

Reading the Tea Leaves – Assessing ASC Valuation Trends Utilizing the Latest Industry Data

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Presentation Overview

I. Smorgasbord of Data and Research Opportunities

II. What is The Data Telling Us?

III. What Does the Research Say about the Industry

Smorgasbord of Data and Research

Capital IQ

Transaction Data

Industry Experts

Intellimarker

VMG Insight

Public

Private

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Capital IQ Allows The User to...

- View in-depth profiles of public and private firms including financials, transaction data, analyst research & estimates, filings & company news
- Easily generates comparable analysis, market analysis, company reports
- Alerts of significant events affecting companies in the healthcare universe by tracking over 70 event types

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Capital IQ Example



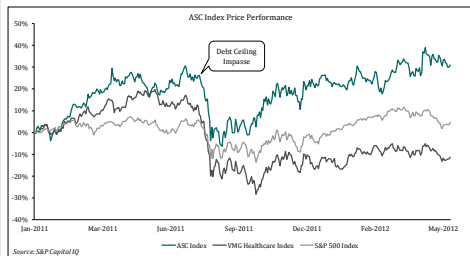
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VMG Index Introduction

Acute Care Hospitals <ul style="list-style-type: none"> • Community Health Systems • HCA • HMA • Lifepoint • Tenet Healthcare Corp. • Universal Health Services • Vanguard 	Post-Acute Care <ul style="list-style-type: none"> • Kindred • Select Medical Holdings
Ambulatory Surgery Center <ul style="list-style-type: none"> • AmSurg 	Dialysis <ul style="list-style-type: none"> • DaVita
Diagnostic Imaging <ul style="list-style-type: none"> • RadNet • Alliance 	Laboratory Services <ul style="list-style-type: none"> • Quest Diagnostics • LabCorp.
	Physician Services <ul style="list-style-type: none"> • Team Health • IPC
	Rehab <ul style="list-style-type: none"> • HealthSouth

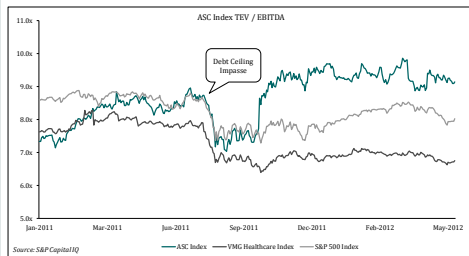
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Relative Stock Performance



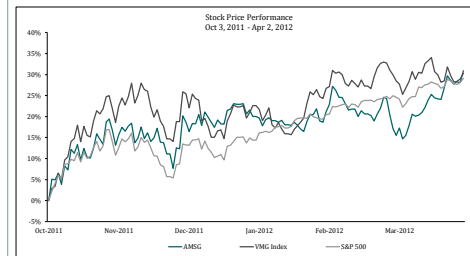
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Public Company Valuations Overtime



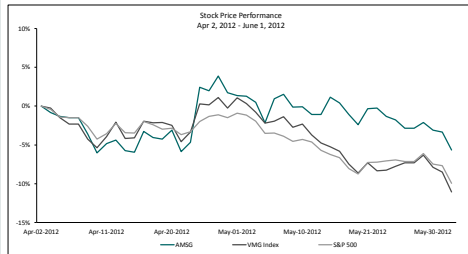
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Relative Stock Performance – 10/3/2011 – 4/2/2012



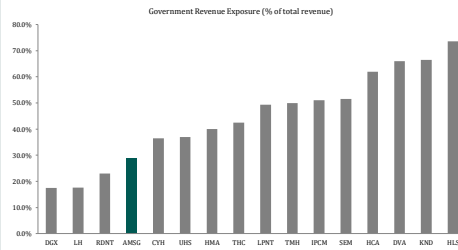
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Relative Stock Performance – Previous Two Months



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ASC's Have Less Government Exposure



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What is the Public Market Telling Us

