

# IPO seen as disappointment

But Team Health execs reap nearly \$36 million

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## Modern Healthcare

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Seven top executives with healthcare staffing firm Team Health Holdings saw the value of their ownership stake in the company total nearly \$36 million in the company's initial public offering last week.

Though investors gave a cooler-than-expected reception to the new stock, physician H. Lynn Massingale, 56, who is executive chairman of the Knoxville, Tenn.-based company, saw his stake in the company reach \$18 million after the first full day of trading on the New York Stock Exchange. Massingale's stake includes stock and options to buy within 60 days.

Shares owned by President and CEO Greg Roth, 52, were worth about

\$9 million at those prices; shares owned by Chief Financial Officer David Jones, 41, were worth \$4 million; shares owned by Chief Compliance Officer Stephen Sherlin, 63, were worth \$2 million; shares owned by Senior Vice President and General Counsel Heidi Allen, 55, were worth \$1 million; and two board members' shares totaled \$1.6 million.

Team Health sold a total of 13.3 million shares at an opening price of \$12 apiece, raising about \$147 million after discounts and commissions were subtracted when trading opened Dec. 17 under the ticker symbol TMH.

Company officials said in federal filings they planned to use most of the cash to pay down existing debt. Team Health has about \$612 million in debt on its books, including \$203 million in senior subordinated notes at 11.25% that are due in 2013, according to filings with the U.S. Securities and Exchange Commission.

The Blackstone Group, the primary backer of the company and majority stock owner, announced before the offering that it planned to offer up to 20 million shares at \$14 to \$16 apiece, which would have generated between \$280 million and \$320 million for the company, not including commissions and discounts.

The stock price rose about 7% on the first full day of trading, and the value remained generally flat in trading through Dec. 18.

Company officials declined to comment on the offering, citing the legally mandated quiet

period that remains in effect until Jan. 9, 2010.

Scott Sweet, senior managing partner of IPO Boutique, said Team Health's sluggish opening was "a huge disappointment," but he was confident that the firm's niche market and business plan would remain competitive in the market. "The last two weeks have been very challenging for any IPO debut," Sweet said in an e-mail.

Team Health's primary business is providing outsourced emergency department and hospitalist services to large hospitals and health systems, including staffing and directing the high-volume departments, billing and collection services, and administrative support. The company operates in 550 hospitals in 46 states, although a third of its total business comes from Tennessee and Florida.

In 2008, the company generated \$44.7 million in net earnings on \$1.33 billion in revenue, 80% of which came from ED and hospitalist staffing and the remainder from temporary staffing of physicians, radiologists, and pediatric and military clinicians. The company said in filings it intends to grow revenue through future acquisitions in the \$50 billion market for hospital staffing.

Blackstone intends to hold a majority stake in the company, currently estimated at 71% of shares, and will not pay dividends or appoint nominating or governance committees composed entirely of independent directors for the foreseeable future, SEC filings say.

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