



# PEDIATRIX MEDICAL GROUP

HISTORY | FOCUS | GROWTH

**JUNE 5, 2020**



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**Our growth and longevity is rooted in...**

taking great care of the patient **“Every Day, and in Every Way”**

**National Group, Physician-Led**

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**Local Clinicians**

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**Clinical Integration**

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**Data & Analytics**

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**Quality & Safety**

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**Stewardship**

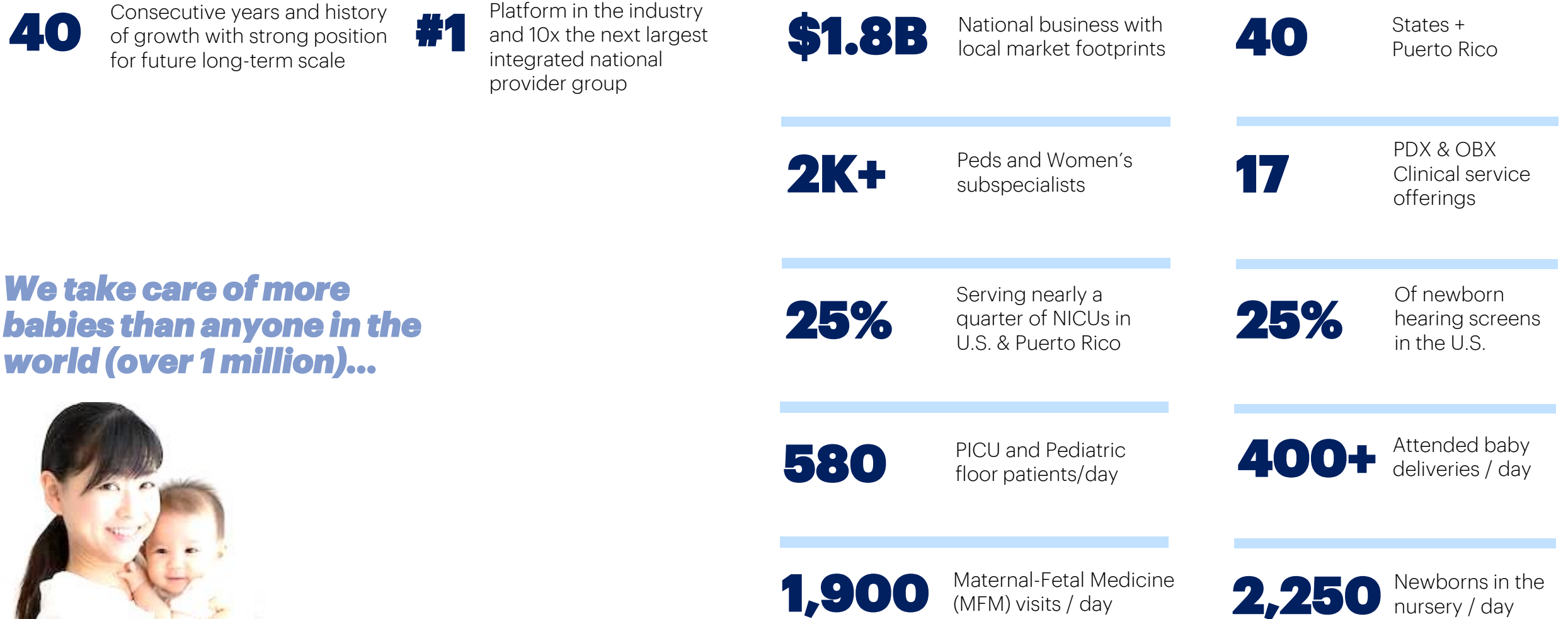
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**Research & Education**

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# WE ARE THE LEADERS IN WOMEN’S & CHILDREN’S HEALTHCARE



*We take care of more babies than anyone in the world (over 1 million)...*



# OUR STRUCTURE, REACH, AND PERFORMANCE COMPRISE THE FOUNDATION WE ARE BUILDING ON

## Highlights

### Proven Leadership & Focused Org Model

- Introduced focused org structure as of 7/2019 to reaccelerate growth
- Deeply experienced management team
- Re-introduced Pediatrix & Obstetrix (PDX & OBX) brands, re-energizing the field

### National & Local Reach

- Extensive, coast to coast national footprint
- Significant leadership position in NICU / PICU / MFM and many Peds subspecialties
- Large portfolio in attractive markets
- Platform positioned well with top hospital systems

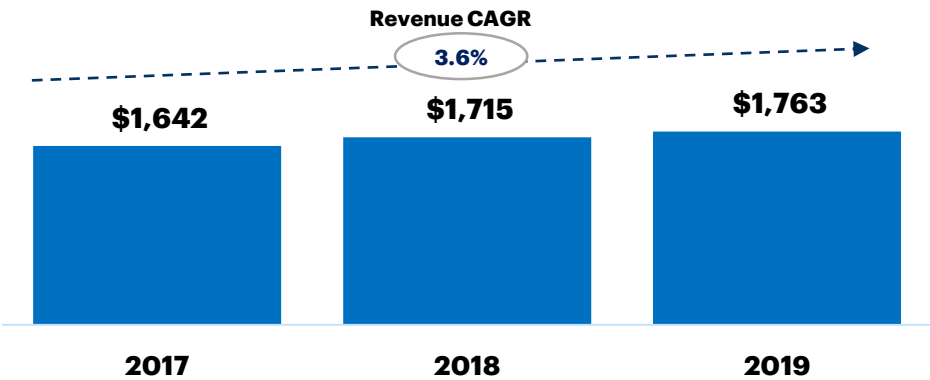
### Growth Opportunities

- Expanding into an addressable market >5x our historical TAM
- Positioned to drive incremental growth from sales initiatives
- Core “tuck-in” M&A to drive incremental growth
- Strategic build out of Women’s and Children’s adjacencies

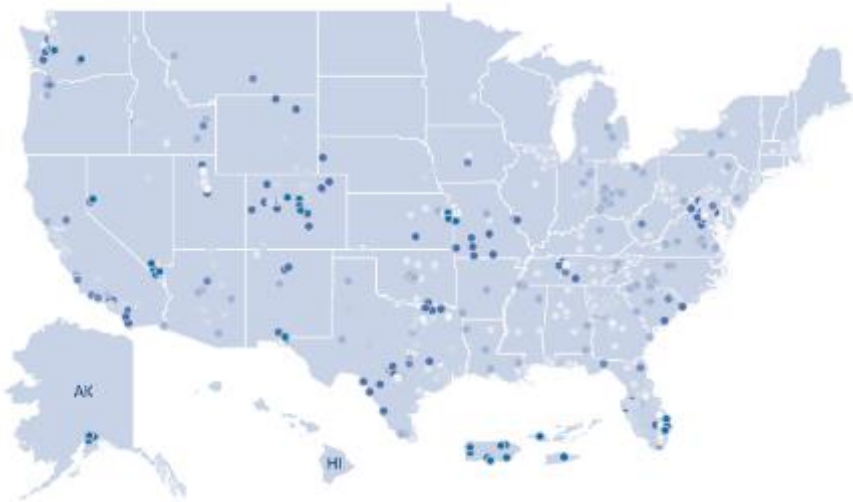
### Additional Margin Opportunities

- Investing in technology, tools and processes to improve clinical delivery and efficiency
- Aligning clinical cost with revenue
- SG&A efficiency investments

## Revenue (\$M)



## National Footprint



# OUR PORTFOLIO IS SPLIT BETWEEN HOSPITAL-BASED AND AMBULATORY SERVICES

## Hospital-Based Footprint | Portfolio 2019 Revenue: \$1,331M



Operating across 40 states + Puerto Rico

## Ambulatory Footprint | Portfolio 2019 Revenue: \$432M



Operating across 21 states and territories

## Portfolio of Practices and Total Sites

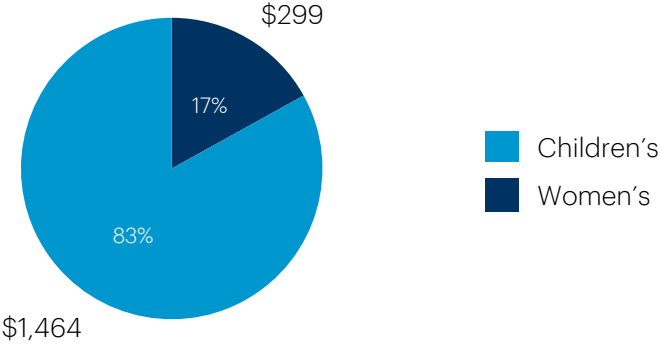
Specialty Area	Practices
Neonatology (NICU)	141
Maternal-Fetal Medicine	33
OB Hospitalist	35
Pediatric Cardiology	19
Pediatric Critical Care (PICU)	36
Pediatric Hospitalist	60
Other Pediatric Subspecialties	36
Subtotal	360
*Hearing Screen	327
Total	687
Total Sites	Over 1,000

**Note:** “Other Pediatric Subspecialties” includes Hearing Screen, Developmental Pediatrics, Pediatric Emergency Medicine, Pediatric Endocrinology, Pediatric ENT, Pediatric GI, Pediatric Infectious Disease, Pediatric Neurology, Pediatric Surgery, and Pediatric Neurology.