- I. Less sensitive to Medicare
- II. Higher quality earnings than other healthcare services companies
- III. Earnings are more valuable in declining markets
- IV. The market considers the ASC industry to be stable

ASC Transaction Market

Evidence of management company consolidation 2011

- Amsurg acquires National Surgical Care
 - 18 surgery centers
 - \$173.5 million in cash
 - 1.4 x Revenue, 8.0 x EBITDA
- Surgery Partners acquires NovaMed
 - 37 surgery centers, 19 states
 - \$214 million, assumes \$105 million of debt
 - 1.4 x Revenue, 5.1 x EBITDA

This information was derived from research and conversations with industry sources.

Industry Experts Are Important

Kyle Bass is a managing director and principal of Hayman Advisors LP who correctly called the subprime debt crisis in 2006. Mr. Bass utilized public information to form his opinions regarding this industry which included commentary by industry analysts and company executives.

The following are a subset of the quotes included as part of Mr. Bass' presentation to prospective investors.

- "When you start divorcing the creator of risk from the ultimate holder of risk, it becomes an issue."
Linda Rasteri: Creator of Mortgage Backed Securities - June 16, 2006
- "The slowdown is broad based, but profound in areas that experienced significant price appreciation over the last few years"
Chad Decker: Chairman/President/CEO of Ryland - June 19, 2006
- "43.0% of first-time home buyers in 2005 put no money down"
- "10.0% of home owners with mortgages have no equity in their home"
Lee Witter: Founding Partner at Witter and Wodilke Investments - August 21, 2006

Industry Experts – Medical Device Manufactures

Medical Device Manufactures Generally Report Increasing Utilization During Q1 2012

- "There has been a slight increase in the rate of growth in the reconstructive market particularly in the United States. Do we see this as the start of a material trend or a bounce back? We're more cautious than that, frankly. So yes, we note there's a small increase, we are not extrapolating from that ourselves."
Adrian Henrich: CEO for Smith & Nephew
- "We're cautiously optimistic that this quarter's uptick in the United States knee market represents the beginnings of an improved environment. But we're not assuming that this single data point is a trend just yet."
David Dvorak: CEO for Zimmer
- "Turning to elective procedure trends, we did not see any meaningful reacceleration in volumes during the quarter, rather the environment appeared stable."
Katherine Owen: VP, Strategy & Investor Relations for Stryker

Industry Experts – Hospital Operators

Hospital Operators are Generally Reporting Increased Utilization During Q1 2012

- "... orthopedics in total were up about 8.5%"
Kelly Curry: President & CEO of Health Management Associates
- "Orthopedic surgeries are flat to growing, general surgery as well."
David Hall: CEO of LifePoint Hospitals
- "Same-Store surgery volume increased 3.2%, with outpatient surgery up over 4% in the first quarter, continuing the trend established back in 2010 in the fourth quarter. This increase is driven by very strong outpatient growth in many areas. In fact, our outpatient surgery procedures are up in almost all classifications."
Larry Cook: CFO of Community Health Systems
- "Within surgery, we continue to see solid growth in orthopedic and neurosurgery services. This quarter we also saw strong growth in general surgery volume. (...) And finally, within our ambulatory surgery division, same facility case volumes grew by 3.0% in the quarter."
Samuel N. Haum: President - Operations for HCA

Industry Experts - AMSURG

What is AMSURG Saying

- "Our M&A pipeline is very robust. Today there are over 2,000 centers we would evaluate in the prospecting pool."
Christopher Holden: CEO, President & Director of AmSurg Corp.
- "So '13 and '14 I think are going to be high volume years for transactions. I think there will be some substantial consolidation during that period of time."
Christopher Holden: CEO, President & Director of AmSurg Corp.
- "...the job story is getting better. Sometimes there's a lag to see how that will affect us. We've always felt that there's been pent-up demand, particularly in GI and ophthalmology. I still remain bullish on the opportunity to keep organic growth in that 3% to 5%, 5% to 7% range over time."
Christopher Holden: CEO, President & Director of AmSurg Corp.
- "You can't count on reimbursement over the long run. You've got to count on continuously becoming more efficient. And for us, there are 2 primary buckets: the supplies and labor cost."
Christopher Holden: CEO, President & Director of AmSurg Corp.

