



Owens & Minor (NYSE: OMI)

Private Equity & Private Credit Case Study

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Deal Overview

1

Company Overview

Publicly traded healthcare logistics & medical supply company headquartered in Virginia with stable demand.

3

PC Objective

Provide a safe, well-structured loan with downside protection.

2

PE Objective

Acquire OMI through an LBO and execute an operational value-creation plan.

4

Base/Downside

Base & Downside cases aligned across PE/PC.



Teleflex

Medical-device company producing specialty devices (vascular access, interventional, surgical, anesthesia, urology, etc.).

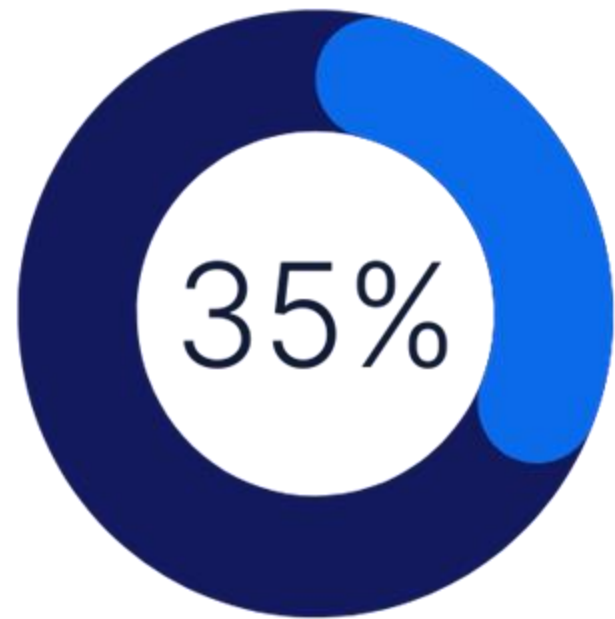
Tandem

Insulin-pump maker and diabetes technology company; sells hardware + recurring supplies + software services.

Owens and Minor

Healthcare distribution / supply-chain business for medical supplies, logistics, and surgical products.





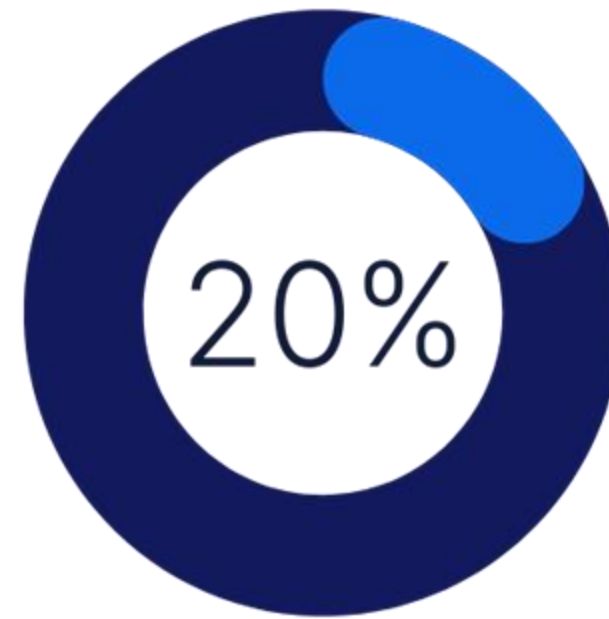
Owens and Minor

Pros

- Stable, recurring demand from hospitals & clinics
- Low capital intensity → strong free cash flow
- Operational improvement opportunities (inventory, working capital)
- Resilient to clinical/regulatory risk

Cons

- Working capital & supply-chain risks
- Competitive pricing pressure
- Lower margins than devices



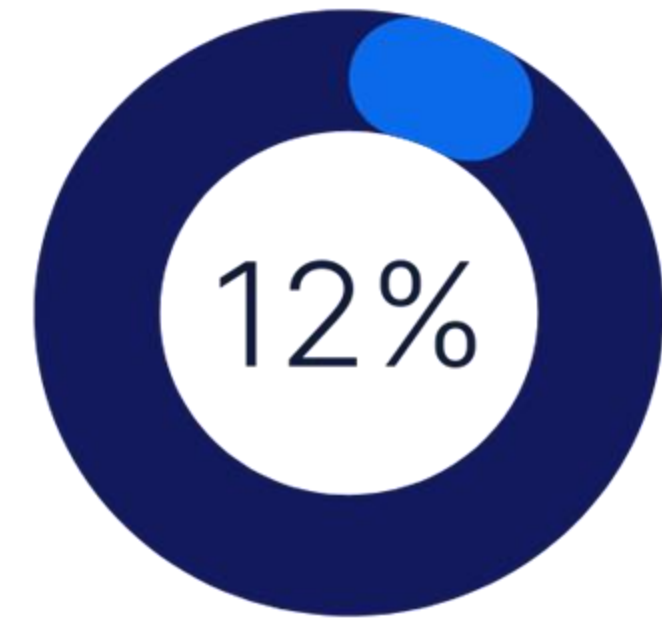
Tandem

Pros

- High growth market (diabetes tech)
- Recurring revenue from supplies & software
- Scalable, technology-driven business
- Potential sustainable competitive advantage

Cons

- Currently unprofitable (negative EBITDA / cash burn)
- High regulatory risk
- Competitive pressure from Medtronic, Omnipod
- Exit risk due to growth-stage profile



Teleflex

Pros

- Diversified medical-device portfolio
- Stable cash flows
- High gross margins
- Potential operational improvements / bolt-on acquisitions

Cons

- High CapEx & R&D requirements
- Regulatory & clinical risk
- Sensitive to elective procedure cycles
- Debt coverage risk if growth slows

Owens and Minor

Investment Thesis

1

Stable, Predictable Cash Flows, Recession Resistant

Recurring revenue from essential medical supplies to hospitals and clinics → **reliable cash to service debt**.

No elective procedures or Meditech, only critical products (revenue resilient)

3

Low Capital Intensity & High Free Cash Flow

Minimal CapEx compared to device manufacturers → **more cash available for debt repayment and equity growth**.

2

Lower Risk Profile

Less exposure to regulatory, clinical, and R&D risk than Teleflex or Tandem → **safer for leveraged structures**.

4

Operational Improvement Opportunities

Clear levers for value creation through **working capital management, cost optimization, and automation** → enhances returns without major market risk.



Industry Outlook

Owens and Minor Focuses

- Patient Direct Strategy: expanding home healthcare services, leveraging demographic trends
 - Diversification across Product & Healthcare Services and Patient Direct
 - Primary Customers: Hospitals, Physicians Offices, Home Health Providers
 - Financial Guidance: revenue between ~ 2.96B - 3.8B, adjusted EBITDA of ~ 500M – 630M forecasted over the next 5 years
 - Challenges/Risks: losses from prior restructuring/divestitures, controlling working capital, scalable growth
 - Operational Focus: execution of the patient direct segment, optimizing supply chain, handling evolving healthcare
 - Analyst View: a cautions but stable path, varying stock valuation, need a strong execution to offset losses.
 - Owens & Minor is transforming to a home healthcare leader, projects steady financial performance for 2025, faces hurdles transforming business and managing legacy issues, it requires careful monitoring of operational progress.
- 

Segments of LBO

Assumptions

The inputs of the deal
Includes purchase price, fee percentages, revenue growth, etc.

Sources & Uses

Shows where the money is coming from and how it is spent to buy the company

Historical

Past financial performance used to understand trends and build the forecast

Forecast

Projected income statement, balance sheet, and cash flow for the next 5 years; driven by assumptions tab

P&L_BS_CF

Combined version of income statement, balance sheet, and cash flow statement for each year to check balance and flow.

FCF

Shows how much cash is generated after operating expenses, taxes, and capex; The cash used to pay down debt