\*Overlaps removed

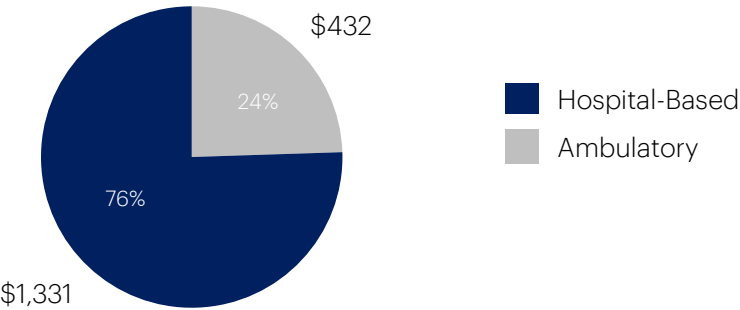
# WE OPERATE ACROSS SERVICE LINES, SUBSPECIALTY AREAS AND SERVICE LOCATIONS

2019 Revenue (\$M)



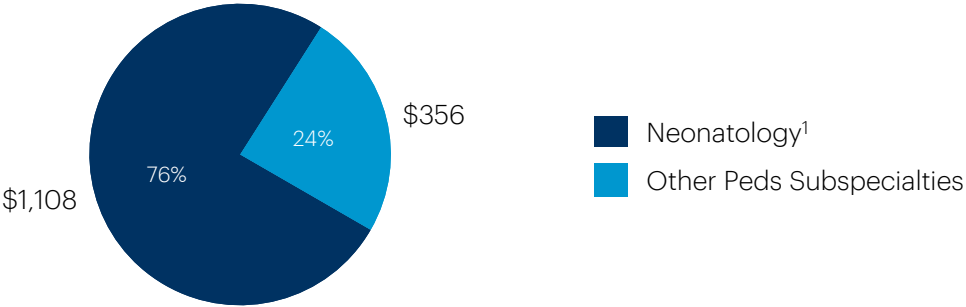
- Children's business grew 3% CAGR ('15-'19)
- Women's business grew 4% CAGR ('15-'19)

2019 Revenue by Service Location (\$M)



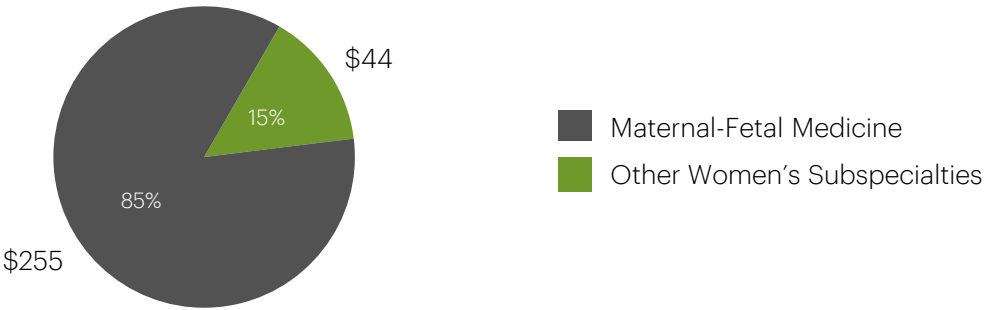
- 76% of revenue is generated by services provided in hospital settings
- Increasing demand for ambulatory settings suggests growth opportunity

2019 Children's Health Revenue by Specialty (\$M)



- We have diversified our services, growing our pediatric subspecialty offerings
- Peds hospitalist & PICU are fastest growing services
  - Peds hospitalist grew 11% CAGR ('15 - '19); PICU grew 8% CAGR ('15 - '19)

2019 Women's Health Revenue by Specialty (\$M)

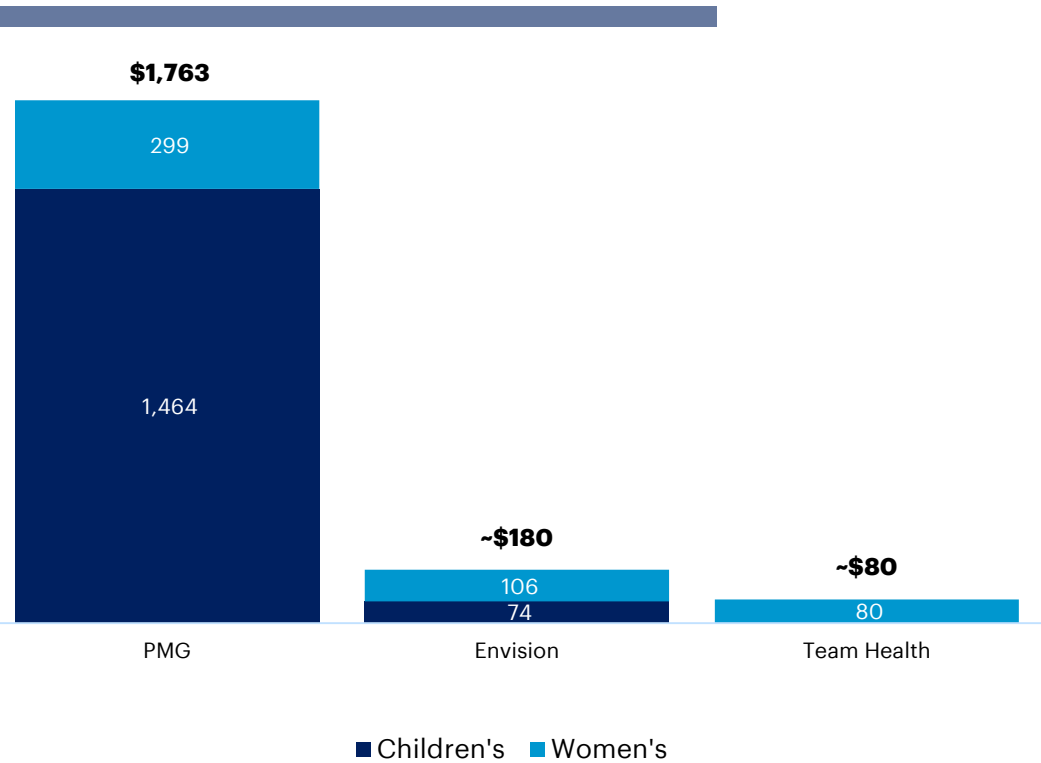


- Women's health revenue primarily from maternal-fetal medicine (MFM)
- MFM grew at 2% CAGR ('15 - '19); OB Hospitalist services growing at 19% CAGR ('15 - '19)

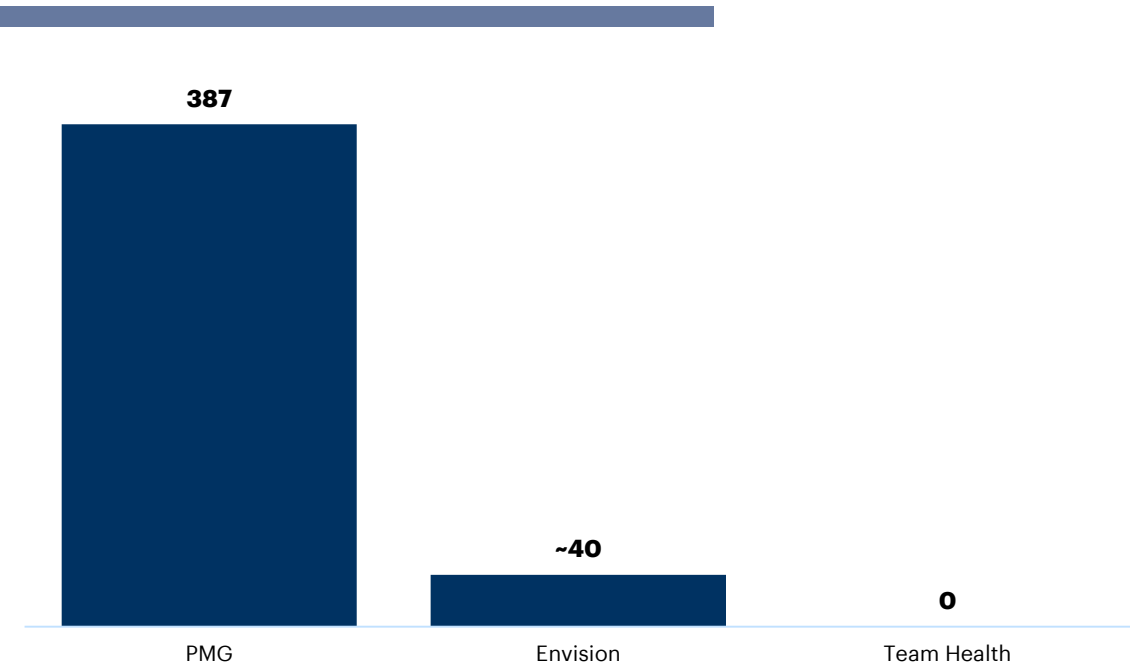
# WE LEAD THE COMPETITIVE LANDSCAPE IN WOMEN’S & CHILDREN’S HEALTHCARE

Pediatric Medical Group outpaces top competitors in both revenue and volume

Revenue<sup>1</sup> (\$M)



