

American Medical Properties
Investment Teaser
June 2016
rom
For Key Client Partner Clients
or U.S. Institutional Investors.
Not for Retail Distribution

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INVESTMENT OPPORTUNITY

INVESTMENT

American Medical Properties LLC ("AMP" or the "Company") is being formed for the purpose of acquiring high-quality hospital and related healthcare real estate assets throughout the United States. The proceeds from the Offering will be used primarily to acquire hospital properties in AMP's near-term identified pipeline. The Company expects to acquire over \$750 million of hospital and related healthcare real estate assets before seeking to IPO in the next 24 months. An investment in AMP is intended to provide investors with a target annual dividend yield above 8.0% and the potential for capital appreciation over time.

OFFERING SUMMARY

Format:

Private capital raise

Offering size: \$300 - \$400 mm of equity

Sponsor:

Use of proceeds:

Target leverage:

To acquire high-quality hospital and related healthcare real estate throughout the U.S.

Up to 60%

American Medical Properties LLC Target current yield: 8%+ (within 12 months of capital deployment)

DIFFERENTIATED STRATEGY TO GENERATE INCREMENTAL VALUE

American Medical Properties intends to leverage its unique real estate and healthcare expertise and long-standing relationships to acquire high-quality hospital real estate assets in off-market transactions and maximize risk-adjusted returns. AMP has the unique ability to help operators improve the quality, efficiency and profitability of hospitals through clinical and operational improvements including physician recruitment and the addition of new specialties and service lines. This will enhance the overall profitability of the hospitals resulting in attractive rent yields with stronger credit tenants which increases real estate asset values. Additionally, the management team brings together physician relationships, deep understanding of the healthcare sector, ability to navigate the regulatory environment and differentiated perspective on the business and science of medicine to partner with and support hospital operators.

NEAR-TERM ACTIONABLE PIPELINE

AMP's management has strong long-standing relationships with a diverse group of hospital operators and physicians. AMP will capitalize on its relationships to acquire high-quality assets in private, off-market transactions.

As part of the sale and leaseback structures, AMP will also provide capital to hospital operators to expand their

hospital campus footprint through the development of excess real estate to generate incremental returns. AMP's strong network of relationships has already translated into a significant near-term pipeline of ~\$2 billion of sale and leaseback opportunities across 35 assets representing ~8,000 beds and 11 high-quality for profit and not-for-profit operators diversified across United States. The Company expects to complete \$750+ million of acquisitions over the next 18-24 months. American Medical Properties will capitalize on its unique real estate and healthcare expertise and long-standing relationships to acquire attractive, off-market hospital real estate assets and maximize risk-adjusted returns

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THE OPPORTUNITY

The healthcare industry supports favorable industry fundamentals that will drive long-term demand for hospitals, the largest healthcare real estate asset class. AMP provides a unique opportunity to invest in an experienced management team with unique real estate and healthcare expertise and long-standing relationships. The investment thesis is driven by a number of factors including:

FAVORABLE INDUSTRY FUNDAMENTALS

- Aging U.S. population and increasing longevity are direct drivers of the growth in the healthcare real estate market
- Hospitals are the largest component of total healthcare spending (~32%) today and hospital spending is expected to grow by 75% over the next 10 years
- Hospitals are the largest real estate asset class and are underrepresented in public healthcare REIT portfolios with only ~3% of the ~5,000 hospitals in the U.S. owned by REITs

SEASONED MANAGEMENT TEAM

- Proven track record of investing capital and generating attractive returns across healthcare and real estate sectors
- Mark Karlan, President and CEO, has demonstrated his strengths in real estate through acquiring more than 100 real estate assets with a gross asset value exceeding \$10 billion and he has over 32 years of experience across various positions including Executive Managing Director at CBRE Global Investors, President and Founder of CBRE's Strategic Partners Asia fund II and President and CEO of Investment Corp, a publicly traded REIT Imperial Credit Commercial Mortgage
- Dr. Pejman Salimpour, Chief Strategy Officer, and Dr. Pedram Salimpour, Chief Medical Officer, are accomplished physicians and healthcare entrepreneurs who have founded, operated and successfully exited several healthcare companies and they have over 28 and 23 years of healthcare experience, healthcare company management including hospital operations and

DIFFERENTIATED STRATEGY

- Unique healthcare clinical and operational expertise to drive incremental value by improving the quality, efficiency and profitability of hospital operations
- AMP will provide capital to hospital operators to expand their hospital campus footprint through the development of excess real estate to generate incremental returns

LONG-STANDING RELATIONSHIPS WITH HIGH-QUALITY OPERATORS

- High-quality for-profit and not-for-profit operators diversified across the United States will provide an ongoing source of off-market sale and leaseback opportunities

NEAR-TERM ACTIONABLE PIPELINE

- ~\$2.0 billion identified pipeline with ~8,000 beds owned by a geographically diverse group of operators

- Pipeline represents 35 hospitals, many of which have excess real estate for potential development
- Expect to complete \$750+ million of hospital real estate investments over the next 18-24 months

ATTRACTIVE BUSINESS MODEL

- Use of prudent leverage of up to 60% LTV on acquisitions
 - Deliver predictable cash flows with a stable dividend yield exceeding 8.0%, coupled with capital appreciation over time by increasing rents and asset values with a potential REIT IPO exit
- Management will leverage their experience to deploy capital prudently, increasing hospital real estate asset values and creating long-term value for shareholders

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RISK MANAGEMENT STRATEGIES

Considerations

Mitigants

Healthcare Reform and Changes in

Government Reimbursement

Tenant Concentration

Competition

- The Affordable Care Act's increased healthcare coverage yields additional patient volume and revenue for hospitals
- Any changes to the Affordable Care Act will likely have a limited impact given that they may be offset by changes in federal Medicaid and other healthcare subsidies
- American Medical Properties has a diversified pipeline across operators and geographic markets
- The majority of AMP's healthcare REIT competitors are focused on other healthcare real estate asset classes (senior housing/SNFs/MOBs) and hospitals are not a focus area. As a result, the hospital real estate asset class presents one of the most compelling sale/lease back opportunities.

Higher Interest Rates

- Interest rates are projected to increase gradually and only modestly in the near term
- AMP has the flexibility to utilize alternative capital sources

Tenant Solvency

- AMP plans to continuously monitor the performance of its tenants on a variety of metrics including:
 - admission levels and surgery/procedure volumes by type
 - trends in revenue and patient mix
 - operating margins
 - ratio of tenant's operating margins to total fixed costs
 - the effect of evolving healthcare regulations on tenant's profitability and liquidity
- These factors will help AMP identify any potential issues with any of its tenant's capability to pay rent allowing AMP to take remedial actions to mitigate this risk

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