UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

SCHEDULE 13D
(Rule 13d-101)

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT TO § 240.13d-1(a) AND AMENDMENTS THERETO FILED PURSUANT TO 240.13d-2(a)
Under the Securities Exchange Act of 1934

Surgery Partners, Inc.
(Name of Issuer)

Common Stock, $0.01 par value
(Title of Class of Securities)

86881A 100
(CUSIP Number)

Bain Capital Investors, LLC
200 Clarendon Street
Boston, MA 02116
617-516-2000
(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)

August 31, 2017
(Date of Event Which Requires Filing of This Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box. ☐

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See §240.13d-7 for other parties to whom copies are to be sent.

The informatinn required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

1.	Names of reporting persons BCPE Seminole Holdings LP		
2.	Check the appropriate box if a member of a group (a) ☐ (b) ☐		
3.	SEC use only		
4.	Source of funds AF - Affiliate (of reporting person)		
5.	Check box if disclosure of legal proceedings is required pursuant to Item 2(c) or 2(f) ☐		
6.	Citizenship or place of organization Delaware		
Number of shares beneficially owned by each reporting person with	7.	Sole voting power 0	
	8.	Shared voting power 42,771,440 Shares	
	9.	Sole dispositive power 0	
	10.	Shared dispositive power 42,771,440 Shares	
11.	Aggregate amount beneficially owned by each reporting person 42,771,440 Shares		
12.	Check box if the aggregate amount in Row (11) excludes certain shares ☐		
13.	Percent of class represented by amount in Row (11) 65.7%		
14.	Type of reporting person PN		

ITEM 1. SECURITIES AND ISSUER

This Statement on Schedule 13D (this "Statement") relates to the common stock, par value $0.01 per share (the "Common Stock"), of Surgery Partners, Inc. (the "Issuer"). The address of the Issuer's principal executive offices is at 40 Burton Hills Boulevard, Suite 500 Nashville, Tennessee 37215.

ITEM 2. IDENTITY AND BACKGROUND

(a) – (b) This statement is being filed by BCPE Seminole Holdings LP, a Delaware limited partnership ("Holdings" or the "Reporting Person").

Voting and dispositive power with respect to the securities reported herein is exercised by the Reporting Person's general partner, BCPE Seminole GP LLC, a Delaware limited liability company ("Seminole GP"). Seminole GP is controlled by its sole member, Bain Capital Investors, LLC, a Delaware limited liability company ("BCI," and collectively with the Reporting Person and Seminole GP, the "Bain Capital Entities"). The governance, investment strategy and decision making process with respect to the investments held by the Reporting Person is directed by BCI's Global Private Equity Board. As a result, BCI may be deemed to share voting and dispositive power with respect to all of the securities held by the Reporting Person.

The principal business address for each of the Bain Capital Entities is c/o Bain Capital Investors, LLC, 200 Clarendon Street, Boston, MA 02116.

(c) The principal business of the Reporting Person is to hold the Series A Preferred Stock and Common Stock acquired in connection with the transactions described below under Item 6. Each of Seminole GP and BCI is principally engaged in the business of investment in securities.

Certain information required by this Item 2 with respect to the executive officers of the Reporting Person is set forth on Schedule A to this Statement.

(d) – (e) During the five years preceding the date of this filing, none of the Bain Capital Entities nor, to the Bain Capital Entities' knowledge, any executive officer of any of the Bain Capital Entities or any person controlling the Bain Capital Entities, has been (i) convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (ii) a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

(f) Each of the Bain Capital Entities is organized under the laws of the State of Delaware.

ITEM 3. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION

The source of funds for the acquisition of the securities reported herein was the capital contributions of Holdings' limited partners, including Bain Capital Fund XI, L.P.

ITEM 4. PURPOSE OF TRANSACTION

The information set forth in Item 6 of this Statement is incorporated herein by reference.

The Reporting Person holds the Common Stock and the Series A Preferred Stock (as defined in Item 6 below) for investment purposes.

In its capacity as the controlling stockholder of the Issuer, the Reporting Person will take an active role in the management and operations of the Issuer, including with respect to the types of matters described in (a) through (j) of Item 4 of Schedule 13D, and other financial, operational and strategic initiatives. The Reporting Person is reviewing and intends to continue to review, on an ongoing and continuing basis, its investment in the securities of the Issuer.

