

Southwest Healthcare Transactions Conference

Cycles of Opportunity: Acquisition and Consolidation Strategies for Distressed Healthcare Companies

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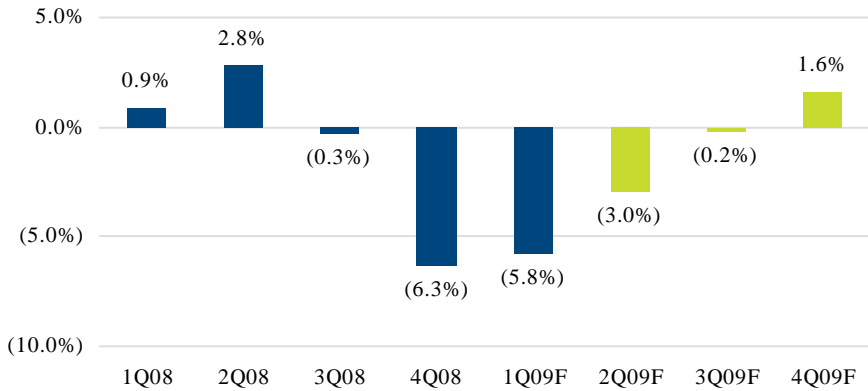
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Managing Director
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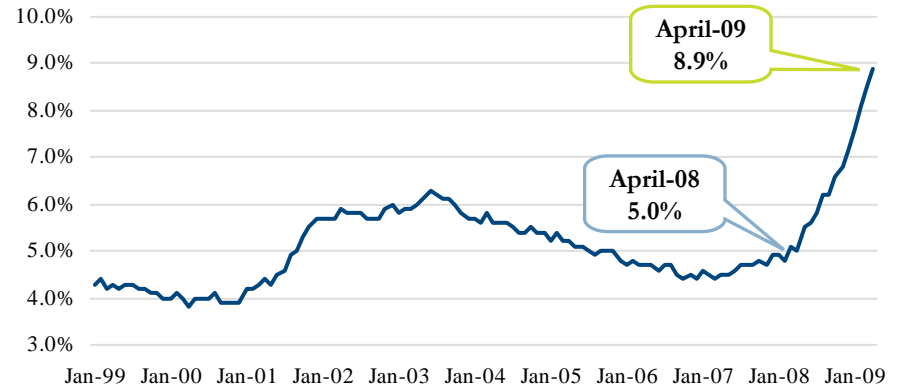
1. Credit Market Trends

The economy remains weak through the first half of 2009

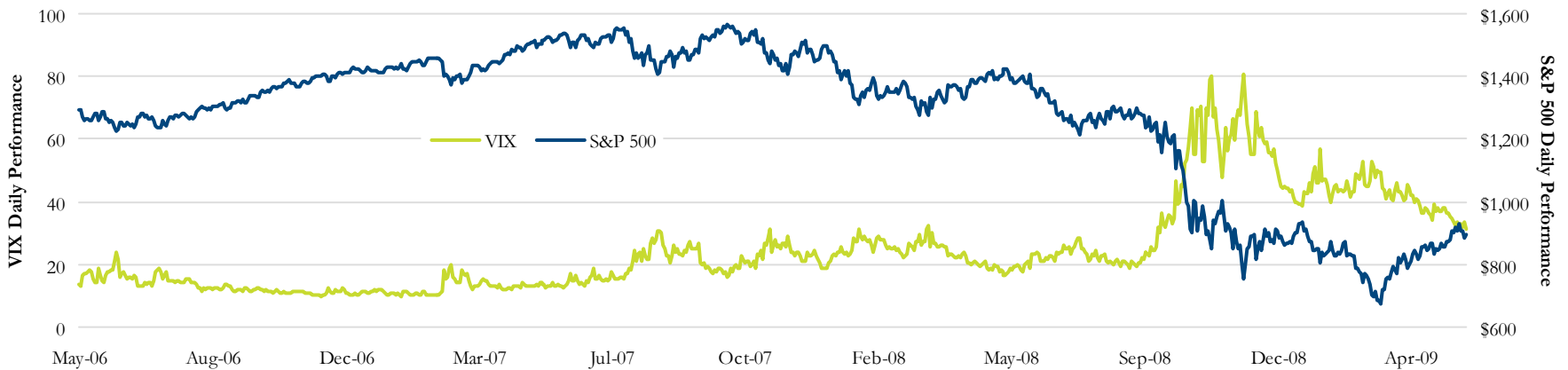
GDP Growth 2008 Actual – 2009 Forecasted



Unemployment Rate



Unprecedented Volatility (S&P 500 & VIX Index)



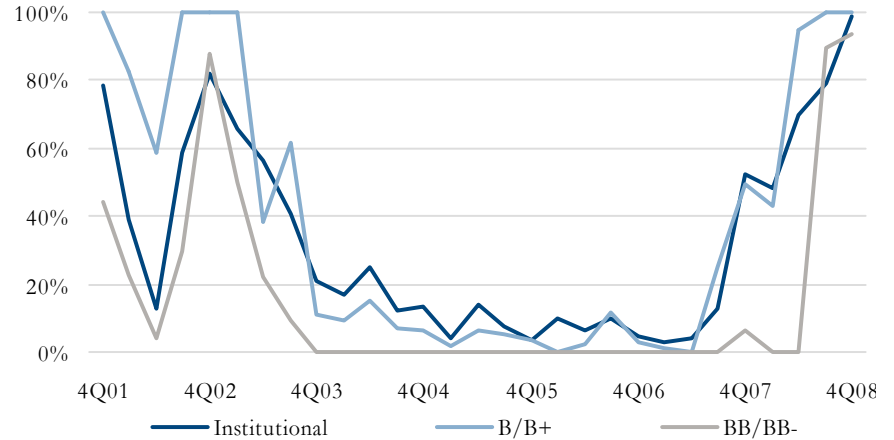
Source: Standard & Poor's LCD, Bureau of Labor Statistics, Capital IQ