Debt Schedule

Tracks all debt balances over time
Shows how fast leverage decreases

Exit & Returns

Calculates the investor's profit
Outputs the IRR, MOIC, and equity value at exit

Sensitivity

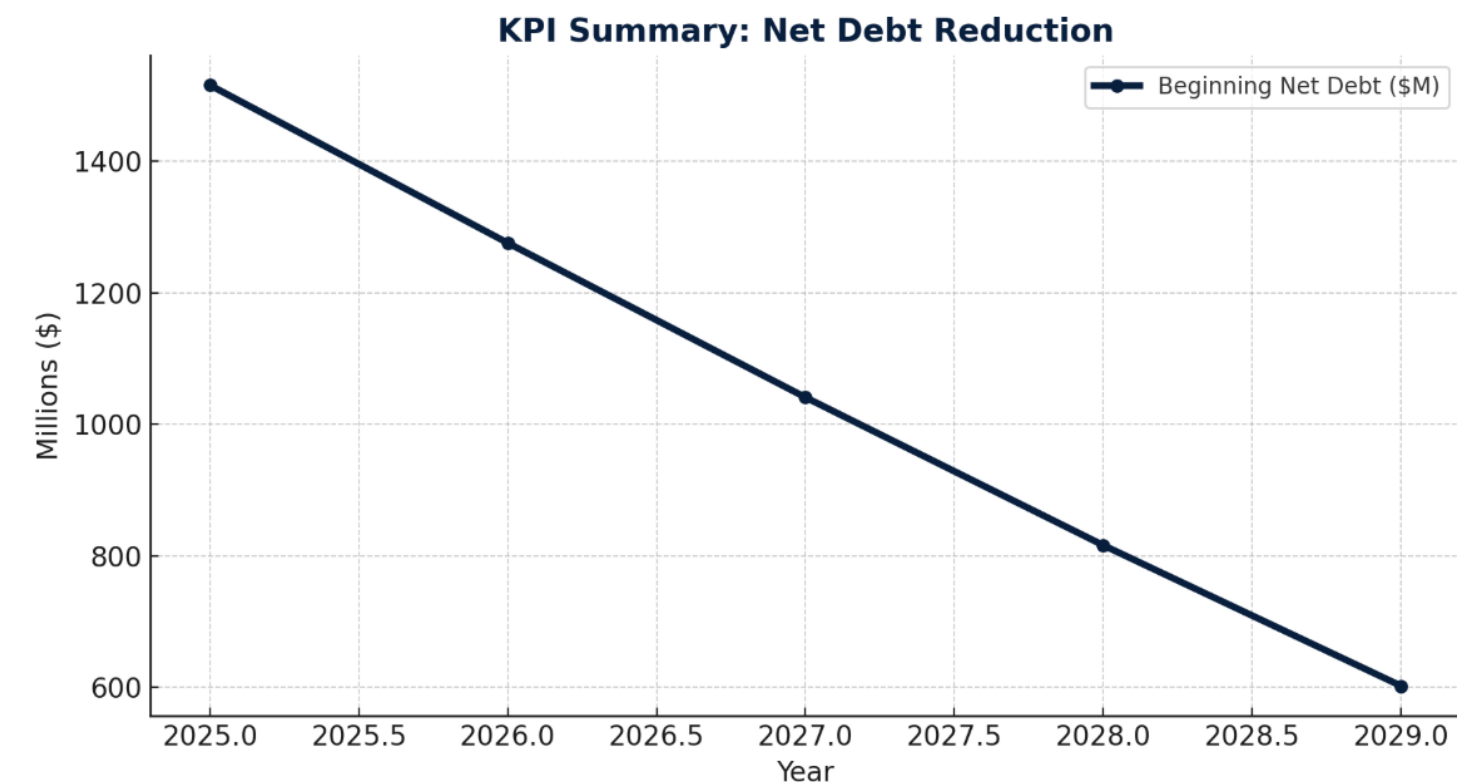
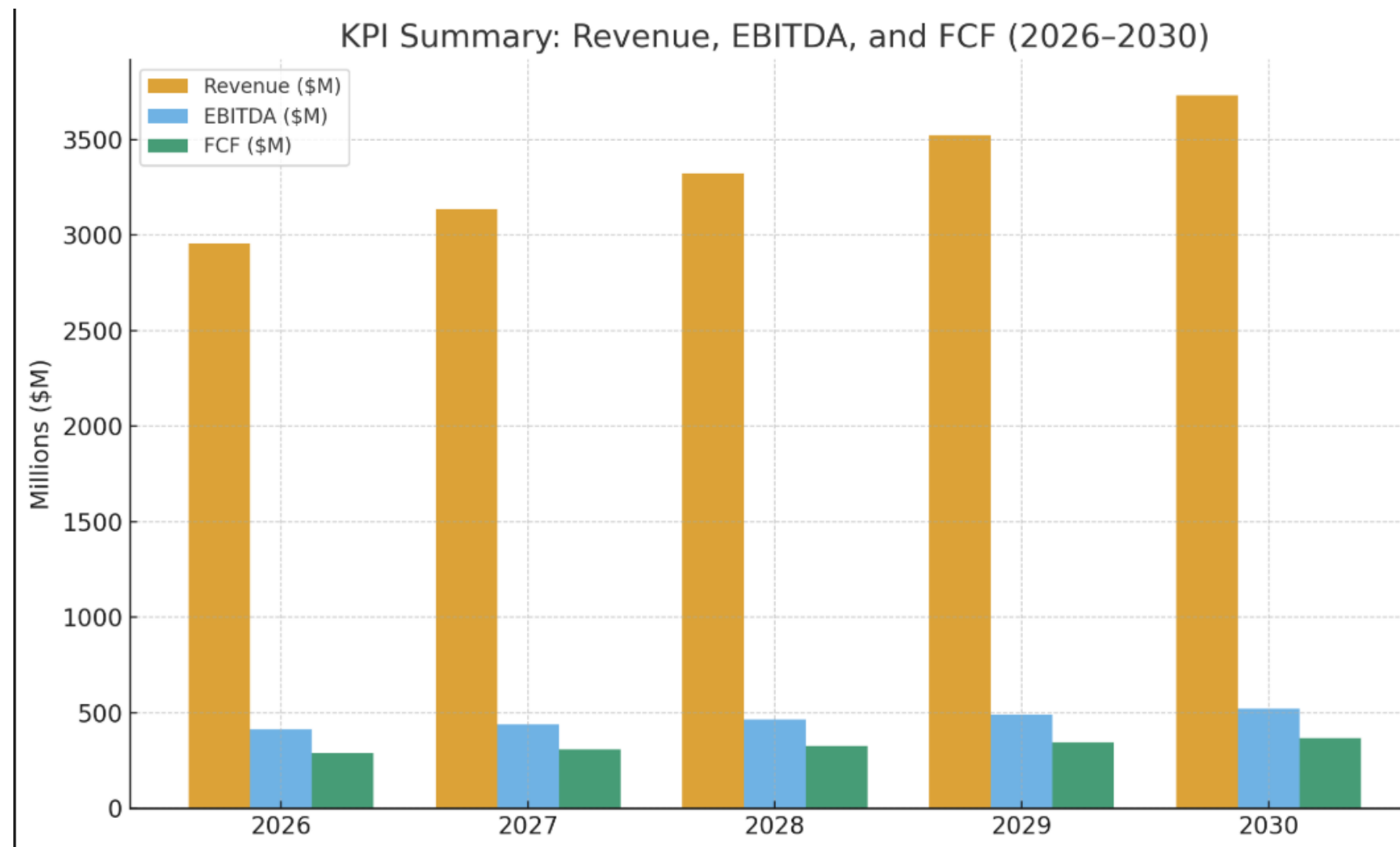
Shows how returns change when key assumptions are changed; shows best and worst-case scenarios

Cases

Shows pre-built situations, each adjusting growth, margins, and cost assumptions

KPI Summary

- **Revenue resets from ~\$10.7B to ~\$2.8B** in 2025 after the divestiture; grows to ~\$3.7B by 2030.
- **EBITDA margin expands from ~3–4% to ~17%**, reflecting the higher-margin Patient Direct segment.
- **EBITDA remains stable and grows to ~\$500–630M**, despite lower revenue.
- **Free cash flow increases meaningfully** due to improved margin profile and lower working-capital needs.
- **Net debt declines from ~\$1.8B to ~\$990M**, driven by consistent FCF generation.
- The new structure creates a **clean, focused, high-margin platform** supporting mid-teens equity returns.



Sources & Uses

Sources:

