

11/16/2020

Lake Cornelia Research Management, Inc.

Stock: MultiPlan Corp. ("MPLN")

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Note: This note is easier to read if you download the PDF and the other documents. For general background, read the Citi report or the S-1.

I am short MPLN. I believe the SPAC transaction was done at a premium to a reasonable takeout valuation, and far in excess of what could have been achieved in a traditional IPO process. I believe MPLN needs to reprice to a reasonable market price. Additionally, I see many areas of concern that could result in MPLN stock declining substantially from current levels. Alternatively, I see a limited path to substantial appreciation and feel the risk/reward is challenged on the long side. My near-term fair value is \$4-5 per share and longer term I believe there are some extreme scenarios where this stock could be worth \$0.

On 11/11, Muddy Waters (MW's) published a short report outlining much of my short thesis. The core of their report:

1. UNH is MPLN's largest customer (~35% of revenue) and their Optum (Naviguard) division has a competing product that will allow UNH to move most of their business in house
2. Optum will additionally compete with MPLN for the balance of MPLN's customers
3. MPLN has questionable accounting and limited FCF

On 11/12, MPLN hosted earnings before the market open. The call was generally unpolished, though this might be due to the being new to the public markets. In attempting to refute the MW's report, they argued:

1. Their new \$140 million acquisition of HST will allow them to offer the same services that UNH/Optum (Naviguard) is offering
2. They are not seeing any evidence that UNH is moving their business in house
3. Their Payment Integrity Solution is best in the industry

While I agree with the MW's report directionally, and have independently verified most of its conclusions, I feel there are additional areas of concern about MPLN that deserve to be addressed.

Conceptually, I see the short in two parts:

1. Part 1: \$10 SPAC Merger to \$5 "Real World" Price: Repricing MPLN to a public stock market valuation from an extreme transaction price. **You don't need to believe that UNH is leaving, or that anything is even wrong with this business,** to get to \$5.
 - a. The SPAC merger was completed at ~14.7x 2019 EBITDA. The two most comparable recent transaction comps are Cotiviti at 16.3x and Equian at 12.8x; both Cotiviti and Equian had far superior growth and businesses vs. MPLN. Additionally, the most recent LBO of MPLN (2016) occurred at just 10.5x EBITDA. 10.5x 2019 EBITDA (pre-Covid) is \$4.70 per share.
 - b. MPLN is 5.5x levered and should have a valuation discount to reflect this

- c. MPLN has two large share overhangs: (1) The existing sponsors, and (2) the PIPE investors. In total, the share overhang is ~85% of shares outstanding. There should be a 1-2 turn discount just for the overhang
 - d. MPLN has significant customer concentration with the top two customers accounting for 55% of revenue. There is a short report suggesting that its top customer, with 35% of revenue could leave. Taken together, I believe revenue concentration requires a valuation discount.
- 2. Part 2: \$5 to Chapter 11. Core business is under competitive threat, top customer could leave and MPLN is pursuing a high-risk M&A strategy
 - a. Pricing is declining, revenue has gone down every year since 2017 and competition is increasing (ie the business is worse positioned than at the 2016). Zelis, a well-funded competitor owned by Bain Capital, has equivalent capabilities and competes with them across all of their products.
 - b. Their legacy PPO business is declining towards zero and is still 30% of revenue. Their payment integrity ("PI") business is an also ran and subscale. Their core medical reimbursement analysis ("MRA") product is no better than Zelis or Optum's and has numerous smaller competitors.
 - c. UNH, MPLN's largest customer, is likely to move their business in house. In 2019, their Optum division outbid MPLN for Equian. Equian's PI capability was the final piece for Optum to be able to fully compete with MPLN.
 - d. Facing declining revenue and increasing competition, MPLN intends to pursue an M&A strategy to buy its way out. Notably, the healthcare IT space is highly competitive, and it seems unlikely that any company could expect to create differentiated value when forced to pay transaction premiums while lacking clear synergies. Additionally, with a ~5.5x levered balance sheet already, it will likely require substantial additional equity

Below is further discussion on several of the key issues on MPLN. It is by no means exhaustive.

MPLN has three key business lines:

1. Legacy Network PPO business: For smaller health plans, they are able to leverage a national independent provider network to get the benefits of scale. This is a dying business with multiple competitors.
2. Analytics Based Services: This is the crown jewel of MPLN. They have an IT solution that automatically reduces payment amounts, especially out of network charges. They compete with Zelis and many other small providers.
3. MARS / Payment Integrity: They have a tech enabled solution to identify and remove improper charges before they are paid. Cotiviti and several other companies compete with them

Valuation

	Target			Current				
Price	\$3.00	\$4.00	\$5.00	\$6.00	\$7.00	\$8.00	\$9.00	\$10.00
Shares	667.5	667.5	667.5	667.5	667.5	667.5	667.5	667.5
	2,003	2,670	3,338	4,005	4,673	5,340	6,008	6,675
PF Net Debt	4,748	4,748	4,748	4,748	4,748	4,748	4,748	4,748
1yr of Paydown	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(400)
Adj Debt	4,348	4,348	4,348	4,348	4,348	4,348	4,348	4,348
TEV	6,351	7,018	7,686	8,353	9,021	9,688	10,356	11,023

PF Debt								
TEV / EBITDA								
2019	9.0x	9.9x	10.8x	11.7x	12.6x	13.5x	14.3x	15.2x
2020	9.6x	10.6x	11.6x	12.5x	13.5x	14.4x	15.4x	16.3x
2021	7.8x	8.6x	9.4x	10.2x	11.0x	11.7x	12.5x	13.3x

Adj Debt								
TEV / EBITDA								
2019	8.5x	9.4x	10.2x	11.1x	12.0x	12.9x	13.8x	14.7x
2020	9.1x	10.0x	11.0x	11.9x	12.9x	13.8x	14.8x	15.7x
2021	7.4x	8.2x	8.9x	9.7x	10.5x	11.3x	12.0x	12.8x

Pricing has been Declining for Years

MPLN has seen pricing pressure for years. MPLN's share of realized savings has been declining since 2017. After reaching a peak of 6.0% of savings, it has fallen to just 4.7% as of Q3 2020. MPLN estimates, in its projections from the deal, that they will normalize at a 5.1% take rate in 2021 and 2025.

	2013	2014	2015	2016	2017	2018	2019	LTM 2020	Est 2021	Est 2025	Q1 2019	Q1 2020	Q2 2019	Q2 2020	Q3 2019	Q3 2020
Claims Charges	79.5	83.2	88.6	94.9	97.4	101.6	106.3	103.4	116.6	140.4	26.5	26.7	26.3	22.2	26.8	27.8
Savings Achieved	13.9	14.4	15.2	17.1	17.8	18.6	18.9	19.0	21.5	26.8	4.5	5.0	4.6	4.2	4.8	4.8
% Savings	17.5%	17.3%	17.2%	18.0%	18.3%	18.3%	17.8%	18.4%	18.4%	19.1%	17.0%	18.7%	17.4%	18.9%	17.9%	17.3%
Cut of Savings	4.8%	5.0%	5.7%	5.8%	6.0%	5.6%	5.2%	4.9%	5.1%	5.1%	5.4%	5.0%	5.4%	4.9%	5.1%	4.7%
Revenue Mix																
Data iSight		52		182				324								
MARS		2		47		67		107								
All Other		665		759				552								
Revenue	674	718	865	988	1,067	1,041	983	929	1,105	1,375	245	252	246	207	246	224
Adj EBITDA	440	484	612	716	812	825	750	698	860	1,120	188	196	188	150	187	166
Margin	65.3%	67.4%	70.7%	72.5%	76.1%	79.2%	76.3%	75.1%	77.8%	81.5%	76.8%	77.7%	76.6%	72.4%	76.2%	74.0%

Yet, numerous diligence calls suggest that pricing has further to fall. Market checks with multiple payers, former salespeople and industry participants reveal significant pressure on pricing. In its core claims adjudication product, Data iSights, MPLN faces multiple competitors. From MPLN's S-1:

MultiPlan competes with a variety of medical cost management companies for negotiation and pricing services. We compete for these services on the basis of savings effectiveness, which is

driven by technology, and provider acceptance, which is driven by algorithms. MultiPlan's chief competitors for these services include Zelis and reference-based pricing services such as Advanced Medical Pricing Solutions (AMPS), ELAP Services, PayerCompass, 6Degrees, HST and ClearHealth Strategies.

Multiple diligence checks suggest that most customers employ several competitors concurrently in a "stack" format. The lead vendor will get first crack at claims data and typically will capture ~80% of potential savings. The remaining vendors will then get to run the claims data through their products and typically find another 20% of savings. Customers increasingly are using the enticement of being "top of the stack" as leverage to get better pricing from MPLN and its competitors. Anecdotally, the "Blues" plans have been most aggressive in employing "stack position" as a carrot and stick. Multiple independent checks suggest that there is no discernible difference between MPLN and Zelis, with only a limited difference between these two products and the remaining small players like Clearhealth and Payer Compass. One plan administrator laid bare his strategy:

I only pay if they find savings. Most players are now offering to pay my onboarding costs as well. With only upside, I will keep adding new service providers...I can change their positions in "the stack" with the push of a button and keep pressuring them for the best economics.