NICU Split<sup>2</sup> (# of NICUs)

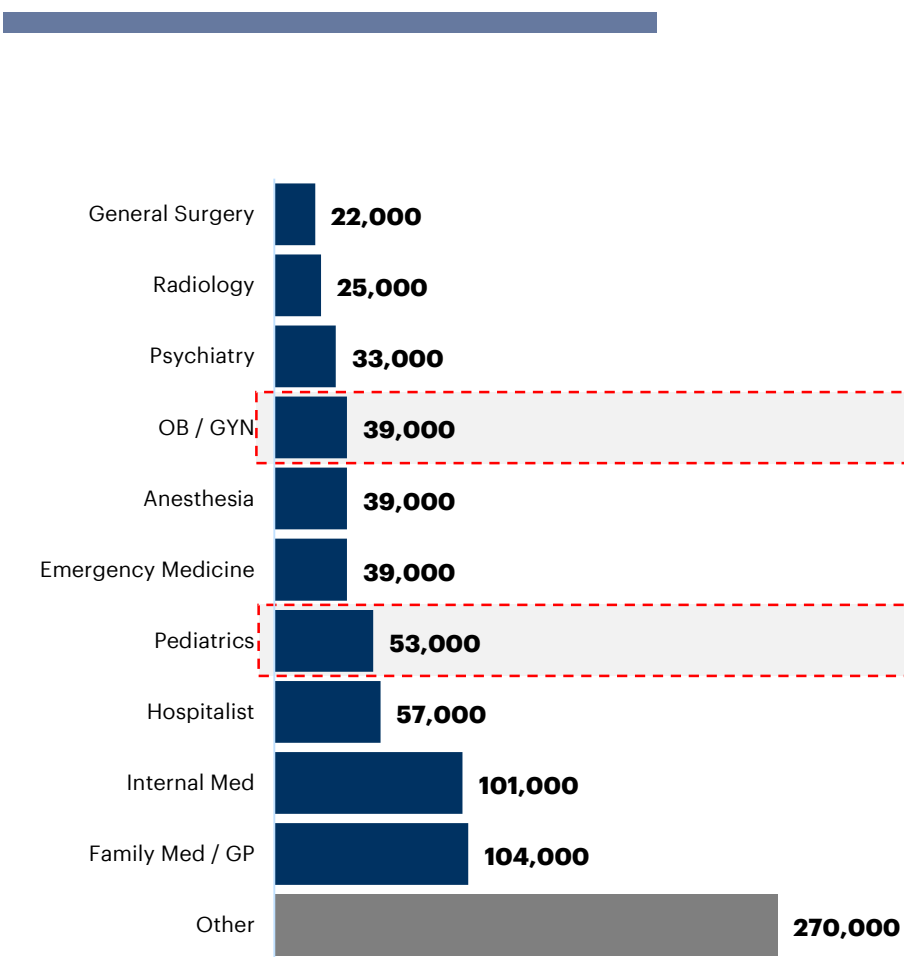


**Notes:** 1. As of 12/31/19. 2. Current NICU count. Market comparison focused on national medical groups with women’s and children’s “specialist” programs, and excludes general pediatrics, OB/GYN groups, and children’s hospitals  
**Sources:** Publicly available information

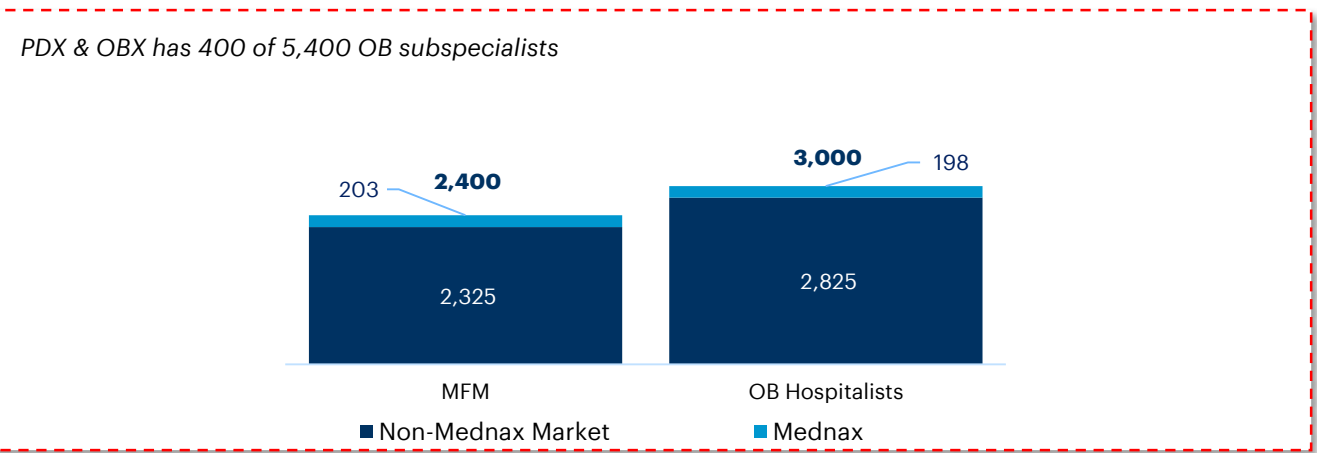


# OUR PHYSICIAN REACH SPANS PEDIATRICS AND OBSTETRICS SERVICES AREAS

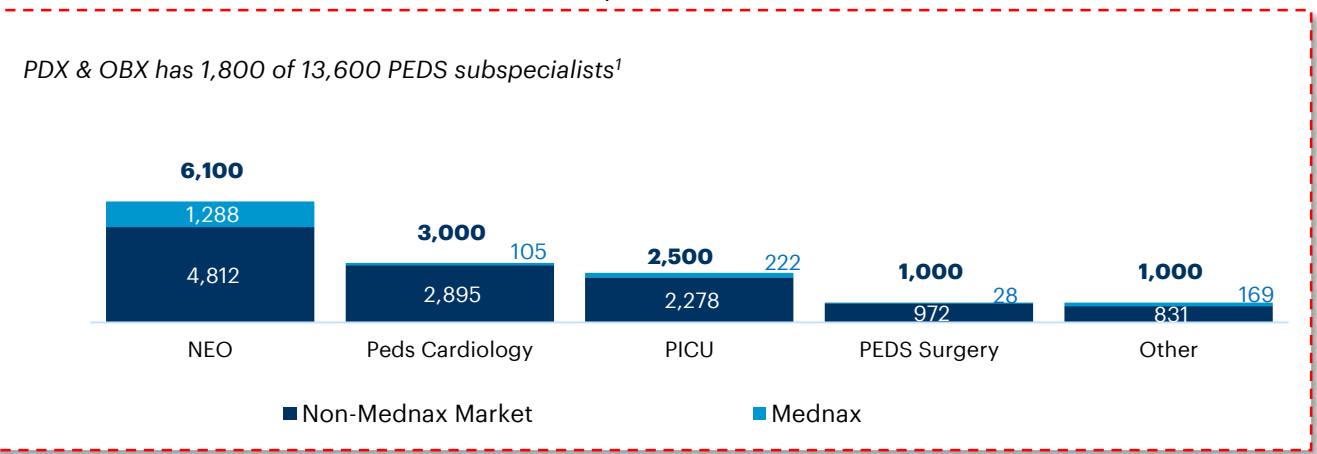
U.S. Physician Count for Top 10 Specialties, Patient Care



Obstetrics Subspecialist Physicians  
(# of Specialists)

