net income attributable to non-controlling interests, depreciation and amortization, interest expense, net, equity-based compensation expense, contingent acquisition compensation expense, transaction, integration and acquisition costs, reserve adjustments, loss on disposals and de-consolidations, net, gain on litigation settlements and certain other items that we do not believe are representative of our ongoing operations. The Company is unable to present a quantitative reconciliation of Adjusted EBITDA to net income/loss for the period presented because management cannot reasonably predict with sufficient reliability all of the necessary components of net income/loss for the periods presented. The determination of the amounts that are excluded from non-GAAP financial measures is a matter of management judgment and depends upon, among other factors, the nature of the underlying expense or income amounts.

Item 7.01 Regulation FD Disclosure.

The Company's wholly-owned subsidiary, Surgery Center Holdings, Inc., intends to offer, subject to market and other considerations, \$115 million aggregate principal amount of Additional Notes. The offering of Additional Notes is expected to be conducted pursuant to Rule 144A and Regulation S under the Securities Act of 1933, as amended (the "Securities Act").

Certain information regarding the offering and that will be presented to investors in connection with the offering is included with this Current Report as exhibit 99.1.

The information in this Current Report is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to the liabilities under that Section and shall not be deemed to be incorporated by reference into any filing of the Registrant under the Securities Act or the Exchange Act.

Forward-Looking Statements

This report contains "forward-looking" statements, including those regarding Surgery Partners' intention to offer and sell, and apply the net proceeds of, the notes and the results anticipated to be reported for the Company's second quarter following additional review. These statements include, but are not limited to, the Company's expectations regarding the Offering. 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 but not limited to the risk that the proposed offering and related redemption is not completed on the terms or in the amounts anticipated, or at all and, and the other risks identified in Item 1A under the heading "Risk Factors" recent Annual Report on Form 10-K and in the Company's current reports on Form 10-Q. 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.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
99.1	Investor Presentation, dated July 2020

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/ Jennifer Baldock
Jennifer Baldock
Senior Vice President and Chief Legal Officer

Date: July 22, 2020

Lender Presentation

July 2020



Forward-Looking Statements

This presentation contains forward-looking statements, which are based on our current expectations, estimates and assumptions about future events. All statements other than statements of current or historical fact contained in this report are forward-looking statements. These statements include, but are not limited to, statements regarding our future financial position, business strategy, budgets, effective tax rate, projected costs and plans and objectives of management for future operations. The words "projections," "believe," "continue," "drive," "estimate," "expect," "intend," "may," "plan," "will," "could," "would" and similar expressions are generally intended to identify forward-looking statements. These statements involve risks, uncertainties and other factors that may cause actual results to differ from the expectations expressed in the statements. Many of these factors are beyond our ability to control or predict. These factors include, without limitation, the duration and severity of the COVID-19 outbreak in the United States and the regions in which we operate, the impact to the state and local economies of prolonged shelter in place orders and the pandemic generally, our ability to respond nimbly to challenging economic conditions, the unpredictability of our case volume both in the current environment and if and when restrictions are eased, our ability to preserve or raise sufficient funds to continue operations throughout this period of uncertainty, including through our in-process asset sales, which may not occur during this period of uncertainty, if at all, the impact of our cost-cutting measures on our future performance, our ability to defer payments, including certain lease payments, 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; our ability to execute on our operational and strategic initiatives; the timing and impact of our portfolio optimization efforts; our ability to continue to improve same-facility volume and revenue growth on the timeline anticipated, if at all; our ability to successfully integrate acquisitions; the anticipated impact and timing of our ongoing efficiency efforts, including insurance consolidations and completed headcount actions, as well as our ongoing procurement and revenue cycle efforts; the impact of adverse weather conditions and other events outside of our control; and the risks and uncertainties set forth under the heading "Risk Factors" in our quarterly report on 10-Q for the quarter ended March 31, 2020 and in our Annual Report on Form 10-K for the year ended December 31, 2019 and discussed from time to time in our reports filed with the SEC. Considering these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this presentation and in such reports may not occur, and actual results could differ materially from those anticipated or implied in the forward-looking statements. When you consider these forward-looking statements, you should keep in mind these risk factors and other cautionary statements in this this presentation and such reports. These forward-looking statements speak only as of the date made. Other than as required by law, we undertake no obligation to publicly update or revise any forward-looking statements, whether because of new information, future events or otherwise. Investors, potential investors, and others should give careful consideration to these risks and uncertainties and should not place considerable reliance on the forward-looking statements contained in this presentation.