Switching costs are the only barrier to entry. All of my diligence calls said either (1) But for switching costs that they would rather use Zelis, or (2) there is no real difference between Zelis and MPLN. The IT buildout to switch could run into the millions of dollars according multiple sources. However, Zelis is reportedly offering to now pay for implementation for larger clients. Backed by Bain, Zelis likely has significant financial resources.

On the earnings call, MPLN attempted to refute the "declining take rate" analysis. From the call:

*As we have said all along, our take rate with customers remained steady. You will note, there has been some confusion with the way we've been disclosing savings and revenues, which I can sympathize with. **So I've asked Dave to tackle this later in the presentation.** In short, while the prices we charge our customers are mostly volume-related and/or high single-digit to double-digit percentages of savings, **they realized our revenue divided by the savings we identified does not equal our take rate.** Our payer customers are the final decision-makers of how much of the identified savings that we provide them they actually use. As you can imagine, we prefer to avoid disclosing specific pricing levels for competitive reasons, but the prices we charge and the conversion rates of savings into revenue have not seen anything like the types of headwinds floated out there by these short sellers. We have had a productive year expanding contracts, signing on new logos, rolling out new programs that will lead to greater revenues for MultiPlan, and more savings and value for payers and consumers...*

Dave did not address this later in the presentation. I am puzzled by this answer. Revenue is an audited number and should be correct. Their answer would imply they are being mendacious on the realized savings figures. Given that the trend of declining pricing is supported by my due diligence, as well as the overall declining nature of MPLN's business, I believe the trend of declining pricing is at least

directionally correct. Moreover, MPLN arguing their business is a “black box” is not helpful for an already elevated valuation multiple.

MPLN's Multiyear Contracts are Meaningless

Once a provider is integrated with a payer, there are no additional costs to switch the ranking of that provider in the “stack.” While MPLN touts its multi-year contracts, this is a spurious argument about the durability of their cash flows. MPLN's contracts do not guarantee that they will get first look at claims data, where ~80% of the economics reside. Additionally, with other competitors competing on price, MPLN will be strongly incentivized to lower take rates to maintain their position. Indeed, when looking at the above pricing data, with Data iSight now 1/3rd of revenue and MPLN's take rate below 2013 levels (when MPLN was purely a network PPO business), it seems clear that price is already being discounted. Multiple diligence calls confirmed this:

Multiplan is trying to maintain stack position by trading price for contract duration. We are seeing Multiplan offer multiyear contract extensions in exchange for lower prices....

From the earnings call, MPLN confirms “the stack” and that they usually sit on top (for now).

Q: One of the contentions of that short report is that basically your contracts are not enforceable. So can you go into more detail on what a typical contract entails? And what's preventing someone like a United from using something like Naviguard, while still being in contract with you, simply shifting claims to Naviguard?

A: Look, we -- our contracts with the large payers are multiyear. United has been under multiyear contracts with us since 1994, Cigna, since 1992, Aetna, since 1994, as an example. The contracts, multiyear, they're automatically renewable. And when we sit down to review the contract, typically changes the scope of services we provide them. It's not an adversarial contract renewal process. They sit down with our team, they look at how we make -- and help together, we can enhance the value by generating more savings through the solutions that we have identifying egregious billing or clinical aberrations through our Payment Integrity product. What the basis of these contracts is the continued value that we provide to those payers for both their insured book of business, where they're taking the medical risk, and then for their self-insured business, where they provide an array of administrative services, one of which are the MultiPlan out-of-network solutions.

Q: Got it. And can you just speak to the exclusivity that's built into those contracts? And is there kind of anything preventing a large payer from shifting claims to another similar service?

A: I think in almost every case, the out-of-network business, MultiPlan is in that first position and receives almost all of the out-of-network claims. So we get first look at all the out-of-network claims. Patient goes to the provider, provider sends that claim to the payer, the payer sees that, that provider is in their network. If they're not in the customers' proprietary network, they electronically send that to MultiPlan. We get first look on that. And as Dale, Dave and I all

mentioned, last year, we received \$106 billion in charges from those payer customers. We also tailor our solution set of networks, negotiation at iSight to meet the goals and objectives of that payer to maximize savings. Obviously, the more savings we can generate for the payer, the more revenue we can generate for MultiPlan. And we have a high persistency rate and generate significant savings. As we referenced, there were [\$19 billion of savings], and over \$100 billion in charges received last year.

Justifying the Valuation with the EBITDA Margin is Awkward

MPLN has attempted to argue that its 75% EBITDA margins helps to justify its lofty valuation. From the sell side investor day:

Michael Klein: ... I think you've seen from the presentation, the P&L of this company looks most like payments processors. The only companies that have these kinds of EBITDA margins are Visa and Mastercard. And quite frankly, their margins are often lower, because they have significant consumer advertising expenses. The other companies that look similarly with 100% recurring revenues, high margins, high free cash flow characteristics are the data and analytics companies...

Which was echoed in Citi's initiation:

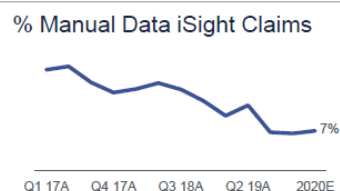
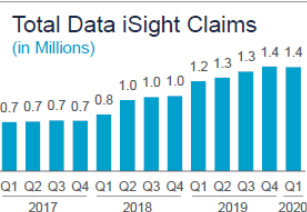
Fundamentally, we believe an asset that is by far the leader in an \$8B market (with limited competition), growing the top line by mid-single digits (conservatively), with 75%+ adj. EBITDA margins and an 8% FCF yield should trade at a valuation >10x our 2021 adj. EBITDA estimates (MPLN's current valuation)....

... Given the efficiency of MPLN's solutions, which are largely done pre-claims payment and therefore are more automated in nature, we think MPLN can maintain adj. EBITDA margins in the 75%+ range, nearly 2x the average HCIT company (indeed, the margin profile of this company is more akin to a traditional payment processor).

MPLN's 75% margins are not analogous to a normal company with 75% margins. MPLN earns a take rate on a single product that requires few humans. That product is under competitive threat in its current state- and may potentially be obsolete if Naviguard's product is successful (more on this later). Klein implying that MPLN may have a superior financial profile to Visa and Mastercard is a leap too far. Going back to the historical business performance, before Data iSight, in 2010, MPLN's legacy network business (its independent PPO) was earning 55% margins. Payment integrity business like Cotivity, HMSY and CHNG's Network Segment have EBITDA margins of 39% / 27% / 55% respectively.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Claims Charges						70.1	79.5	83.2	88.6	94.9	97.4	101.6	106.3
Savings Achieved						11.8	13.9	14.4	15.2	17.1	17.8	18.6	18.9
% Savings						16.8%	17.5%	17.3%	17.2%	18.0%	18.3%	18.3%	17.8%
Cut of Savings						4.8%	5.0%	5.7%	5.8%	6.0%	6.0%	5.6%	5.2%
Revenue													
Recent Acquisitions													
Data iSight					15	23		52		182			324
Pre-Payment Integrity								2		47	67	92	107
								53		230			431
All Other								665		759			552
Total	353			554			674	718	865	988	1,067	1,041	983
EBITDA	160			306			440	484	612	716	812	825	750
	45.3%			55.2%			65.3%	67.4%	70.7%	72.5%	76.1%	79.2%	76.3%

The investor day gave further detail on why MPLN's Data iSight business has such high margins. 93% of claims and 87% of negotiations are automated. In diligence calls, and a subsequent discussion with the company, it was confirmed that MPLN has no salespeople and only about 50 account managers (\$250k per year x 50 = \$12.5 million).



The 2018/2019 Revenue Decline Lacks a Cogent Explanation

There was a sudden deterioration in MPLN's business in late 2018 and 2019. Management has described the \$50-60 million headwind as:

*...it was from a subset of a unique group of customers. It had to do with really regulatory compliance and legal compliance relative to some of their limited benefit plans. No other customer is in that situation. So we do not believe that that will happen anywhere else. That basically got wrapped up at the end of 2019. As Dale's talked very eloquently, we don't really have just customer-vendor relationships. We have unique partner relationships. And so when you partners have to address certain issues, a good partner stands up and works with the partner. So we were impacted by that in late 2018, mostly in 2019. By the end of 2019, that has basically been resolved, **but by that group of customers and it will methodically come back into our revenue over the next few years. Like a lot of things, sometimes the drops are fast and the recoveries are slower.** And there will be steady recovery in those clients now that it has been resolved, but it's not a hockey stick going up and down, it is just a methodical recovery over a period of time...*

... coming out of that issue in late 2018 and into 2019, with a particular set of customers once that was resolved, they resolved that regulatory policy issue. We were able to move forward and continued to not only do expand implementation and activities within that group of customers, we added more customers. We were able to add more than 3 additional customers to our – to that began accessing our services in 2019. And we have another set of customers that are in the process of implementing in 2020. And, in addition, I'd say across multiple sets of those customers once the issue was clarified, and resolve those same set of customers began looking at again expanding their use of our services in different ways. And as Dave said that the fall is always quicker than the recovery, but the recovery is exciting to us, because of the new relationships we've been able to capture coming out of that particular issue.