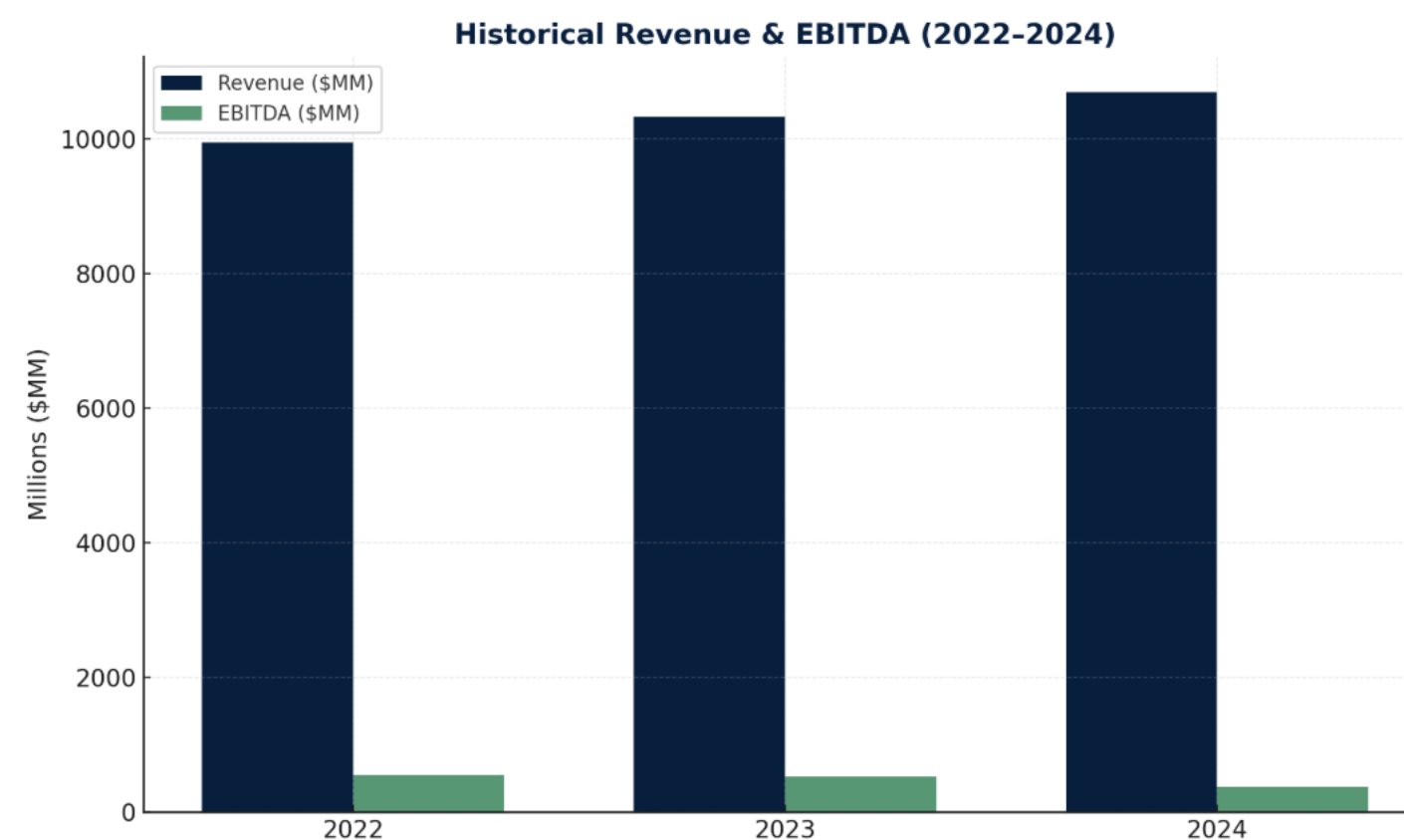
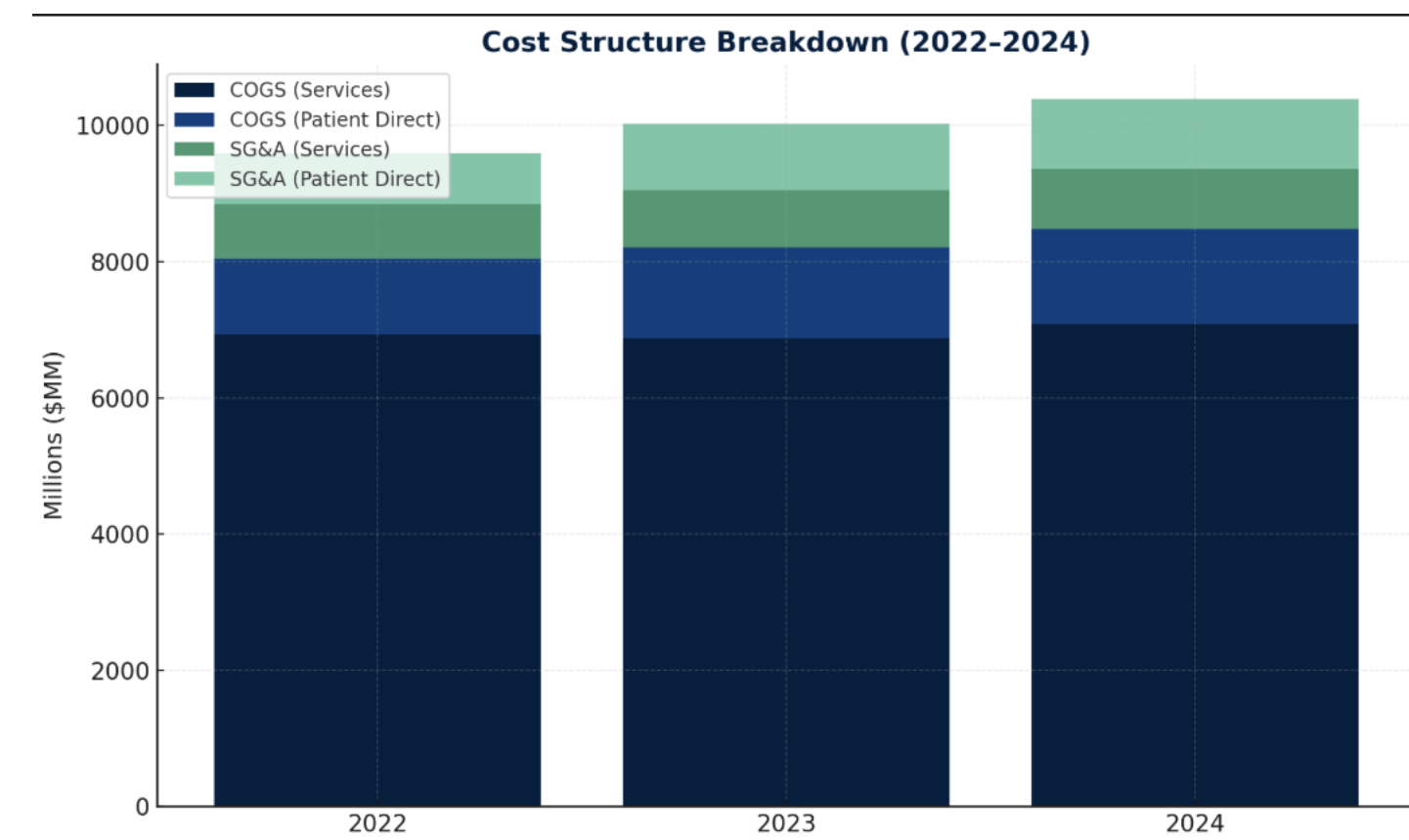
- Term Loan: ~\$1.7B.
- DDTL (Delayed Draw): \$40M.
- Revolver: \$15M (undrawn).
- Sponsor Equity: ~\$1.3B.

Uses:

- Purchase Equity: ~\$3.0B.
- Fees: ~\$50M.

Capital Plan

- COGS remains high and continues to increase across both segments.
- SG&A rises each year, especially in Patient Direct.
- Total costs are growing **faster than revenue**, compressing margins.
- This confirms the need for SG&A reduction, automation, and working-capital efficiency.



- Revenue grows steadily from **\$9.95B → \$10.7B**.
- EBITDA declines from **\$523M → \$379M** despite top-line growth.
- This gap highlights **margin pressure** and rising operating costs.
- Sets the stage for why a **value creation plan** is needed.

Value Creation Impact: EBITDA & FCF Growth

- **Cost Optimization:** SG&A reduction (150–200 bps) expands EBITDA.

- **Supply Chain Automation:** Higher fulfillment efficiency supports steady EBITDA lift.

- **Working Capital Improvements:** Better inventory turns + vendor terms drive FCF growth.

- **Result:** Stronger operating performance increases cash available for debt paydown.

