



Steward

**Steward Health Care System LLC**  
*COVID Update and Transaction Summary*

May 5, 2020

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# Forward Looking Statements

*This document is confidential, for discussion on May 5, 2020, only, and not to be disclosed to any third party without the express written consent of Steward Health Care System LLC.*

*Certain statements that we make may constitute “forward-looking statements.” Forward-looking statements include information concerning future strategic objectives, business prospects, anticipated savings, financial results (including expenses, earnings, liquidity, cash flow and capital expenditures), industry or market conditions, demand for and pricing of our products, acquisitions and divestitures, anticipated results of litigation and regulatory developments or general economic conditions. In addition, words such as “believes,” “expects,” “anticipates,” “intends,” “plans,” “estimates,” “projects,” “forecasts,” and future or conditional verbs such as “will,” “may,” “could,” “should,” and “would,” as well as any other statement that necessarily depends on future events, are intended to identify forward-looking statements. Forward-looking statements are not guarantees, and they involve risks, uncertainties and assumptions, including but not limited to those arising from the actual, anticipated, or potential impact of COVID-19 on the Company’s operations and financial results. Although we make such statements based on assumptions that we believe to be reasonable, there can be no assurance that actual results will not differ materially from those expressed in the forward-looking statements. We caution investors not to rely unduly on any forward-looking statements. We expressly disclaim any obligation to update any forward-looking statement in the event it later turns out to be inaccurate, whether as a result of new information, future events or otherwise.*

# COVID-19 Update

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# COVID-19 Impacts: Summary Update

Steward currently has **440 confirmed COVID-19 cases** in its facilities and **130 suspected COVID-19 cases**. Steward has seen **>4,700 confirmed COVID-19 cases** over the past 30 days, and **administered more than 30,000 tests**.

## In preparation for the COVID-19 pandemic, Steward:

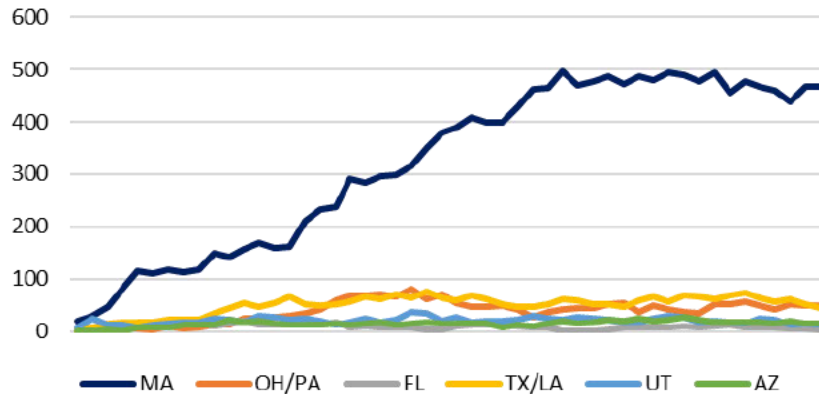
- Began stockpiling necessary supplies and equipment in January, including personal protective equipment (gloves, masks, gowns), drugs, and ventilators
- Activated its incident command unit and protocols, which is offering ongoing support to front-line caregivers and ensuring system-wide protective and safety measures
- Initiated a “cohort” methodology and opened the nation’s first COVID-19 center in Dorchester, Massachusetts
  - Subsequently converted Morton Hospital in Taunton, MA to additional COVID-19 center to handle spike
- Began identifying sources for additional PPE, drugs, and ventilators (successfully purchased, but at highly inflated prices)
- Implemented telehealth visits for Steward Medical Group to provide virtual care to patients, including through eICU