The recent S-1 explains the issue slightly differently:

*Declines in Financial Negotiations revenues were due to some customers moving their claims from the Financial Negotiations product to the Medical Reimbursement Analysis products. While several of our customers moved a significant number of claims from the Network Services product to Analytics-Based Solutions, there was an aggregate decline in Analytics-Based Solutions claims and revenues as a result of a change in claims practice by certain customers beginning in the third quarter of 2018. This change in claims practice resulted in an approximately \$50 to \$60 million decline in revenues for the year ended December 31, 2019 as compared to the prior year, however, claims and revenue from such customers began to stabilize by the end of 2019. **We also experienced slower than expected growth in our Analytics-Based Solutions for the year ended December 31, 2019 resulting from implementation issues at certain customers due to the need to revise their internal policies and/or update their end-user plan documentation.***

This episode would normally cause a longer-term impairment to the trading multiple of a public company. It was a sudden revenue drop with a vague answer. Yet, from the 2016 LBO to the SPAC acquisition, we have MPLN's EBITDA multiple expanding significantly from 10.5x to 14.7x.

The 2018/2019 issues, coupled with the pandemic, would have made an IPO incredibly difficult to execute. The market is littered with far more stable sponsor owned businesses attempting an IPO with a fixed proceeds amount for debt repayment falling into a vortex of:

1. Investor skepticism leading to declining pricing expectations
2. Higher dilution as proceeds are fixed
3. Higher dilution means the price per share has to fall more to get a valuation discount

Eventually, most of these deals either price poorly or get pulled all together. I believe it is unlikely that MPLN could have executed an IPO at the SPAC merger valuation.

EBITDA Margins Will Fall with the Salesforce Expansion and Acquisition Strategy

MPLN intends to rapidly grow their salesforce as part of their growth strategy. They want to extend into new verticals. From the analyst day:

*What we've also looked to the healthcare IT companies, and of course, you'll know these companies. But we've dug very deeply to understand the references that many of these companies make in terms of the business they're in relative to the actual business that they're in. So we look deeply, for instance, at Inovalon, and we see a company that is a very high-quality company, of course. But in the business of recurring revenues and in the business of data and analytics, we have 100% recurring revenues and they are now 88% subscribers. They have 319 million customer datasets. We have well in excess of 1 billion claims, that is multiples, upon multiples of that in terms of medical events. They have a business model that touches a couple of hundred payers, which is still the principal side of their business. 85% is payers and providers. We touch all of the payers and all of the relevant providers. **They have one thing that is a critical element to what you're hearing about for our MultiPlan 3.0. They've taken their sales-force from 15 people in 2015, to almost 300 people today and over 250 people at their last reporting period. That increase in front-end sales force is the only thing that is part of our 3.0 plan that is in front of us rather than behind us relative to Inovalon.** We also happen to have twice the margins that they have, far better retention, and of course, as I've said, far better data sets.*

The salesperson buildout might be a \$30-50 million annual drag on earnings at scale. Each salesperson will cost ~\$200 - \$250k per year.

The recent HST acquisition also highlights the difficulty in new products maintaining margins. As mentioned, nothing else in HCIT has the margins of Data iSights. HST is no different, with EBITDA margins of "just" 50%.

Two Deals are the Lion Share of the Current Value of Company

Most of MPLN's value is related to Data iSights and MARS (its payment integrity product). MPLN bought Data iSights for just \$50 million in 2011. In 2014, they paid \$15 million for MARS. Certainly, Data iSights has been an amazing acquisition. Revenue has grown from \$15 million at acquisition to ~\$323 million in 2019. MARS has been less successful and remains subscale compared to Cotiviti and HMSY.

It is hard to ignore that much of the upside from Data iSights was captured by the Starr International/Partners Group LBO in 2014. They bought the business for \$4.4 billion and sold it 2 years later for \$7.5 billion. Further, there is every indication that Carlyle got the multiple expansion, while BC Partners/Silver Lake got a little growth and de-leveraging. I have found it difficult to justify a further \$3.5 billion of value creation, primarily driven by four turns of multiple expansion, subsequent to the H&F purchase.

	2010	Change	2010	Change	2014	Change	2016	Change	2019
Revenue									
Data iSight	0	0	0	52	52	130	182	142	324
MARS	0	0	0	2	2	46	47	60	107
All Other	353	201	554	111	665	94	759	(206)	552
	353	201	554	164	718	270	988	(5)	983
EBITDA	160	146	306	178	484	232	716	34	750
	45.3%	72.6%	55.2%	108.5%	67.4%	85.9%	72.5%	NM	76.3%

Buyer	Carlyle	BC/SL	SI/PG	H&F	SPAC
Valuation	1,000	3,100	4,400	7,500	11,000
TEV / EBITDA	6.3x	10.1x	9.1x	10.5x	14.7x

Absent these two deals, MPLN's revenue declined by 17% from 2014 to 2019 (from \$665 million to \$552 million) as the legacy network PPO business faced obsolescence. Many customers have transitioned from the legacy network business to Data iSights. Even with these two acquisitions, MPLN's total revenue has declined every year since 2017.

They Underwrote the Deal on 2021 EBITDA that the Street Will Question Until It Happens...

Michael Klein at the Investor Day:

...Our Board and our investment committee have put \$1.35 billion into this investment. We've done so with a very long-term focus and we've done so with enthusiasm. We've done so on the basis that we have underwritten next year's performance at the projected \$850 million EBITDA level through deep analysis to give us comfort...

The problem for new money investors is that the \$850 million has no basis in the prior trend (I use \$860 in the table below as it is the proper midpoint of their guidance range). It may happen, it may not. However, until it does, I think there will be healthy suspicion.

	2017	2018	2019	2020E	2021E	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4E
Revenue	1,067	1,041	983	928	1,105	240	245	246	246	246	252	207	224	246
Adj EBITDA	812	825	750	699	860	175	188	188	187	187	196	150	166	187
	76.1%	79.2%	76.3%	75.3%	77.8%	72.9%	76.7%	76.4%	76.0%	76.0%	77.8%	72.5%	74.0%	76.2%
YoY														
Revenue		-2.5%	-5.6%	-5.6%	19.1%					2.5%	2.9%	-15.9%	-9.1%	-0.2%
Adj EBITDA		1.6%	-9.1%	-6.9%	23.1%					6.9%	4.3%	-20.2%	-11.5%	0.0%
QoQ														
Revenue						2.1%	0.4%	0.0%	0.0%	2.4%	-17.9%	8.0%	9.8%	
Adj EBITDA						7.4%	0.0%	-0.5%	0.0%	4.8%	-23.5%	10.3%	13.0%	

The \$860 million estimate for 2021 EBITDA is unsupported by trends and diligence. Citi, in their initiation report attempted to suggest that MPLN is the fastest growing company in the space.