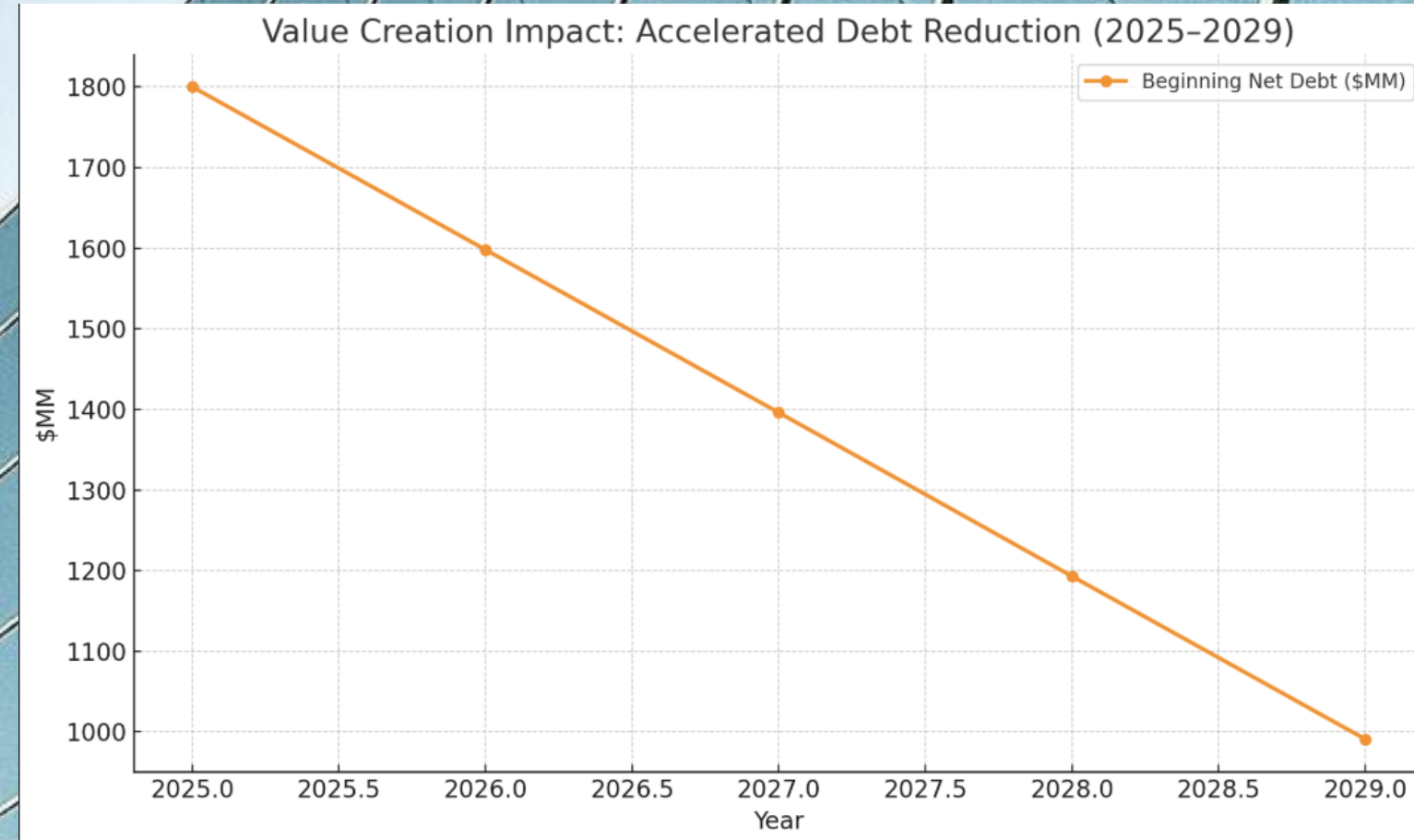
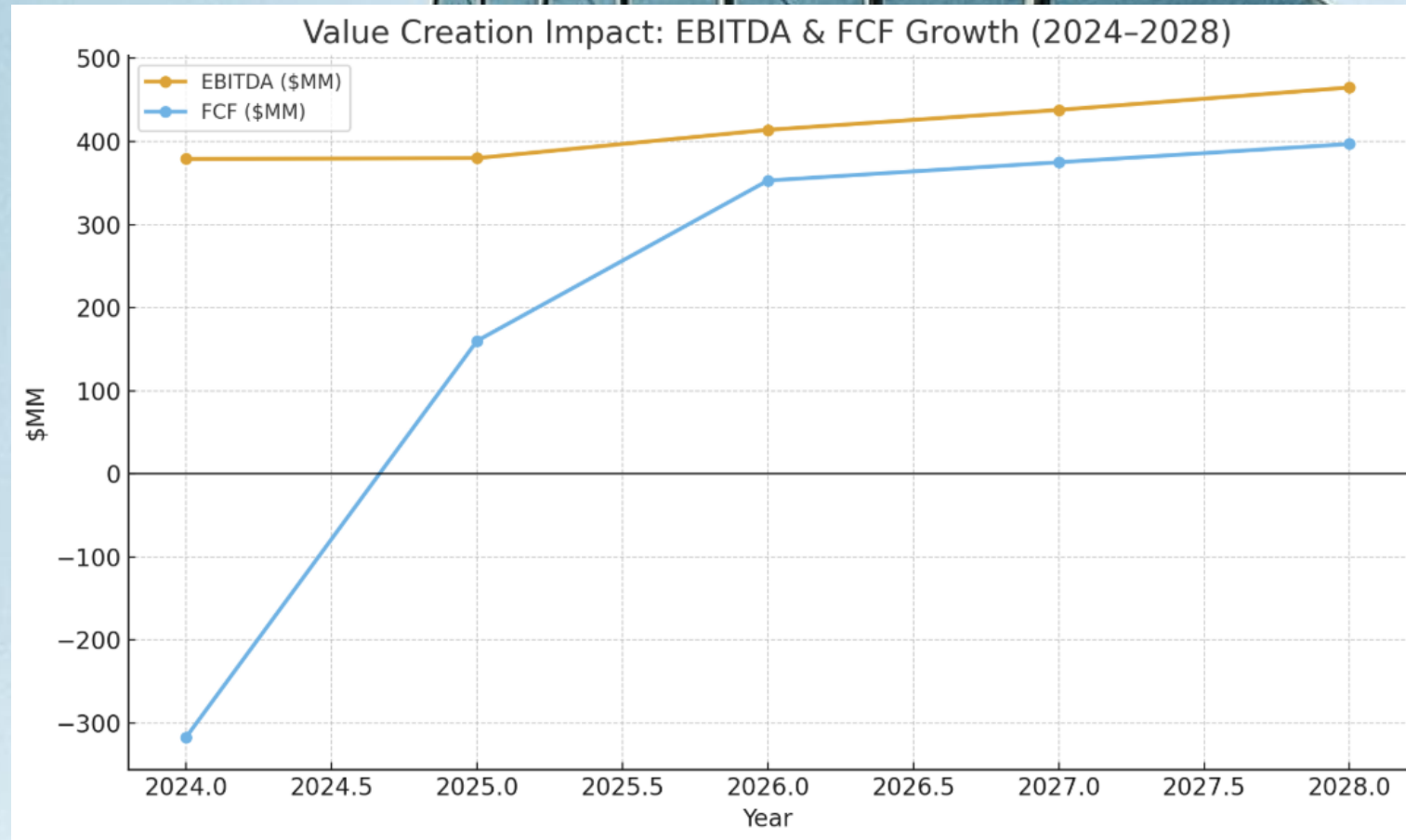
Value Creation Impact: Accelerated Debt Reduction

- FCF growth directly reduces leverage each year.

- Net debt falls from \$1.8B to ~\$990M, improving credit strength.

- Increased liquidity lowers interest burden and supports more sustainable growth.

- Outcome: The business completes a meaningful deleveraging cycle by 2029.



Financials

Free Cash Flow Outlook

FCF inflects from **-\$317M in 2024** to **> \$160M in 2025** as earnings normalize.

FCF ramps to **\$446M by 2030** through:

- Lower interest expense

- Stabilizing capex

- Improvements in working-capital discipline

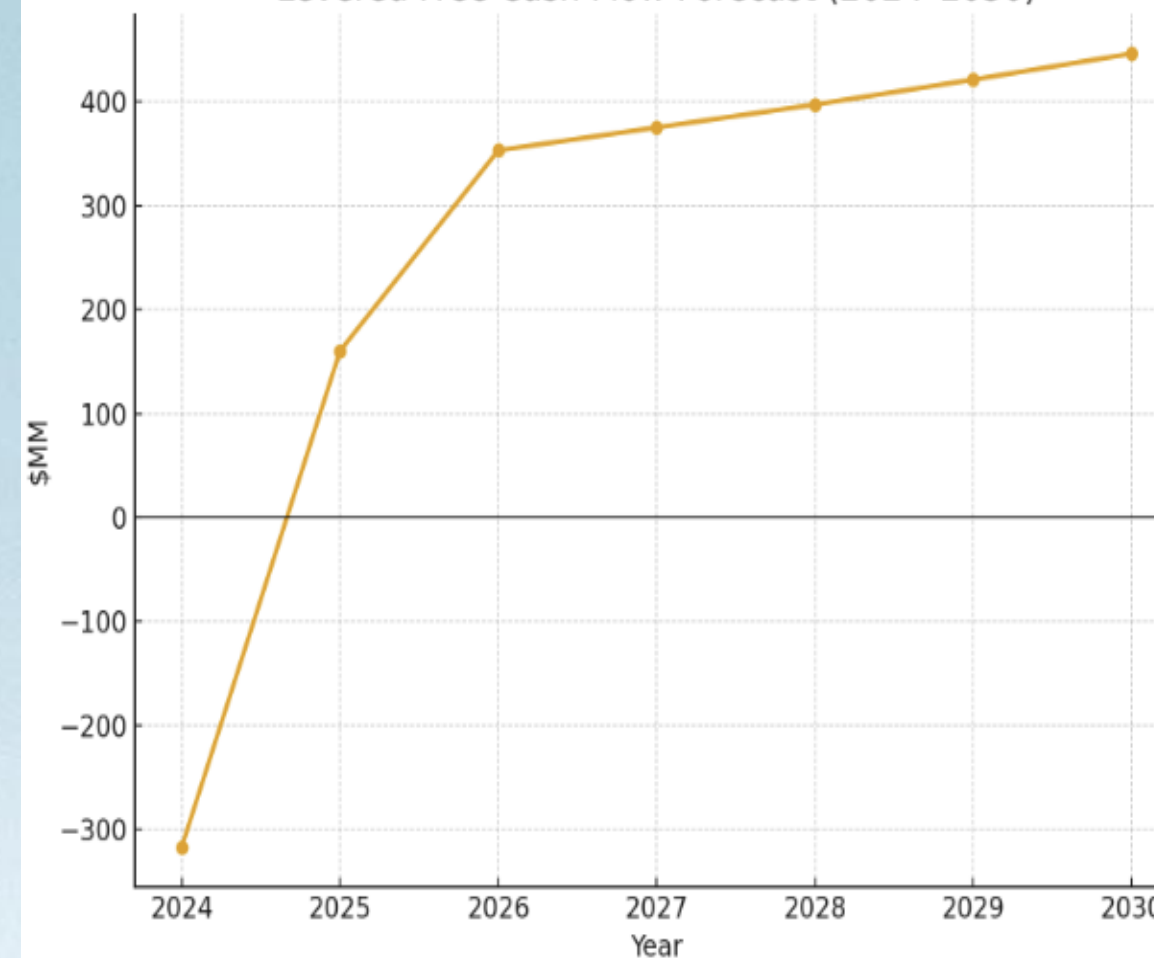
Strong cash generation supports faster deleveraging and improves equity returns.