Current credit metrics indicative of difficult operating environment

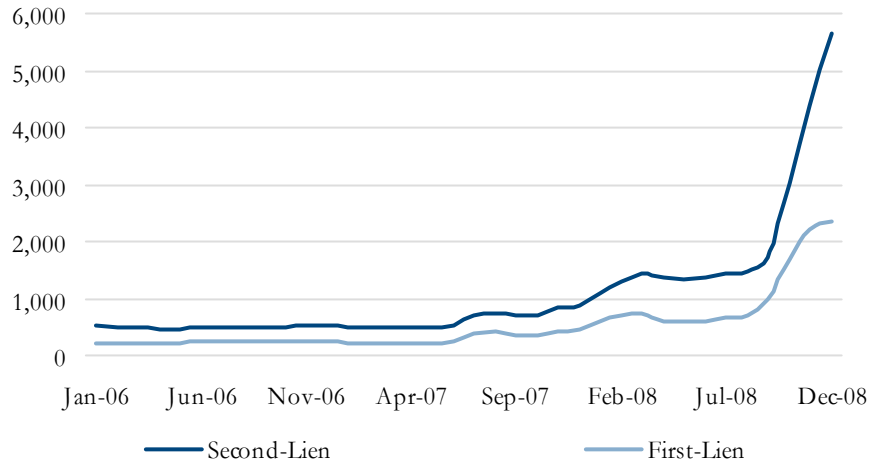
Average Pro-Rata Spread of LBO Loans



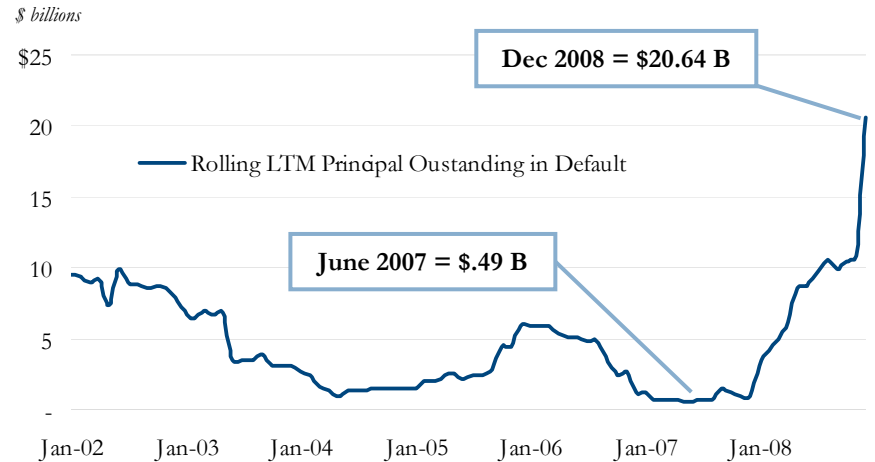
% Institutional First-Lien Term Loans Priced over L + 350