Figure 34. Overview of Comparables

	Enterprise Value	Market Cap	Stock Price	Perf	Sales Growth		EBITDA Margin		FCF Margin		EV/EBITDA		Market Cap/FCF		FCF Yield	
Company	Value	Cap	YTD	LTM	'20 to '21	'21 to '22	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
MPLN	\$9,327.8	\$4,443.5	(38.1%)	(38.1%)	14.0%	9.6%	77.9%	77.5%	36.4%	33.3%	11.4x	10.4x	11.6x	9.7x	8.7%	10.3%
MPLN PT	\$11,448.3	\$6,564.0	(7.5%)	(7.5%)	14.0%	9.6%	77.9%	77.5%	36.4%	33.3%	13.9x	12.8x	17.1x	14.4x	5.9%	6.9%
Peer Focused HCIT																
HMSY	\$2,789.2	\$2,760.3	(6.5%)	6.6%	8.6%	6.7%	27.5%	28.8%	18.3%	17.1%	13.7x	12.3x	20.4x	19.2x	4.9%	5.2%
INOV	\$3,732.0	\$2,932.6	(0.7%)	8.7%	13.8%	10.2%	35.8%	36.5%	14.1%	12.8%	13.9x	12.4x	27.7x	20.5x	3.6%	4.9%
Average	\$3,260.6	\$2,846.4	(3.6%)	7.7%	11.2%	8.4%	31.7%	32.6%	16.2%	15.0%	13.8x	12.3x	24.1x	19.8x	4.3%	5.1%
Median	\$3,260.6	\$2,846.4	(3.6%)	7.7%	11.2%	8.4%	31.7%	32.6%	16.2%	15.0%	13.8x	12.3x	24.1x	19.8x	4.3%	5.1%
Provider Focused HCIT																
CHNG	\$10,254.2	\$5,407.5	62.9%	21.0%	5.9%	7.0%	30.8%	31.9%	12.9%	12.1%	10.0x	9.0x	12.5x	9.6x	8.0%	10.4%
CERN	\$24,080.8	\$23,637.3	7.9%	10.3%	4.0%	4.8%	32.2%	32.8%	16.5%	15.8%	13.1x	12.2x	25.0x	19.7x	4.0%	5.1%
RCM	\$6,377.3	\$5,925.4	52.8%	59.0%	17.6%	17.9%	21.5%	21.5%	11.4%	9.7%	20.1x	17.0x	35.2x	24.3x	2.8%	4.1%
CPSI	\$515.8	\$437.9	32.1%	11.9%	6.1%	4.6%	18.5%	19.1%	11.4%	10.9%	9.9x	9.1x	13.6x	12.4x	7.4%	8.0%
MDRX	\$2,926.5	\$2,113.2	85.6%	11.5%	(4.3%)	3.6%	16.4%	17.9%	3.7%	3.6%	11.4x	10.1x	36.6x	23.2x	2.7%	4.3%
NXGN	\$1,047.9	\$1,092.8	45.3%	(7.8%)	3.5%	3.6%	18.5%	19.1%	5.2%	5.0%	10.0x	9.4x	37.0x	54.6x	2.7%	0.2%
Average	\$7,533.8	\$6,435.7	47.8%	17.6%	5.5%	6.9%	23.0%	23.7%	10.2%	9.5%	12.4x	11.1x	26.7x	105.9x	4.6%	5.4%
Median	\$4,651.9	\$3,760.3	49.0%	11.7%	5.0%	4.7%	20.0%	20.3%	11.4%	10.3%	10.7x	9.7x	30.1x	21.5x	3.4%	4.7%
Transaction Processing (Aspirational)																
INFO	\$42,012.3	\$37,170.8	21.2%	28.4%	(1.9%)	6.7%	42.8%	43.9%	22.3%	20.9%	22.7x	20.8x	38.6x	28.9x	2.6%	3.5%
IT	\$15,846.5	\$14,393.2	32.8%	(1.2%)	9.1%	12.6%	16.7%	17.0%	11.1%	9.9%	21.4x	18.6x	29.2x	26.2x	3.4%	3.8%
SPGI	\$86,185.8	\$82,676.8	(2.8%)	30.1%	2.7%	5.9%	54.4%	55.3%	43.1%	40.7%	21.1x	19.6x	25.5x	20.4x	3.9%	4.9%
MCO	\$56,478.0	\$52,436.0	(6.0%)	25.1%	2.3%	6.8%	50.2%	50.8%	37.4%	35.0%	20.8x	19.3x	26.0x	24.4x	3.9%	4.1%
VRSK	\$36,771.3	\$33,868.1	17.0%	44.3%	6.5%	6.4%	49.3%	49.9%	32.8%	30.9%	25.1x	23.3x	34.7x	31.5x	2.9%	3.2%
V	\$469,322.0	\$466,334.0	9.3%	17.1%	9.1%	15.6%	68.9%	70.6%	54.3%	47.0%	28.1x	23.7x	35.4x	32.6x	2.8%	3.1%
CCC	\$18,657.7	\$17,324.7	24.7%	64.1%	41.4%	7.1%	44.7%	46.4%	25.6%	23.9%	23.1x	20.8x	37.5x	27.7x	2.7%	3.6%
FDS	\$12,801.5	\$12,832.3	(6.5%)	28.9%	5.2%	5.0%	35.0%	35.3%	25.5%	24.3%	22.8x	21.5x	31.4x	28.2x	3.2%	3.5%
MA	\$337,795.7	\$336,613.7	13.3%	19.3%	18.4%	15.4%	60.4%	62.4%	46.4%	40.2%	31.0x	26.0x	40.2x	35.3x	2.5%	2.8%
MSCI	\$34,370.2	\$32,492.1	4.7%	55.4%	10.3%	9.7%	57.7%	58.5%	42.4%	38.7%	31.9x	28.7x	41.0x	37.2x	2.4%	2.7%
Average	\$111,024.1	\$108,614.2	10.8%	31.1%	10.3%	9.1%	48.0%	49.0%	34.1%	31.1%	24.8x	22.2x	33.9x	29.2x	3.0%	3.5%
Median	\$39,391.8	\$35,519.5	11.3%	28.6%	7.8%	7.0%	49.8%	50.4%	35.1%	32.9%	23.0x	21.2x	35.1x	28.5x	2.9%	3.5%

MPLN has high growth when compared to 2020 as a starting year. However, this is largely a function of MPLN's multi-year revenue declines, and difficult 2019 experience (see historical and projected table below). I would further note that CHNG, CERN and MDRX (the other companies with declining revenues in 2019), trade at 10.0x / 13.1x / 11.4x 2021 EBITDA respectively vs. MPLN at 11.4x a more unsubstantiated EBITDA estimate. At Citi's \$10 target, MPLN would be 13.9x their 2021 estimate. Many have suggested that Citi's role in leading Michael Klein's SPAC underwriting may have contributed to a potential positive bias (lacking evidence, I would not go so far).

	LTM				Street			LTM vs.			2021E vs		
	2017	2018	2019	2020	2020	2021	2022	2017	2018	2019	2018	2019	2020E
HMSY	521	598	626	643	680	738	789	23.3%	7.4%	2.6%	23.4%	17.9%	8.6%
INOV	449	528	642	651	659	750	826	44.9%	23.4%	1.3%	42.0%	16.7%	13.8%
HQY	230	287	532	724	728	785	843	NM	152.2%	36.2%	173.3%	47.6%	7.8%
CHNG	3,299	3,282	3,303	3,102	3,056	3,398	3,624	-6.0%	-5.5%	-6.1%	3.5%	2.9%	11.2%
CERN	5,142	5,366	5,693	5,553	5,505	5,730	6,028	8.0%	3.5%	-2.5%	6.8%	0.6%	4.1%
RCM	450	869	1,186	1,256	1,256	1,486	1,681	N/A	44.7%	5.9%	71.1%	25.3%	18.3%
MDRX	1,841	2,129	1,774	1,676	1,631	1,564	1,622	-9.0%	-21.3%	-5.5%	-26.5%	-11.8%	-4.1%
NXGN	531	527	540	545	546	572	598	2.6%	3.4%	0.9%	8.4%	5.8%	4.6%
Average								26.0%	4.1%		37.8%	13.1%	8.0%
MPLN	1,067	1,041	983	929	928	1,105		-13.0%	-10.8%	-5.5%	6.2%	12.4%	19.1%

Examining the numbers more deeply, it is difficult to reconcile the Citi numbers. They optimistically assume a stabilization in the Network Services segment; the legacy PPO business is in terminal decline as customers shift to analytics based solutions or consolidate into larger entities that no longer need to leverage someone else's network (particularly the Complimentary Network component).

	LTM				Citi Estimates			
	2017	2018	2019	2020	2020	2021	2022	2023
Network Services								
Primary Network	154	149	136					
Complimentary Network	262	215	179					
	416	364	315	275	268	287	295	298
Analytics-Based Solutions								
MRA	396	439	437					
Financial Negotiation	189	146	124					
	585	585	562	553	556	631	705	754
MARS (PI)	67	92	107	101	102	137	156	175
Total Revenue	1,067	1,041	983	929	925	1,055	1,156	1,227

Additionally, Citi assumes the Analytics-Based Solutions business will suddenly inflect with record growth in 2021 – 2023, despite the Financial Negotiations piece being in terminal decline. Financial Negotiations is the low technology process of contacting medical providers and negotiating claims lower. MARS growth also seems aggressive.

Management updated 2021 guidance on the recent earnings call. In not affirming their deal guidance they argued that uncertainty has increased since the July deal announcement. I believe post the November election and development of a vaccine for the pandemic, uncertainty has been reduced.

For 2021 outlook, we wanted to give you an update of how we were thinking about it. Obviously, there's a lot of uncertainty here, so I wouldn't really call it guidance. But on Analyst Day, we forecasted \$1,085 billion to \$1,125 billion in revenues and \$845 million to \$870 million (sic) [\$875 million] in adjusted EBITDA for 2021. We have not adjusted this forecast and are currently in the process of developing our 2021 budget. We expect to complete the 2021 budget in the next 60 days.

