

# THE ROANOKE TIMES

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Tuesday, July 25, 2006

## HCA agrees to buyout

The company would fetch \$21.3 billion paid to its shareholders, and the owners would assume \$11.7 billion of company debt.

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981-3251

Although leveraged buyouts such as the one involving HCA Inc. often result in the breakup of the company changing hands, several observers see no immediate cause for concern in the Western Virginia communities served by HCA hospitals.

From Low Moor to Salem to the New River Valley, residents had reason to take note of Monday's announcement that HCA, the nation's largest for-profit hospital operator, agreed to be purchased by a group of investors. HCA operates the only hospital in a handful of Western Virginia communities.

If the deal goes through, HCA will fetch \$21.3 billion in cash paid to its shareholders. Plus, the would-be new owners plan to assume \$11.7 billion in company debt.

Seeking to calm any concerns of patients and employees, the company said the buyers are to include members of the current management and plan to keep HCA's existing philosophy. Several large investment companies involved -- Bain Capital, Kohlberg Kravis Roberts & Co. and Merrill Lynch Global Private Equity -- have signaled their deference to HCA's existing business plan.

"As a patient I would not be too worried about this," said Raman Kumar, a professor of finance at Virginia Tech.

In a leveraged buyout like the one planned, investors try to make money by buying an underperforming or undervalued company. HCA stock touched a low of \$41.80 for the year on June 30, the Wall Street Journal reported. Shares closed up at \$49.48 in trading Monday on the New York Stock Exchange.

The buyer group pays for the company with cash and borrowed money. Generally speaking, if the company's cash covers the principal and interest that supports the borrowing, the company stays intact. If the cash falls short, the new owners try to sell assets, Kumar said.

Kumar said that, at least at first glance, HCA seems to have been profitable enough to generate the profit investors expect, even with the added interest costs. If he's right, HCA properties such as Lewis-Gale Medical Center in Salem would seem to be safe from the chopping block.

If it's not enough, one option would be to sell hospitals. "Divestitures have been a part of leveraged buyouts in a significant number of cases," Kumar said.

But HCA spokesman Jeff Prescott, asked about the potential impact on local communities, said: "This is something that we feel very comfortable with, given that the buyer group is aligned with current philosophy."

Tim Tobin, chief executive officer of Alleghany Regional Hospital in Low Moor, said an investor group took HCA private once before, in 1989. He was a vice president at Lewis-Gale Medical Center at the time. "I don't

see it [Monday's announcement] as a negative. I think it shows that our leaders are convinced that we have an outstanding company, and so much so, they're willing to invest their own assets in the purchase of the company," Tobin said.

Shareholders of the Nashville, Tenn.-based company, which was founded by the family of Senate Majority Leader Bill Frist, will receive \$51 in cash for each share of common stock. That is an 18 percent premium to HCA's closing share price last Tuesday, the last major trading day before media reports about a potential buyout of the company, and a 6.5 percent premium to its closing price on Friday. HCA's board has approved the deal and recommended it to HCA's stockholders.

The deal is expected to be completed in the fourth quarter, pending shareholder and regulatory approvals.

Dr. Thomas Frist Jr., the senator's brother and a board member of HCA, is joining with the private equity groups to acquire the company he founded with his father in the 1960s. Other members of senior management at HCA, including Chairman and CEO Jack Bovender, have agreed to reinvest part of their HCA equity into the new entity.

Last year, federal prosecutors and the Securities and Exchange Commission launched an investigation of the senator's sale of HCA stock from his blind trusts. The sale occurred in June 2005 near the 52-week peak of HCA share's price and shortly before the stock fell 9 percent.

Bill Frist said he sold the stock to avoid the appearance of a conflict of interest.

The Associated Press contributed to this report.

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