Data and Information Contained in this Presentation

This presentation also contains market research, estimates and forecasts, which are inherently subject to uncertainties and actual events or circumstances may differ materially from events and circumstances reflected in this information. Certain data in this presentation was obtained from various external sources, and neither the Company nor its affiliates, advisers or representatives has verified such data with independent sources. Accordingly, neither the Company nor any of its affiliates, advisers or representatives makes any representations as to the accuracy or completeness of that data or to update such data after the date of this presentation. Such data involves risks and uncertainties and is subject to change based on various factors. The trademarks included herein are the property of the owners thereof and are used for reference purposes only. Such use should not be construed as an endorsement of the products or services of such owners.

Preliminary Unaudited Selected Financial Data

This presentation includes unaudited estimates regarding surgical case volumes, Revenues, Adjusted Revenues, Same-facility Revenues, Adjusted EBITDA, and Consolidated Cash and Cash Equivalents for the quarter ended June 30, 2020. These estimates are the responsibility of management and are subject to quarter-end adjustments in connection with the completion of our customary financial closing procedures, including management's review and finalization and to accounting review procedures by our independent registered public accounting firm, which have not yet been performed. During the course of our review process, items may be identified that would require the Company to make adjustments, which could result in material changes to these preliminary unaudited estimated financial results. Consequently, the results should not be viewed as a substitute for the Company's earnings release and Quarterly Report on Form 10-Q, which are expected to be released on August 5, 2020. Actual results may differ materially from our preliminary expectations.

Non-GAAP Financial Measures

This presentation contains certain non-GAAP financial measures, including Adjusted Revenue, Adjusted EBITDA, and Credit Agreement EBITDA. A "non-GAAP financial measure" is defined as a numerical measure of a company's financial performance that excludes or includes amounts so as to be different than the most directly comparable measure calculated and presented in accordance with GAAP in the statements of income, balance sheets or statements of cash flow of the company. The Company presents non-GAAP financial measures when it believes that the additional information is useful and meaningful to investors. Non-GAAP financial measures do not have any standardized meaning and are therefore unlikely to be comparable to similar measures presented by other companies. The presentation of non-GAAP financial measures is not intended to be a substitute for, and should not be considered in isolation from, the financial measures reported in accordance with GAAP. For additional information about our non-GAAP financial measures, and a reconciliation of certain non-GAAP financial measures to the most nearly comparable GAAP measures, see slides 23 and 24 of this presentation and the Company's 10-K. The Company will provide a full GAAP reconciliation of final Adjusted Revenue and Adjusted EBITDA for the quarter ending March 31, 2020 when it reports its full second quarter results.

Important Notice Regarding Information Contained in this Presentation

This investor presentation (this "Presentation") is intended to facilitate discussions with representatives of certain institutions regarding a notes offering for Surgery Partners, Inc. and its subsidiaries. You should not rely on the information contained in this Presentation and this Presentation does not purport to be all-inclusive or to contain all of the information that a prospective participant may consider material or desirable in making its decision to become an investor in the notes. In all cases, prospective participants should conduct their own investigation and analysis of the Company, their assets, financial condition and prospects, and of the data set forth in this Presentation.

This Presentation is not an offer to sell or the solicitation of an offer to buy any securities, nor will there be any sales of securities by the Company or its subsidiaries in any jurisdiction in which the offer, solicitation or sale would be unlawful. The Unsecured Notes offered in the offering to which this Presentation relates have not been and will not be registered under the Securities Act of 1933, as amended (the "Act"), or under any state securities laws. Securities may not be offered or sold in the United States to any persons unless they are registered or exempt from registration under the Act.



Transaction Overview

Section 1

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Transaction Overview

- Surgery Partners, Inc. ("Surgery Partners" or the "Company") is a leading independent operator of short-stay surgical facilities, focused on providing high quality, cost effective solutions for surgical and related ancillary care
 - National network of 127 surgical facilities comprised of 111 ambulatory surgery centers (ASCs) and 16 surgical hospitals across 30 states as of March 31st, 2020
 - LTM 3/31/20 Revenue and Credit Agreement EBITDA of \$1,856 million and \$327.0 million⁽¹⁾, respectively
 - Favorable positioning and industry trends:
 - Leading musculoskeletal platform
 - Aging demographic
 - Recent CMS rules added total knee replacements and certain cardiac procedures to ASCs for 2020
 - Payor alignment due to high quality and lower cost
 - Safe and preferred alternative to general acute care hospital for patients and physicians
- In response to COVID-19, the Company took decisive and significant measures to reduce cash outflows across the business while balancing near-term liquidity with future state business continuity in the second quarter of 2020
 - Key initiatives include significantly reducing cash operating expenses and deferring non-essential expenditures at the height of the crisis
 - The Company also received approximately \$120 million of support in 2020 from the Medicare Advance Payment Program (which will be repaid beginning in August 2020) and approximately \$48 million of CMS Direct Grants
- Preliminary unaudited estimates of second quarter 2020 results demonstrate strong recovery from COVID-19, including effectiveness of liquidity preservation measures
- Surgery Partners intends to raise \$115.0 million of gross proceeds via an add-on offering to its 10.00% Senior Notes due April 15, 2027 for general corporate purposes and to fund growth-related activities, including, but not limited to, service line expansions, physician recruiting and technology infrastructure investments and potential acquisitions
 - Pro forma for the transaction, the Company will have Secured Net / Total Net Leverage of 3.9x / 6.9x⁽²⁾, respectively, based on LTM 3/31/2020 Credit Agreement EBITDA of \$327.0 million