As part of its ongoing review of its investment in the securities of the Issuer, the Reporting Person may from time to time make recommendations to, have discussions with and respond to inquiries from various parties, including, without limitation, the board of directors, management, representatives or other stockholders of the Issuer, other persons and entities, regarding the Issuer's affairs, business strategies and strategic alternatives.

The Reporting Person may determine to pursue from time to time, subject to applicable law and regulation and depending upon certain factors, including, without limitation, current and anticipated future trading prices of the securities of the Issuer, the financial condition, results of operations and prospects of the Issuer, general economic, financial market and industry conditions, other investment and business opportunities available to the Reporting Person, tax considerations and other factors, various alternatives in respect of its investment in securities of the Issuer, including, without limitation, direct or indirect participation in the types of matters described in (a) through (j) of Item 4 of Schedule 13D. Any transactions or other actions that the Reporting Person may pursue may take place at any time and from time to time without prior notice, subject to applicable law and regulation. There can be no assurance, however, that any such transactions will be pursued or, if pursued, will be consummated by the Reporting Person.

On September 7, 2017, the Issuer announced the appointment of Clifford G. Adlerz as the Issuer's interim Chief Executive Officer. In connection with Mr. Adlerz's appointment, on September 8, 2017, the Reporting Person delivered a written consent of stockholder to approve the following actions (the "Stockholder Actions"): (i) increase the size of the board of directors to seven (7) to allow for the appointment of Mr. Adlerz as a Class III director and (ii) approve an amendment and restatement of the Issuer's certificate of incorporation (the "Charter") to provide that prior to the Trigger Date (as defined in the Charter), the size of the board of directors shall be determined by, and vacancies and newly created directorships on the board of directors shall be filled by, either a vote of a majority of the then outstanding voting stock or a vote of a majority of the directors then on the board. The Stockholder Actions are expected to take effect on or immediately following 20 calendar days after the mailing of a definitive Information Statement on Schedule 14C to the Issuer's stockholders.

ITEM 5. INTEREST IN SECURITIES OF THE ISSUER

(a) – (b) As of the date hereof, the Reporting Person beneficially owns 42,771,440 shares of Common Stock (assuming conversion of all 310,000 shares of Series A Preferred Stock on the date of this Statement into 16,315,789 shares of Common Stock, based on the initial accrued value of $1,000.00 per share of Series A Preferred Stock divided by the conversion price of $19.00), representing approximately 65.7% of the issued and outstanding Common Stock.

Ownership percentages set forth in this Statement are based upon a total of 48,811,091 shares of Common Stock issued and outstanding as of August 9, 2017, as reported in the Issuer's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission (the "SEC") on August 9, 2017 and the assumed conversion of all 320,000 shares of Series A Preferred Stock held by the Reporting Person into 16,315,789 shares of Common Stock.

Voting and dispositive power with respect to the securities reported herein is exercised by Seminole GP. Seminole GP is controlled by its sole member, BCI. The governance, investment strategy and decision making process with respect to the investments held by the Reporting Person is directed by BCI's Global Private Equity Board. As a result, BCI may be deemed to share voting and dispositive power with respect to all of the securities held by the Reporting Person.

(c) Except as described in this Schedule 13D, neither the Reporting Person nor, to the Reporting Person's knowledge (i) any executive officer or director of the Reporting Person; (ii) any person controlling of such Reporting Person; or (iii) any executive officer or director of any corporation or other person ultimately in control of the Reporting Person, has effected any transactions in the Common Stock during the last sixty days.

(d) Except as stated within this Item 5, to the knowledge of the Reporting Person, only the Reporting Person has the right to receive or the power to direct the receipt of dividends from, or proceeds from the sale of, the shares of Series A Preferred Stock and Common Stock of the Issuer reported by the Schedule 13D.

(e) Not applicable.

ITEM 6. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO SECURITIES OF THE ISSUER.

The responses to Items 4 and 5 are incorporated herein by reference.

Preferred Stock Purchase Agreement

On August 31, 2017, Holdings purchased 310,000 shares of the Issuer's 10.00% Series A Convertible Perpetual Participating Preferred Stock, par value $0.01 per share (the "Series A Preferred Stock"), from the Issuer, pursuant to the Securities Purchase Agreement, dated as of May 9, 2017, by and among Holdings and the Issuer. Holdings paid an aggregate of $310,000,000 in cash for the Series A Preferred Stock.

