

# Leading Private Hospital Operator in Poland

Case Study @ Capital Structure Forum, London 2019

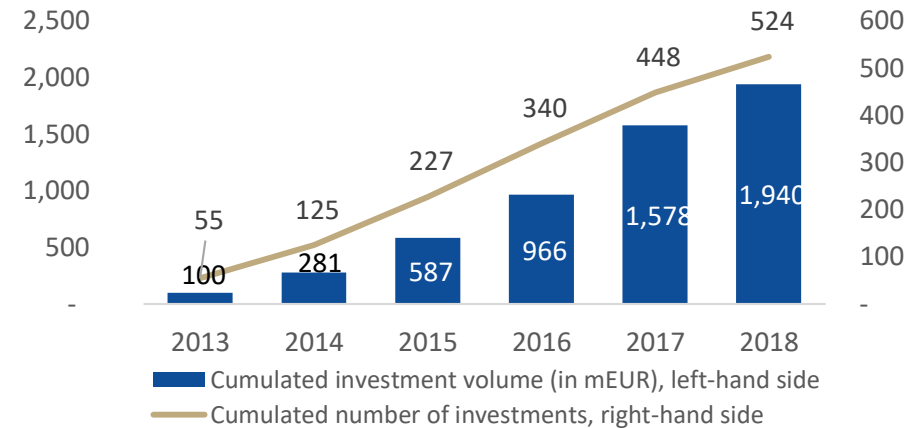


# Leading private debt investor in Central and Eastern Europe (CEE)

## CVI in a nutshell

- Started in **2012**
- Based in Warsaw, **Poland**
- Focused on **CEE**
- Mostly **sponsorless** transactions
- Investing **across capital structure**
- Smaller tickets with well **diversified portfolio**

## CVI: Investments in private debt (EUR m)



Strong team



27

Proud  
Signatory



of the UN-  
supported PRI

Approved by  
EIF for



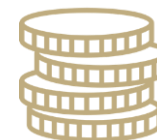
an investment  
guarantee scheme

PDI award



Lower Mid-Market  
Lender of the Year,  
Europe

AUM



EUR 1.2bn

Underwritten



EUR 2.1bn +

In countries

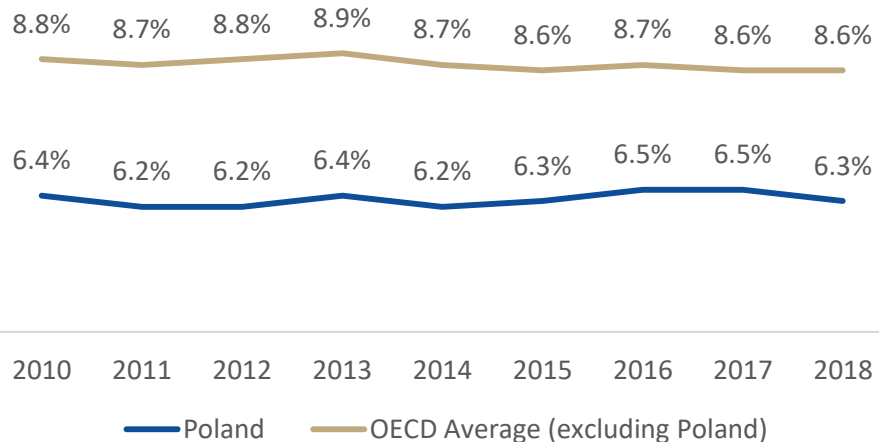


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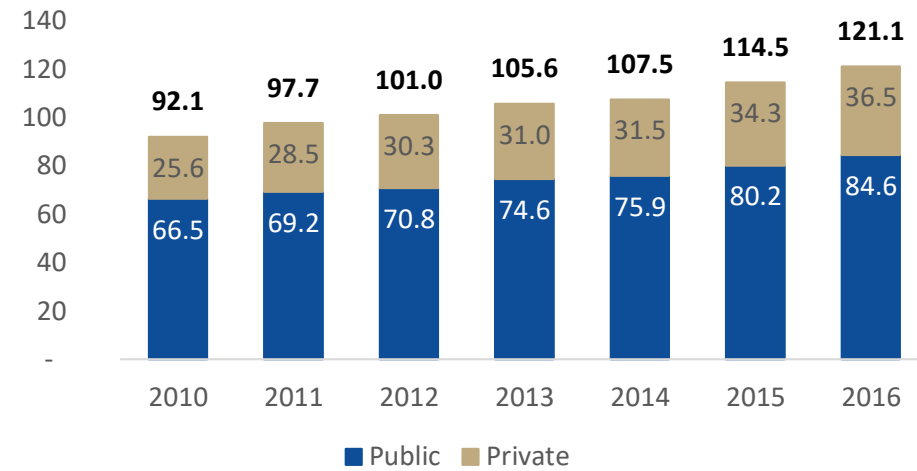
### Trends in healthcare