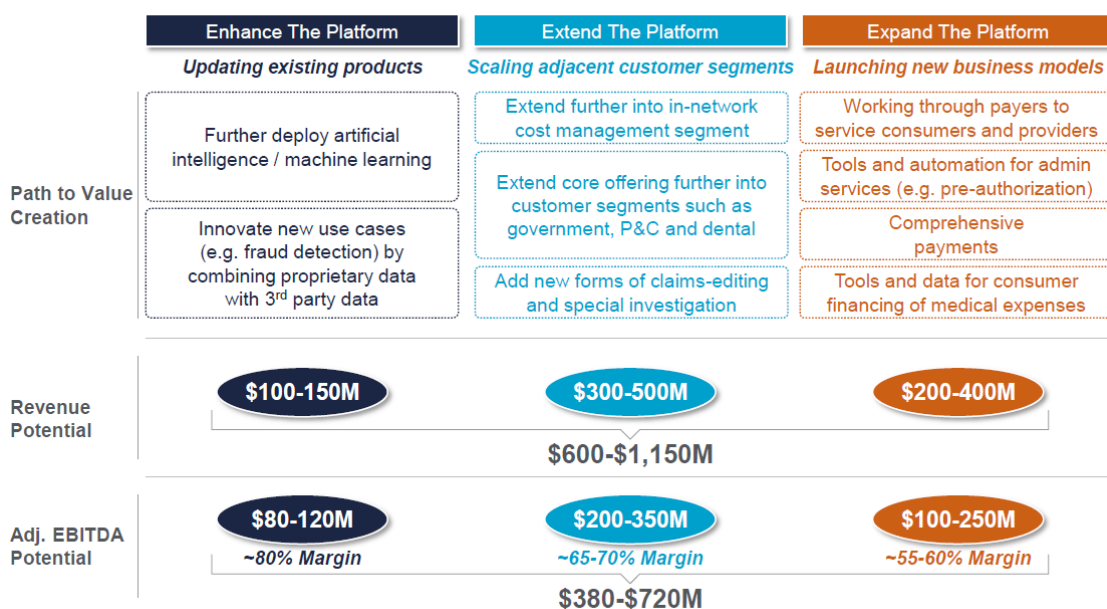
The timing and nature of guidance for 2021 is going to have a large impact on the stock. MPLN does have an \$8-10 million tailwind from the HST acquisition.

Growth Plan Faces Entrenched Competition

MPLN has a three-pronged growth plan:

1. Improve Existing Product Offerings Targeting Payers
2. Launch Additional Product Offerings Targeting Commercial and Government Payers
3. Diversify into New Product and Customer Segments Through Payers

MultiPlan 3.0 – Three-Part Strategic Growth Plan to Double Revenues



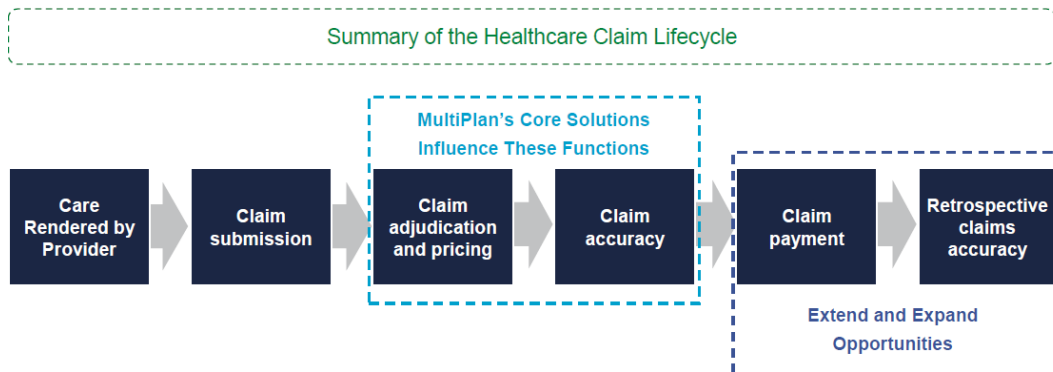
In dissecting the plan, a few observations:

- Enhance the Platform: The most telling issue is that MPLN sees only \$100 - \$150 million of revenue potential with their existing products. This hardly warrants a growth multiple
- Extend and Expand: There are multiple well entrenched competitors in every vertical and it is unclear how they create value by attempting to enter. Moreover, with a new salesforce, they will be at a disadvantage.

MPLN sees its expansion strategy is growing into the claim payment and retrospective claims accuracy areas.

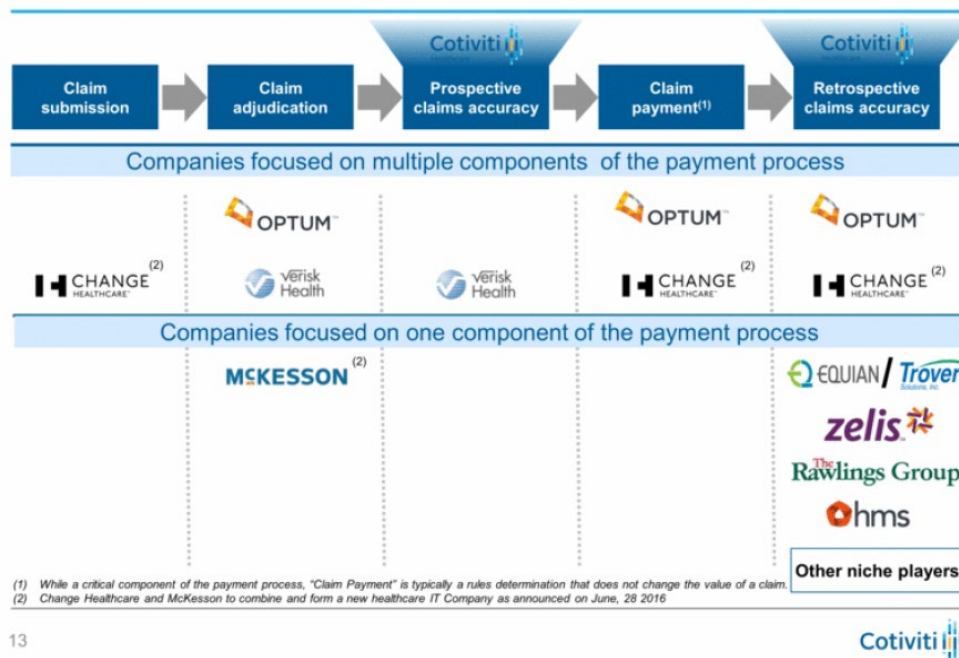
Where MultiPlan Fits in the Claims Process Value Chain

MultiPlan is a leader in cost management, with a focus on reducing the cost of a claim prior to a provider being paid, which requires deep technological integration and quick turnaround times



Cotiviti, in their 2016 post IPO investor day slides addressed the competitive landscape:

Cotiviti Provides Solutions Across the Healthcare Claims Process



13

Prospective Claims Accuracy: Cotiviti and Verisk compete with MPLN's MARS product. While Cotiviti went private in 2018, they generated over \$230 million of prospective claims revenue that year vs. MPLN's MARS current 2020 revenue of \$105 million.

Claim Payment: Optum and Change Healthcare dominate. Optum is the consulting arm of MPLN's largest customer, UNH. Change Healthcare has a significant competitive advantage as they are the data backbone for most healthcare records.

Retrospective Claims Accuracy: Cotiviti, Optum and many other compete in this space. In 2019 Optum won the bidding for Equian and paid ~13x EBITDA; our diligence suggests that MPLN was the losing bidder.

If history is a guide, MPLN will do a small acquisition and attempt to grow. This was their strategy with Data iSights, MARS and now HST. The issue with this strategy is that attaining scale takes time and investment. Data iSights was a category killer; no one else was approaching the business that way. MARS, a payment integrity business, faced entrenched competition and the results are clearly worse than the Data iSights acquisition. HST, and other small acquisitions, will face the same issues as MARS. Citi attempts to bridge this issue by noting:

Going forward, we see the most potential for an acquisition of a large provider of in network PI solutions, although we note a near-term acquisition of size is unlikely given MPLN's current valuation relative to the price a top-tier PI provider is likely to command.

Said different, Citi thinks it would be best if they bought something with scale, but something with scale will have a higher valuation than MPLN. Citi omits MPLN's current leverage as well. MPLN's growth strategy is uncertain and has significant execution risk. I think the street will struggle to give it full credit until they demonstrate results.

Surprise Billing Is a Headwind – Potentially \$100 million of EBITDA at Risk

Efforts, and legislation, to limit surprise billing are accelerating. Surprise billing can occur either intentionally or unintentionally. Patients often will seek out a specific specialist that is outside of their network; they will knowingly pay additional costs to see these healthcare providers. On the other hand, the focus of legislation is principally to address the unintentional interactions that lead to surprise bills. Often, a patient will go to an in-network healthcare facility with an in-network doctor and be surprised by an exorbitant bill from a specialist that was called in during their visit. A classic example is having a procedure done by an in-network doctor but not knowing the anesthesiologist was out of network.

Legislation in many states is attempting to crack down on exorbitant surprise bills. Additionally, many healthcare providers are taking measures of their own. MPLN estimates that 16-18% of their Analytics-Based revenue would be impacted by potential legislation. This is a \$90 - \$100 million headwind annually. There would be a 100% flow through to EBITDA.

Beyond the immediate impact, the effort to reduce surprise bills highlights MPLN's poor positioning. Muddy Waters noted:

In our view, which we believe is shared in the health insurance industry, MPLN is not on "right side of healthcare"

This is a refrain that came up continually in due diligence. MPLN gets a percentage of savings they generate. The largest savings come from exorbitant surprise bills. Providers, facing MPLN / Zelis / etc

are solving for revenue and will continue to charge higher and higher prices in hopes of the net payment going up. Payers, and government, are making every effort possible to eliminate future instances of egregious customer bills – arising from surprise billing or from any other source. The entire industry is attempting to reduce MPLN's TAM and revenue base.

