

REHABCARE GROUP INC

Form 425

March 16, 2011

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Investor Presentation

Kindred Healthcare, Inc. (NYSE: KND)

March 16, 2011

Filed pursuant to Rule 425 under the Securities Act of 1933 and deemed filed

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pursuant to Rule 14a-12 under the Securities Exchange Act of 1934

Filing Person: Kindred Healthcare, Inc.

Commission File No.: 001-14057

Subject Company: RehabCare Group, Inc.

Commission File No.: 001-14655

Forward-Looking Statements
Additional Information About this Transaction
In
connection
with
the
pending

transaction

with

RehabCare

Group,

Inc.

(RehabCare),

Kindred

Healthcare,

Inc.

(Kindred)

will

file

with

the

Securities

and

Exchange

Commission (the SEC) a Registration Statement on Form S-4 that will include a joint proxy statement of Kindred and Reha

Kindred.

Kindred

and

RehabCare

will

mail

the

definitive

proxy

statement/prospectus

to

their

respective

stockholders.

WE

URGE

INVESTORS

AND

SECURITY

HOLDERS

TO

READ

THE

JOINT

PROXY

STATEMENT/PROSPECTUS

REGARDING

THE

PENDING

TRANSACTION

WHEN

IT

BECOMES
AVAILABLE
BECAUSE

IT
WILL
CONTAIN IMPORTANT INFORMATION.

You may obtain a free copy of the joint proxy statement/prospectus (when available) and other related documents filed by

Kindred

and

RehabCare

with

the

SEC

at

the

SEC's

website

at

.

The

joint

proxy

statement/prospectus

(when

available)

and

the

other

documents

filed

by

Kindred

and

RehabCare

with

the

SEC

may

also

be

obtained

for

free

by

accessing

Kindred's website

at

www.kindredhealthcare.com

and

clicking

on
the
Investors
link
and
then
clicking
on
the
link
for
SEC
Filings
or
by
accessing
RehabCare's
website
at
www.rehabcare.com

and
clicking
on
the
Investor
Information
link
and
then
clicking
on
the link for SEC Filings .

Participants in this Transaction

Kindred, RehabCare and their respective directors, executive officers and certain other members of management and employees are soliciting the support of Kindred's and RehabCare's respective stockholders in favor of the pending transaction. Information regarding the persons who may, under the rules of the SEC, be solicited in connection with the pending transaction will be set forth in the joint proxy statement/prospectus to be filed with the SEC. Information about Kindred's executive officers and directors in Kindred's definitive proxy statement filed with the SEC on August 11, 2009 and RehabCare's executive officers and directors in its definitive proxy statement filed with the SEC on March 23, 2010. You can contact Kindred or RehabCare, respectively, using the contact information above.

Forward-Looking Statements

Information set forth in this presentation contains forward-looking statements, which involve a number of risks and uncertainties that may cause actual results to differ materially from those stated in the forward-looking information. There is no assurance that the forward-looking information is accurate and no guarantee of its accuracy.

future
performance
and
that
actual
results
could
differ
materially
from
those
contained

in
the

forward-looking

information. Such forward-looking statements include, but are not limited to, statements about the benefits of the business combination of RehabCare,

including

future

financial

and

operating

results,

the

combined

company's

plans,

objectives,

expectations

and

intentions

and

other

statements

that

are

not

historical facts.

The following factors, among others, could cause actual results to differ from those set forth in the forward-looking statements: (a) regulatory approvals and the satisfaction of the closing conditions to the acquisition of RehabCare by Kindred, including approvals from the shareholders of the respective companies, and Kindred's ability to complete the required financing as contemplated by the financial agreements; (b) the ability to integrate the operations of the acquired hospitals and rehabilitation services operations and realize the anticipated revenues, economies of scale and productivity gains in connection with the RehabCare acquisition and any other acquisitions that may be undertaken during 2011; (c) the impact of unanticipated issues, expenses and liabilities associated with those acquisitions and the risk that RehabCare fails to meet its obligations; (d) the potential for diversion of management time and resources in seeking to complete the RehabCare acquisition and integrate its operations with the other key employees of RehabCare; (e) the impact of Kindred's significantly increased levels of indebtedness as a result of the RehabCare acquisition; and (f) the operating flexibility and ability to fund ongoing operations with additional borrowings, particularly in light of the potential for ongoing volatility in the capital markets.

potential

for

dilution

to
Kindred
stockholders
as
a
result
of
the
RehabCare
acquisition;
and
(g)
the
ability
of
the
Company
to
operate
pursuant
to
the
terms
of its debt
obligations, including Kindred's obligations under financings undertaken to complete the RehabCare acquisition, and the ability to complete the acquisition, including the ability to complete the lease agreements with Ventas, Inc. (NYSE:VTR). Additional factors that may affect future results are contained in Kindred's Form 10-K for the year ended December 31, 2017, which are available at the SEC's EDGAR website at www.sec.gov.

Many of these factors are beyond the control of Kindred or RehabCare. Kindred and

RehabCare

disclaim

any

obligation to update and revise statements contained in these materials based on new information or otherwise.

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www.sec.gov

www.sec.gov

3
696
(3)
sites of service,
315
facilities
in

40

states

56,800

(3)

dedicated

employees,

making Kindred

a top-200 private

employer in

the U.S.

(4)

33,800

(3)

patients and

residents

per day

\$4.4 billion

(2)

consolidated

revenues

Largest Diversified Post-Acute

Provider in the United States

(1)

(1) Ranking based on revenues.

(2) Revenues for the year ended December 31, 2010.

(3) As of December 31, 2010.

(4) Ranking provided by TMP, Inc.