Average Discounted Spread of Leveraged Loans



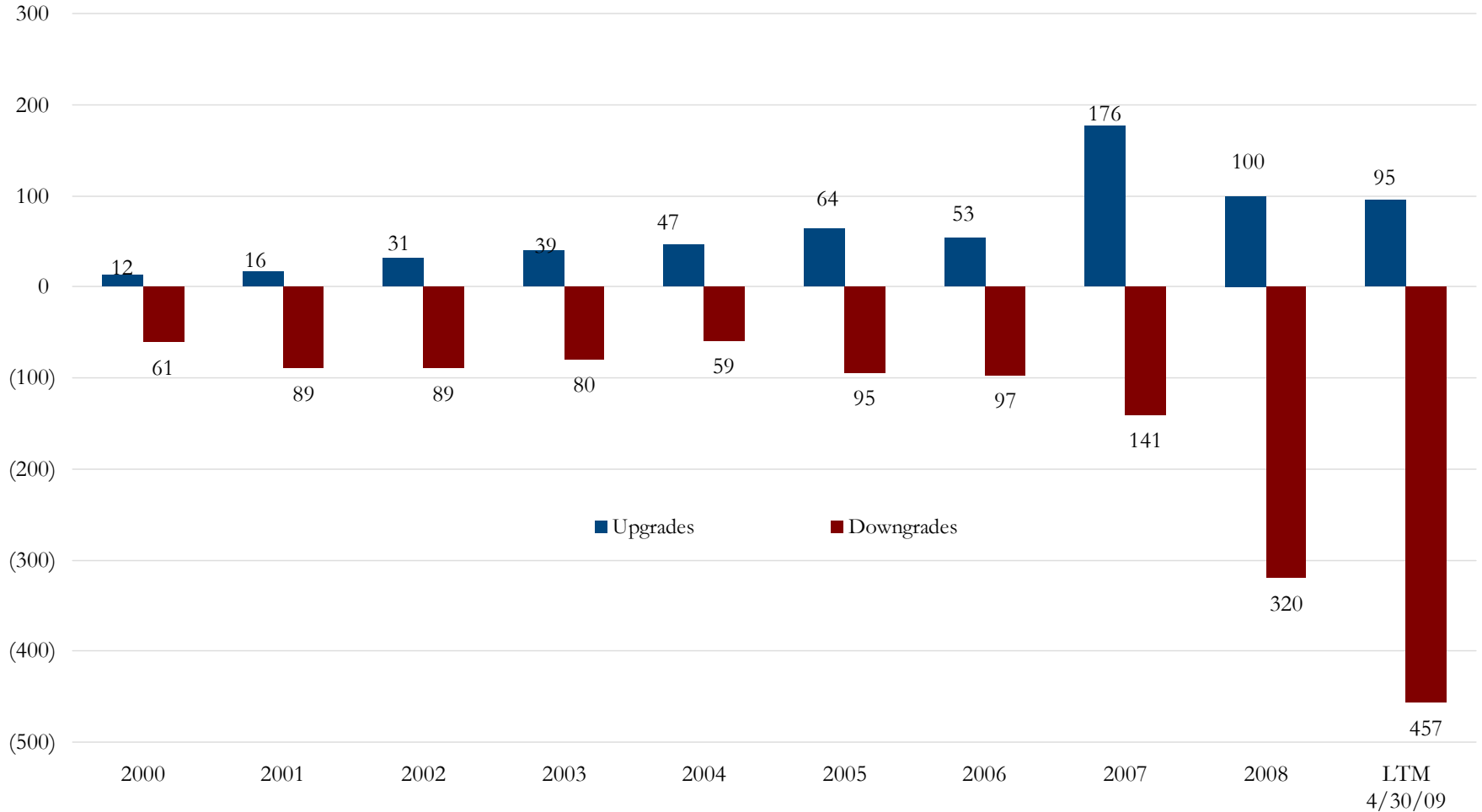
Principal Defaults Building



Source: Standard & Poor's LCD

In addition, credit rating downgrades are increasing...

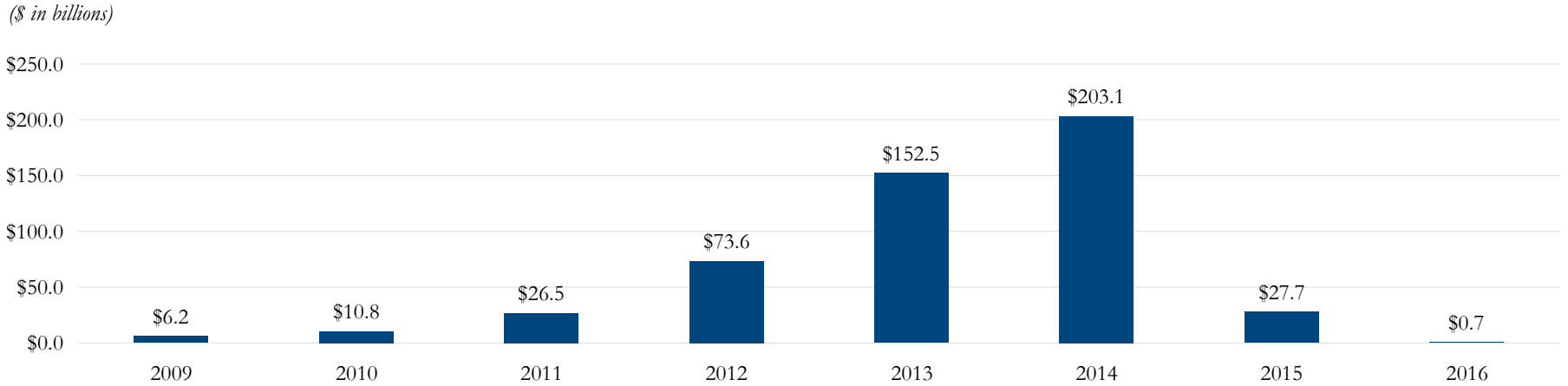
Number of Upgrades and Downgrades Tracked by the S&P/LSTA Leveraged Loan Index



