



MPW Case Study – Tenet Florida Hospitals

MPW overpaid for Florida Hospitals to the tune of ~\$650m (2.4x fair value). Overpayment subsidized Steward investments in Florida

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February 15, 2023 – MPW’s purchase of 5 Florida Hospitals in 2021 was another Steward subsidy at MPW shareholder’s expense.

In August 2021 MPW acquired 5 Florida Hospitals (“the Florida Hospitals”) for \$900m.

- Acquired five general acute care facilities in South Florida for approximately \$900 million that are leased to Steward; and
- Acquired four acute care facilities and two on-campus medical office buildings in California for \$215 million, leased to Pipeline Health Systems.

Figure 1 – MPW Q2 2021 10-Q

MPW drew \$650m from an credit facility to complete the transaction.

July 2021 Interim Credit Facility

On July 27, 2021, we entered into a \$1 billion interim credit facility with Barclays Bank PLC as administrative agent (“July 2021 Interim Credit Facility”), and several lenders from time-to-time are parties thereto. This facility matures on July 28, 2022 and bears interest at a variable rate. We used this facility to partially fund the acquisition of five South Florida facilities in August 2021 and the Springstone investments in October 2021. At December 31, 2021, the outstanding balance under this facility was \$869.6 million at a rate of 1.610%.

Figure 2 – MPW Annual Report 2021

The acquisition of the Florida Hospitals forms part of **Steward’s greater \$1.1b acquisition of Tenet Healthcare’s Southeast Florida hospitals and operations**. We can see from Tenet’s 2021 annual report that this sum includes the \$900m MPW section of the purchase meaning Steward only had to put forward ~\$200m.

Under the terms of the agreement, Steward will purchase five hospitals and their associated physician practices from Tenet for approximately \$1.1 billion. The hospitals included in the sale are Coral Gables Hospital, Florida Medical Center, Hialeah Hospital, North Shore Medical Center and Palmetto General Hospital. The agreement also provides that Tenet’s Conifer Health Solutions subsidiary will continue to provide revenue cycle management services to the five hospitals following completion of the transaction. Tenet’s ambulatory facilities operated by United Surgical Partners International (USPI) in these markets will remain with Tenet and are not included in the transaction.

Figure 3 – Steward Health Care to Acquire Five Hospitals in the Miami Area¹

What were the Florida Hospitals Worth?

The Florida Hospitals were held-for-sale in Tenet’s 2021 financial accounts, **valued at only \$371m**.

NOTE 4. ASSETS AND LIABILITIES HELD FOR SALE

In June 2021, certain of our subsidiaries entered into a definitive agreement to sell five of our Miami-area hospitals and certain related operations. As a result, the assets and liabilities associated with these facilities were classified as held for sale at June 30, 2021 in the accompanying Condensed Consolidated Balance Sheets. We expect to complete the sale of these facilities in the third quarter of 2021.

Assets and liabilities classified as held for sale at June 30, 2021 were comprised of the following:

| | | |
|--|-----------|------------|
| Accounts receivable | \$ | 150 |
| Other current assets | | 40 |
| Investments and other long-term assets | | 41 |
| Property and equipment | | 371 |
| Other intangible assets | | 35 |
| Goodwill | | 191 |
| Current liabilities | | (98) |
| Long-term liabilities | | (47) |
| Net assets held for sale | \$ | 683 |

Figure 4 – Tenet Healthcare Q2 2021 10-Q

To our knowledge: MPW did not identify what specific hospitals they purchased in Florida, only the counterparty².

¹ <https://investor.tenethealth.com/press-releases/press-release-details/2021/Steward-Health-Care-to-Acquire-Five-Hospitals-in-the-Miami-DadeSouthern-Broward-Area-From-Tenet-Healthcare/default.aspx?~:text=Under%20the%20terms%20of%20the,Center%20and%20Palmetto%20General%20Hospital.>

² <https://www.businesswire.com/news/home/20210623005922/en/Medical-Properties-Trust-Agrees-to-Acquire-Five-General-Acute-Hospitals-in-South-Florida>



What are the Florida Hospitals worth today?