(1) See pages 30 and 31 for full reconciliations of Adjusted EBITDA to income (loss) before income taxes and Credit Agreement EBITDA to cash from operating activities.
(2) Secured Net leverage and total net leverage calculations exclude debt of non-wholly owned subsidiaries that corresponds to the equity interest of third parties in such subsidiaries and are further adjusted to reflect (i) actual cash balance at June 30, 2020, (ii) repayment of the revolver outstanding balance made on May 29, 2020, and (iii) non-fragible add-on first term loan issues on April 17, 2020.

Sources, Uses and Pro Forma Capitalization

(\$ in Millions, as of 03/31/20)

Sources & Uses			
Add-On Senior Unsecured Notes due 2027	\$	115.0	
Total Sources	\$	115.0	
			Cash to Balance Sheet \$ 111.0
			Est. Financing Fees & Expenses 4.0
			Total Uses \$ 115.0

Pro Forma Capitalization							
	Current Actual	Current Adjusted ⁽²⁾	As Adjusted		Current Actual	Current Adjusted ⁽²⁾	As Adjusted
Cash and Cash Equivalents ⁽¹⁾	\$ 194.6	\$ 326.3	\$ 437.3	LTM 3/31/20 Credit Agreement EBITDA ⁽⁵⁾	\$ 327.0	\$ 327.0	\$ 327.0
Debt							
Revolver (\$120.0 million)	112.9	-	-				
First Lien Term Loan	1,435.0	1,435.0	1,435.0				
Non-Fungible Add-On First Lien Term Loan	-	120.0	120.0				
Finance Leases and Facility Level Debt of Wholly Owned Subsidiaries	166.1	166.1	166.1				
Total Secured Debt	1,714.0	1,721.1	1,721.1	Secured Net Leverage	4.6x	4.3x	3.9x
Senior Unsecured Notes due 2025	370.0	370.0	370.0				
Senior Unsecured Notes due 2027	430.0	430.0	545.0				
Finance Leases and Facility Level Debt of Non Wholly Owned Subsidiaries ⁽³⁾	59.2	59.2	59.2				
Total Debt	2,573.2	2,580.3	2,695.3	Total Net Leverage	7.3x	6.9x	6.9x
Net Debt	2,378.6	2,254.0	2,258.0				
Preferred Equity	404.5	404.5	404.5				
Market Capitalization ⁽⁴⁾	716.4	716.4	716.4				
Total Capitalization ⁽⁵⁾	\$ 3,694.1	\$ 3,701.2	\$ 3,816.2	Equity (including Preferred) / Total Capitalization	30.3%	30.3%	29.4%

(1) Current Adjusted Cash and Cash Equivalents include approximately \$120 million of cash from Medicare Advance Payments. Such amounts are expected to be repaid beginning in August 2020.

(2) Current Adjusted column reflects (i) actual cash balance as of 6/30/2020, (ii) repayment of revolver outstanding balance made on 3/29/2020, and (iii) non-fungible add-on first lien term loan issued 4/17/2020.

(3) Excludes debt of non wholly owned subsidiaries that corresponds to the equity interest share of third parties in such subsidiaries. Such debt is reflected as notes payable and secured loans on a consolidated basis in the Company's financial statements, and as of March 31, 2020, such excluded debt totaled \$128.5 million.

(4) Market cap based on stock price as of 07/21/20 and 30.3 million shares outstanding, per 3/31/20 10-Q.

(5) Excludes non-controlling redeemable interests valued at approximately \$315.8 million and \$4.4 million of unamortized fair value discount.

(6) See pages 27 and 28 for reconciliations of Adjusted EBITDA to income (loss) before income taxes and Credit Agreement EBITDA to cash from operating activities.

