



## **Capella to be acquired by MPT for \$900 million**

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As the KershawHealth Board of Trustees voted Monday to extend its letter of intent with Capella Healthcare to Aug. 31, Capella made an announcement of its own. The private, for-profit healthcare and hospital company is being acquired by Medical Properties Trust Inc. (MPT) for \$900 million. In a press release, Capella and MPT said they expect the transaction to be finalized during the second half of 2015. Capella, based in Franklin, Tenn., is currently owned by funds affiliated with GTCR, a leading private equity firm headquartered in Chicago. MPT is based in Birmingham, Ala.

KershawHealth officials said MPT's acquisition of Capella will not affect its pending deal with the company.

In the press release, Capella President and CEO Michael A. Wiechart, who participated in a joint KershawHealth Board of Trustees, Camden City Council and Kershaw County Council meeting in June, said the decision came after a year-long evaluation of different strategic opportunities.

"(MPT) has agreed to provide the funding that will allow Capella to continue to build upon our legacy of service excellence to our existing community hospitals and to provide attractive access to capital in support of our long-term growth plans," Wiechart said. "(MPT) brings to the table significant expertise in healthcare real estate, efficient access to capital markets and, most importantly, a company culture that is compatible with Capella's mission, vision and values."

Wiechart said combining MPT's attributes with Capella's hospital operations expertise will be "invaluable" in helping the company achieve its primary goals of patient care excellence and partnering with new communities.

MPT Chairman, President and Chief Executive Edward K. Aldag Jr. said his company is "delighted" to have earned Capella's confidence as it expands its footprint across the country.

"MPT's highly successful investment of real estate capital in the hospital business has allowed us to carve a unique niche in the largest and fastest-growing segment of the U.S. economy as we continue to focus exclusively on providing capital to licensed hospitals of all kinds."

Wiechart addressed how the acquisition will work.

"Upon closing, we expect a management company -- owned by current Capella senior management -- will operate and manage the hospital business while Capella's real estate will be acquired by MPT in a sale-leaseback transaction," he said.

MPT will also own a minority interest in the Capella operating company.

According to the press release, the management company will retain control of the day-to-day operations of Capella's hospitals with Wiechart continuing as president and CEO. No other changes in hospital management are anticipated.

Upon its founding in 2005, Capella partnered with GTCR, allowing the company to grow steadily over the last 10 years, Wiechart said in the press release.

"GTCR has been an exceptional partner in helping create a company that is built to last and to make a difference in delivering high quality care in communities across the country," Wiechart said. "As the company moves forward, we are profoundly grateful for the leadership, guidance and financial support that GTCR has provided. Their investments have positioned the company for our next level of growth and success, which includes four additional hospitals which have chosen us as their future partner and for which diligence is currently in progress."

Capella's pending \$35 million deal with KershawHealth will have the Tennessee company lease the hospital's real estate for 40 years and purchase its furniture, fixtures and equipment. Capella would then operate the hospital in collaboration with MUSC Health, the patient care arm of the

Medical University of South Carolina, and as part of a network with Carolina Pines Regional Medical Center. Capella purchased Carolina Pines for \$75 million on Jan. 1 of this year.

On June 30, Capella announced it is acquiring two other hospitals from Ascension, a Catholic healthcare organization. The company signed letters of intent with Lourdes Health Network in Pasco, Wash., and St. Joseph Regional Medical Center in Lewiston, Idaho.

Meanwhile, Ascension is purchasing four hospitals from Capella in middle Tennessee which have been jointly owned by Ascension's St. Thomas Health system and Capella. The purchase would make the four hospitals fully a part of Ascension's Tennessee ministry.

According to financial statements and a press release issued in late March, Capella earned \$788.9 million in revenue for calendar year 2014 before a \$75.5 million adjustment for bad debts. After taking expenses, losses from continuing operations and losses from discontinued operations into account, Capella reported a calendar year net loss of \$25.1 million. That is an improvement from a \$31.8 million loss Capella reported for calendar year 2013.

Despite the net loss, Capella called 2014 its "strongest year in history," citing pro forma adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) of \$103.3 million, a \$9.8 million, or 10.5 percent, increase over 2013.

Capella was one of two finalists to take over KershawHealth's operations. Duke LifePoint, a joint venture of Duke University Health System Inc. and LifePoint Health also made a bid. Separately from Duke, LifePoint Health recently announced it signed a letter of intent to purchase Providence Hospitals in Columbia from Sisters of Charity Health System.

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