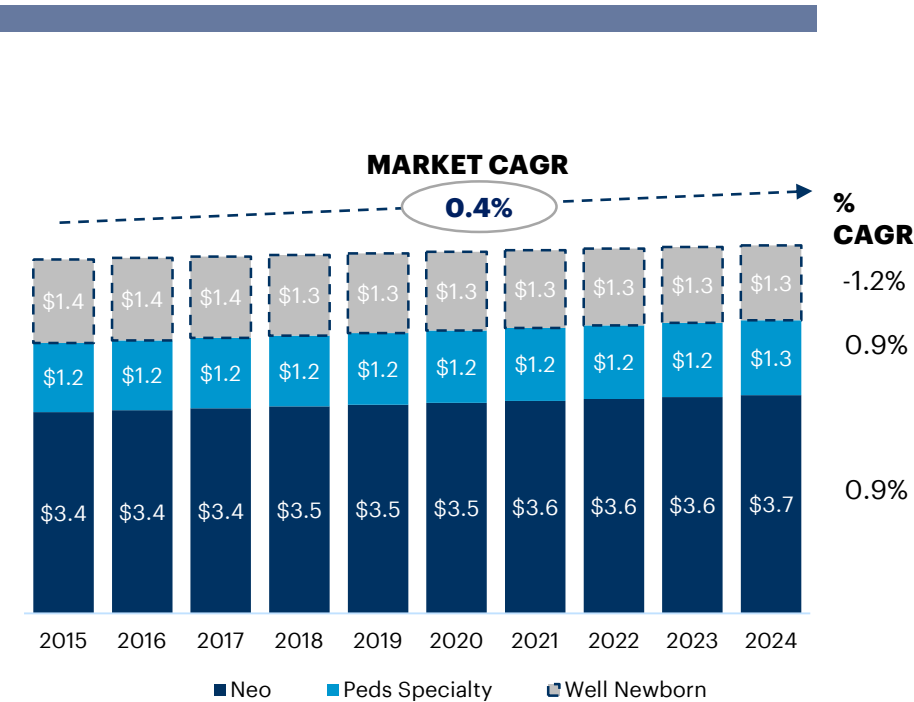


Pediatrics Subspecialist Physicians  
(# of Specialists)



# WE ARE WELL POSITIONED IN A GROWING WOMEN’S AND CHILDREN’S INDUSTRY

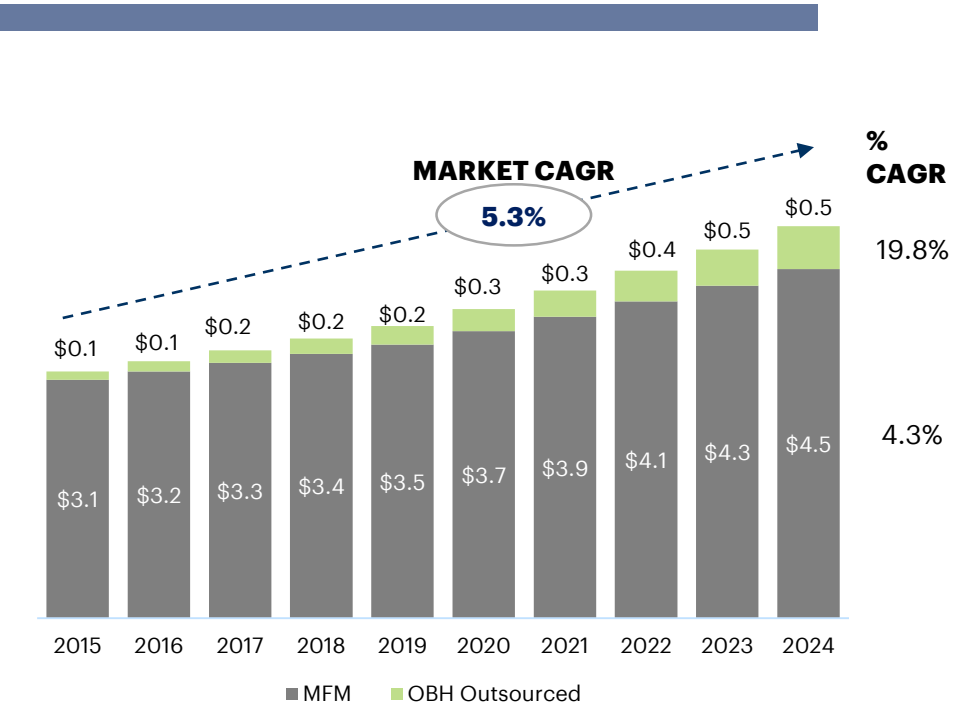
U.S. Neonatology and Pediatrics Specialty Total  
Addressable Market (TAM) (\$B)



Neonatology and Pediatrics growth is driven by...

- Increasing admission rate, patient days & volumes
- Increases in pre-term births
- Increasing chronic population health issues

U.S. OBH and MFM Provider Total  
Addressable Market (TAM) (\$B)

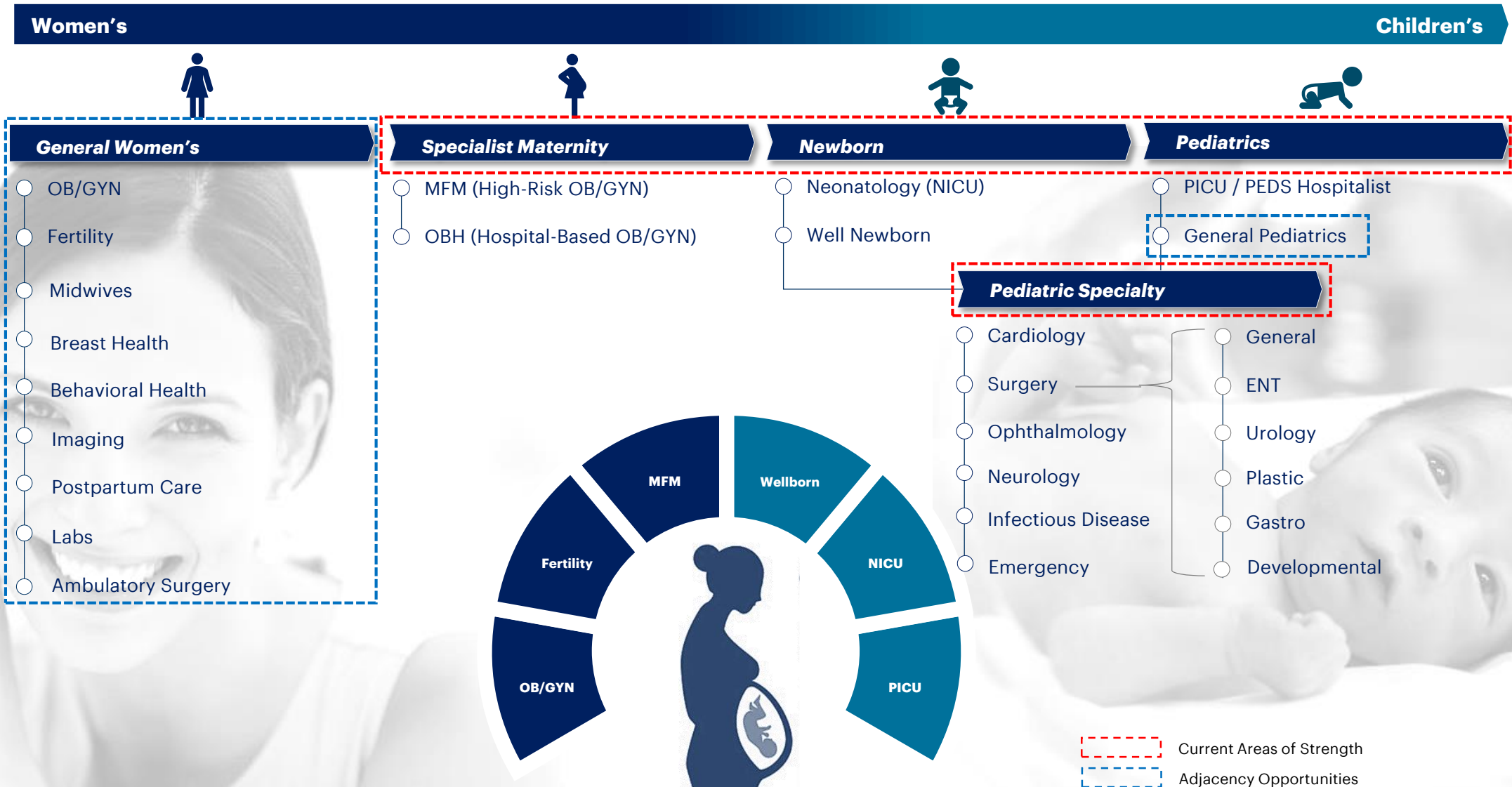


Maternity Specialty market growth is driven by...