Credit Investor Data Points Refute the Equity Multiple

I started my investment career at two of the largest credit and distressed investment firms in the industry. It was a great experience. Among the many things I learned was that when the credit market and the equity market do not agree, the credit guys are usually right. In that vein, I would point out two distinct data points from the credit market that give me pause: (1) MPLN's bonds were trading well below par in 2019 and (2) the convert PIPE has a high coupon and a PIK toggle feature.

MPLN's bonds were trading in the 70s in 2019. Non-investment grade bonds in the 70s are known as "bonds in transition." They do not stay there; either they rally and trade on yield as the business gets better or fall further to trade on recovery value assuming a default. That MPLN's bonds traded in the 70s points to some concerns about MPLN's terminal value. With only \$5.5 billion of debt in 2019, as compared to the \$11 billion deal valuation, it is moderately concerning that the debt markets were concerned about their potential recoveries as recently as 2019.

The convertible PIPE also raises questions. The notion that a company with a nearly 15x EBITDA valuation (on 2019), with \$2.4 billion of new equity being injected through the deal, would even think to negotiate a PIK toggle is staggering. In every instance that the toggle feature is utilized, the equity holder will be significantly impaired on their investment. Either the need for the PIK toggle is wrong or the equity valuation is wrong. The 6% coupon seems high for a convert as well.

Normal Course Valuation Discounts

MPLN has three standard issues that usually give rise to a valuation discount to comparable companies. These issues are not being reflected in the market and further underscore the elevated multiple that the SPAC merger was completed at.

1. Customer Concentration is Extreme

MPLN's extreme customer concentration should warrant a valuation discount. Its top two customers account for ~55% of revenue. Its top 10 customers are 78% of revenue. As a comparison:

Cotiviti: As of their last 10K in 2017, their top 10 customers were 59% of revenue with the top 3 representing 13% / 11% / 10%

HMSY: The top ten customers are 43% of revenue with no customer over 10%

HQY: "We derive a substantial portion of our revenue from providing services to tax-advantaged healthcare account holders. A significant downturn in this market or changes in state and/or federal

laws impacting the preferential tax treatment of healthcare accounts such as HSAs could have a material adverse effect on our results of operations. During the years ended January 31, 2020, 2019, and 2018, no one customer accounted for greater than 10% of our total revenue. We monitor market and regulatory changes regularly and make adjustments to our business if necessary.”

2. Leverage is High

MPLN emerged from the SPAC transaction with over 5 turns of leverage. The market has struggled for years with highly levered post LBO equities. These stocks typically trade poorly until they reduce leverage below 2.5x. The interplay of the leverage with both customer concentration risk as well as the desire to expand through acquisition is further concerning.

Comments on some recent high quality post LBO sponsor companies with high leverage:

6/11/19 Evercore Initiation on AVTR:

“...Given our deep history with AVTR management (highly talented and have consistently delivered) we are confident in execution and in turn believe that elevated leverage (on key current knock on stock) will move notably lower over the medium term, eventually yielding a conversion toward peer multiples (similar to what was witnessed in TMO over the past several years)...”

2/19/18 RBC Initiation of GTES:

“...Gates carries a ~4.0x net debt/EBITDA ratio, which we view as reasonable for a company that was previously under private equity ownership (we have seen instances of PE portfolio companies being IPO’ed with ~7x net leverage). The company plans to allocate all of its after-fees IPO proceeds to debt pay-down, and we estimate that its net leverage will compress to just below 3x by the end of FY2019. Longer-term, Gates aims to carry a run-rate net leverage ratio of roughly 3.0x. The bottom line is that Gates has enough balance sheet capacity to opportunistically execute small bolt-on deals over the medium-term... The Speculative risk rating reflects a security's lower level of financial or operating predictability, illiquid share trading volumes, high balance sheet leverage, or limited operating history that result in a higher expectation of financial and/or stock price volatility...”

3/2/2020 Barclays on PPD:

“Conversely we see the following investment risks...PPD’s leverage is higher than peers, at 4.7x pro-forma for the IPO. PPD’s near-term focus is on driving growth and paying down debt with free cash flow. This limits the company’s relative flexibility to deploy capital...”

3. The Share Overhangs are Enormous

Large share overhangs typically lead to valuation discounts. It makes sense; one group of shareholders needs to exit while new investors need to enter. The typical valuation discount for a post LBO equity

with a large overhang is 1-2 turns. MPLN has a substantial share overhang issue that has been compounded by the PIPE financing.

The current float represents just 13.8% of outstanding shares. Over the next few weeks, the deal PIPE financing will be registered, and those shares will be tradeable – doubling the float. I suspect many of the smaller PIPE investors already hedged their positions. In April, all of the sponsor owned shares (57.4% of the outstanding) will unlock. It seems likely that the 2014 LBO investors (Starr International and Partners Group) will immediately sell their 8.2% stake. The total amount of shares potentially for sale will be a persistent overhang for some time.

	Shares	Warrants	% of Shares		
Equity PIPE - Lockup / Long Term				SPAC IPO	110.0
Saudis	51.3	2.5	7.7%	Buyback	(9.1)
Access Industries	10.1	0.5	1.5%	Redemptions	(8.7)
SPAC Sponsors	15.7	0.8	2.3%	Current Float	92.2
	77.0	3.8	11.5%		
Equity PIPE - All Other	55.0	2.7	8.2%		
SPAC Sponsor B Shares	27.5	23.0	4.1%		
2016 LBO Investors					
H&F	213.8		32.0%		
All Others	114.8		17.2%		
	328.6		49.2%		
2014 LBO Investors	54.7		8.2%		
Current and Former Management	32.4		4.9%		
	575.3	29.5			
Original SPAC Investors	92.2		13.8%		
Total Shares	667.5				
Common Warrants from SPAC		27.5			
Convert Shares	100.0				
Dilluted Shares	767.5				

The Saudis and Len Blavatnik Led the PIPE

As an aside, I think it is worth contemplating the implication of the Saudis and Len Blavatnik (Access Industries) leading the PIPE. MPLN has been owned by four financial sponsors; it is likely that everyone on the street got a look at this deal and started with a positive view. To end up with generalist, non-specialized investors should be viewed as a disappointment. To be clear, I am in no way intending to besmirch the Saudi's or Len Blavatnik; they are far more successful than this author. Mr. Blavatnik has one of the best investment records of the last 30 years. With that said, every investor has their own circles of competence and I do not believe this investment is in the inner circle for either of these investors. I believe the immediate loses for these two large investors may have caused them to re-underwrite their investment in MPLN and may lead to earlier exit than previously contemplated. Moreover, much of the bottom of the investor list is fast money types with little patience for loses.

The convertible bond PIPE was led by Oak Hill. Oak Hill has well earned reputation as one of the sharpest credit investors in the industry. However, it cannot be overlooked that Oak Hill is affiliated with the SPAC sponsor, gets a share of the promote and is friends with Michael Klein. Similar to the equity PIPE, Oak Hill purchased \$500 million of the ~\$1.3 billion convertible bond PIPE. A holder list has not been disclosed to understand who else participated.

	Shares	Warrants	% of PIPE	% of Shares	Notes
Longer Term & Sponsor					
Public Investment Fund of Saudi Arabia	51.3	2.5	38.8%	7.7%	SWF
Access Industries	10.1	0.5	7.6%	1.5%	Billionaire
SPAC Sponsors	15.7	0.8	11.9%	2.3%	
	77.0	3.8	58.3%	11.5%	
All Other					
Fidelity Investors	7.8	0.4	5.9%	1.2%	
MMCAP International Inc. SPC	7.6	0.4	5.7%	1.1%	Canadian Mutual Fund
The Michael and Susan Dell Foundation	5.1	0.3	3.8%	0.8%	
MSD Value Investments, L.P.	5.1	0.3	3.8%	0.8%	
UBS O'Connor	4.4	0.2	3.4%	0.7%	Pod Shop
Moore Global Investments, LLC	4.0	0.2	3.1%	0.6%	Pod Shop
Nomura Global Financial Products Inc.	3.0	0.2	2.3%	0.5%	
Alyeska Investors	2.5	0.1	1.9%	0.4%	Pod Shop
Darlington Investors	2.5	0.1	1.9%	0.4%	
LH Capital Markets, LLC	2.0	0.1	1.5%	0.3%	
Periscope Capital Inc.	2.0	0.1	1.5%	0.3%	SPAC Investor
Hudson Bay Capital	2.0	0.1	1.5%	0.3%	Pod Shop
Alberta Investment Management	1.8	0.1	1.3%	0.3%	
Intrinsic Edge Capture, L.P.	1.5	0.1	1.1%	0.2%	\$700 mm RIA
Millenium	1.5	0.1	1.1%	0.2%	Pod Shop
Longfellow Investment Management	1.2	0.1	0.9%	0.2%	
Schonfeld Strategic 460 Fund LLC	1.0	0.1	0.8%	0.2%	Pod Shop
	55.0	2.7	41.7%	8.2%	
Total	132.1	6.5		19.8%	

The Comps Are Not Comps

The comps used for this transaction would have been rejected by the market had MPLN pursued a traditional IPO. It is always a delicate balance to placate the sponsors, and indulge the credibility of their aspirational comps, while patiently waiting for someone else to “be the bad guy” and give syndicate the ammunition needed to level set the sponsor’s expectations. That didn’t happen here. Instead we have the SPAC sponsor, Michael Klein, arguing that Visa and Mastercard are comps. Even his suggested healthcare comps of HMSY, HQY and INOV are nonsensical. INOV and HQY are cloud-based SAS businesses. HMSY has a durable franchise with sustained revenue growth. It is a tenuous argument to suggest that MPLN came at a 6-7 turn discount.