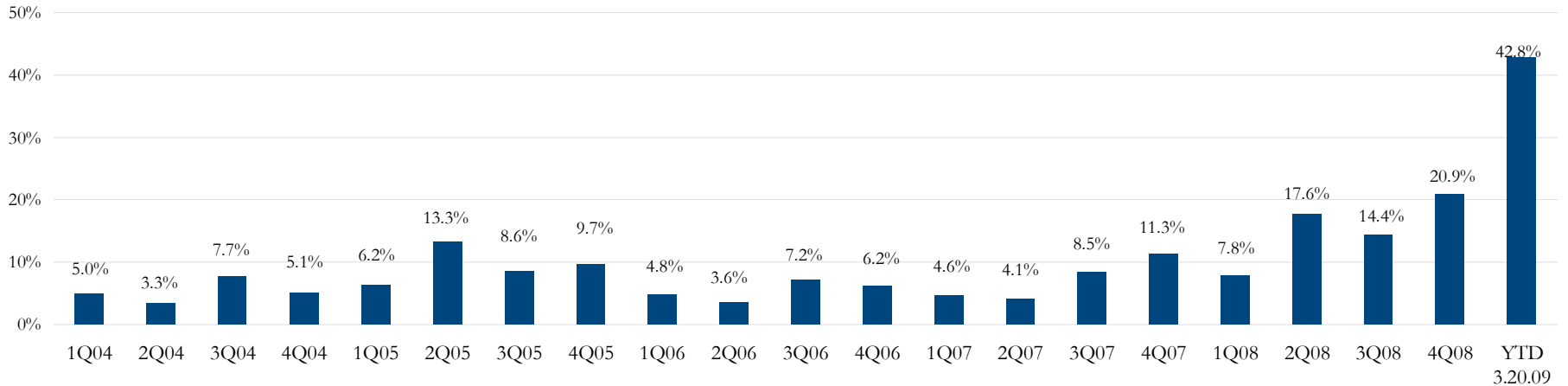
Source: Standard & Poor's LCD

...while an unprecedented amount of debt comes due in 2011 and 2012

First-lien Institutional Debt by Maturity Date



Asset-based loan volume as % of total loan volume is on the rise

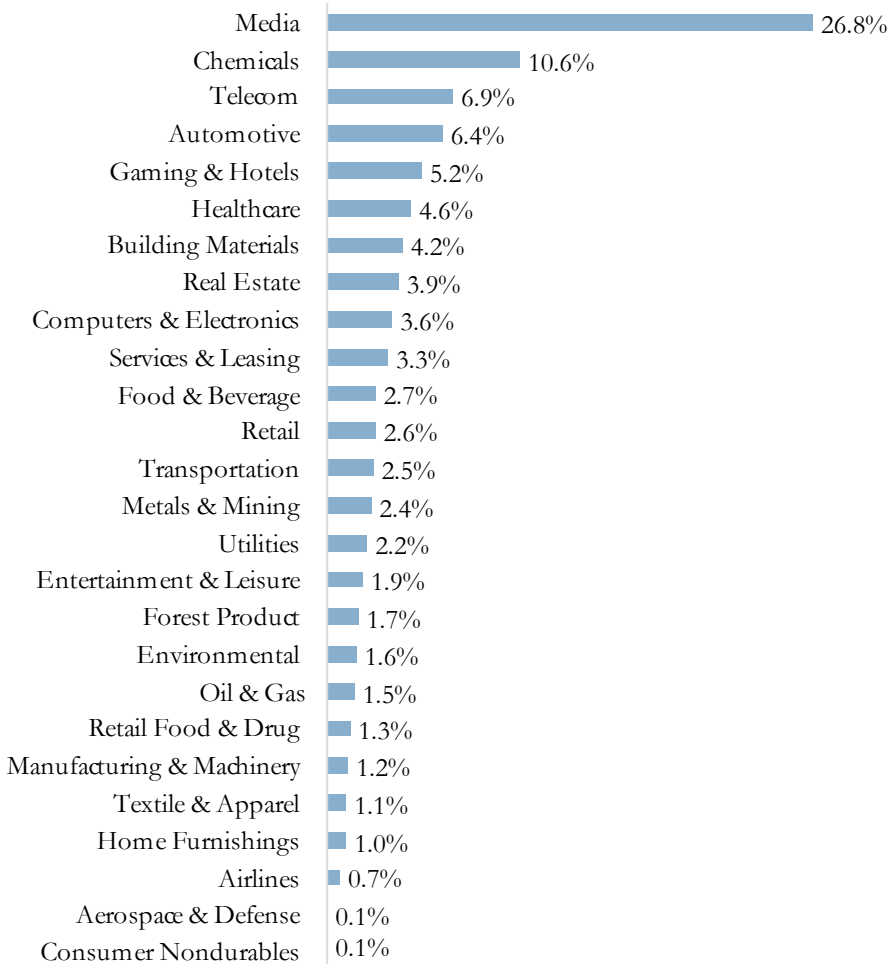


Source: Standard & Poor's LCD

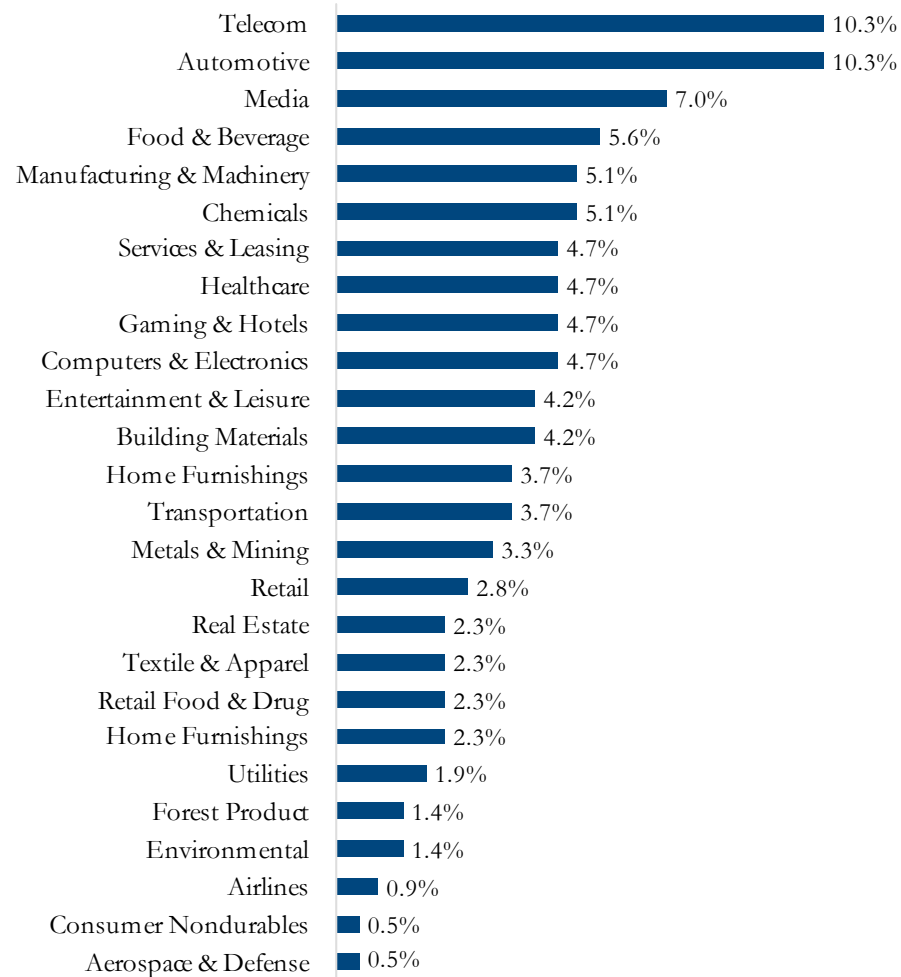
Capital intensive and consumer discretionary industries have the most defaults

Institutional Loan Defaults by Industry

Volume (\$90.6B)