Net debt declines from **\$1.8B** → **~\$991M** over the forecast horizon.

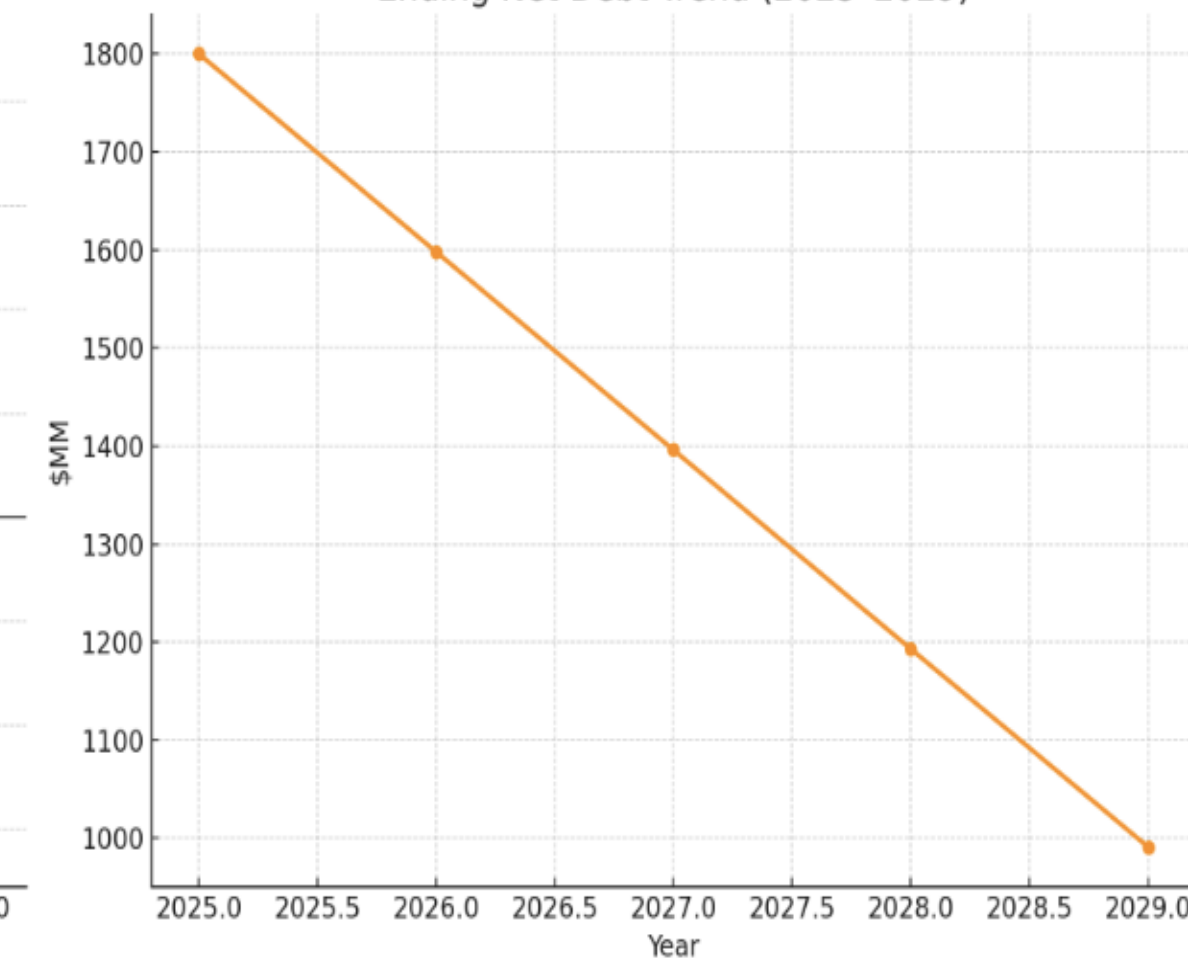
Annual mandatory amortization + cash sweeps accelerate repayment.

Improved leverage profile reduces financial risk and cost of capital.

Levered Free Cash Flow Forecast (2024-2030)



Ending Net Debt Trend (2025-2029)



“2024 FCF depressed by restructuring & interest; normalizes in 2025”

Returns

Exit Valuation

Exit EBITDA (Year 5): \$634M

Exit Multiple: 8.0x

Exit Enterprise Value: \$5.1B

Ending Net Debt: \$991M

Exit Equity Value: ~\$4.1B

Sponsor Returns

MOIC: 5.07x

IRR: 38% (5-year hold)