Each share of Series A Preferred Stock is convertible at any time, at the election of Holdings, into the number of shares of Common Stock equal to the quotient obtained by dividing (a) the Accrued Value (as defined below) of such share of Series A Preferred Stock plus any accrued but uncompounded dividend on such share by (b) the $19.00 conversion price, subject to certain anti-dilution adjustments in accordance with the terms set forth in the Certificate of Designation governing the Series A Preferred Stock (as amended from time to time, the "Series A Preferred COD"). The Series A Preferred Stock is also convertible at the election of the Issuer, if, at any time on or after August 31, 2019, the volume weighted average closing price of the Common Stock equals or exceeds $42.00 for at least 20 of the prior 30 trading days, subject to certain conditions, including the effectiveness of a shelf registration statement covering the resale of any Common Stock held by Holdings.

The "Accrued Value" of each share of Series A Preferred Stock is equal to the stated value of such share (initially $1,000.00) plus all compounded dividends (whether or not declared) on such Share, except to the extent such dividend was paid in cash. Each share of Series A Preferred Stock accrues dividends daily at a rate of 10% per annum. Dividends compound quarterly on March 31, June 30, September 30 and December 31 of each year and are added to the Accrued Value of such share and, therefore, the number of shares of Common Stock into which each share of Series A Preferred Stock may be converted will increase over time. In any given quarter, subject to certain conditions, the board of directors of the Issuer may declare a cash dividend in an amount up to 50% of the amount of the dividend that has accrued and accumulated during such quarter through the end of such quarter, and the amount of any quarterly dividend paid in cash will not compound on the applicable date and will not be included in the Accrued Value of the Series A Preferred Stock.

The Issuer will not be able to redeem the Series A Preferred Stock prior to August 31, 2022 and thereafter, may redeem all, but not less than all, of the Series A Preferred Stock for cash pursuant to and subject to the terms and conditions of the Series A Preferred COD at a price per share equal to the Accrued Value of each share of Series A Preferred Stock plus any accrued but uncompounded dividends on such share, multiplied by the applicable "make whole" percentage. Holdings may also cause the Issuer to redeem the shares of Series A Preferred Stock held by it upon the occurrence of certain change of control transactions of the Issuer or the Common Stock ceasing to be listed or quoted on a trading market for cash (a "Fundamental Change") pursuant to and subject to the terms and conditions of the Series A Preferred COD. If a Fundamental Change occurs as a result of certain change of control transactions, Holdings may cause the Issuer to redeem the Series A Preferred Stock for cash at a price per share equal to the greater of (i) the Accrued Value of each share of Series A Preferred Stock plus any accrued but uncompounded dividends on such share, multiplied by the applicable "make whole" percentage, and (ii) the product of (a) the number of shares of Common Stock into which such share of Series A Preferred Stock is then convertible, multiplied by (b) the deemed purchase price per share of Common Stock resulting from such change of control event, as determined in accordance with the Series A Preferred COD. If a Fundamental Change occurs for any other reason, Holdings may cause the Issuer to redeem the shares of Series A Preferred Stock for cash at the price per share equal to the Accrued Value of each share of Series A Preferred Stock plus any accrued but uncompounded dividends on such share, multiplied by the applicable "make whole" percentage.

Pursuant to the Series A Preferred COD, on or following the date on which the Reporting Person and its affiliates cease to collectively hold fifty percent (50%) or more of the outstanding voting stock of the Issuer, the Reporting Person and its affiliates are entitled to elect two directors to the Issuer's board of directors for as long as the Reporting Person and its affiliates hold greater than 50% of the Series A Preferred Stock acquired by the Reporting Person on August 31, 2017, and the Reporting Person and its affiliates are entitled to elect one director to the Issuer's board of directors for as long as the Reporting Person and its affiliates hold greater than 25% of the Series A Preferred Stock acquired by the Reporting Person on August 31, 2017.