- Chronic health issues driving accelerating demand for OB services
- Standard of care evolving to address increasing maternity risks
- MFM market grew 3% 2015-2019, accelerating 4-5% 2020-2024
- MFM outpatient volumes growing 10%+ 2020-2024

# WE PROVIDE SERVICES ACROSS THE WOMEN’S AND CHILDREN’S CONTINUUM

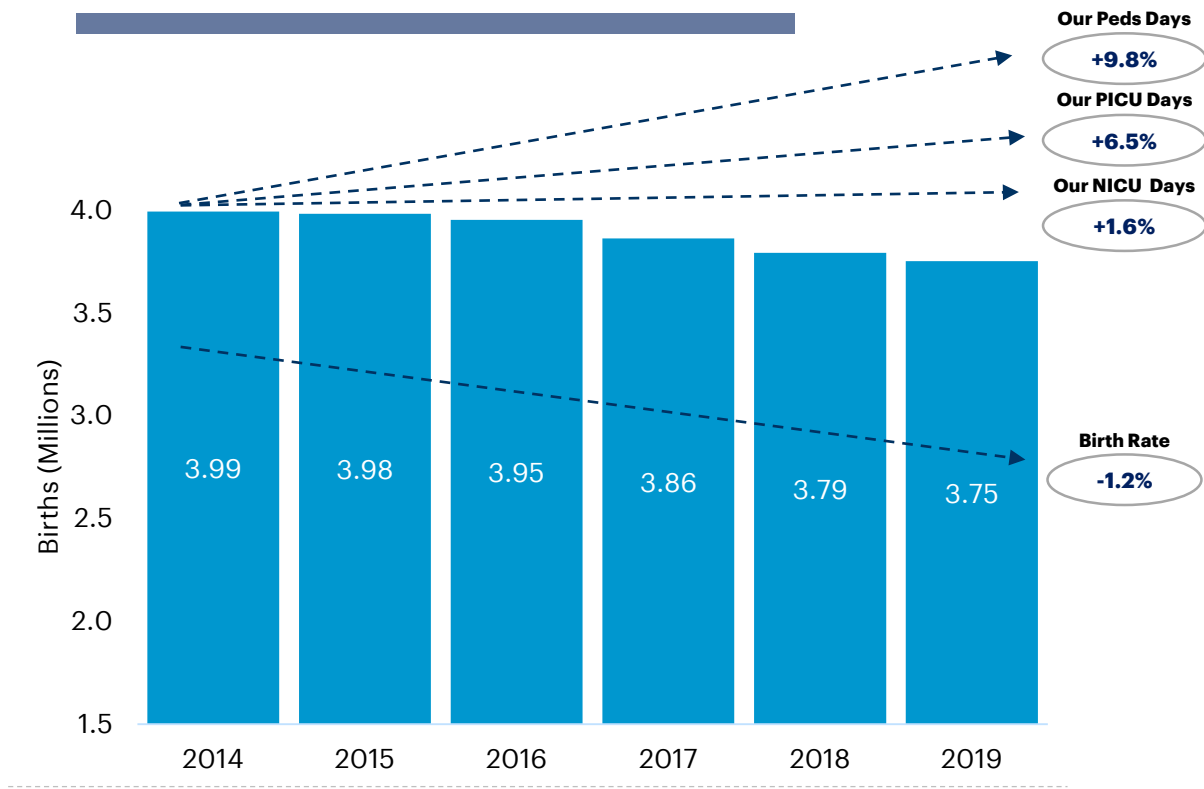
Extending our model into Women’s and Children’s health adjacencies to better integrate clinical care



# AVERAGE BIRTH RATE FOR OUR TOP MARKETS IS MORE FAVORABLE THAN THE NATIONAL TREND

Although birth rates are a key component of growth, patient days is more directly correlated to our growth model

U.S. Births and Patient Days, 2014 – 2019 CAGR



National births are declining at **-1.2% CAGR**, however our same-unit patient days are on the rise

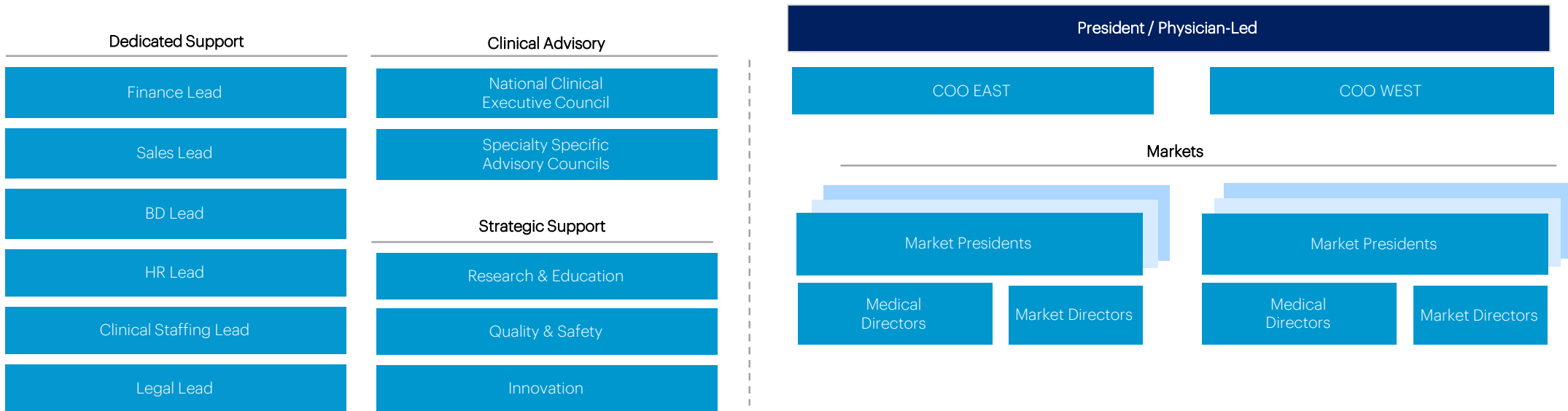
Birth Growth Rate (%) in Our Top 15 Markets, 2014 – 2018 CAGR

Market	%
Nashville-Davidson--Murfreesboro et al, TN Metro	1.3
Orlando-Kissimmee-Sanford, FL Metro	1.3
Dallas-Fort Worth-Arlington, TX Metro	1.1
Houston-The Woodlands-Sugar Land, TX Metro	1.1
San Antonio-New Braunfels, TX Metro	1.0
Las Vegas-Henderson-Paradise, NV Metro	1.0
Seattle-Tacoma-Bellevue, WA Metro	0.9
Austin-Round Rock, TX Metro	0.9
Miami-Fort Lauderdale-West Palm Beach, FL Metro	0.8
Tampa-St. Petersburg-Clearwater, FL Metro	0.8
Atlanta-Sandy Springs-Roswell, GA Metro	0.2
Denver-Aurora-Lakewood, CO Metro	-0.1
Washington-Arlington-Alexandria, DC-VA-MD-WV Metro	-0.5
Phoenix-Mesa-Scottsdale, AZ Metro	-0.7
Los Angeles-Long Beach-Anaheim, CA Metro	-2.1
Weighted Average	0.1¹

Our focus on building out service lines in high growth markets leads to birth rates **1-2%** better than the national average

# WE HAVE THE RIGHT LEADERSHIP AND STRUCTURE FOR OUR FUTURE

## Organizational Chart



Our growth and longevity is rooted in taking great care of the patient “Every Day, and in Every Way”