4
4
\$2.0 billion revenues
(1)
HOSPITAL
Long-term Acute Care Hospitals

Largest operator in U.S.

(2)

89 hospitals with
6,887 licensed beds

(3)

\$2.2 billion revenues

(1)

Third largest nursing
center operator in U.S.

(2)

226 nursing centers with
27,442 licensed beds

(3)

7 assisted living facilities with 463
licensed beds

(3)

NURSING CENTER

Nursing and Rehabilitation Centers

\$505 million revenues

(1)

Second largest contract therapy
company in U.S.

(2)

381 external locations served
through 5,900 therapists and
10,600 total employees

(3)

REHABILITATION

Peoplefirst

Rehabilitation

Services

(1)

Revenues for the year ended December 31, 2010 (divisional revenues before intercompany eliminations).

(2)

Ranking based on revenues.

(3)

As of December 31, 2010.

Kindred's Market Leading Businesses

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Provide superior clinical outcomes and quality care with an approach which is patient-centered, disciplined and transparent
Lower cost by reducing lengths of stay in acute care hospitals and transition patients home at the highest possible level of function
Reduce rehospitalization through our integrated and interdisciplinary care management teams and protocols

Kindred's Value Proposition and
Our **Continued Care** Campaign

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Investment Rationale

Each year, nearly 9 million people

23,000 a day

are discharged from

short-term acute care hospitals that require some form of post-acute care

As the largest diversified post-acute provider, Kindred is uniquely positioned

to grow and succeed in what will be an increasingly integrated healthcare delivery system

Kindred has a track record of providing quality, cost-effective care, operational excellence and consistent levels of free cash flows

Our platform and infrastructure, together with our successful organic development and opportunistic M&A strategy, offer the potential for creating significant value for shareholders

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Kindred Update

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Kindred Update
Kindred
Healthcare,
Inc.
(Kindred)
and

RehabCare
Group,
Inc.
(RehabCare)

have
announced a transaction whereby Kindred will acquire RehabCare for ~\$35/share
Both Companies reported strong Q4 and 2010 clinical and financial results and share a
high
degree
of
confidence
and
visibility
in
their
business
plans
and
estimates
for
2011

The combined Company will have an industry leading position in attractive post-acute
business segments and growing local markets

Kindred
will
be
well
positioned
for
future
growth
in
a
changing
healthcare
landscape
with

the expansion of the combined service offerings

The transaction substantially enhances Kindred's growth and margin profile

The proposed transaction is highly accretive to Kindred's earnings and cash flows and
generates
strong
operating
cash
flows
providing
the
ability
to
quickly

delever
and
finance
future growth

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Both Kindred and RehabCare beat 4Q and 2010 analyst estimates

Summary of Q4 and 2010 Results

Kindred

RehabCare

1)

I/B/E/S consensus as of 2/7/2011.

2)
Reflects income from continuing operations.

3)
Actual revenues exclude Miami IRF.

4)
Includes discontinued operations.

(\$MM, except EPS Data)

(\$MM, except EPS Data)

Q4 2010

2010

Consensus

(1)

Actual

% Surprise

Consensus

(1)

Actual

% Surprise

Revenues

1,121.0

1,135.5

1.3%

4,345.0

4,359.7

0.3%

EBITDA

61.0

66.8

9.5%

211.0

217.3

3.0%

EBIT

30.0

35.4

18.0%

90.0

95.7

6.3%

Net Income

(2)

16.0

19.8

23.8%

52.0

56.1

7.9%

EPS

(2)

\$0.41

\$0.50
22.0%
\$1.33
\$1.42
6.8%
Q4 2010
2010
Consensus
(1)
Actual
% Surprise
Consensus
(1)
Actual
% Surprise
Revenues
(3)
343.0
339.3
-1.1%
1,347.2
1,329.4
-1.3%
EBITDA
41.5
44.1
6.3%
163.5
164.1
0.4%
EBIT
34.1
36.1
5.9%
133.4
133.6
0.1%
Net Income
(4)
14.9
17.1
14.8%
60.6
62.5
3.1%
EPS
(4)
\$0.60
\$0.69
15.0%

\$2.45

\$2.53

3.3%

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Transaction Overview

12
~\$35
/
share
total
(\$26
/

share
in

cash;
~\$9

/
share

in
Kindred
stock)

(1)
\$1.3 billion total consideration, including assumption of net debt

Transaction Overview

Consideration

Accretion

Synergies

Kindred and RehabCare have announced a transaction whereby Kindred
will acquire RehabCare for ~\$35/share

Transaction

Substantially accretive to Kindred's earnings and operating cash flows

\$40 million in identified annual cost and operating synergies

Full run-rate achieved within two years (\$25MM achieved first year)

Excluding one time costs

Committed financing from J.P. Morgan, Morgan Stanley and Citi

Financing

Expected Close

On or about June 30, 2011

1)

Based on a fixed exchange ratio.

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Transaction Overview
J.P.
Morgan,
Morgan
Stanley
and

Citi
have
committed
\$1.85Bn
in
debt
financing
Key Capital Considerations
Ability

to
delever
quickly
(Pro
forma
adjusted
leverage
flat

to
current
Kindred
standalone)

Maintain strong balance sheet, liquidity and financial flexibility (approximately \$250MM undrawn revolver capacity at close)

Sources and Uses

(1)
(\$MM)

Sources
% of Total

\$600MM ABL Revolving Credit Facility

\$350
19%

Term Loan B

700
38%

Senior Unsecured Notes

550
30%

Equity Consideration

(3)
228

13%

Total Sources

1,828
100%

Uses

% of Total