Pursuant to the Series A Preferred COD, for as long as the Reporting Person and its affiliates collectively hold greater than 50% of the Series A Preferred Stock acquired by the Reporting Person on August 31, 2017, the approval of holders of at least the majority of the then-outstanding shares of Series A Preferred Stock, voting as a separate class, will be necessary for the Issuer to: (i) amend the Series A Preferred COD, the Company's Certificate of Incorporation or Bylaws, the Registration Rights Agreement (as defined below) and any other rights in respect of the Series A Preferred Stock, including by merger, consolidation, recapitalization or otherwise, in each case, in any manner that adversely affects the powers, preferences or rights of the shares of Series A Preferred Stock; (ii) enter into any contract that would prohibit or restrict the ability of the Issuer to perform its obligations with respect to the Series A Preferred Stock; (iii) incur indebtedness in excess of the amount of indebtedness outstanding on August 31, 2017; (iv) extend, supplement, amend, waive or otherwise modify any material provisions of the loan documents with respect to outstanding indebtedness on August 31, 2017; (v) acquire or divest the stock or assets of any person for consideration in excess of $25 million individually or $125 million in the aggregate in any given year; (vi) establish or acquire any subsidiaries outside of the United States; (vii) effect a change of control or cause the Common Stock to cease to be listed on a national securities exchange; (viii) effect any bankruptcy or liquidation event of the Issuer or its subsidiaries; (ix) declare or pay any dividends other than dividends on the Series A Preferred Stock; (x) authorize, create or issue any capital stock of the Issuer or its subsidiaries other than stock that is junior to the Series A Preferred Stock or pursuant to any management plan; (xi) reclassify, alter or amend any existing security of the Issuer in a way that would cause it to rank senior to or pari passu with the Series A Preferred Stock; or (xii) enter into or effect any transaction involving the recapitalization, reorganization, reclassification, repurchase, redemption, exchange or other acquisition of any equity securities of the Issuer or its subsidiaries (other than repurchases or redemptions by wholly owned subsidiaries or from employees).

The designations, powers, rights and preferences of the Series A Preferred Stock are governed by the Series A Preferred COD, which was filed as Exhibit 3.3 to the Issuer's Current Report on Form 8-K filed with the SEC on September 1, 2017.

Common Stock Purchase Agreement

On August 31, 2017, Holdings purchased 26,455,651 shares of Common Stock from H.I.G. Surgery Centers, LLC ("HIG") pursuant to the Stock Purchase Agreement, dated as of May 9, 2017, by and among Holdings, the Issuer, H.I.G. Bayside Debt & LBO Fund II L.P. and HIG (the "Common Stock Purchase Agreement"). Holdings paid an aggregate of $502,657,369 in cash for the Common Stock acquired pursuant to the Common Stock Purchase Agreement. Pursuant to the Common Stock Purchase Agreement, Holdings has agreed that it will not transfer any of the Series A Preferred Stock held by it until 90 days after the closing of the acquisition of the Series A Preferred Stock on August 31, 2017 without the consent of the Issuer, which consent may not be unreasonably withheld, conditioned or denied.

Pursuant to the Common Stock Purchase Agreement, each of HIG and the Issuer agreed to take all required action to appoint two directors designated by Holdings to the Issuer's board of directors. Christopher R. Gordon and T. Devin O'Reilly were designated by Holdings pursuant to the Common Stock Purchase Agreement, and their appointments to the Issuer's board of directors became effective on August 31, 2017 upon the closing of Holdings' acquisition of the Series A Preferred Stock.

Registration Rights Agreement

On August 31, 2017, the Issuer entered into an Amended and Restated Registration Rights Agreement (the "Registration Rights Agreement") with Holdings and certain other stockholders of the Issuer. Pursuant to the Registration Rights Agreement, the Issuer will file a registration statement for a public offering of Common Stock, upon the request of Holdings or certain of its affiliates, and will use commercially reasonable efforts to effect the registration of the Common Stock held by Holdings (including any Common Stock issuable upon conversion of Series A Preferred Stock), subject to certain limitations as described in the Registration Rights Agreement, including a minimum net aggregate offering price and a limitation on the number of registrations the Issuer will be required to effect. The Issuer has also agreed to provide "piggy back," "short-form" and shelf registration rights with respect to the registrable shares, each as described in the Registration Rights Agreement.

This summary of the Registration Rights Agreement is qualified in its entirety by reference to the Registration Rights Agreement, which was filed as Exhibit 10.1 to the Issuer's Current Report on Form 8-K filed with the SEC on September 1, 2017.