## COVID-19 presents headwinds to all healthcare providers, including:

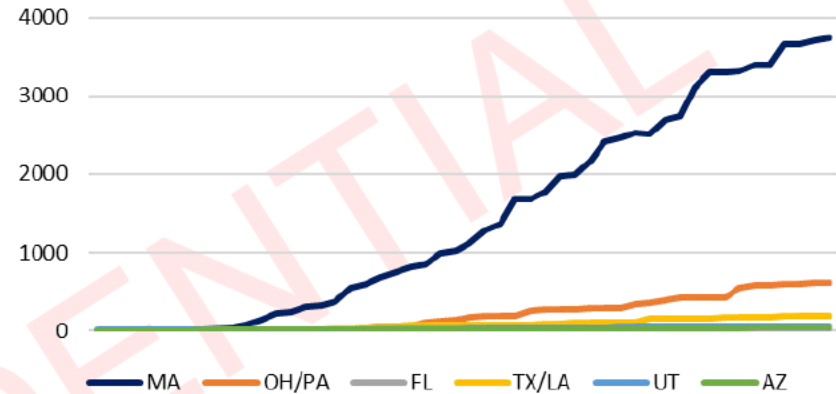
- Cancelled elective procedures and other volumes (including mandated): Significant decline in elective procedures, beginning mid-March (decrease of more than 70%) which continued through April
  - Texas and Utah lifted restrictions on electives effective April 22, 2020, and all other Steward states except Massachusetts had lifted restrictions by May 4, 2020
- Supply chain shortages: The majority of PPE equipment are manufactured in highly impacted areas, which have either closed factories or limited exports; further, there is extraordinarily high demand for key supplies and ventilators. Prices for these goods have skyrocketed
- Insufficient reimbursement for COVID-19 cases: Respiratory DRGs have traditionally low reimbursement, and treating COVID-19 patients is expensive due to higher length of stays (~3x other similarly classified respiratory cases) and higher labor and supply demands (3-4x/day similarly classified cases)
  - 20% increase in Medicare rates with COVID DRG does little to close the gap (\$11k+ loss per case)
- Insufficient Post-discharge Options: Nursing homes and long-term care facilities not accepting COVID patients or at max capacity, causing further increased length of stay for patients otherwise ready for discharge
- Payor Mix Change: Decrease in commercial volume due to (1) increasing unemployment and (2) commercial members cancelling procedures at a higher rate than other rate groups

# COVID-19 Update: Steward Case Counts

Confirmed + PUI Cases  
(each day, 3/15 - 5/3)



Unique Confirmed Cases, Total  
(3/15 - 5/3)



**>4,700** Confirmed COVID-19 patients in Steward facilities

**645** peak COVID-19 daily census (4/16/20)

**<3%** mortality rate (compared to ~6% national average)

**>30,000** COVID-19 Tests Administered

**80%** of Steward cases have been in Massachusetts facilities

- Highest volume of cases in Massachusetts market; Steward has shifted staff, equipment and supplies from out-of-state facilities to support peak need
- Steward believes it now has sufficient supplies and staffing to treat near-term COVID-19 needs
- Inpatient census has leveled off; decrease of 15% from peak—ICU demand is decreasing
- Financial impact mitigated by risk contracts in Massachusetts (~415k lives) through SHCN
- \$105m in federal and state grants received to-date to mitigate lost revenue and cost of COVID-19 crisis

# COVID-19 Update: Volume Impacts and Returns

Steward was ahead of prior year comps (flat with budget) on key volume statistics prior to COVID-19; however, the onset of COVID-19 during the second half of March '20 caused significant volume impacts in April '20. Steward expects to begin to see a gradual return of these volumes in May/June '20 in certain markets

## 2020 Pre-COVID      Immediately Post-COVID

	Med/Surg Discharges			
	MARCH QTD (3/15 Proj)		APR MTD	
	ACT	% VAR	ACT	% VAR
Northeast Region	18,647	6%	4,667	(21%)
South Region	12,753	(0%)	2,998	(28%)
West Region	5,681	8%	1,314	(21%)
<b>Total</b>	<b>37,081</b>	<b>4%</b>	<b>8,979</b>	<b>(24%)</b>

	Outpatient Surgeries			
	MARCH QTD (3/15 Proj)		APR MTD	
	ACT	% VAR	ACT	% VAR
Northeast Region	11,083	4%	680	(82%)
South Region	6,090	13%	810	(57%)
West Region <sup>(1)</sup>	5,341	(4%)	759	(62%)
<b>Total</b>	<b>22,514</b>	<b>4%</b>	<b>2,249</b>	<b>(71%)</b>