- **Aging of population** as result of so called longevity revolution
- Increased **demand for medical care**
- Meaning **increased spending on healthcare** (both private and public)
- **Need to improve efficiency of health care system** (especially at public side)
- One of the solutions is ... **increasing share of private** vs state owned providers

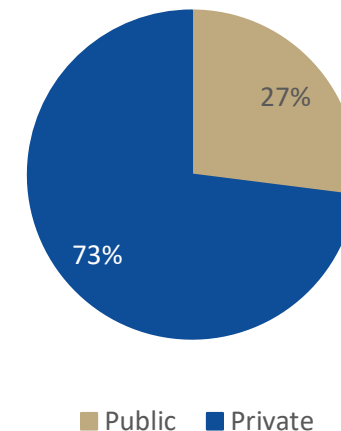
### Healthcare spending as % of GDP



### Healthcare spending in Poland



### Hospitals beds ownership structure in Poland

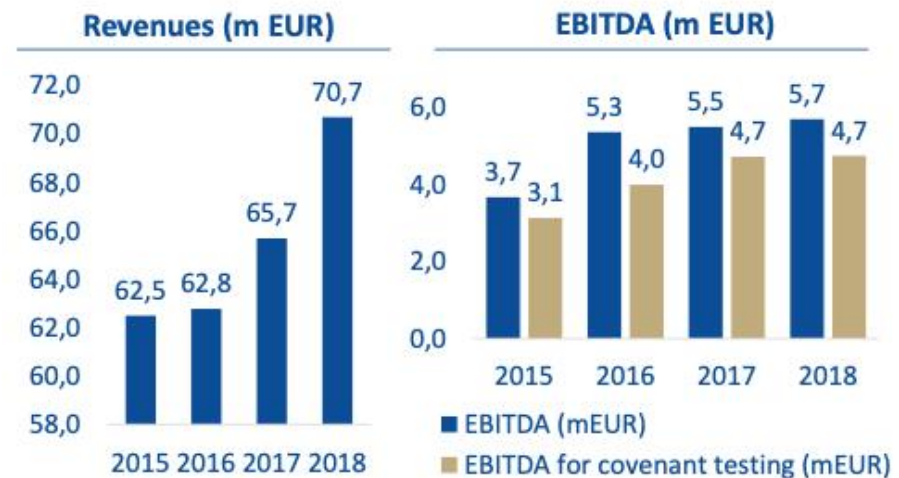


Investment case: company  
Grupa Nowy Szpital (GNS)

## Grupa Nowy Szpital

- The company is one of the **leading private hospital operators** in Poland
- **10 hospitals** in portfolio [c.1 400 beds]
- Business model assumes **acquisition of majority stakes** in hospitals owned and operated previously by local governments / municipalities
- After taking over control units are **restructured by means of**:
  - **Capex** investments [improving standards]
  - **Internal outsourcing** of non medical functions (finance, IT, HR, purchases etc)
  - **External outsourcing** with scale effects (diagnostics, catering, cleaning)
- One of the shareholders (who is the **CEO**) wants to **increase its stake** by partially buying out the other shareholder
- He needs **EUR 7.5m**
- As particular hospitals are in separate SPVs with varying minority shareholders (local governments / municipalities) **deal is not bankable** [no cash pooling, no 100% bank debt guarantee from OpCos while HoldCo level EBITDA is only EUR 1.2m, purpose of financing being equity recap]

## Key Financials



# Investment case: company

## Key risks and mitigants

### Risks

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1

Dependence on public payer [75% of revenues]