Current Market Analysis

Same Center Volume Growth Recovering

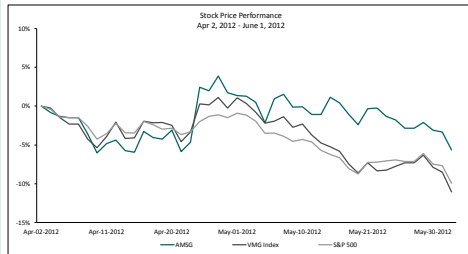
	2006	2007	2008	2009	2010	2011	1Q 2012
USPI	7%	6%	2%	2%	(1%)	1%	4%
AMSURG	5%	4%	4%	1%	0%	9.5%	5%*

Source: Company's Annual Reports

"Same-store revenue increase was 5%, mostly volume driven. I will say that we continue to remain cautious about the outlook for same-store over the remainder of the year given the continued high rate of unemployment and other economic conditions."

Christopher Holden: CEO, President & Director of AmSurg Corp. from the Q1 2012 earnings call

Relative Stock Performance – Previous Two Months



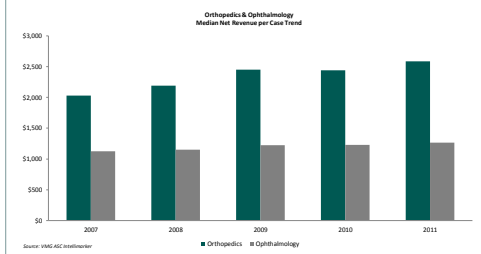
Reimbursement Trends

Specialty	Medicare Net Revenue per Case				
	2007	2008	2009	2010	2011
BMT	\$1,511	\$1,558	\$1,725	\$1,742	\$1,761
GI / Endoscopy	\$763	\$780	\$790	\$746	\$778
General Surgery	\$1,297	\$1,328	\$1,522	\$1,545	\$1,689
OB / GYN	\$1,472	\$1,558	\$1,673	\$1,757	\$1,953
Ophthalmology	\$1,128	\$1,153	\$1,226	\$1,227	\$1,247
Oral Surgery	\$1,020	\$1,044	\$1,028	\$1,041	\$1,078
Orthopedics	\$2,031	\$2,192	\$2,453	\$2,449	\$2,585
Pain Management	\$829	\$818	\$890	\$888	\$955
Plastic	\$1,300	\$1,384	\$1,487	\$1,415	\$1,516
Podiatry	\$1,443	\$1,424	\$1,559	\$1,604	\$1,871
Urology	\$1,181	\$1,196	\$1,317	\$1,435	\$1,459
Other	n/a	\$1,235	\$1,235	\$1,582	\$1,718

Source: VMG ASC Intellimarker

The VMG Health ASC Intellimarker provides detailed financial benchmarking and analysis on ASCs around the United States. The study is based on actual detailed financial and operating performance information from over 240 centers around the country representing an aggregate case volume of over 1.6 million cases.

Reimbursement Trends



VMG Insight

- ASC Industry is mature and stable industry
- VMG is seeing signs of improved surgery volume
- Reimbursement in most cases continues to be stable
- With slightly increasing volume and stable reimbursement ASCs can become more profitable through improved efficiencies

Reading the Tea Leaves

Summary

- ASC Industry Research Information is Plentiful
- Important to Understand Macro-Industry Factors When Assessing Value
- Publicly Available Data can be Utilized to Understand the Factors Affecting ASC Value
- Pay Attention to what Industry Experts are Saying

Questions

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