	ER Visits			
	MARCH QTD (3/15 Proj)		APR MTD	
	ACT	% VAR	ACT	% VAR
Northeast Region	110,575	4%	20,614	(42%)
South Region	82,123	4%	15,133	(42%)
West Region	45,202	17%	8,964	(33%)
<b>Total</b>	<b>237,900</b>	<b>6%</b>	<b>44,711</b>	<b>(41%)</b>

### Elective Procedures Resumed (with limitations)

- Utah – 4/22
- Texas – 4/22
- Arkansas – 4/27
- Pennsylvania – 4/27
- Louisiana – 4/29
- Arizona – 5/1
- Ohio – 5/1
- Florida – 5/4

### Elective Procedures Not Yet Resumed

- Massachusetts - TBD

<sup>(1)</sup> West 2020 outpatient surgeries impacted by loss of key orthopedic group in 2H2019; backfilled in early March 2020

# Steward Transaction Overview

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# Transaction Overview –

## Summary and Ownership Structure

Three simultaneous (and inter-conditional) transactions will occur, providing immediate working capital to Steward and an opportunity for Steward and MPT to grow their strong relationship, while decreasing Steward's debt. The key net result will be **\$395m of cash to the balance sheet of Steward Health Care System LLC (“Steward”)**, with an exchange of Cerberus ownership interests from equity to a convertible promissory note

1

**Exchange of Cerberus Equity for Convertible Promissory Note:** *Certain affiliates of Cerberus Capital Management, L.P. (“Cerberus”) will exchange 100% of their existing common equity interest in Steward Healthcare Investors, LLC (“Steward Investors”), which owns 90.1% of Steward, in exchange for a \$350m convertible promissory note by Steward Investors*

- Will give MPT and Steward Management (through Steward Investors) 100% ownership of Steward
- Will not add any debt to Steward

2

**Sale of Steward Health Care International Holdings Ltd (UK):** *Steward will sell 100% of its equity in Steward Healthcare Int'l Holdings LTD (UK) and related intangibles for \$200m to a NewCo owned by a subsidiary of Medical Properties Trust, Inc. (“MPT”) and Steward Management*

- Will result in \$200m of immediate cash to Steward and improve cash flow (in exchange for Company that today holds only immaterial Malta assets and intangibles, with negative cash flow)
- Will completely separate international business, and any associated liabilities, from Steward and the other Loan Parties in the Credit Agreement

3

**Sale-leaseback of Steward's Jordan and Davis Hospitals in Utah:** *The real estate assets of Jordan Valley Medical Center, LP and Davis Hospital & Medical Center, LP, which are currently mortgaged to MPT, will be sold to MPT and leased back to Steward*

- Will result in \$195m of immediate cash to Steward, and remove existing debt of mortgages from Steward's balance sheet
- Will structure operating leases similarly to all of Steward's existing operating leases with MPT



# Transaction Overview –

*\$395m immediate cash to Steward, Improved indebtedness position*

Steward

	Current Structure	Post-Transaction
<b>Improved Liquidity</b> <sup>(1), (2)</sup>	4/30/20: \$146m	4/30/20: \$146m
	5/31/20: \$84m	5/31/20: <b>\$479m</b>
	6/30/20: \$75m	6/30/20: <b>\$470m</b>
		<b>+\$395m</b>
<b>Improved Debt Position</b>	Non-MPT Debt: \$640m	Non-MPT Debt: \$640m
	MPT PF Debt <sup>(3)</sup> : \$2.19Bn	MPT PF Debt <sup>(4)</sup> : <b>\$1.90Bn</b>
		<b>-\$294m</b>

(1) Liquidity includes cash plus revolver availability, less dominion

(2) **DOES NOT INCLUDE** ~\$455m of temporary liquidity from Medicare Accelerated Payment Program, or any associated impacts from this Program

(3) 6x rent multiple plus mortgage debt