2

Debt placed @ HoldCo level

3

Capex / cash preservation

4

Availability and cost of medical personnel

### Mitigants

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- JVs with local governments
- Monopolistic position in geographical areas
- Remote probability of new entrants [no contract with NHS]
  
- Low LTV (c. 20%)
- Guarantees [access to c. 80% of consolidated EBITDA], pledges on shares and assets of OpCos
- HoldCo also generates cash
- No other significant debt in the structure
  
- Full covenants package limiting acquisitions and other capex spending
- Tight financial covenants
- Amortization
  
- Salaries and work conditions better than in public hospitals
- However further pressure on increase in salaries and wages

## Proposed Transaction

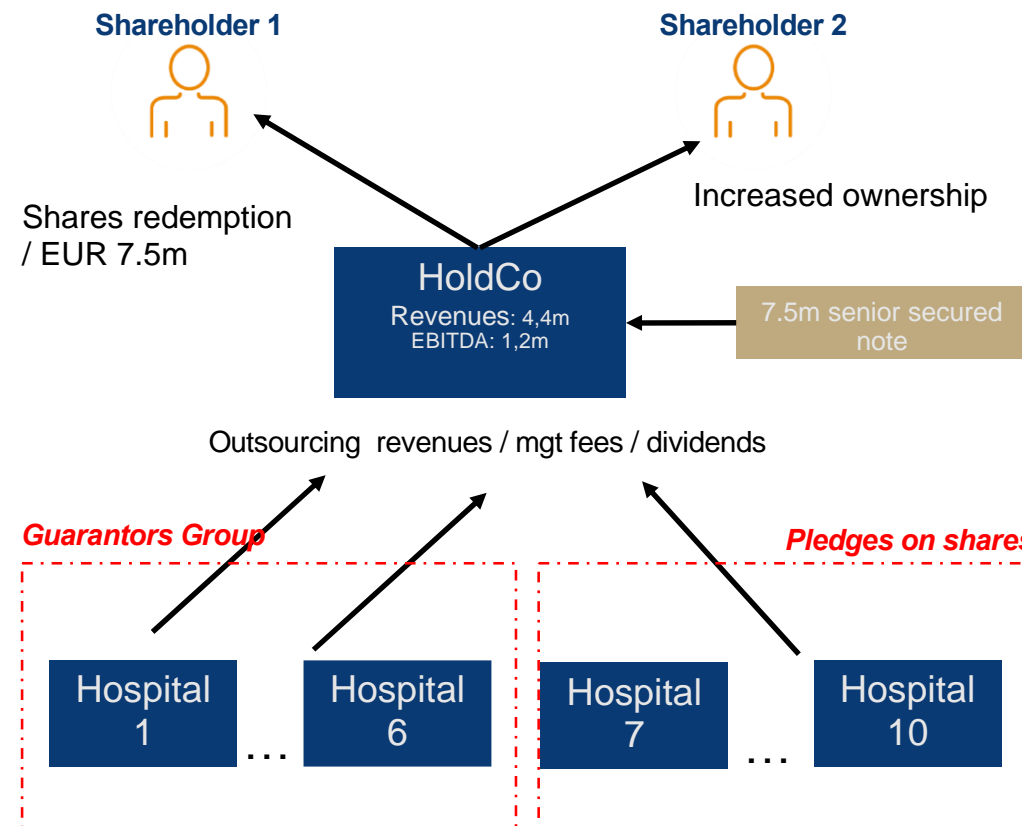
Issuer	Leading private hospitals operator in Poland
Use of proceeds	Partial buy-out of a passive shareholder
Type	Senior secured
Maturity	4 years amortizing
Size	EUR 7.5m equiv.
IRR	12.3% <sup>(1)</sup>
Cash Coupon	7.5%
Other fees	Non-cash coupon: 5%, Call options
Security	Pledge on shares, subsidiaries' guarantees, mortgages, submissions to execution
Covenants	Full fledged; cash EBITDA for covenant testing
Leverage	ND / EBITDA 2.5x; currently 1.7x

1. In PLN; Equivalent IRR in EUR: 10.6%

## Investment case: our offer

### Fully protected exposure @ 12% yield

## Proposed structure



Depending on what was possible vs investment agreements with minority shareholders CVI obtained guarantees (although limited to specified amount) or pledges on shares