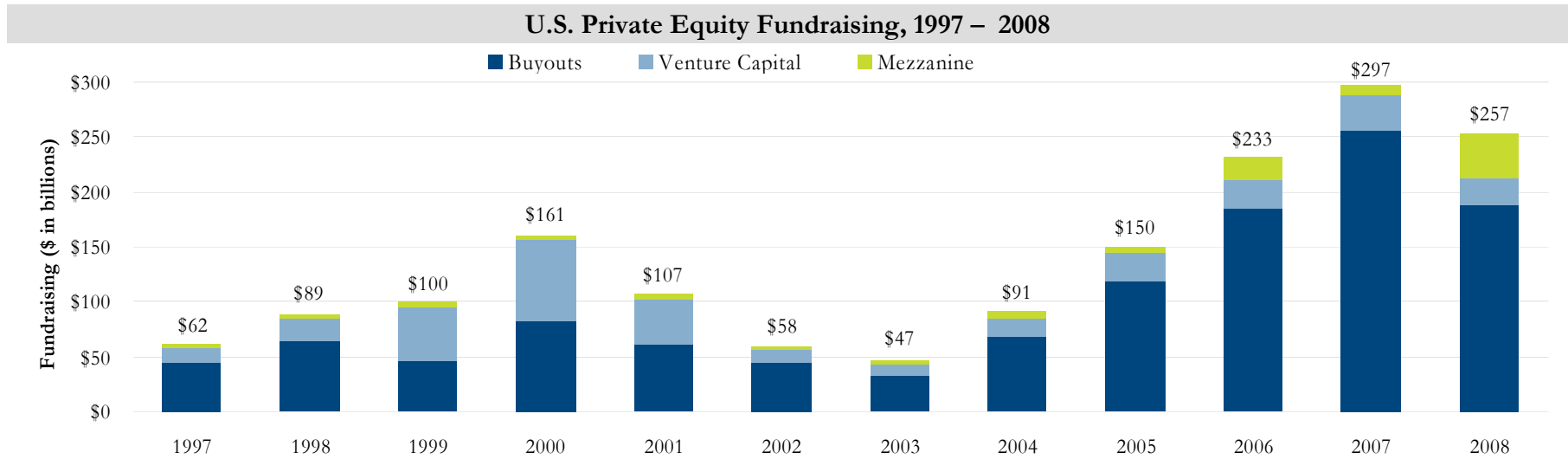
Number (214)



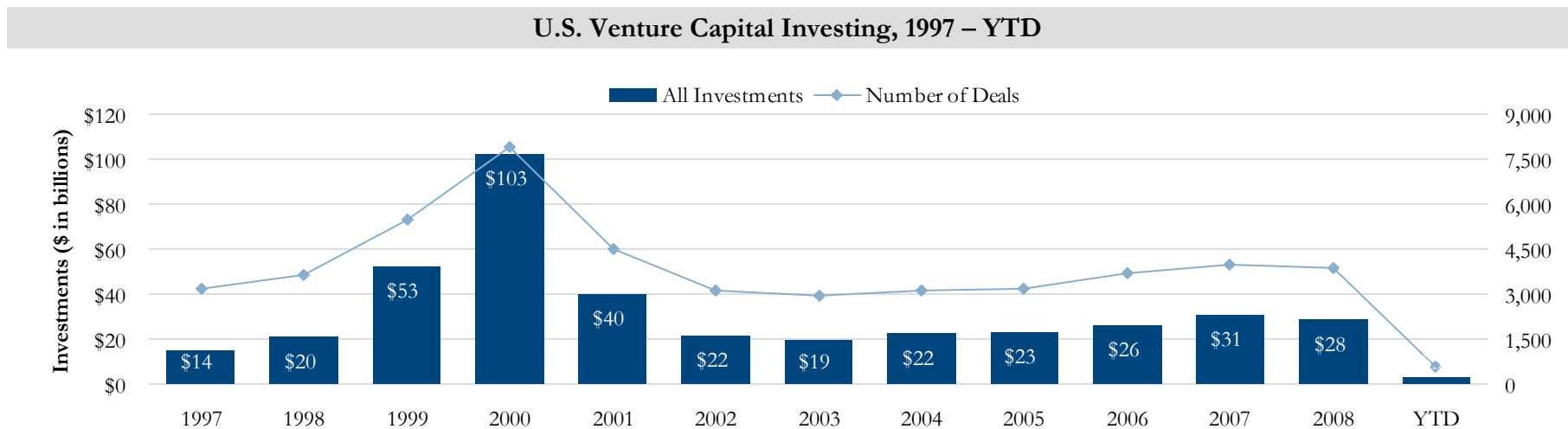
Source: Standard & Poor's LCD

2. Private Equity Trends

Significant unallocated equity capital remains on the sidelines



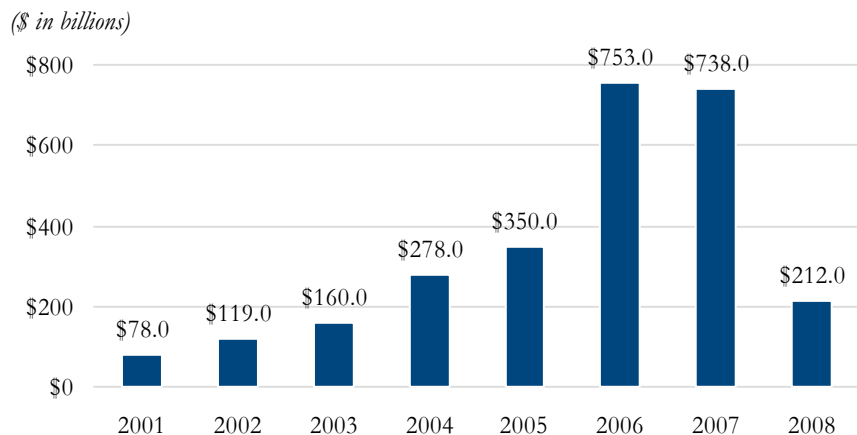
Source: Dow Jones Private Equity Analyst