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Summary of Terms

Issuer	Surgery Center Holdings, Inc. (same as existing)
Issue	\$115.0 million add-on to 10.000% Senior Notes due April 15, 2027
Distribution	Rule 144A for life (same as existing)
Guarantors	Same as existing
Security	None (same as existing)
Maturity	April 15, 2027 (same as existing)
Price	TBD
Optional Redemption	Same as existing
Mandatory Redemption	Same as existing
Covenants	Same as existing

Anticipated Transaction Timeline

July 2020						
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	

 **Holiday**  **Key Event**

Date	Title
July 23 rd – 10:30am ET	Investor Call
July 23 rd	Price and allocate
July 30 th	Close and fund (T+5)



Company Update

Section 2

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1



2Q20 Preliminary Financials - Flash

	Preliminary Unaudited Estimate	Comparison to 2Q19
Surgical Case Volume	82,500+	~(38)%
Revenues	\$370+ million	~(17)%
Same Store Revenues	Decrease of 18% to 19%	
Adjusted EBITDA	\$57+ million <i>Includes ~\$27M of benefit from CARES grants</i>	~(7)%
Net Loss	\$(34) to \$(38) million <i>Includes ~\$20M after-tax benefit from CARES grants</i>	~(26)%
Cash & Equivalents	\$200+ million <i>Excluding ~\$120M of Medicare Advanced Payments Revolving Credit Facility undrawn at June 30, 2020</i>	

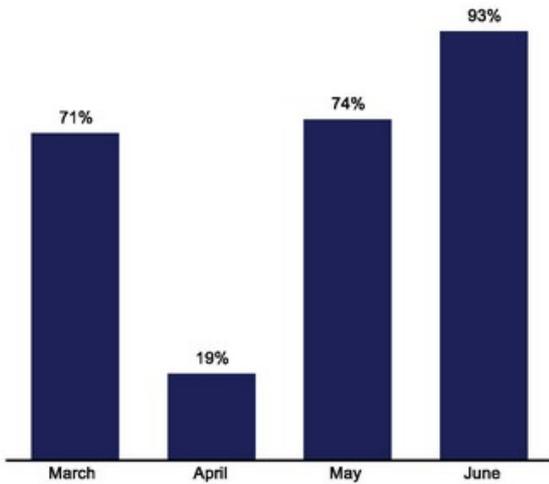
Surgery Partners business continues to rebound, with trailing 4-week case volume at 90%+ of prior year

Note: Adjusted Revenue is estimated to be at least \$375 million.

Business has Experienced Strong Recovery

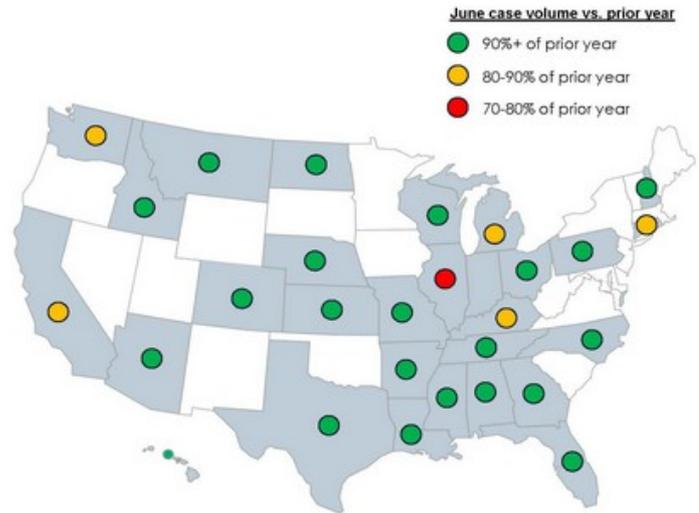
Case volume has experienced strong rebound

Same Store Case Volume versus Prior Year (Days Adjusted)



Continued to experience strong volume trends in first half of July

Most states have returned to at or near pre-COVID levels



Acceleration of Favorable Trends



Migration from Hospitals
to Ambulatory Surgical
Settings

June ASC **joint replacements increased 260%** compared to prior year



Growing demand &
interest from physicians
and patients

Year-to-date, **revenue from new physicians improved 37%** compared to prior year



Increased scope of
ambulatory surgical care

Growth in high acuity, high margin cases, with **net revenue per case increasing 11%** in June compared to prior year