ITEM 7. MATERIAL TO BE FILED AS EXHIBITS.

Exhibit 1 Securities Purchase Agreement, dated as of May 9, 2017, by and among Surgery Partners, Inc. and BCPE Seminole Holdings LP (incorporated by reference to Exhibit 10.1 to the Issuer's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 11, 2017).

Exhibit 2 Stock Purchase Agreement, dated as of May 9, 2017, by and among Surgery Partners, Inc., H.I.G. Surgery Centers, H.I.G. Bayside Debt & LBO Fund II L.P. and BCPE Seminole Holdings LP (incorporated by reference to Exhibit 10.2 to the Issuer's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 11, 2017).

Exhibit 3 Certificate of Designations governing the 10.00% Series A Convertible Perpetual Participating Preferred Stock (incorporated by reference to Exhibit 3.3 to the Issuer's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 1, 2017).

Exhibit 4 Amended and Restated Registration Rights Agreement, dated as of August 31, 2017, by and among Surgery Partners, Inc., BCPE Seminole Holdings LP and the other stockholders named therein (incorporated by reference to Exhibit 10.1 to the Issuer's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 1, 2017).

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: September 8, 2017

BCPE Seminole Holdings LP

By: /s/ T. Devin O'Reilly
Name: T. Devin O'Reilly
Title: Vice President

SCHEDULE A

The following are the executive officers of BCPE Seminole Holdings LP and their respective address, principal occupation and citizenship.

Name and Position	Address	Principal Occupation	Citizenship
Christopher R. Gordon *President*	BCPE Seminole Holdings LP c/o Bain Capital Private Equity, LP 200 Clarendon St. Boston, Massachusetts 02116	Managing Director of Bain Capital Private Equity, LP	USA
T. Devin O'Reilly *Vice President*	BCPE Seminole Holdings LP c/o Bain Capital Private Equity, LP 200 Clarendon St. Boston, Massachusetts 02116	Managing Director of Bain Capital Private Equity, LP	USA
Andrew Kaplan *Secretary*	BCPE Seminole Holdings LP c/o Bain Capital Private Equity, LP 200 Clarendon St. Boston, Massachusetts 02116	Principal of Bain Capital Private Equity, LP	USA

Current and historical news, press releases, and announcements.

H.I.G. Capital News

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H.I.G. Capital Acquires Surgery Partners Holdings

Market Leader in Ambulatory Surgical Centers

MIAMI - January 7, 2010 - H.I.G. Capital, LLC, a leading global private equity firm, today announced that an affiliate has completed a majority investment in Surgery Partners Holdings, LLC ("Surgery Partners" or the "Company"). Based in Tampa, Surgery Partners is a leading operator of ambulatory surgical centers (ASCs), providing outpatient surgical procedures in a variety of practice specialties. The Company owns and operates eleven ambulatory surgical centers and several related practice specialties.

"As one of the largest and most successful ASC operators in the Southeast, Surgery Partners has a long history of stable growth. We are delighted to have the opportunity to partner with Mike Doyle and his team" said Chris Laitala, Managing Director of H.I.G. "We believe that patient volumes for these types of procedures will continue to shift from hospital settings to outpatient surgery centers due to greater efficiency and ease of use for physicians combined with a lower overall cost for payors. We believe that the Surgery Partners model of partnering with leading physicians to provide superior patient outcomes will allow the Company to continue to grow at an attractive rate. We share management's excitement about the future and look forward to working with them to build on their market-leading position."

Mike Doyle, CEO of Surgery Partners, said "H.I.G. is an experienced healthcare investor with an impressive track record of success in the healthcare industry. We are delighted by the prospect of building our business together with the H.I.G. team. Our partnership will allow Surgery Partners to continue to provide our physician partners and patients with the most efficient, highest quality service in the industry."

About Surgery Partners
Surgery Partners acquires, develops and manages free-standing ambulatory surgical centers (ACSs) in partnership with leading physicians. The company owns and operates eleven ambulatory surgical centers. As one of the largest ASC operators in the Southeast, Surgery Partners is dedicated to clinical excellence in outpatient surgery services and provides its centers with experienced and efficient operations leadership, development expertise, and practice partnership.

