BROXTON
CAPITAL ADVISORS

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CHS Community Health Systems

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November 9, 2020

Various Senior Secured, Second Lien (Priority Notes) and Senior notes

Highlighting Priority Notes, 13.7-14% YTM (144A restriction) no recommendation at this time

Community Health Systems (CYH) notes and common shares recently rallied along with better 3rd quarter results. Company initiatives pertaining to network rationalization, cost reductions, and admissions volumes have increased profit margins. CYH has grown "adjusted" OIBDA (operating income before depreciation and amortization) margins from 11.1% in 2017 to 13.8% in 3rd quarter 2020. Over the last five years, CYH has been constrained due to its large debt (roughly $13 billion at the end of 3rd Q 2020). During this time, 60% + of operational cash generation has gone to interest payments with capital expenditures and partner distributions consuming the remainder. This has left nothing or little for debt reduction and has led to skepticism from investors. However, in addition to the profit margin improvements, CYH has received $719 mm in CARES Act grants this year and the shares have rallied, increasing the possibility that the company could successfully manage its large debt. CYH has no significant maturities before 2023 and we expect debt to be reduced to below $12 billion through this period. **SPECIAL NOTE**: In 2020, CYH has received approximately $719 million in grants from the Public Health and Social Services Emergency Fund (PHSSEF). As of June 30, 2020, $448 million of this amount was recognized as a reduction in operating costs and expenses. The remaining $271 million is currently on the balance sheet as a deferred liability with no further recognition as of 3rd Q. In addition, CYH has received Medicare accelerated payments of $1.16 billion which are *currently* due to be repaid beginning in 2021. **CYH common share chart below**

Company Description: Community Health Systems, Inc. is a leading operator of general acute care hospitals with 89 hospitals in 16 states and approximately 15,000 beds.

Services provided through CYH include general acute care, emergency room, general and specialty surgery, critical care, internal medicine, obstetrics, diagnostic, psychiatric and rehabilitation services, outpatient services at urgent care centers, occupational medicine clinics, imaging centers, cancer centers and ambulatory surgery centers.

As of December 31, 2019, CYH employed approximately 2,000 physicians and an additional 1,000 licensed healthcare practitioners.

Map | **Recent Presentation**

CYH Debt as of September 30	Amounts $ Millions
ABL Credit facility $650mm, LBR +	0 mm
Senior Secured Notes (6.25-8.625%)	7,971 mm
Priority Notes (8.5-9.875%)	3,124 mm
Senior Notes (6.875%)	1.671 mm
Total Debt	12,766 mm
Common shares 119.6 mm ($9.61/ share)	1,149 mm
Enterprise Value	13,915 mm
Cash & Cash Equivalents	1,823 mm
Medicare Accelerated Payments Due beginning 2021	1,158 mm
Net Cash & Cash Equivalents	665 mm

Operational Data	Amounts $ Millions
2019 EBITDA (per CYH)	1,628 mm
2020 EBITDA est. *	1,650 mm
2020 Interest Expense est.	1,010 mm
2020 Capital Exp est.	422 mm
Partner Distributions est.	112 mm
2020 Cash Generation est.	106 mm
2021 EBITDA est.	1,600 mm
EV @ 7 X EBITDA	11,200 mm
EV @ 9.5 X EBITDA	15,200 mm

*Inclusive of $448 mm in PHSSEF grants as of June 30

Disclosures

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Beta for the fund and each asset class is estimated versus the S&P 500. The average beta for the entire fund is projected to be .32. Beta is a measure of the fund's volatility in relation to S&P 500 Index. This index has a beta of 1.0. The fund targets a total gross return before fees and expenses of 9.24%. The fund projects a blended return based on income securities and capital gains. Smart Yield attempts to continuously improve the value of investment portfolios by investing in corporate bonds, convertible bonds, other types of bonds (investment grade and sub-investment grade, [which may also have limited liquidity]), dividend paying equities, non-dividend paying equities, ETFs, including leveraged ETFs, and other securities. Fixed income risks include interest-rate and credit risk. Typically, when interest rates rise, there is a corresponding decline in bond values. Credit risk refers to the possibility that the bond issuer will not be able to make principal and interest payments. 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