You’ll see that we negotiated this transaction with Hellman & Friedman in the midst of COVID, with a requirement for us to set the business up at a discounted multiple to both the healthcare IT companies, and the data and analytics companies, both in the language that private equity understands, which is EBITDA multiples; but more importantly, in the language that public equity investors understand, which include free cash flow multiples, and also earnings and earnings per share multiples.

And what you can see is we have set this business into the public market at what is a 6 or 7 multiple discounts on an EBITDA basis and more than a 50% discount on a free cash flow basis. We think it's a very attractive business with a very attractive growth strategy and a very attractive next several years. And in fact, we intend to be holders well beyond that.

You all know, as analysts, the comparable universe very well. You'll see that we have laid in front of you both the healthcare IT comparables as well as the data and analytics and payments processing comparables. I think you've seen from the presentation, the P&L of this company looks most like payments processors.

The only companies that have these kinds of EBITDA margins are Visa and Mastercard. And quite frankly, their margins are often lower, because they have significant consumer advertising expenses. The other companies that look similarly with 100% recurring revenues, high margins, high free cash flow characteristics are the data and analytics companies.

Perhaps to refute the obvious argument of multiple expansion, Klein tried to suggest mix shift at the Analyst Day:

Today, 75% of the revenues come from data-analytic and payment processing tools that didn't exist in 2013. In fact, the only owner of this business that has seen this margin in this way as an investor and equity owner is Hellman and Friedman...

I would argue that H&F is the second investor to realize this. As mentioned, it seems natural that Starr International and Partners Group saw this too. It is likely that all of these arguments were made by the sellers in the 2016 transaction. If Klein is correct we need to believe that (1) H&F was convinced that business was mix shifting but (2) they still forced Starr International and Partners Group to hold onto 54.7 million shares as part of the deal. As new investors in the SPAC merger, we are now asked to increase the multiple paid by H&F, which was already the highest that any sponsor paid, by 40%.

	2010	Change	2010	Change	2014	Change	2016	Change	2019
Revenue									
Data iSight	0	0	0	52	52	130	182	142	324
MARS	0	0	0	2	2	46	47	60	107
All Other	353	201	554	111	665	94	759	(206)	552
	353	201	554	164	718	270	988	(5)	983
EBITDA	160	146	306	178	484	232	716	34	750
	45.3%	72.6%	55.2%	108.5%	67.4%	85.9%	72.5%	NM	76.3%

Buyer	Carlyle	BC/SL	SI/PG	H&F	SPAC
Valuation	1,000	3,100	4,400	7,500	11,000
TEV / EBITDA	6.3x	10.1x	9.1x	10.5x	14.7x

Additionally, I think it is aggressive, even if you believe that Data iSights is a comp to Visa / Mastercard, to apply a HCIT premium multiple to the entirety of MPLN. 30% of MPLN's revenue is a legacy PPO business in terminal decline. ~10% of MPLN's analytics segment is financial negotiation, which requires

humans. ~10% of MPLN is MARS, their payment integrity segment which is no better than CHNG or Cotiviti (9-11x). Only ~45-50% of revenue is truly the Data iSight product.

Naviguard Could Make MPLN a Bagel

In May, United Healthcare (“UNH”) rolled out their Naviguard product through an online presentation. (Link for the video <https://www.youtube.com/watch?v=C4ht5THJCYc&feature=youtu.be>). UNH is MPLN’s largest client with 35% of revenue. Naviguard is not the first overt attack on MPLN by UNH; in 2019, UNH’s Optum division outbid MPLN for Equian, a payment integrity provider. UNH paid over \$3 billion for this asset (13x EBITDA). Equian sits in an area that MPLN is attempting to expand into (further highlighting how hard their growth plan will be).

Naviguard attacks the very heart of MPLN’s business. It implicitly sees MPLN as complicit with overzealous providers and benefiting from their billing practices. Muddy Waters summarized:

...it [MPLN] is a conflicted middleman that actually profits when individual members are regularly stuck with balance bills. As a result, we see MPLN having limited stickiness and pricing power. The frustration with outsize health plan payouts to MPLN and the persistent balance billing has become a key issue for plan sponsors, which is why, in contrast to MPLN, Naviguard offers free claims repricing as well as blanket balance billing resolution to UHC customers.

We understand that by the end of 2022, Naviguard aims to convert all key UHC accounts, which constitute the majority of MPLN’s UHC business. Naviguard already covers approximately one million lives. We understand that Naviguard plans to expand coverage to 2.4 million insureds as of January 1, 2021. At least one other major national insurer has already contracted with Naviguard.

Balancing billing is a real issue that has driven many employer clients in conflict with MPLN. A balance bill occurs when MPLN (or Zelis or another competitor) generates too much savings and the provider, having not gotten sufficient compensation from the health plan, directly bills the patient. Balance billing is a headache for employers. Part of their value proposition to their employees is often attractive healthcare coverage. When employees get balanced billed, their end costs skyrocket. The negative consequences of balance billing often leads employers to be more conservative in fighting charges from providers (better they pay than an employee is bothered). MPLN has regularly acknowledged that employer conservatism is a headwind for their ability to generate savings.

After an analyst day and a sell side day as part of the SPAC transaction, MPLN felt compelled again to explain what they do. From the Q3 conference call:

It is really important to understand how we work with our customers. Let's walk through a simple example. Let's imagine Jane -- let's imagine Jack and his mother, Jane, who live in New York, have driven to North Carolina for Jack to play in a tennis tournament. Jack developed severe elbow pain, so Jane schedules an appointment with a pediatric orthopedics, Dr. Smith,

who is an out-of-network provider. Jane will have to pay a copayment, \$50 in this example, and the doctor bills \$1,000 to Jane's health insurer. Without MultiPlan, Jane's health insurer, the payer, might try to negotiate a reduction of the bill, but more likely will apply the plan's usual and customary benefit rate of, say, \$800. Jane owes her portion of the plan's coinsurance, which is 40% in our example, another \$320 plus her copay. So Jane is out-of-pocket up to \$520 because there was no network contract, and Dr. Smith has the right to bill her the difference between his \$1,000 charge and the \$800 paid by the payer and Jane. Both the payer and Dr. Smith had to pay administrative staff in order to negotiate and collect. So in this example, the \$1,000 doctor bill actually cost the 3 parties a total of \$1,200.

Now let's see how things are different with MultiPlan. In this case, when Jane's insurance company received the bill from Dr. Smith, the bill is electronically sent to MultiPlan. Maybe Dr. Smith is 1 of over 1.2 million providers we contract with, and we apply our contracted rate. If not, we can use our proprietary data and algorithms to identify and either negotiate or advise the payer to pay an amount supported by our claims data and algorithms. Let's say we reduced the claim to \$600 under a network contract. We send this new price to our customer, Jane's health insurer. The insurance company pays \$360 of this to the doctor and Jane pays \$240 in coinsurance and copayment. We've just saved the insurer and Jane money, and the provider and payer both incurred lower administrative expenses. So in this example, the \$1,000 doctor bill actually cost the 3 parties a total of \$700. We charge the health care payer a percentage of realized savings depending on their contract with us and how the claim was reduced. This is how we make money on the majority of our business. We get a small amount of the savings realized by our customers. Our incentives are completely aligned with theirs. In this case, we save the payer, consumer and provider \$500 in medical and administrative costs, for which the payer paid \$40 to MultiPlan.