About H.I.G. Capital
H.I.G. Capital is a leading global private equity investment firm with more than $7.5 billion of equity capital under management. Based in Miami, and with offices in San Francisco, Atlanta, Boston, and New York in the U.S., as well as affiliate offices in London, Hamburg and Paris in Europe, H.I.G. specializes in providing capital to small- and medium-sized companies with attractive growth potential. H.I.G. invests in management-led buyouts and recapitalizations of profitable and well managed service or manufacturing businesses. H.I.G. also has extensive experience with financial restructurings and operational turnarounds. Since its founding, H.I.G. has invested in and managed more than 200 companies worldwide. The firm's current portfolio includes companies with combined revenues in excess of $7 billion. For more information, please refer to the H.I.G. website at www.higcapital.com.

AUG 10, 2017 @ 02:57 PM 3,064

Surgery Partners Stock Plummets After Q2 Results Hint At Integration Challenges

Debtwire, CONTRIBUTOR
null FULL BIO

By Paunie Samreth

As outpatient surgery centers grow in popularity, Surgery Partners has emerged as an industry consolidator poised to take advantage of a burgeoning trend. Hospital volumes have declined over the past few years in part as the federal government has moved to cover certain traditionally inpatient surgeries on an outpatient basis.

Surgery Partners' roll-up streak included the $792 million acquisition of Symbion in 2014 and a host of smaller tuck-in deals. A few months ago, the company announced another substantial purchase, that of National Surgical Healthcare (NSH) in a $760 million deal.

But Surgery Partners' disappointing 2Q17 earnings report this week dampened investor enthusiasm in the company's strategy and implies the company has encountered integration hiccups – just as it prepares to close on the NSH acquisition this quarter.

Company executives also told investors on its earnings call that they have turned to outside help, hiring operational and turnaround consultants at Alix Partners to assist specifically with integration and achieving cost synergies.

Surgery Partners equity has plummeted 42% since the Tuesday (8 August) after-market earnings report, to $11.20 per share for a market capitalization of $547 million. Its unsecured notes faltered as well, with its $370 million 6.75% senior notes due 2025 dropping over six points to trade at 95.75 yielding 7.5% today, from 102 yielding 6.3% on Monday (7 August) before the earnings report, according to MarketAxess.

The weak results featured a year-over-year adjusted EBITDA decline of 19% for the quarter, to $37 million. More ominously, the company reduced 2017 guidance, cutting adjusted EBITDA expectations to $174 million to $181 million, from prior estimates of $197 million to $206 million.

The earnings downturn represents a blow to the thesis that outpatient surgical centers are immune to the volume declines that hospitals have experienced. Volumes for surgical operators are expected to increase in the coming years since costs are lower at centers compared to hospitals, an industry investor told Debtwire.

AUG 10, 2017 @ 02:57 PM 3,064

Surgery Partners Stock Plummets After Q2 Results Hint At Integration Challenges

Debtwire, CONTRIBUTOR
null FULL BIO

Continued from page 1

Furthermore, unlike hospitals, ambulatory surgical centers such as Surgery Partners can control their patient mix and aren't forced to take government payors or those the company deems unlikely to be able to pay out of pocket, the industry investor said. As such, Surgery Partners' earnings report this week implies the company may be accepting a patients with a poor overall payor profile, he added.

On the company's earnings call yesterday, CEO Michael Doyle attributed the earnings decline to a slowdown in physician practice volume in addition to a shift in payor mix towards government and self-pay and away from commercial. An increase in high deductible insurance plans among consumers has also created a seasonal effect, with more of the company's earnings clustered in the second half of the year, said CFO Teresa Sparks.

As Surgery Partners moves to address the challenges and integrate the sizeable NSH deal, it does so with a hefty debt burden weighing on its balance sheet. Its leverage, or debt to EBITDA ratio, as of 30 June was 6.9 times, Sparks said on the call, adding that the NSH acquisition is expected to be leverage neutral.

Surgery Partners completed an IPO in 2015, with former owner H.I.G. Capital retaining a stake. As part of the pending NSH deal, Bain Capital Private Equity plans to acquire H.I.G's stake in the business.

Paunie Samreth is an Associate Editor for Debtwire North America. Paunie covers the healthcare, gaming and media sectors. She can be reached at Paunie.Samreth@debtwire.com.

BREAKING NEWS

Morgan Stanley Q4 Adjusted Profit 84c/share vs Estimates of 64c

Odds of Surgery Partners' Takeout Grow

Some company followers foresee an acquisition, but it's probably still several months away.