Strong returns supported by EBITDA growth + consistent deleveraging

Downside protected by substantial cash generation and low capex needs

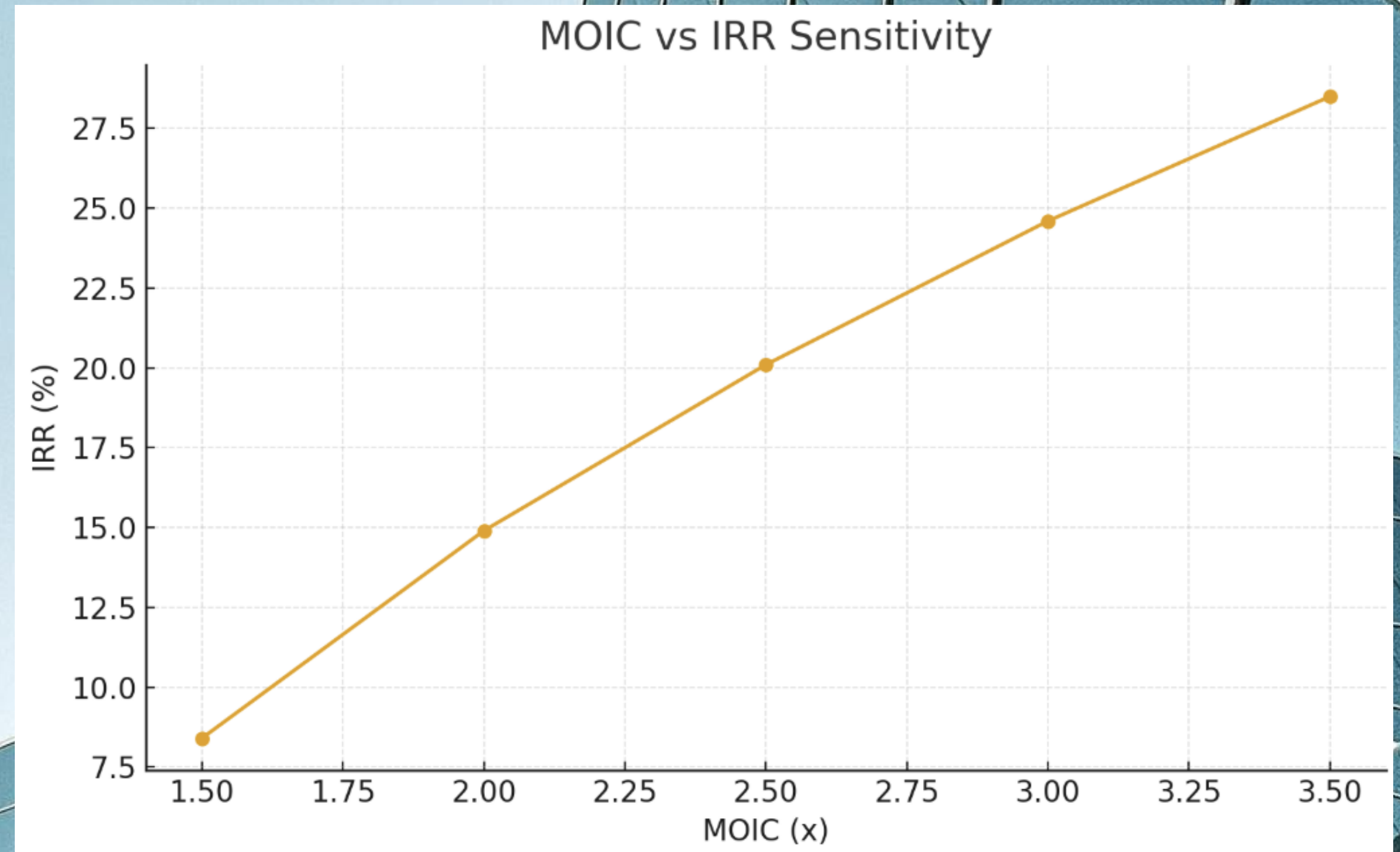
Sensitivity

2.0x → ~15% IRR

2.5x → ~20% IRR

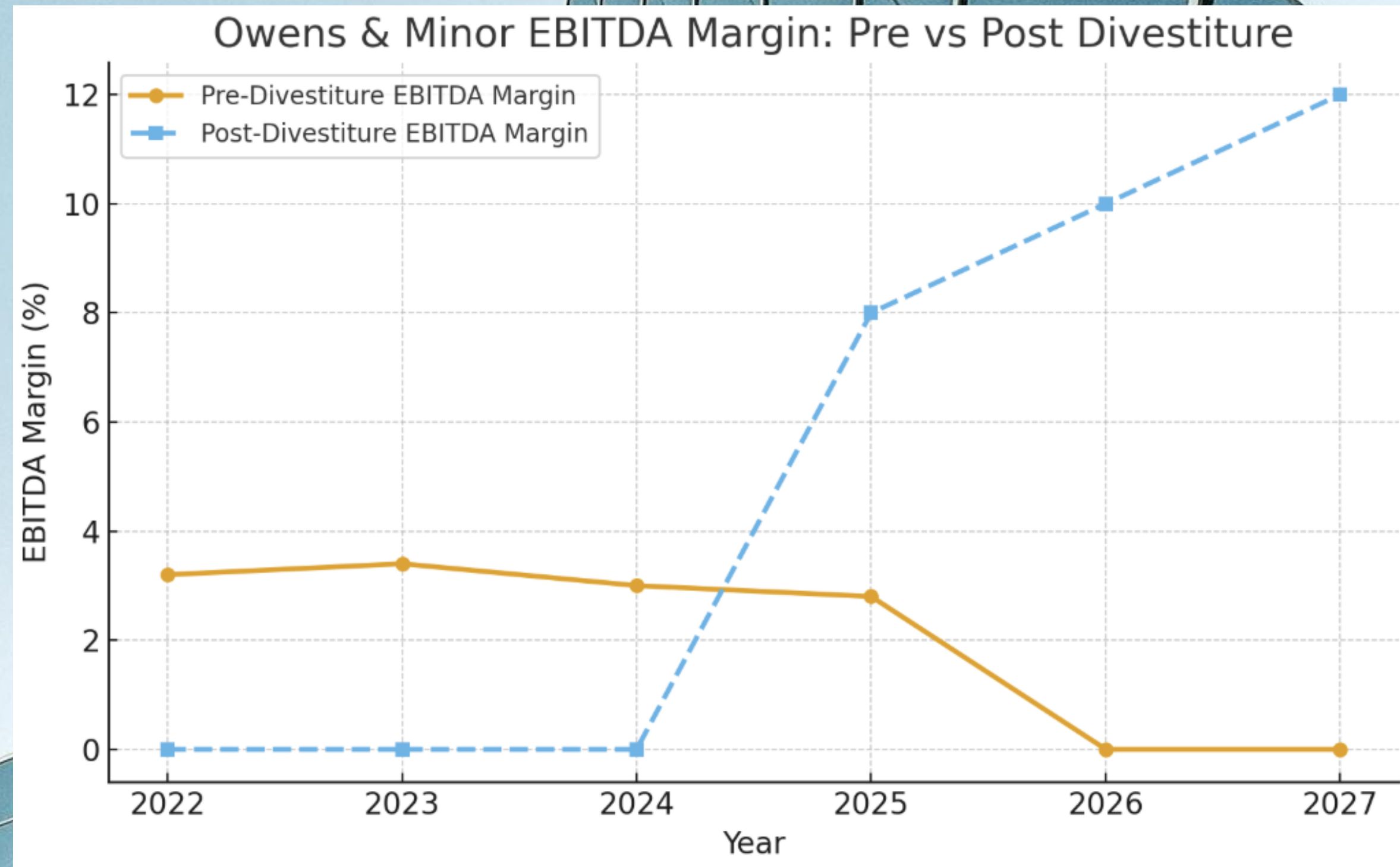
3.0x → ~25% IRR

Returns scale predictably with EBITDA improvement and multiple expansion



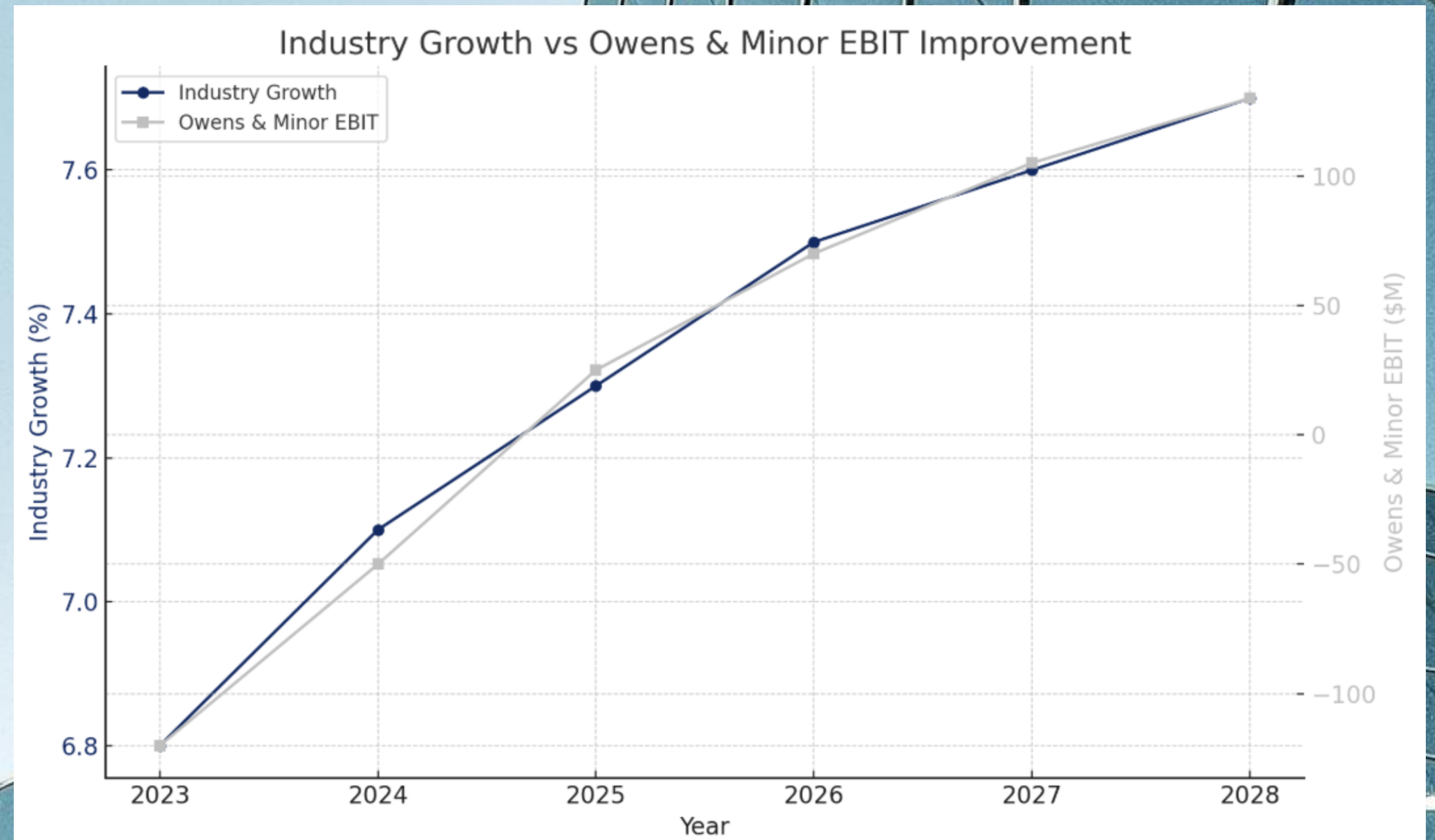
Impact of PHS Divestiture on LBO

- Removes low-margin, capital-heavy segment
- Shifts OMI to a pure-play home health business (Patient Direct)
- EBITDA becomes smaller but significantly higher quality
- Margin profile improves immediately
- \$375M cash proceeds available for debt paydown
- Enhanced free cash flow supports LBO leverage
- Higher exit multiple potential as a focused, growth business



Why Negative EBIT Doesn't Impair LBO Viability

- Focus on **cash flow**, not accounting EBIT.
- Core segments are **high-margin, recurring, and recession-resistant**.
- **Operational improvements** (SG&A cuts, supply chain optimization, inventory) can drive EBIT positive.
- **Asset-light model** → minimal CapEx, strong free cash flow.
- **Long-term contracts & sticky customer base** protect revenue.
- LBO structured conservatively → debt coverage even in downside case.