Attractive acquisition
pipeline

Robust pipeline in high growth specialties at attractive multiples

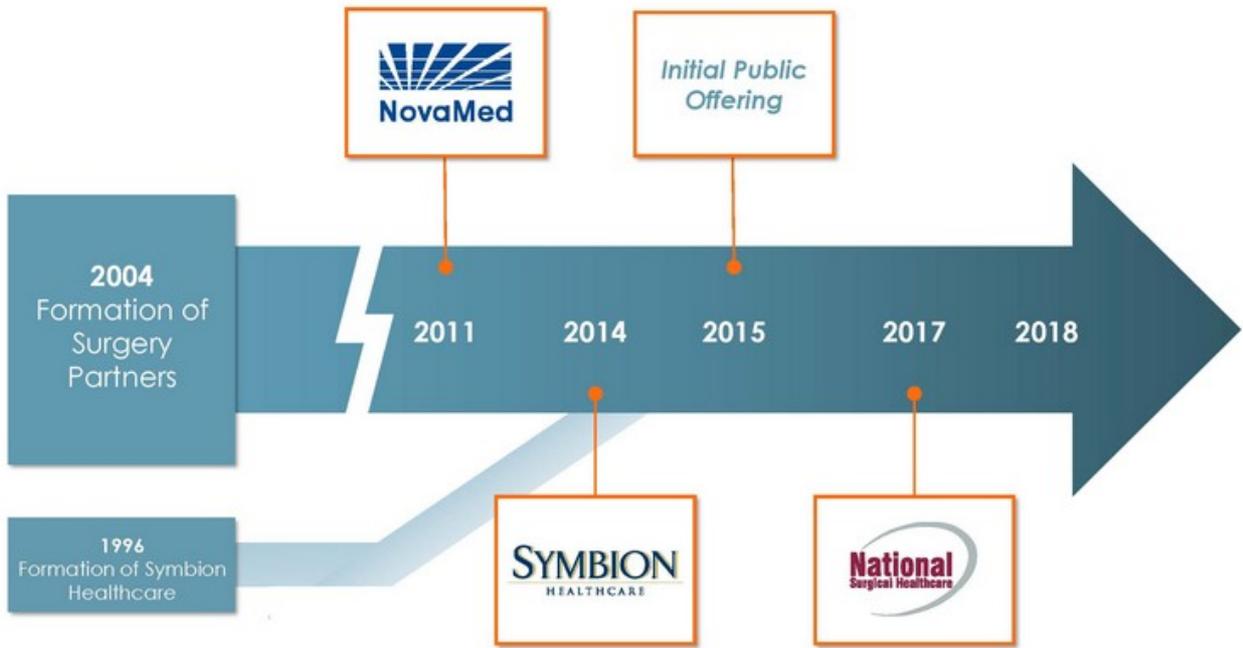


Company Overview

Section 3

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 We Are a Business Built Over the Course of 20+ Years...





...Resulting in the Leading Independent Surgical Facility Operator



30 States

\$1,856 million
Revenue⁽¹⁾

\$327.0 million
Credit Agreement
EBITDA⁽²⁾



111 Ambulatory
Surgery Centers



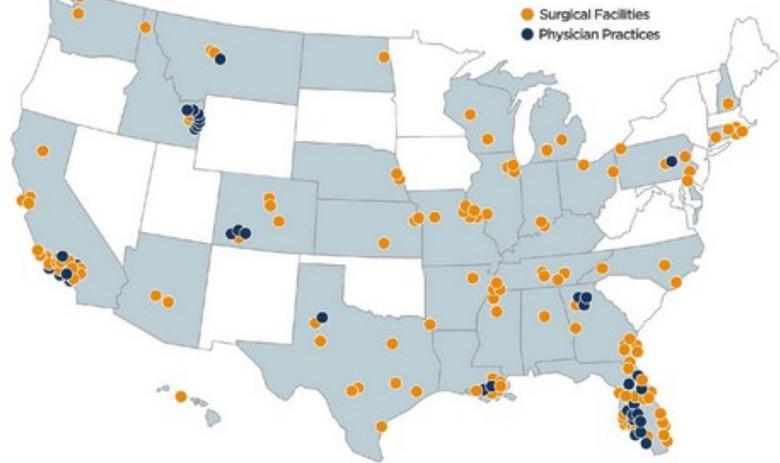
16 Short-Stay
Surgical Hospitals



4,000 Affiliated
Physicians &
~1,500 Physician
Owners



600,000+
Annual Patients



(1) GAAP revenue as of March 31, 2020.

(2) Credit Agreement EBITDA as of March 31, 2020. See page 27 for a reconciliation to cash flow from operating activities.

Note: On July 20, 2010, consistent with Management's previously announced objectives to focus on its core short-stay surgical business, the Company entered into a definitive agreement to sell certain assets related to its Anesthesia business. The transaction is expected to close within 60 to 90 days. The Company does not anticipate that it will be required by the Indenture to redeem the Notes with the transaction proceeds.

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 Diversified Mix, Focused on High Value-Add Specialties, Supported by an Aging Population

Surgery Partners Case Mix

Surgery Partners Case Mix



2019 Revenue: \$1,831 million⁽³⁾

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(1) Includes pain management.
(2) Includes cardiology, ENT, general surgery, plastic surgery and other.
(3) 2019 GAAP Revenue.

