



Tax Reform

There are several key pieces to the Tax Cuts and Jobs Act of 2017 (signed into law 12/22/17) that could be pertinent to certain companies in our HY Healthcare universe, especially those who have a high level of interest relative to EBITDA. Although we do not granular details for our specific companies (and we believe many of our companies are still finalizing the details of this legislation on their own), we can make some broad observations. We expect interest deductibility to be limited to 30% of EBITDA (less minority interest) over the coming years. And although we believe companies can deduct (for tax purposes) certain short-term capital expenditures (we suspect this would be related to equipment and other items with shorter useful lives), we do not know what proportion of our companies' capex relates to this type of capex. As such, we believe assuming \$0 in this category would be conservative. And although the legislation would allow 80% of NOLs to be used in certain circumstances, we believe many of our companies already had some limitations on NOL use, and as such this 80% (or inability to use 20%) is not necessarily all incrementally negative.

In the following table we attempt to show the potential impact to Tenet (THC) in connection with tax reform. We acknowledge that these are very rough numbers and there are many unknowns. We further expect that on the heels of this legislation that many companies will look to tax consultants to attempt to minimize any incremental tax liability that may arise from the legislation. All this said, on a very simplistic and rough basis, our math suggests that after NOLs THC would see an incremental \$18 mm of cash taxes. Figure 4 further illustrates.

Figure 8: Simplistic Potential Impact of Tax Reform

Tenet (THC) - Simplistic Potential Impact of Tax Reform	
Current Interest	1,024
EBITDA Less Cash Minority Interest	1,980
Interest Cap at 30% of EBITDA less Minority Interest	594
Assumed Capex Deductible for Tax Purposes	-
Increase in Taxable Income	430
Tax Rate	21%
Incremental Tax Before NOL Usage	90
Net Increase in Taxable Income After 80% NOL	86
Tax Rate	21%
Incremental Cash Tax After NOL Usage	18

Source: Deutsche Bank and Company Disclosures