A search of county appraisal district databases identifies MPW's \$900m purchase of the Florida Hospitals.

The 2022 appraised values for the same hospitals are ~70% below MPW's outlay³. Note that the assessed values are stated to represent "...market value minus any assessment reductions...".

| MPW Florida Hospitals Purchase Analysis - Viceroy Research | | | | | | | | |
|--|------------------------|------------------|--------------------|-----------|----------------------|------------|----------------|--|
| MPW Subsidiary | Hospital | Folio Number | Sale Price | Sale Date | 2022 Appraisal Value | Beds | Cost per bed | |
| MPT of Coral Gables | Coral Gables | 03-4117-005-7550 | 114,059,600 | 8/1/2021 | 4,860,636 | 245 | 465,549 | |
| | | 03-4117-005-9010 | | | 33,627,202 | | | |
| MPT of Hialeah Exchange | Hialeah | 04-3108-001-2700 | 1,264,800 | 7/31/2021 | 289,680 | 378 | 357,143 | |
| | | 04-3108-001-2880 | | | 336,600 | | | |
| | | 04-3108-001-2710 | | | 285,150 | | | |
| | | 04-3108-001-1380 | | | 395,850 | | | |
| | | 04-3108-001-1790 | 133,735,300 | 7/31/2021 | 35,547,807 | | | |
| MPT of Hialeah Palmetto | Palmetto | 04-2027-001-0610 | 315,000,000 | 7/31/2021 | 23,809,775 | 360 | 875,000 | |
| | | 04-2027-001-0660 | | | 8,735,824 | | | |
| | | 04-2027-097-0030 | | | 6,002,810 | | | |
| | | 04-2027-001-0611 | | | 19,100,000 | | | |
| | | 04-2027-021-0010 | | | 1,950,251 | | | |
| | | 04-2027-001-0622 | | | 14,097,769 | | | |
| | | 04-2027-001-0620 | 13,013,551 | | | | | |
| MPT of Miami | North Shore | 30-3102-031-0010 | 162,000,000 | 7/31/2021 | 24,308,799 | 357 | 453,782 | |
| MPT of Lauderdale Lakes | Florida Medical Center | 494125000051 | 171,000,000 | 7/22/2021 | 5,810,520 | 459 | 372,549 | |
| | | 494125000052 | | | 120 | | | |
| | | 494125000055 | | | 1,074,030 | | | |
| | | 494125410010 | | | 3,148,070 | | | |
| | | 494125000080 | | | 66,202,150 | | | |
| | | 494125000092 | | | 1,063,360 | | | |
| | | 494125000056 | 1,111,630 | | | | | |
| Total | | | 897,059,700 | | 264,771,584 | Avg | 504,805 | |

Figure 5 – MPW Florida Hospitals Purchase Analysis – Viceroy Research

MPW's purchase of 5 Florida hospitals leased to Steward for \$900m is nothing more than more acquisition financing for a subs. MPW is effectively subsidizing Steward's return on investment at the expense of its own shareholders.

This transaction is completely uncommercial.

MPW appears to have paid 2.4x fair value for Tenet's Florida Hospitals.

Investors should question MPW on the reasoning and due diligence carried out as part of this transaction.

Hospital Income

The Florida Hospitals generated annualized income of \$68m as at Q2 2021. This appears to make the purchase a great investment for Steward at their \$200m outlay. MPW, on the other hand, have paid \$900m for \$371m in assets.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|-------------|---------------------------|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Significant planned divestitures classified as held for sale: | | | | |
| Income from continuing operations, before income taxes | | | | |
| Miami area | \$ 16 | \$ 9 | \$ 29 | \$ 15 |
| Total | \$ 16 | \$ 9 | \$ 29 | \$ 15 |

Figure 6 – Tenet Healthcare Q2 2021 10-Q

³ <https://bcpa.net/RecMenu.asp> and <https://www.miamidade.gov/Apps/PA/propertysearch/#/>



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