Strong, Vertically Integrated Management Team



Wayne DeVeydt
Executive Chairman of the Board of Directors
26 Years Healthcare Experience
2 Years with Surgery Partners



Eric Evans
Chief Executive Officer
15 Years Healthcare Experience
1 Year with Surgery Partners



Tom Cowhey
EVP & Chief Financial Officer
18 Years Healthcare Experience
2 Years with Surgery Partners



Jennifer Baldock
EVP & Chief Administrative Officer
23 Years Healthcare Experience
10 Years with Surgery Partners



Donna Giles
SVP & Chief Clinical Officer
31 Years Healthcare Experience
6 Years with Surgery Partners



Laura Brocklehurst
SVP & Chief Human Resources Officer
20 Years Experience
1 Year with Surgery Partners



George Goodwin
American Group President
32 Years Healthcare Experience
21 Years with Surgery Partners



Tony Taparo
Chief Growth Officer
31 Years Healthcare Experience
23 Years with Surgery Partners



Brad Owens
National Group President
25 Years Healthcare Experience
1 Year with Surgery Partners

Veteran management team, averaging over 20 years of experience



What Makes Us Unique

Section 4

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What Makes Us Unique



Uniquely positioned as a result of our focus on **high growth specialties**



Supported by our **superior clinical quality, customer satisfaction and physician engagement** outcomes



Only **independent** surgical facility operator of national size and scale

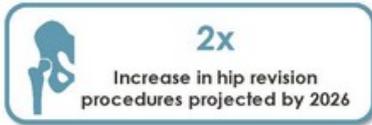


Focused on consolidating an under-valued and fragmented industry with our **distinctive scalable** platform **driving a more efficient and effective operation**



Trusted partner of choice

Leading Musculoskeletal Platform is Key to Future Growth



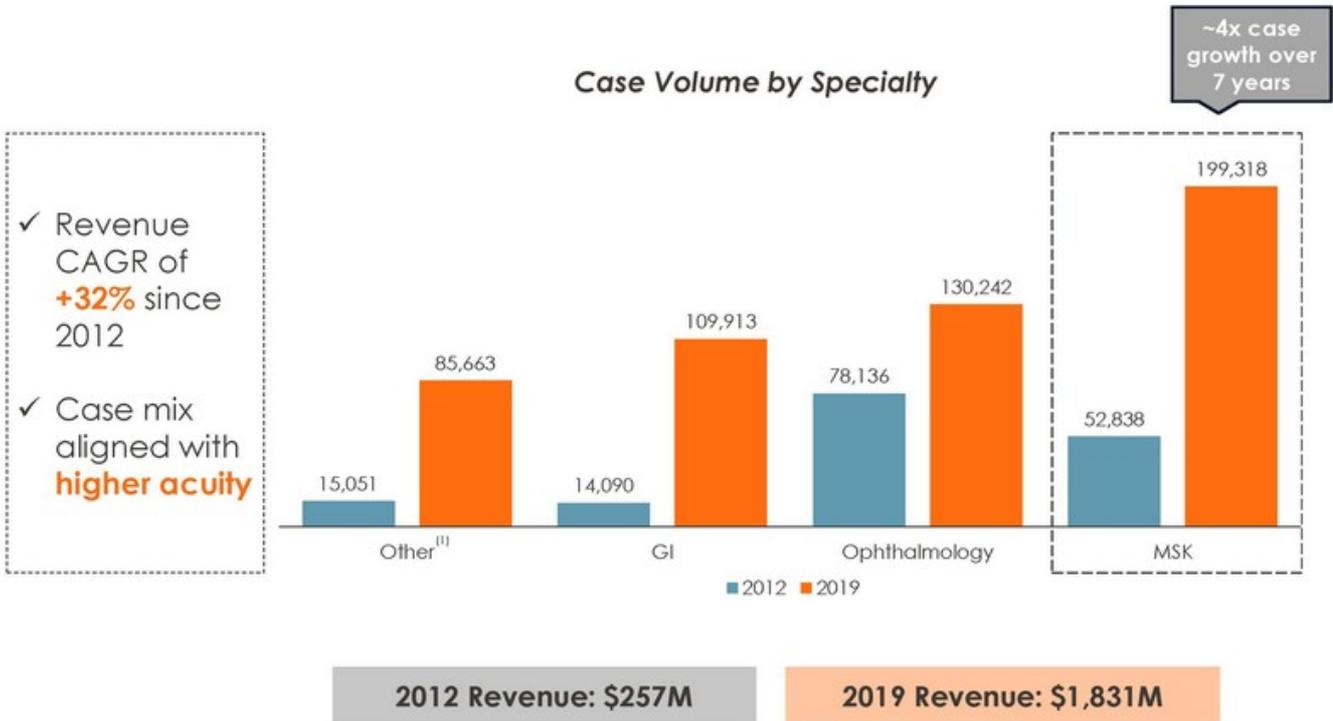
- ✓ Leading national musculoskeletal surgical facilities operator
- ✓ Reduced Costs for payors and patients over acute care settings
- ✓ Expanded network of total joint, orthopedic and spine capabilities
- ✓ Front-end of industry trend toward moving high acuity cases to lower cost settings



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Note: Projections do not reflect the impact of COVID-19 outbreak in 2020 or beyond.
(1) Per 2014 CMS data.
(2) Per 2011 Institute of Medicine Report from the Committee on Advancing Pain Research, Care and Education.