## Highlights

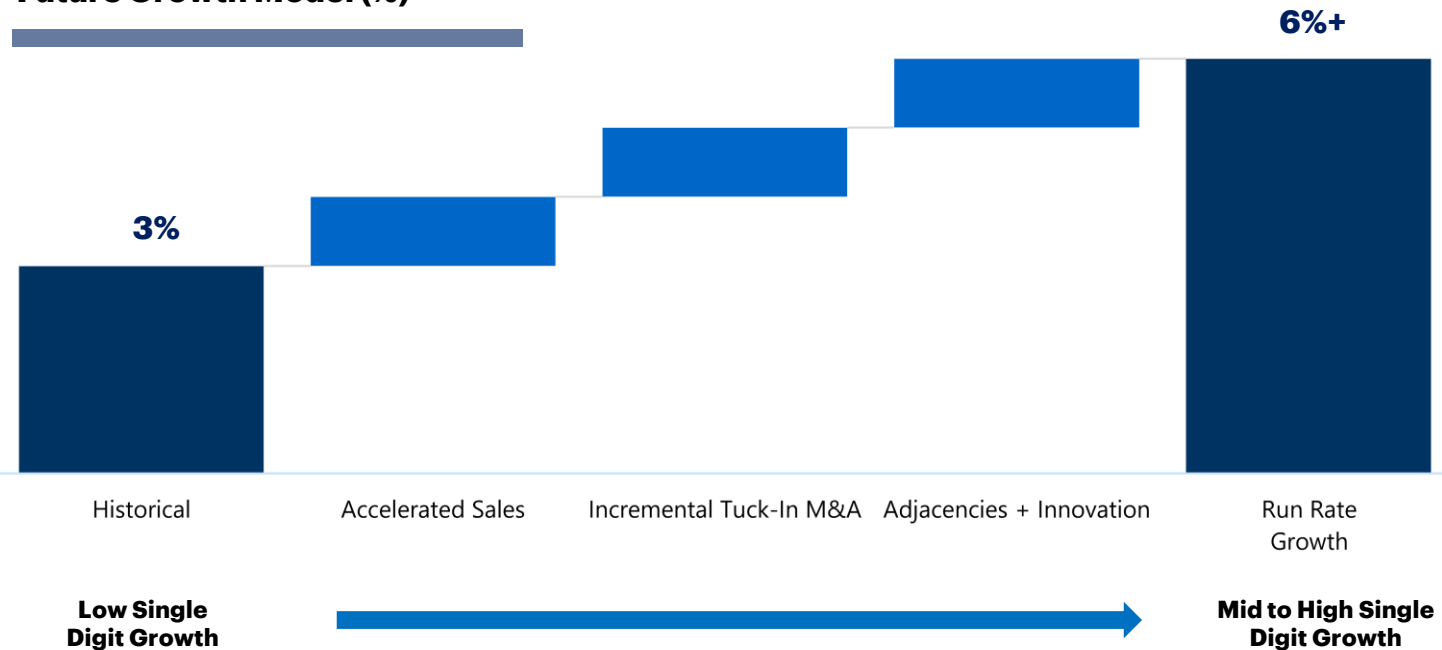
- ✓ 100% dedicated to Pediatrix Medical Group since Q3 2019
- ✓ Instituted market structure to bring leadership closer to markets
- ✓ Flattened organization to streamline communication and information flow by removing 1 layer of management
- ✓ Pushed down corporate functions into Pediatrix Medical Group in order to align resources to our strategy and goals
- ✓ Heightened accountability and responsiveness to improve turnaround time for key decisions
- ✓ More delegated responsibility to the field to speed decision-making



# **GROWTH STRATEGY**

# WE ARE POSITIONED FOR INCREMENTAL GROWTH

## Future Growth Model (%)



**Our strategy for growth is rooted in...**

**Grow Core Services**

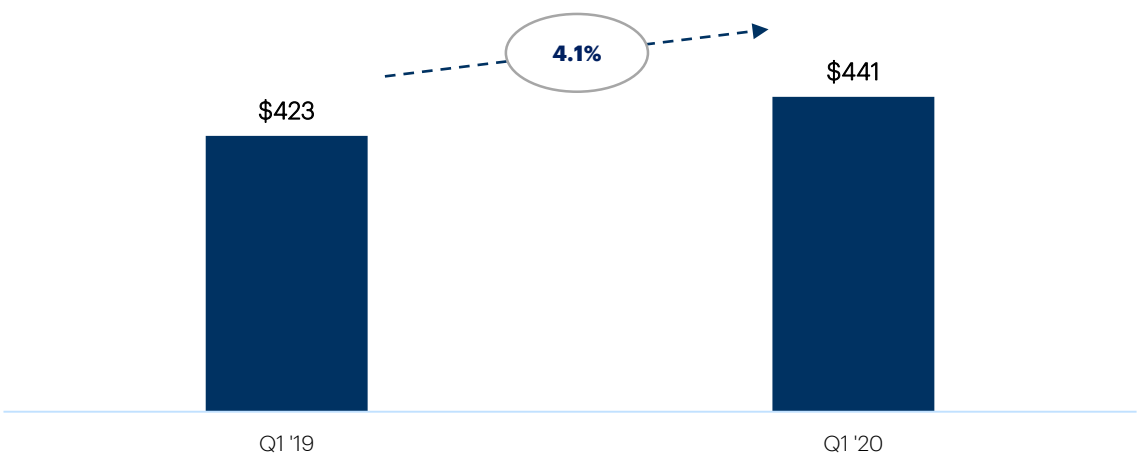
**Accelerate Tuck-In M&A**

**Invest in Broader Market Adjacencies and Innovation**

- **Accelerated Sales:** Incremental revenue growth on top of successful historical sales baseline
- **Tuck-in M&A:** Incremental revenue from smaller deals in top markets
- **Adjacencies:** Augment our offering portfolio and market reach via new adjacent services
- **Innovation:** Investing and scaling care delivery models across the Women's & Children's ecosystem leveraging clinical integration, virtual care, digital initiatives, and data & analytics

# OUR INVESTMENTS IN 2019 ARE ACCELERATING REVENUE GROWTH

Adjusted Revenue Growth (\$M)

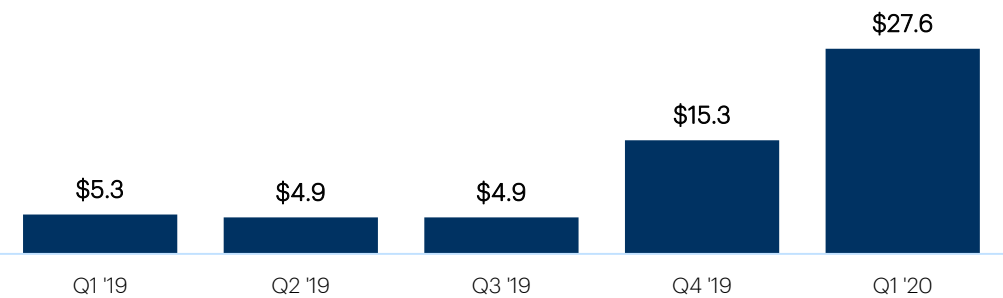


Note: Normalized for COVID-19 impact and day count

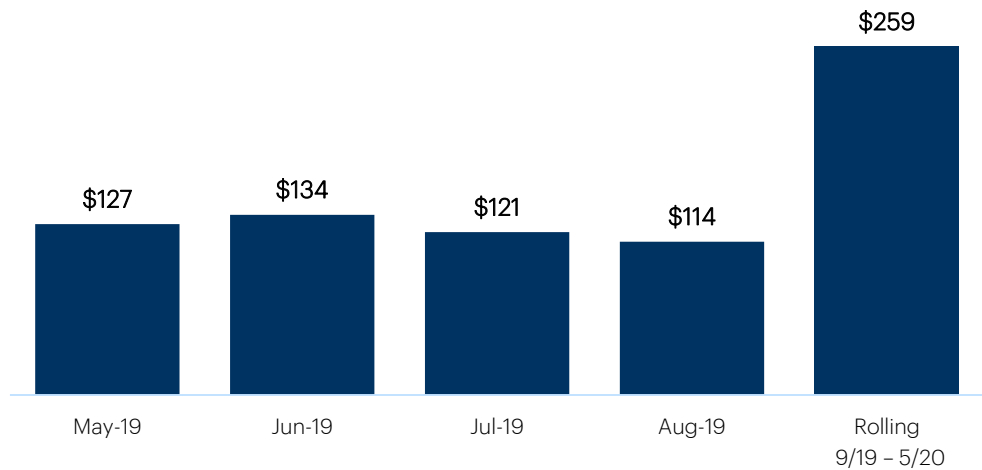
- In Q3 '19 we unified all revenue activities under the growth group
- Focus and investment in growth infrastructure is bearing fruit
- Increased sales and acquired practices drove 2/3 of the revenue growth YoY
- Improved customer retention from 97% to 98% YoY

# OUR SALES AND MARKETING INFRASTRUCTURE IS ACCELERATING OUR GROWTH

## Quarterly Bookings (\$M)



## Monthly Pipeline (\$M)



## Q1 '20 Bookings 4x vs. Q1 - Q3 '19 Baseline

- New sales / marketing leadership put in place, with coverage resources
- Investment in sales, productivity, and marketing capabilities and tools
- More than tripled sales coverage and doubled pipeline
- Improved win rate by over 400 bps

## Rolling Monthly Pipeline 2x vs. Historic Levels

- Marketing campaigns relaunching Pediatrix & Obstetrix brands
- Dedicated sales campaigns
- New inside sales team
- Complete alignment between local physician, field operators, and sales