Source: PricewaterhouseCoopers MoneyTree Survey

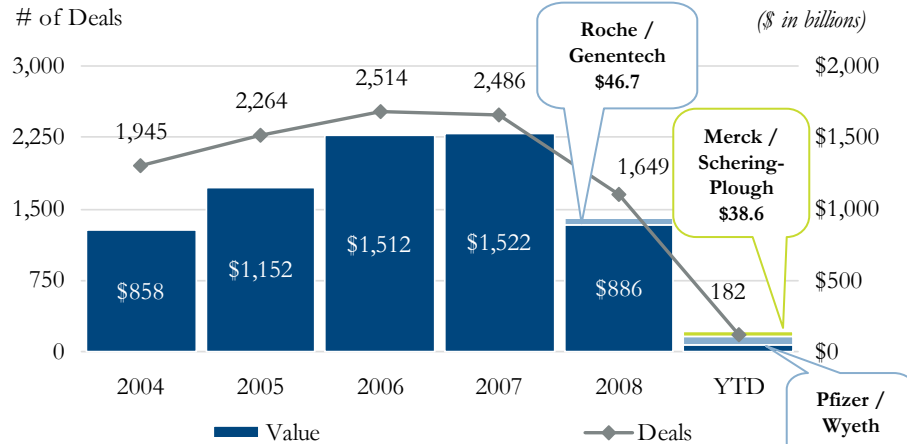
Sharp decline in M&A creates additional pressures to deploy capital

Aggregate U.S. Private Equity Buyout Value



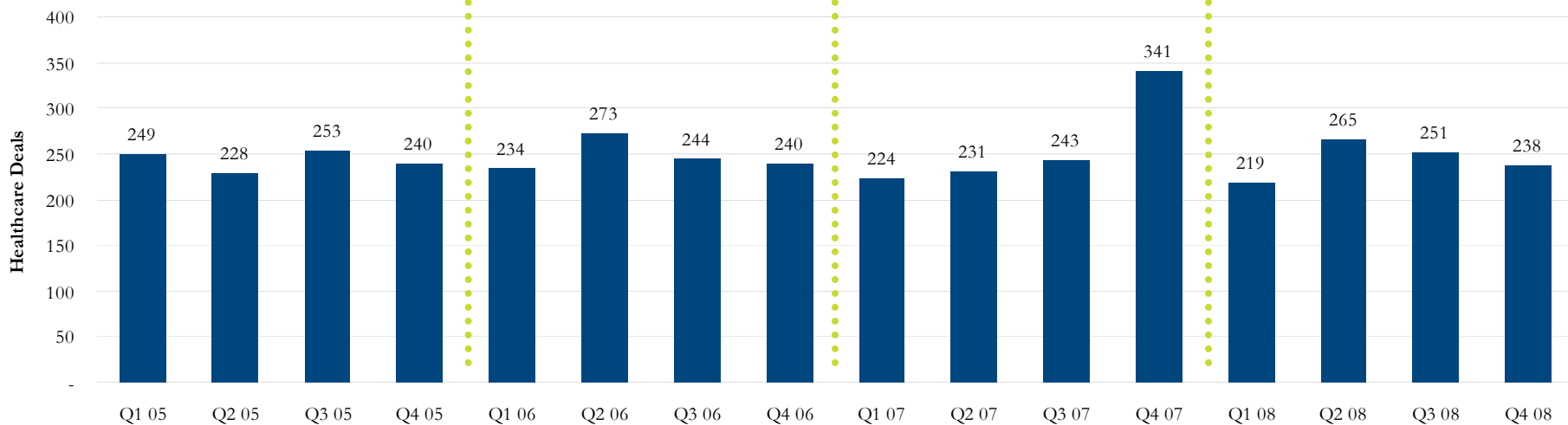
Source: Dealogic

All Industries Total U.S. M&A Activity (Deals Over \$15 million)



Source: SDC Platinum, Trans. Values > \$15mm, includes only LBOs, Tender Offers, Spinoffs, Recapitalizations, Acquisition of Remaining Interest, & Privatizations.

All U.S. Healthcare M&A Activity by Quarter

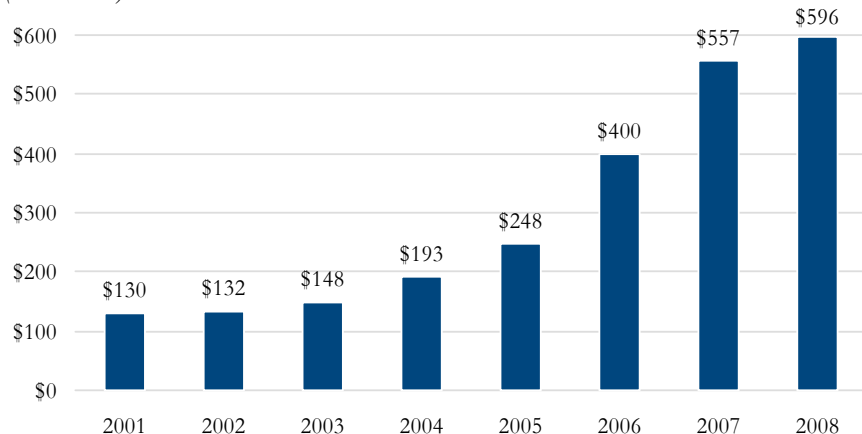


Source: Irving Levin Associates (all healthcare deals)

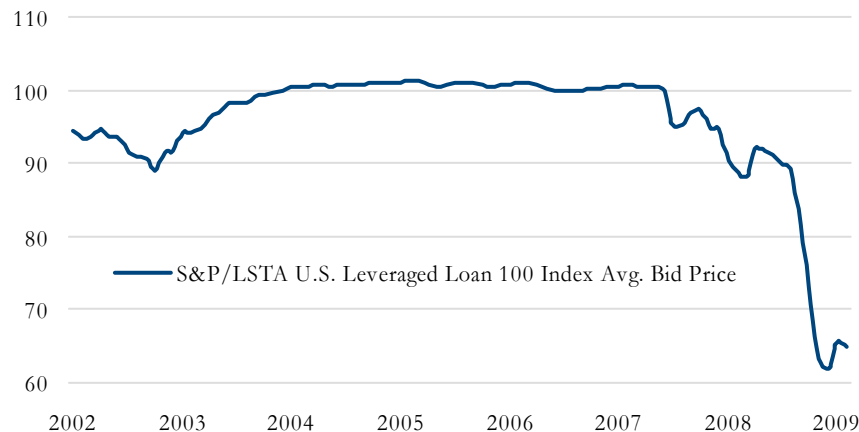
Secondary market offering equity-like returns and ample supply