Increasing Opportunity With the Highest Acuties



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(1) Includes cardiology, ENT, general surgery, plastic surgery and other.

November 2019: CMS released final 2020 Medicare Hospital Outpatient Prospective Payment System and ASC Payment System Final Rule

Final Rule Takeaways

2.6% aggregate rate increase (50 bps higher than 2019 increase)

Total Knee Arthroplasty (TKA) and six additional coronary procedures added to ASC-covered procedures

Total Hip Arthroplasty (THA) and six spinal procedures removed from Medicare inpatient-only list

Total Knee Opportunity

1.9 million hip and knee procedures projected by 2026⁽¹⁾

48% total knee cases without major complications⁽²⁾, which could be candidates for less acute settings

Over **25%** of Surgery Partners ASCs have done a total joint procedure in the last 12 months

Medicare joint replacement is a large, new market growth opportunity for Surgery Partners' ASCs

Recognizing the Benefits of Our Transformational Journey

Although the COVID-19 pandemic will impact short-term growth, the foundation built supports the potential for a long-term double-digit Adjusted EBITDA growth model

2018



Foundation of Our Transformational Journey

2019



Executing on Our Strategy

Future



Reaping the Benefits

Pruned Asset Base

Recharged Organic Growth

Rebuilt M&A Pipeline

Leveraged Scale

Invested in Our Surgical Facilities

Accelerated Organic Growth

Bolstered In-Market Pipeline

Leveraged Scale

Top-Line Growth

Margin Expansion

Capital Investment Returns

TRANSFORMATION



EXECUTION



Adjusted EBITDA GROWTH Opportunity

Long-Term Growth Model

Top-line Growth	Margin Expansion	Capital Investment
 <p>Volume</p>  <p>Rate</p>  <p>Managed Care</p>	 <p>Procurement</p>  <p>Revenue Cycle</p>  <p>Org / Workflow Efficiencies</p>	 <p>Acquisitions</p>  <p>Expansions</p>  <p>De Novos</p>

Long-term double-digit Adjusted EBITDA growth model



Appendix

Section 5

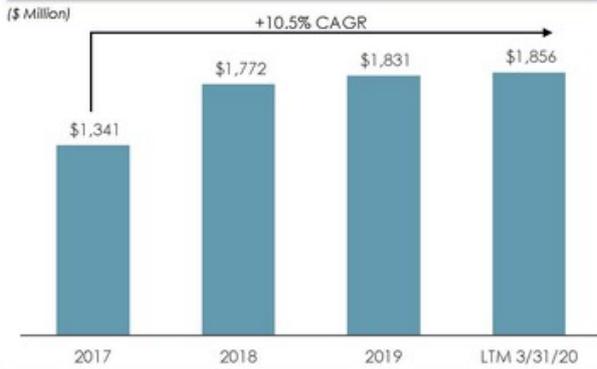
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Historical Financial Results

As Reported Basis

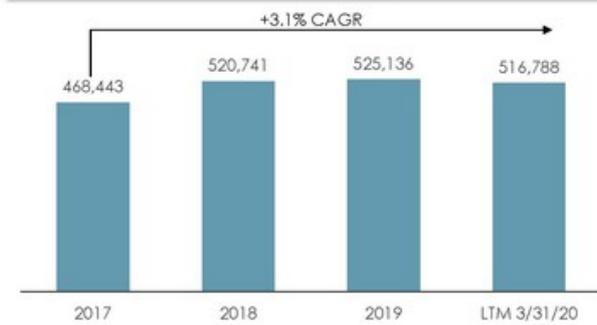
Revenue



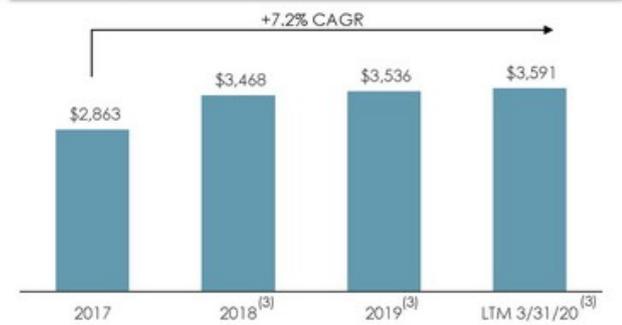
Adjusted EBITDA and Adjusted EBITDA Margin⁽¹⁾



Case Volume⁽²⁾



Adjusted Revenue Per Case⁽²⁾



Confidential

(1) See pages 27 and 28 for full reconciliations of Adjusted EBITDA to income (loss) before income taxes and Credit Agreement EBITDA to cash from operating activities.