Assumptions/Deal Inputs

Deal Inputs	
Purchase Enterprise Value (TEV) (\$)	\$ 3,032
Transaction Fees (%)	~2%
Financing Fees (%)	~1.5%
(x) Entry Multiple	8.0x
Equity (%)	40%
Debt (%)	60%
Closing Date	1-Jan-26

Operating Assumptions	2026
Annual Revenue Growth (%)	6%
COGS (%)	51.5%
SG & A %	37.0%
EBITDA Margin (%)	17.0%
Tax Rate (%)	29%
D&A % of Revenue	5.5%
Capex % of Revenue	~1.2%
Change in Net Working Capital (NWC)	-0.5%

Debt Assumptions	
Term Loan B Interest Rate (%)	10%
Revolver Rate	8%
Mandatory Ammortization	1%
Cash Sweep (%)	60%

Exit Assumptions	
Exit Multiple	8.0x
Exit Year	2030

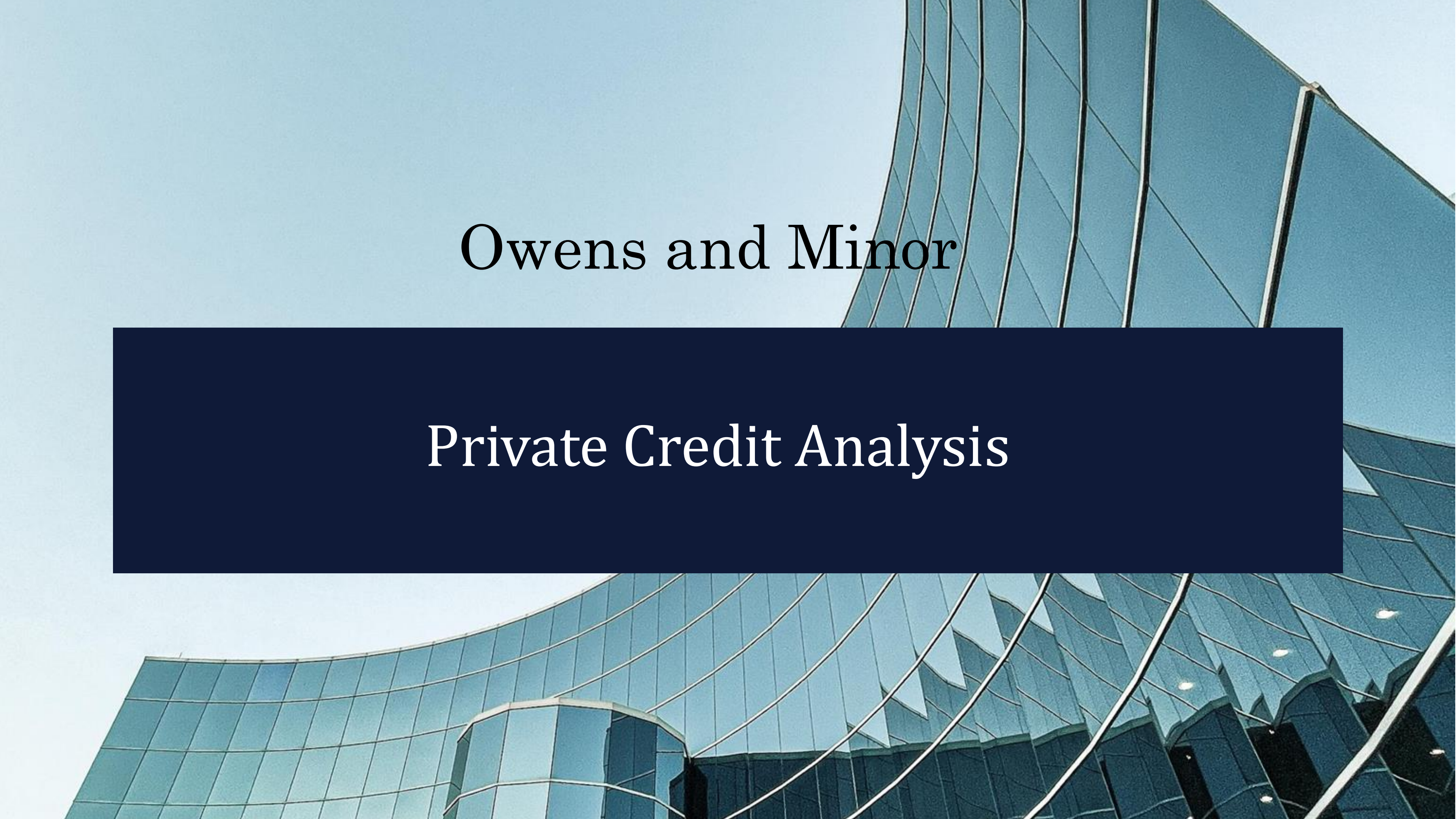
FCF and Debt Schedule

Free Cash Flow (FCF)

Year	EBITDA	D&A	CapEx	ΔNWC	Taxes	FCF
2026	\$ 503	\$ 163	\$ 35	\$ 15	29%	\$ 354
2027	\$ 533	\$ 172	\$ 38	\$ 16	29%	\$ 375
2028	\$ 565	\$ 183	\$ 40	\$ 17	29%	\$ 398
2029	\$ 599	\$ 194	\$ 42	\$ 18	29%	\$ 421
2030	\$ 635	\$ 205	\$ 45	\$ 19	29%	\$ 447

Debt Schedule

Year	TLB Beginning	DDTL Beginning	Beginning Debt	Mandate	Interest	FCF	Excess Cash	Cash Sweep	Ending Debt	Undrawn R
2026	\$ 1,779	40	\$ 1,819	\$ 18	\$ 182	\$ 354	\$ 172	\$ 103	\$ 1,698	\$ 15
2027	\$ 1,658	40	\$ 1,698	\$ 18	\$ 170	\$ 375	\$ 205	\$ 123	\$ 1,556	\$ 15
2028	\$ 1,516	40	\$ 1,556	\$ 18	\$ 156	\$ 398	\$ 242	\$ 145	\$ 1,393	\$ 15
2029	\$ 1,353	40	\$ 1,393	\$ 18	\$ 139	\$ 421	\$ 282	\$ 169	\$ 1,205	\$ 15
2030	\$ 1,165	40	\$ 1,205	\$ 18	\$ 121	\$ 447	\$ 326	\$ 196	\$ 992	\$ 15

A low-angle, upward-looking shot of a modern skyscraper with a curved glass facade. The building's lines converge towards the top of the frame, creating a sense of height and architectural grandeur. The sky is a clear, pale blue.

Owens and Minor

Private Credit Analysis

Regulatory & Reimbursement Risk

:Exposure to changes in government/private insurer reimbursement and GPO pricing pressure that can affect margins and volumes.

Risk

- Reimbursement / Payor changes
- GPO pricing pressure
- Volume shifts from value-based care

Mitigants

- Broad hospital/IDN customer base
- Essential, non-discretionary product demand
- Multi-year GPO contracts
- Diversified product portfolio

Supply Chain & Operating Execution Risk

: Global sourcing, freight, and distribution-center complexity create cost and operational variability.

Risk

- Freight & raw material cost volatility
- Inventory/logistics complexity
- Supplier or manufacturing disruptions

Mitigants

- Multi-sourcing across regions
- DDTL-funded automation & DC upgrades
- Strong FCF supports WC swings
- Ongoing cost-to-serve initiatives

Customer Concentration & Pricing Pressure

: Customer mix concentrated in large GPOs and payers creates pricing pressure and contract-renewal risk.

Risk

- GPO price compression (Vizient, Premier, HPG)
- Payer re-pricing / contract churn
- IDN consolidation increases buyer leverage

Mitigants

- **Top 10 customers = only ~20% of revenue**
- Broad, diversified customer base across hospitals & payers
- Multi-year GPO relationships
- Patient Direct growth reduces reliance on acute-care contracts

Term sheet

Funded and Unfunded

Facility Structure

1

- + \$1,799mm Term Loan B (Funded)
- + \$40mm Delayed-Draw Term Loan (DDTL, Unfunded)
- + \$15mm Revolving Credit Facility (Unfunded)
-

DDTL: Supports distribution-center automation + working-capital swings.

Revolver: Minimal liquidity backstop given strong FCF

Use of Proceeds: Purchase price, refinance 2026 maturities, fees, and growth capex. +

Unfunded DDTL

3

- + Commitment Fee: \$40mm
- + Pricing: TLB +50bps
- + Tenor: Coterminous with TLB (6 years)
- + Draw period: 24 months

=>Use of Proceeds: Distribution-center automation, supply-chain upgrades, and working-capital swings.

=>Rationale: Provides liquidity flexibility and removes need for a large revolver

Funded Term Loan B

2

- + Amount: \$1,779mm
- + Interest Rate: 10%
- + Tenor: 6 years
- Amortization: 1% per annum
- Security: First lien on substantially all assets

Additional Justifications

4

~10% TLB Rate
⇒ Matches OMI's BB-/B+ risk and market pricing at ~4× leverage.

1% OID
⇒ Standard for mid-risk private-credit deals.

6-Year Tenor
⇒ Clears 2026 maturities; avoids 2029–2030 debt wall.

\$40mm DDTL (TLB + 50bps)
⇒ Flexible capex/WC support; enables small revolver.

Debt vs. Equity Ratio

- 60% Debt: The \$1,799MM term loan and the \$40MM DDTL represent 60% of the total financing, which is typical for an LBO. The high debt proportion allows OMI to minimize equity contributions and maximize its leverage.
- 40% Equity: The remaining portion of the financing comes from private equity sponsors or investors, who contribute equity capital (usually around \$1,200MM). This equity portion represents the ownership stake in OMI and is at risk if the company underperforms.