Par Amount of Outstanding Leveraged Loans

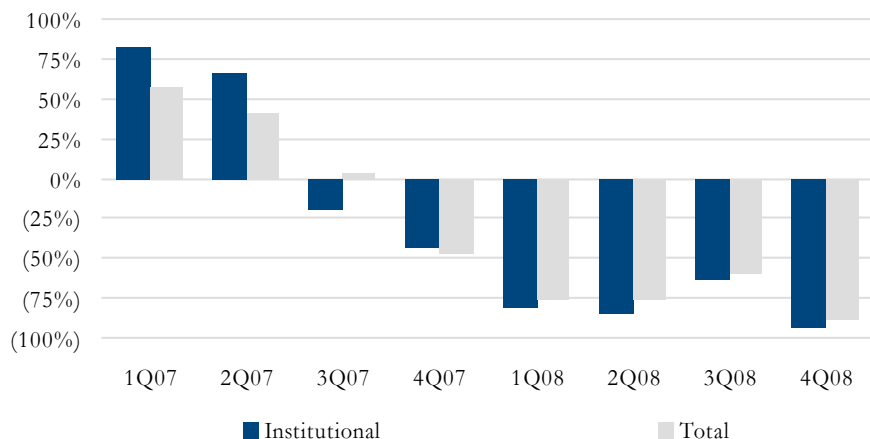
(\$ in billions)







Secondary Market Bid Prices



Large Decrease in New Issues Year-Over-Year



High Returns Available on Outstanding Senior Debt

Issuer	Coupon	S&P Rating	Price	YTW ¹
 HEALTHCARE REALTY	5.13%	BBB-	74.221	12.2%
 HMA	6.13%	BB-	80.000	10.2%
 Tenet	9.88%	B	77.750	16.3%
 PSI	7.75%	B-	90.000	9.9%

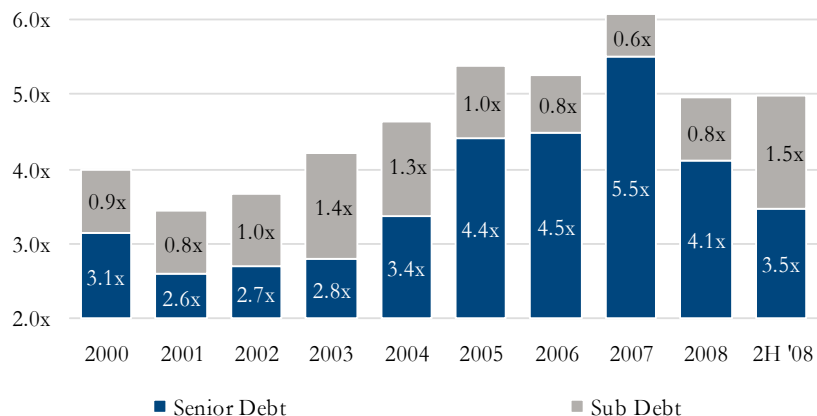
Source: Capital IQ

1 – Yield to worst equals the yield to maturity or call, whichever is earlier

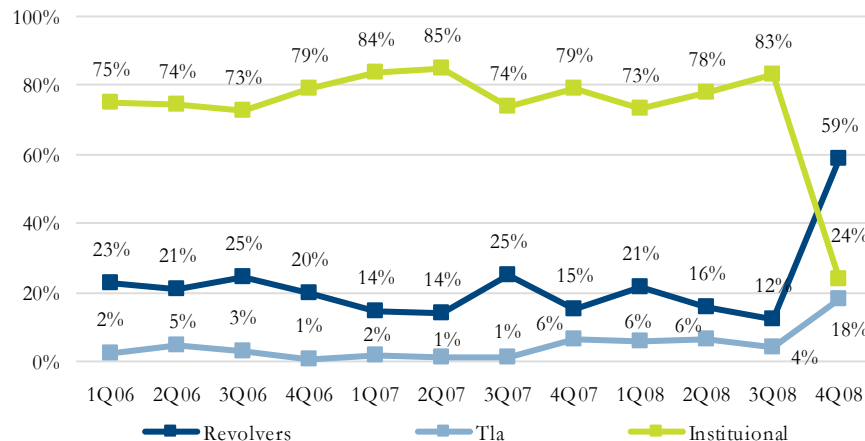
Source: Standard & Poor's LCD

Credit markets are effecting deal valuation and leverage structure

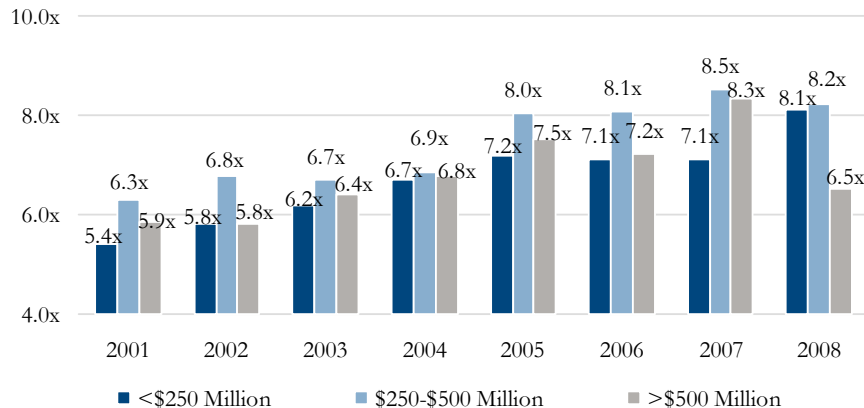
Leverage Multiples (Total Debt to EBITDA)