(2) Case volume and net revenue per case are attributable to consolidated facilities only. Case volume and net revenue per case are also represented in Company filings on a same-facility basis, which includes both consolidated and non-consolidated facilities.

(3) Adjusted Revenue excludes a provision for doubtful accounts of \$9.6 million, \$25.3 million and \$34.2 million for 3/31/20, 2019 and 2018 from the respectively reported GAAP Net Revenue. These amounts were included in GAAP Net Revenue upon adoption of a new revenue recognition standard in 2018. No such adjustment is required for 2017.

Reconciliation to Credit Agreement EBITDA

The following table reconciles Credit Agreement EBITDA to cash flows from operating activities, the most directly comparable GAAP financial measure (in millions and unaudited):

Credit Agreement EBITDA Adjustments	LTM
	3/31/20
Cash flows from operating activities	\$ 138.2
Plus (minus):	
Non-cash interest income, net	(4.1)
Non-cash lease expense	(39.3)
Deferred income taxes	8.3
Income from equity investments, net of distributions received	(0.6)
Changes in operating assets and liabilities, net of acquisitions and divestitures	40.1
Income tax expense	(7.4)
Net income attributable to non-controlling interests	(115.4)
Interest expense, net	184.0
Transaction, integration and acquisition costs	45.3
Litigation settlement and other litigation costs	6.1
Gain on escrow release	(0.8)
Acquisitions and synergies ⁽¹⁾	72.6
Total Adjustments	\$ 188.8
Credit Agreement EBITDA	\$ 327.0

⁽¹⁾ Represents impact of acquisitions as if each acquisition had occurred on April 1, 2019. Further this includes revenue synergies from other business initiatives, de novo facilities and an adjustment for the effects of adopting the new lease accounting standard, as defined in the credit agreement governing the Senior Secured Credit Facilities.

Reconciliation to Adjusted EBITDA

The following table reconciles Adjusted EBITDA to income (loss) before income taxes, the most directly comparable GAAP financial measure (in millions and unaudited):

EBITDA Adjustments	LTM		FYE	
	3/31/20	2019	2018	2017
Income (loss) before income taxes	\$ 25.8	\$ 54.6	\$ (69.2)	\$ 82.3
Plus (minus):				
Net income attributable to non-controlling interests	(115.4)	(119.9)	(110.1)	(81.7)
Interest expense, net	184.0	178.9	147.0	117.7
Depreciation and amortization	79.5	76.5	67.4	51.9
Equity-based compensation	11.8	10.2	9.3	5.6
Contingent acquisition compensation expense	-	-	1.5	7.0
Transaction, integration & acquisition costs ⁽¹⁾	45.3	36.1	34.0	17.0
Loss (gain) on litigation settlements & other litigation costs ⁽²⁾	6.1	4.6	46.0	(12.5)
Gain on acquisition escrow release	(0.8)	-	-	(1.2)
(Gain) loss on disposals and deconsolidations, net	(1.5)	(4.4)	31.8	1.7
Reserve adjustments ⁽³⁾	-	-	2.7	-
Impairment charges	7.9	7.9	74.4	-
Gain on amendment to tax receivable agreement	-	-	-	(16.4)
Tax receivable agreement expense (benefit) expense	-	2.4	-	(25.3)
Loss on debt extinguishment	11.7	11.7	-	18.2
Total Adjustments	\$ 228.6	\$ 204.0	\$ 304.0	\$ 82.0
Adjusted EBITDA	\$ 254.4	\$ 258.6	\$ 234.8	\$ 164.3

(1) For the years ended December 31, 2019 and 2018, this amount includes transaction and integration costs of \$19.0 million and \$31.7 million, respectively, and acquisition costs of \$2.8 million and \$2.2 million, respectively. This amount further includes start-up costs related to a de novo surgical hospital of \$14.3 million for the year ended December 31, 2019, with no comparable costs in the 2018 period, for the combined year ended December 31, 2017, this amount includes transaction and integration costs of \$13.1 million and acquisition costs of \$3.9 million. There were no start-up costs related to the de novo surgical hospital in the 2017 periods.

(2) For the years ended December 31, 2019 and 2018, this amount includes a loss on litigation settlements of \$0.2 million and \$46.0 million, respectively. This amount further includes other litigation costs of \$4.4 million for the year ended December 31, 2019, with no comparable costs in the 2018 period, for the combined year ended December 31, 2017, this amount includes a gain on litigation settlements of \$12.5 million.

(3) This amount represents adjustments to revenue in connection with applying consistent policies across the combined company as a result of the integration of Surgery Partners and NSH.