\$1,799 Term Loan (Funded)

- **60% of the purchase price**
 - **Purpose in the LBO:**
 - + It is used to finance the majority of the acquisition
 - + Refinancing existing debt, and supporting future operations.
 - **Leverage and Equity Contribution:**

=> Leverage Ratio Target: The \$1,799MM term loan is sized to maintain the debt-to-EBITDA ratio at an acceptable level (likely around 5× to 7× EBITDA),
 - **Rationale:**
 - Interest and Principal Repayment: The loan is structured to be repaid over time using OMI’s future cash flow: cash flow from the business is expected to cover interest expenses and gradually pay down the principal.
 - Leverage Effect: The company can remain profitable even with high levels of debt, as the interest payments are manageable and the company’s assets (like inventory, accounts receivable, and distribution centers) serve as collateral.
- => The \$1,799MM Term Loan B is the main source of financing for the acquisition and refinancing of OMI’s existing debt, allowing the company to continue operating while reducing near-term refinancing risks.

Debt sizing
& pricing
rationale

Company	Total Debt	EBITDA
Medline Industries	\$16.58 billion	\$3.1 billion
Patterson Companies		\$0.5 billion
AdaptHealth Corp.	\$1.93 billion	\$0.5 billion
Owens and Minor	\$1.9 billion	\$0.5 billion

\$15MM Revolving Credit Facility (Unfunded)

- Purpose in an LBO:
 - + Operational Liquidity: provide OMI with short-term liquidity for day-to-day operations.
 - + Cash Flow Management: Revolvers are especially useful in managing seasonal fluctuations in there is enough liquidity available for operational needs.
 - Rationale:
 - + Short-Term Borrowing Needs: The \$15MM Revolver is a cost-effective tool because OMI only are actually drawn.
 - => This ensures liquidity without committing capital unnecessarily
 - Manage Operational Costs:
 - => It helps OMI manage day-to-day costs and ensures the company has the financial flexibility smoothly, especially in times of unexpected market volatility or operational changes.
- => The \$15MM revolver gives OMI access to short-term funds for daily operational needs like p unexpected expenses, with no interest paid until funds are drawn.

Data Analysis & Takeaways

Top 10 customers

Company	% Revenue
Kaiser Permanente	10
HCA Healthcare	9
Cleveland Clinic	7
Mayo Clinic	6
CVS Health	6
Veterans Affairs	5
Tenet Healthcare	4
Ascension	4
CommonSpirit	3
Mass General	3

+ OMI stated in 10K: "**No single customer accounts for >10% of revenue**"

=> concentration risk manageable

+ Top 5 accounts for around 57% revenue

+ Pricing pressure exists but volumes sticky due to switching costs

+ OMI stated in 10K: "**We source from hundreds of suppliers.**"

+ Most suppliers are diversified, credit stable; supply disruption risk low

+ Benefits from scale = volume discounts = competitive pricing

Top 10 suppliers

Company	% Revenue
Medtronic	11
3M Health	9
Johnson and Johnson	8
Stryker	7
Becton Dickinson	6
Cardinal Health	5
Pfizer	4
Avanos	4
Smith and Nephew	4
Teleflex	3

PROTECTIONS

Covenant, Collateral, Prepayment

Financial Covenants

- **Max Net Leverage:**
 - + Initial: 5.25x
 - + Step-down to 4.75x by Year 3

=> Gives OMI some room at closing (headroom) but **forces them to reduce debt over time** instead of staying highly levered
- **Minimum Interest Coverage: 1.75x increasing to 2.0x**

=> Makes sure EBITDA is at least twice the cash interest, so it is easier for them to pay interest
- **Minimum Liquidity: \$150mm at all time**

=> Make sure there is enough cash to deal with unwanted problems or crisis

Negative Covenants

- Capex capped at: **\$150mm/year**
- Limit on acquisitions: max **\$200mm** unless bringing <4.5x leverage

=> Prevent OMI taking a huge risky deal or overspending without lender consent (OMI has history of acquisitions and huge logistics projects)
- **No dividends / share buybacks until leverage <3.5x**

=> Prevent cash being taken by shareholders when the company is still levered
- **Restrictions on additional debt**

=> Prevent the company from borrowing more and increase the current risk

Affirmative Covenants

- Quarterly reporting, field audits'

=> Allow lenders to monitor the company, reducing problems
- Required hedging of 50% floating exposure

=> Reduce the effects of volatility of interest rate spikes
- Inventory & receivable controls

Collateral Package

(Back-up payment)

- **1st lien on ABL priority collateral: Accounts Receivable + Inventory**

=> Lenders get paid first from the cash the company collects and the inventory it sells
- **1st lien on non-ABL collateral: PP&E, IP, Equity of Subsidiaries**

=> Lenders also have first – priority claim over everything not included in the ABL
- **Mortgages on distribution centers**

=> Lenders can take possession of key warehouses if OMI cannot repay the loan
- **100% stock pledge of material subsidiaries**

=> If OMI fails, lenders can take ownership of its core business right away

Prepayment Provisions

- **Soft Call: the penalty the borrower must pay if they pay off the loan early**
 - + Year 1: 102% of the loan
 - + Year 2: 101% of the loan
 - + Year 3+: Par (100%)

=> Minimize the return lenders expect to receive when borrower can pay back earlier.
- **Mandatory Prepayment: Force the borrower to repay under certain situations:**
 - + 75% excess cash flow sweep (step-down to 25% when leverage <4.0x)

=> If the company makes more cash profit than expected, a portion of that extra cash must be used to pay down debt.
 - + Asset sale sweep (100%, reinvestment allowed)

=> If the company sells a building, equipment, or business unit, the sale proceeds must go to pay down the loan unless reinvested.

=> **Reduce the debt automatically when the company performs better or sells assets**

FORWARD PLAN

Monitoring Metrics

Financial Performance Monitoring (Quarterly)

- **Leverage (Net Debt / EBITDA):** make sure to lower this ratio to indicate lower risks
=> Target: trending down toward 4.5x → early-warning trigger if >5.0x
- **Interest Coverage (EBITDA / Cash Interest):** a higher ratio means the company is generating enough earnings to cover its interest payments
=> Target: >2.0x → flag if <1.75x.
- **Liquidity Position** (Cash + Revolver Availability): make sure the company do not have cash problems
=> Target: >\$150MM minimum liquidity at all time
- **Working Capital Efficiency:** more efficient in managing the money it uses for day – to – day operations
 - + AR Days (collections)
 - + Inventory Days (stock turnover)
 - + AP Days (supplier payments)
 - + Red flag: deterioration >10% quarter-over-quarter

Operational & Business Monitoring (Quarterly)

- **Customer Concentration Trends:** avoid risks like pricing pressures, contract problems
=> Red flag: Top 10 customers increase above 20% revenue share.
- **Supplier Dependence:** dependence can lead to supply chain disruptions
=> Monitor exposure to top suppliers & track pricing pressure and supply chain stability.
- **Distribution Center Performance:** cost efficiency is critical to OMI's profit margins
=> Target: On-time fulfillment rate, logistics cost per unit, warehouse productivity metrics.
- **Segment Performance** (Patient Direct vs Products & Healthcare Services)
=> Look for margin erosion or volume weakness.

KEY MILESTONES PLAN

FIRST 6 MONTHS

Stabilize EBITDA & Improve visibility

- Reforecast full-year cash flow with weekly cadence
- Reassess pricing and margin recovery plans
- Implement tight SG&A controls across non-essential spending

6 months

MONTHS 6 - 18

Improve cash conversion

- Improve AR collections by 5 - 8 days
- Reduce inventory by 3 - 5%
- Build rolling 13-week cash flow model
- Strengthen AR aging and collections
- Improve demand / inventory forecasting

12 moths

MONTHS 18 - 30

Reduce leverage & Increase Cash Discipline

- Apply all Excess Cash Flow (ECF) sweeps to repay the debt
- Reduce discretionary CAPEX; prioritize only core logistics upgrades
- Evaluate divestiture options for underperforming business units
- Keep liquidity >\$150MM

MONTHS 60 - 72

Build re-financing capital structure

- Finalize Refinancing Package: terms of the loan and market conditions
- Improve documentation and covenant structure
- Lower cost of capital based on improved operating performance & lower leverage
=> aim to refinance **at a lower interest rate**
- Communicate capital structure plan to rating agencies
- Execute a long-term refinancing deal to strengthen OMI's financial position and flexibility.

12 moths

MONTHS 48 - 60

Build re-financing capital structure

- Prepare Lender Presentation for Refinancing Negotiations
- Evaluate refinancing paths (Pros and Cons):
 - + Extend private credit
 - + Issue HY bonds
 - + Expand ABL facility
- Secure interest-rate hedges ahead of refinancing => protect against fluctuation
- Target leverage profile <4.0x => lower risk
- Build a 3-year business plan to present to future lenders

12 moths

MONTHS 30 - 48

Improve recovery value of assets

- Review AR and collect invoices that are more than 90 days overdue.
- Reduce obsolete inventory => only hold valuable stock
- Increase frequency of inventory checks and reduce loss
- Review each product to see which ones make money and discontinue unprofitable ones.



THANK YOU!