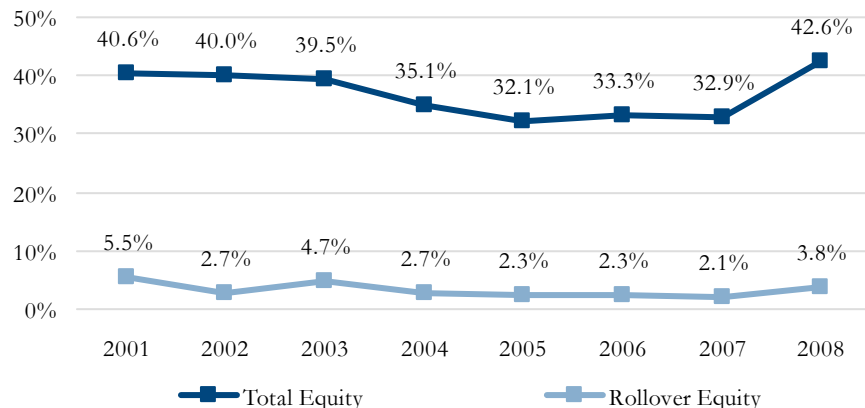
Leveraged Buyout Loan Structure 2006 – 2008



EBITDA Multiple Valuation by Transaction Size



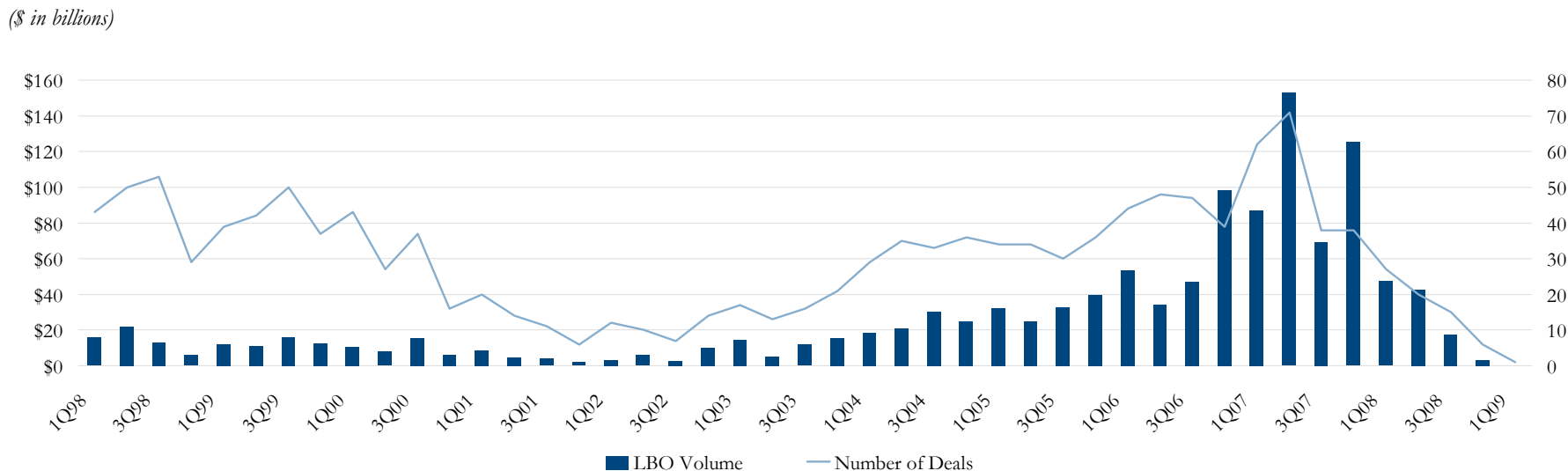
Average Equity Contribution in LBOs Financings



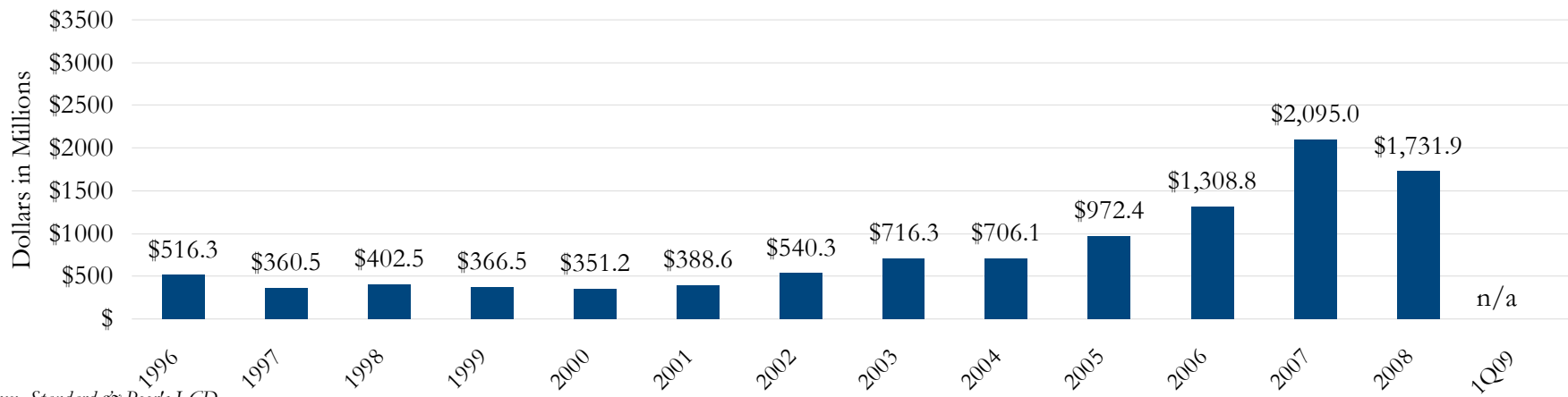
Source: Standard & Poor's LCD

Leveraged Buy-Out activity has slowed significantly

Total US Leveraged Buy-Outs (1998 – YTD)



Average LBO Deal Size



Source: Standard & Poor's LCD