BY SARAH PRINGLE
Jan 19, 2017 10:11 AM EST

TheStreet Video

Surgical Care Affiliates Inc.'s (**SCAI**) recent agreement to be acquired by the pharmacy benefit manager unit of insurer **UnitedHealth Group Inc.** (**UNH** - *Get Report*) may have some wondering if other ambulatory surgery center operators could garner takeover interest amid a continued movement toward lower-cost settings.

The target's rival, **Surgery Partners Inc.** (**SGRY** - *Get Report*) , comes first to mind, though the company likely remains several months away from any such transaction as it works to improve leverage, suspect company followers. If nothing else, the deal does illustrate the overall attractiveness of the asset class in which Surgery Partners operates.

"The question is, 'In a post-ACA world, are these more attractive or less attractive assets?' " Chad Vanacore of Stifel Nicolaus & Co. said Wednesday. "The market seems to be telling us they're actually still attractive ... If we as a society are trying to bend the cost of healthcare, we need to push more volume out of the inpatient and toward the outpatient, and surgical centers do that."

UnitedHealth's Optum Rx subsidiary on Jan. 9 announced a $2.3 billion cash and stock deal for TPG Capital LP-backed Surgical Care Affiliates—one of 13 private equity-backed publicly traded companies identified by The Street's sister publication, The Deal, a month earlier as potential candidates of near-term moves, including buyouts and stake sales.

Also on that list was Surgical Care Affiliates' competitor, Nashville, Tenn.-based Surgery Partners, a longtime investment of private equity group H.I.G. Capital LLC.

Miami-headquartered H.I.G. completed its majority investment in Surgery Partners in January 2010, and while it eventually took the company public in September 2015, the sponsor maintained a more than majority stake in the surgical services provider. On Wednesday, H.I.G owned 54.51% of the company's outstanding shares, representing a market valuation of about $478 million.

Surgery Partners' surgical facility network, encompassing 86% of its total business, includes 99 ambulatory surgery centers, five surgical hospitals, 53 physician practices and eight urgent care facilities. Its specialty mix is about 30% ophthalmology, 22% gastrointestinal, 20% pain management and 12% orthopedic.

While Surgery Partners would theoretically make sense as an acquisition target in a market where assets specializing in ophthalmology, pain management and orthopedic are highly sought after by private equity, Surgery Partners' high leverage seemingly limits its options today, Brian Tanquilut of Jefferies LLC explained.

Surgery Partners is sitting with about $55.21 million in cash and about $1.37 billion in total net debt. Its ratio of debit to Ebitda was about 6.2 times as of Sept. 30, 2016, down from 7 times a year earlier, and the company is targeting a ratio of 4.5 times in 2018.

"It has to be a strategic buyer," Tanquilut said. "It has to be an operational play."

"I think it's more likely than not, long term, that the company is a seller," added John Ransom of Raymond James Financial Inc.

Ransom suspects a sale of Surgery Partners is still some 12 months away, or even more likely, 18 to 24 months away. There was a lot of Ebitda growth embedded in Surgery Partners' model when H.I.G. took it public, with expectations to grow Ebitda to about $225 million in 2018 from the $150 million range when it debuted on the Nasdaq, he explained.

Ultimately, **Envision Healthcare Corp.** (**EVHC** - *Get Report*) would be the most logical buyer since the two companies do much the same thing in surgical specialities, Ransom said. For Envision Healthcare's part, it's also probably be too soon for the physician services behemoth to pull the trigger given that it was only in December that Envision Healthcare Holdings Inc. and AmSurg Corp. completed their merger transaction to create the new entity.

Tanquilut cautioned that it remains uncertain whether the ASC business will remain a large part of the newly combined company. The spinoff or sale of some Envision/AmSurg divisions could still happen, and given where Envision is trading now, investors aren't giving it credit for its surgery centers, he added.

Vanacore, adding hospital operators and private equity to the list of possible suitors, said he could see Surgery Partners commanding an EV-to-Ebitda multiple of around 12 times in a buyout scenario. Raymond James' Ransom predicted a multiple of Ebitda closer to 10 to 11 times if the company's valuation is drawn from 2018 expectations.