# NEW SALES TOOLS AND INFRASTRUCTURE ARE NOW IN PLACE TO SUPPORT GROWTH

## KEY CUSTOMER PROFILES



## ACCOUNT PLANS (and templates)



## VALUE PROPOSITIONS



## PRODUCTIZED OFFERINGS



## MARKET ATTRACTIVENESS MODEL



## DEALS DESK

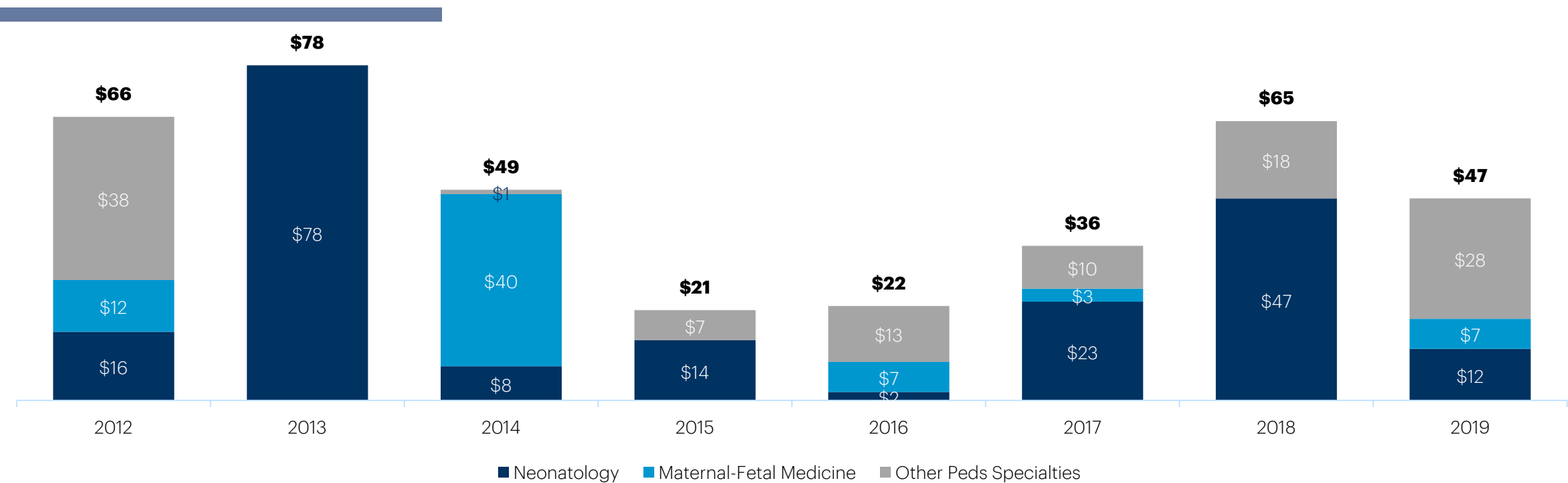




# TUCK-IN ACQUISITION OPPORTUNITIES ARE ACCELERATING FROM HISTORICAL LEVELS

The average revenue and EBITDA for 2012 through 2019 has been ~\$50M and ~\$10M, respectively

Total Investment (\$M)

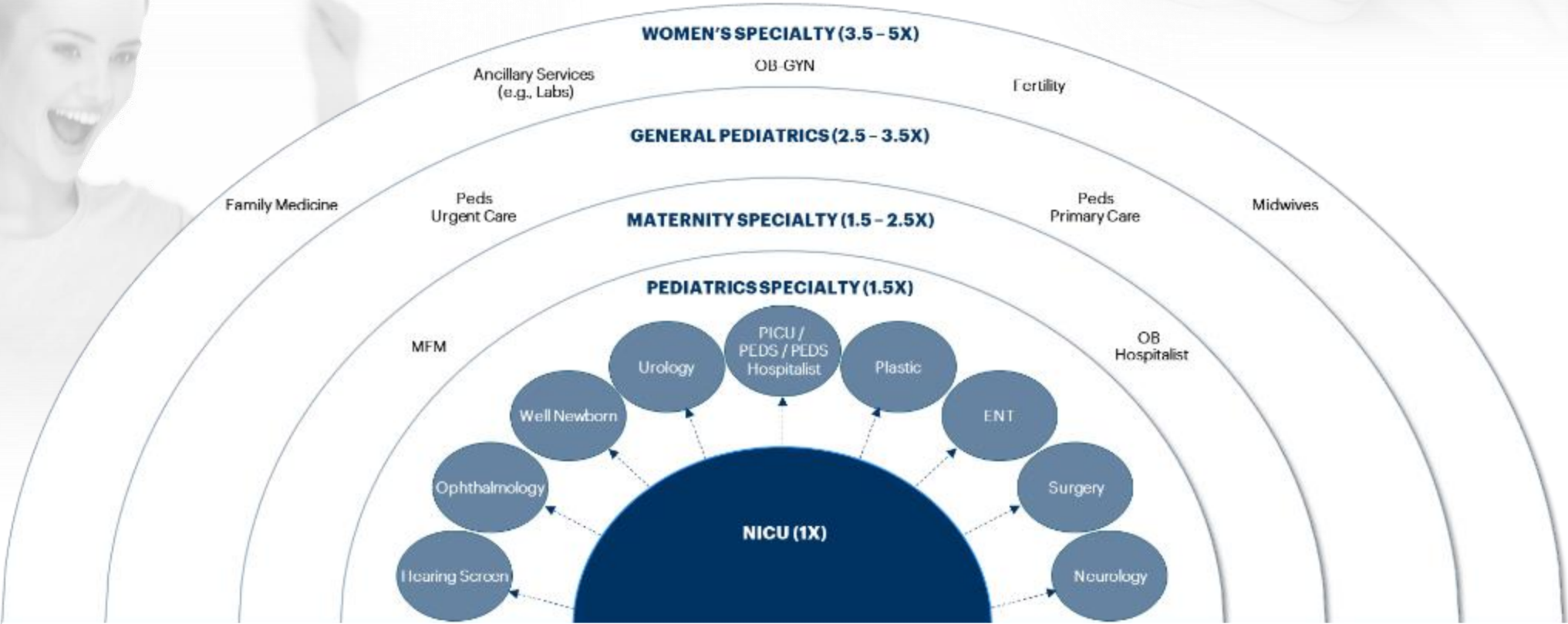


Accelerating tuck-in investments will drive **incremental growth** over historical baseline

# OUR “LAND & EXPAND” STRATEGY

## Our Strategy

- Establish NICU beachheads
- Grow PEDs Specialty and Maternity Specialty
- Accelerate tuck-ins to build out ecosystem in top markets
- Leverage partnerships, JV, and M&A to move into broader adjacencies



**TAM Expansion**

**\$55B**

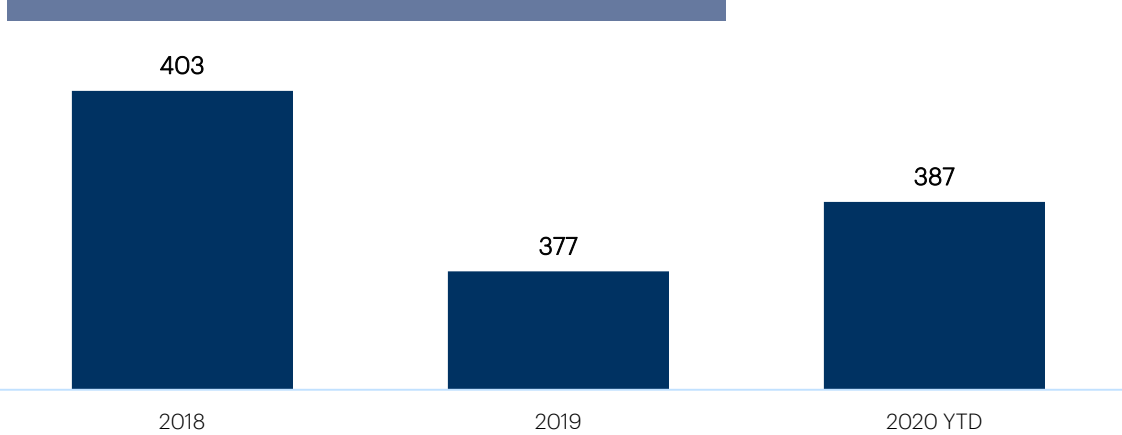
**\$10B**

**\$6B**

**\$4B**

# TODAY WE HAVE 387 NICUS IN SERVICE OR UNDER CONTRACT

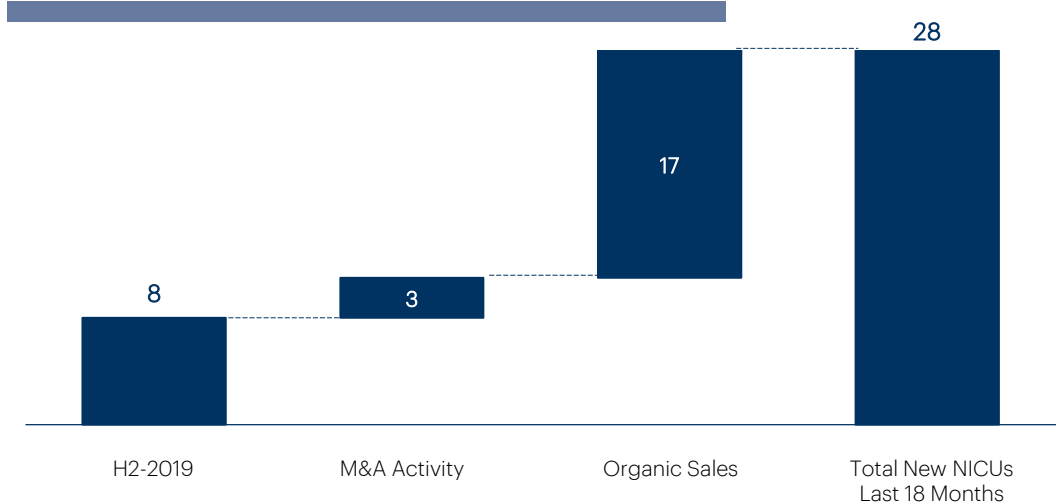
Total NICUs In Service or Under Contract