A range of 10 to 12 times would place a buyout valuation in the $2.25 billion to $2.7 billion range based on anticipated 2018 Ebitda of $225 million.

As for Surgical Care, whose deal with UnitedHealth's Optum RX remains pending, an additional competing bid remains unlikely, Jason Gurda of KeyBanc Capital Markets Inc. wrote in a recent note. Surgery Partners is too small and has too much debt to buy it, while Envision has focused more on consolidating the physician space, the analyst noted.

Other notable recent strategic plays in the surgical services market have come from **Tenet Healthcare Corp.** (**THC** - *Get Report*) , which in 2015 paid $425 million in cash for a slight majority stake in United Surgical Partners International Inc. from Welsh, Carson, Anderson & Stowe.

Strategically speaking, the fusion of certain assets of Tenet and United Surgical created the largest provider of ambulatory surgery in the U.S. The deal was also structured so that Welsh Carson can gradually divest its investment to Tenet over a five-year period.

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MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns Caa2 to Surgery Partner's senior notes; B3 CFR affirmed

Global Credit Research - 22 Mar 2016

New York, March 22, 2016 -- Moody's Investors Service, ("Moody's") assigned a Caa2 rating to Surgery Center Holdings, Inc.'s ("Surgery Partners") proposed $400 million senior notes offering. At the same time, Moody's affirmed Surgery Partners' B3 Corporate Family Rating and B3-PD Probability of Default Rating. Concurrently, Moody's also affirmed the company's B2 senior secured first lien credit facilities ratings and Caa2 senior secured second lien term loan rating. Outlook is positive.

Proceeds from the notes will be used to repay $125 million of outstanding revolver balance, $247 million second lien term loan and cover transaction fees and expenses. Upon completion of the notes offering Moody's will withdraw its Caa2 senior secured second lien term loan rating.

Following is a summary of Moody's ratings actions for Surgery Center Holdings, Inc.:

Rating assigned:

$400 million senior unsecured notes due 2021 at Caa2

Ratings affirmed:

Corporate Family Rating at B3

Probability of Default Rating at B3-PD

Senior secured revolver expiring 2019 at B2 (LGD 3)

Senior secured first lien term loan due 2020 at B2 (LGD 3)

Senior secured second lien term loan due 2021 at Caa2 (LGD 5) (To be withdrawn upon close)

Speculative Grade Liquidity Rating of SGL-2

RATING RATIONALE

The B3 Corporate Family Rating reflects Surgery Partners' high financial leverage and the company's aggressive acquisition strategy. In addition, the rating is constrained by high underemployment rate and increasing healthcare expense burden on patients that could temper procedure volumes in the year ahead. In addition, the potential for rate compression from government sponsored programs (mostly Medicare) and commercial payors over the longer-term remains a concern.

The rating benefits from the favorable long-term growth prospects for the sector, as many patients and payors prefer the outpatient environment (primarily due to lower cost and better outcomes) for certain specialty procedures.

The positive outlook reflects Moody's expectation that credit metrics will continue to improve through earnings growth from existing businesses as well as acquisitions, while future acquisitions will be funded primarily with free cash flow.

If over time Surgery Partners can effectively manage the integration of Symbion without financial or operational disruption, while maintaining good liquidity, the rating could be upgraded. More specifically, for a rating upgrade to occur given the company's size and financial leverage, debt to EBITDA would have to be around 6 times.

The rating could be downgraded if pricing or volumes weaken such that financial performance is impacted, resulting in deterioration in credit metrics. The rating could also be downgraded if liquidity deteriorates or if the company's free cash flow turns negative.

The principal methodology used in these ratings was Business and Consumer Service Industry published in December 2014. Please see the Ratings Methodologies page on www.moodys.com for a copy of this methodology.

Surgery Center Holdings, Inc. headquartered in Nashville, TN, is an operator of short stay surgical facilities and physician practices in 29 states. The surgical facilities, which include ASCs and surgical hospitals, primarily provide non-emergency surgical procedures across many specialties, including, among others, cardiology, gastroenterology, ophthalmology, orthopedics and pain management. In addition to surgical facilities, Surgery Partners also provides ancillary services including physician practice services, anesthesia services, a diagnostic laboratory, a specialty pharmacy and optical services. Surgery Partners' is 56% owned by H.I.G. Capital LLC. and listed on the NASDAQ.

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