## Accelerating NICU “Land & Expand” Strategy:

- Since July of 2019, we have entered into contracts with 20 new NICUs
  - 17 of the NICUs from organic sales, 3 resulting from M&A activity
- Tripled NICU pipeline since Q3 '19, with 90 NICUs in various stages
- Top systems are growing faster than the rest of our customer base
- We have 104 of the 269 NICUs within our top 15 hospital systems
- Hired account management for top hospital systems

Accelerating NICU Growth 2019-2020E

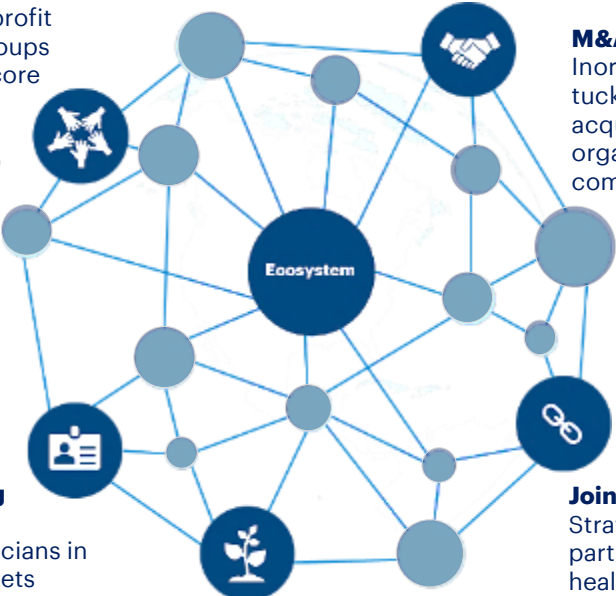


# OUR FOCUS IS ON SHAPING A DENSE ECOSYSTEM, WITH TOP SYSTEMS IN TOP MARKETS

## 5 Models for Shaping the Ecosystem

### MSOs / Alliances

Strategic arrangement with one or more industry (or non-profit / government) groups to help advance core objectives (e.g., service delivery, patient care, etc.)



### M&A

Inorganic growth agenda and tuck-in activity to accelerate acquisition of key hospital organizations, technology companies, etc.

### Physician Hiring

Growing base of physicians / clinicians in key growth markets through traditional hiring

### De Novo

Growing footprint across ecosystem through organic means by establishing new practice in strategic markets

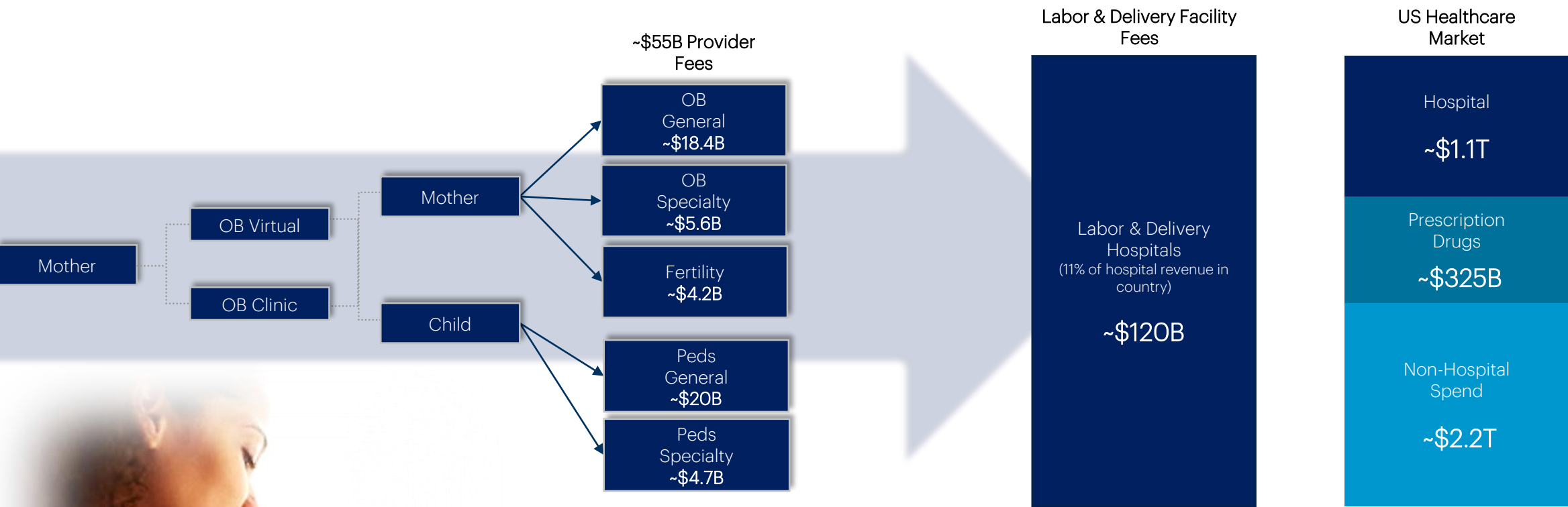
### Joint Ventures

Strategic association / partnership with target healthcare groups that help enhance reach, while maintaining core brand identities

## Enabling the Ecosystem in Top 20 Markets



# AN INTEGRATED MODEL BETTER SERVES PATIENTS, OUTCOMES AND CUSTOMER LIFETIME VALUE



- ✓ In recent decades, number of U.S. women over age 18 has increased by 33 million
- ✓ Labor & Delivery is the biggest reason for hospitalizations in the U.S.
- ✓ 80% of healthcare decisions made by women
- ✓ Women consume 1.5x in healthcare vs. men
- ✓ Maternal and newborn stays account for more than 20% of all hospital stays

**Notes:** Values are as of 2020  
**Sources:** Grandview Research; Accenture Healthcare Strategy; Macquarie Group; Advisory Board



# WE ARE BUILDING A BETTER CARE DELIVERY MODEL FOR THE FUTURE

We will coordinate the ‘puzzle pieces’ to drive better health outcomes and to move to high single digit growth



## Strategy & Growth

Our strength in Women’s and Children’s health is the foundation of our growth strategy, as we seek to leverage our NICU and MFM capabilities and expand further into obstetrics, general pediatrics, and pediatrics specialties.

- OB Strategy
- MFM Expansion
- PEDS Specialty Strategy
- General PEDS Strategy



## Integration & Enablement

Updated incentives, aligned protocols and governance, improved access, and streamlined back office functions will provide structure to our Women’s and Children’s ecosystem, allowing us to provide greater clinical integration.

- Clinical Integration
- Patient Access
- Protocols & Governance
- Incentives Strategy
- Back-Office



## Advancement

New growth frontiers can be accessed as we invest in our innovation, business development, and research capabilities. Through advancement, we can grow and strengthen our position as the Women’s and Children’s destination in our key markets.

- Business Development
- Innovation
- Research

# PEDIATRIX MEDICAL GROUP PRELIMINARY FINANCIAL PROFILE

Opportunities for Accelerating Growth and Margin Expansion, With Strong Balance Sheet and Cash Flow Dynamics



## Revenue and Adjusted EBITDA Profitability

Annualized revenue \$1.8 billion

- Historical growth: ~3% => Targeted future growth: >6%

Expected initial adjusted EBITDA margin in mid-teens (\$270 million at midpoint)

- Multiple opportunities to drive adj. EBITDA margin into high-teens



## Attractive Cash Flow Profile

- Very high conversion of adjusted EBITDA to free cash flow
- Low routine expected capital expenditures of \$10-\$20 million per year



## Strong Balance Sheet

- Current net debt at 5/31: \$1.66B
  - Total debt: \$1.75 billion (senior notes)
  - Cash on balance sheet at 5/31: \$90M
  - No near-term maturities
  - \$1.2B revolving credit facility currently undrawn
- Currently Intend to use proceeds from divestiture of MEDNAX Radiology Solutions to repay debt
- Priority will be to retain strong balance sheet and modest leverage profile



**THANK YOU**