In the table below, I summarize MPLN's description. On the left is what MPLN claims is the world without their product. On the right is the world with MPLN's suite. There are two big assumptions in their analysis:

- Administrative costs are constant for all of MPLN's customers; larger customers have no operating leverage vs. smaller customers.
 - o With 55% of MPLN's revenue tied to two of the largest payers in the industry, this is a critical point to believe.
 - o Certainly, for MPLN's smaller customers, the lack of scale with providers and limited operating leverage makes MPLN's solutions attractive.
 - o Yet, it is harder to believe that MPLN is cheaper than UNH can do in house. Without the administrative cost savings, MPLN is not cheaper for the payer.
- That no balanced bill is sent to the patient. Notice that excluding the balance bill, the member pays \$320 without MPLN and \$240 with MPLN. However, on the right side, the provider only gets \$600 as opposed to at least \$800 on the left side.
 - o For the provider, MPLN assumes they spend \$200 to attempt to get a \$200 balance bill. This is non-sensical

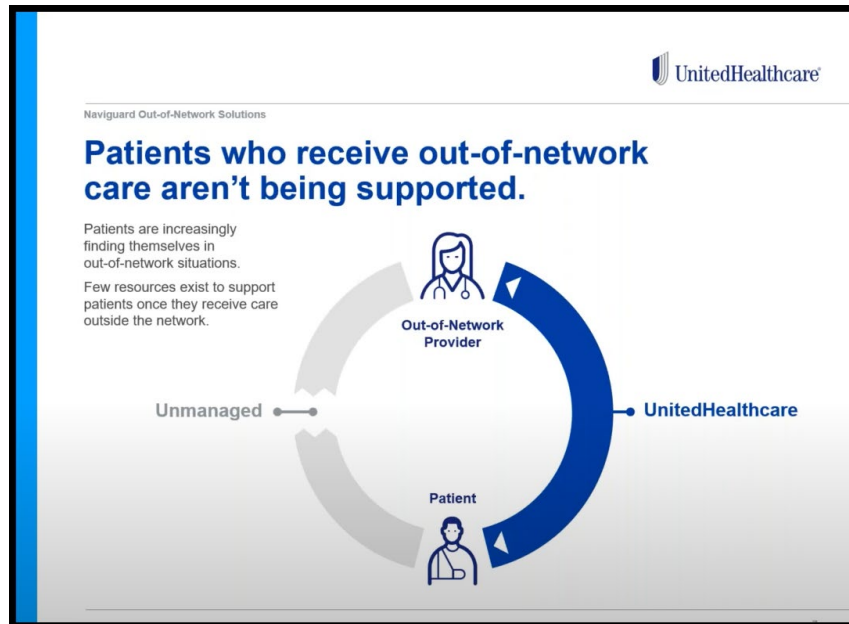
	Charged Amount	Member	Payer	Provider		Charged Amount	Member	MPLN	Payer	Provider
Copay	\$50	\$50		\$50	Copay	\$50	\$50			\$50
Bill to Insurance	\$1,000				Bill to Insurance	\$1,000				
Usual & Customary Rate	80%				MPLN Savings	\$400				
	\$800				Net Bill	\$600				
Coinsurance / Split	40%	\$270	\$480	\$750	Coinsurance / Split	40%	\$190		\$360	\$550
Admin Costs			\$200	(\$200)	MPLN Earned Savings			(\$40)	\$40	
Balance Bill		\$200			Admin Costs				\$30	(\$30)
Total	\$1,200	\$520	\$680	\$600	Balance Bill					
					Total	\$670	\$240		\$430	\$570

UNH owns perhaps the best healthcare consultancy / IT provider in the industry. Optum is a leader in many aspects of healthcare including payment integrity and transaction processing. With over 27 million members, UNH should have the scale to justify doing in house what they currently pay MPLN to do. This would also better align incentives and the customer experience. From the youtube link starting at 21:46:

Some providers that are out of network, they like being out of network, they choose to be an out of network provider in terms of their business strategy. That has a lot to do with the fact that when you are an out of network providers, how much you charge for your services is really not controlled or limited in any way. You can charge whatever you like. A lot of employers, through their medical plan, use a traditional way of reimbursing those out of network claims from those providers. That reimbursement approach is generally referred to as "reasonable and customary." Where the amount paid is a function of the amount charged by the provider. So the more the charges increase, the more payments increase and essentially that environment just emboldens providers to remain out of network.

Additionally, there is a been a lot of press about this, many providers who are advantaging themselves by balance billing and charging a lot are what we refer to as hospital-based physicians: anesthesiologists, emergency room physicians. And many of those physician groups are actually owned by private equity firms. Those firms are very astute at developing strategies that can really maximize revenue by this notion of balanced billing and receiving reimbursement that we refer to as "reasonable and customary" charges.

If you think about the dynamics that occur in the out of network space- and in this example we are referring to United Healthcare as the health plan. United Healthcare interacts with patients and members in a variety of ways. United Healthcare interacts with out of network providers, but those interactions are usually around contracting attempts and negotiating with those providers to bring them in network. But the space that is uncontrolled is everything that occurs between the out of network provider and the patient. Again, how much that provider charges, whether or not they chose to balance bill, how aggressively they balance bill is all some all something that traditionally the health plan has not played in active roll in.



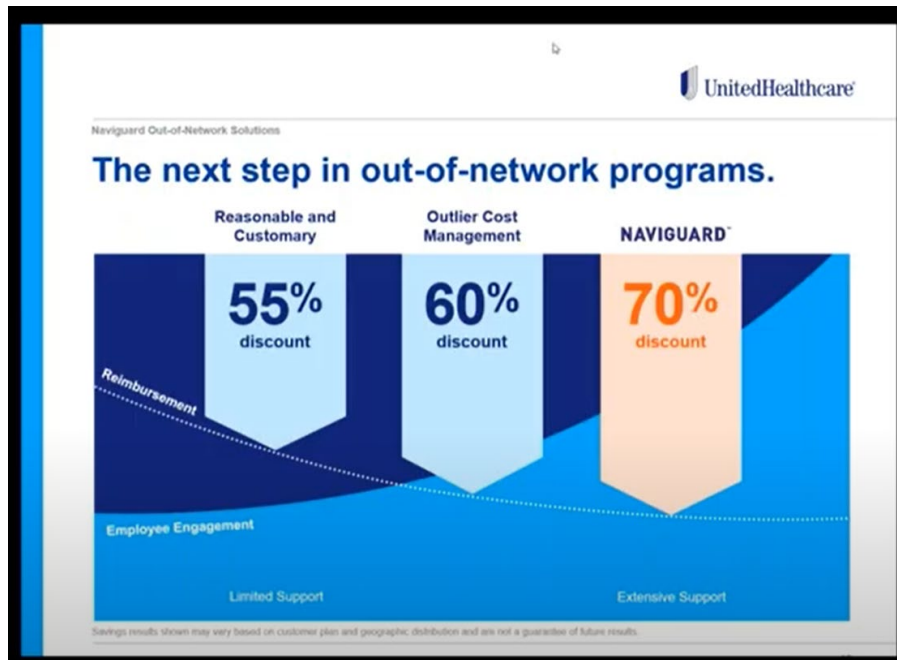
With Naviguard, we are bringing to market a solution that will intervene and help members when they are faced with an out of network balanced bill.

*There are really two scenarios that play out. The one that is straight forward is a “member choice scenario.” The member chooses to use an out of network provider...the more complicated scenario we refer to as the “no choice” scenario. This is really where a lot of that surprise billing occurs. This is a scenario where a member is doing what we want them to do; they are using a network facility and the physician that is treating them is in network. Unfortunately, some of the providers that are also treating that member in the network facility are **not** in the network. They are, for example, an emergency room physician who is out of network or an assistant surgeon....so here we have the scenario where that balance bill is going to be a quote unquote, “surprise” for the member. In either case, I think it’s fair to say, that the member experience is pretty lousy. Not a lot of support, not a lot of resources, not a lot of guidance in terms of “how do I deal with this balance bill” and respond to the provider. The Naviguard product is looking to turn that poor member experience and turn it into a much more positive one.*

United Healthcare clients will be the first to use Naviguard. On October 1st of this year, we will be offering the Naviguard out of network solution to all United Healthcare employer clients in our commercial line of business. Particularly, this solution will be ideal for a client that is still using that “reasonable and customary” reimbursement methodology for paying out of network providers because that is where we can really make a difference in terms of member support and reducing some of those exorbitant out of network costs and balance bills.

We do have a sizeable bloc of membership that’s been in a pilot for about six months. About 150,000 members were in the pilot. We are encouraged by the results we have seen in terms of savings and reducing those out of network costs and ability to negotiate on behalf of members with providers who are balance billing. We are encouraged by some really great feedback from

members who are noticing a difference in terms of their experience because of the service and support that Naviguard provides....



...when we look at the savings that result from a “reasonable and customary methodology,” that equates to about a 55% savings. Last year, United Healthcare introduced another out of network program that attempted to change how those out of network claims are paid using more of a referenced based methodology. Through that solution, United Healthcare was able to increase savings to those clients that adopted this solution from 55% to about 60%, while providing some support to members in terms of trying to negotiate with providers that are balance billing. With the Naviguard solution we are really ramping what we can achieve in terms of savings, again, by using a reference based methodology, not a “reasonable and customary” methodology...while at the same time providing much more member support and advocacy.

UNH is as concerned about costs as they are about the customer experience. Naviguard attempts to lead on both fronts. Naviguard is part of a multiyear attempt to solve one of UNH’s (and the industry’s) largest insurance issues. From this section, and indeed the entire presentation, it’s clear that balance billing is the fear and that UNH, the largest private payer in the country, is explicitly saying that a purely analytical tool is **NOT** enough to solve it. The risk of balance billing is too great to leave this process to a machine. Given the customer impact risk, there is a real scenario where UNH is willing to incur higher costs, in exchange for control of the customer experience, as the preferred business strategy. These tradeoffs are not uncommon.

On earnings call, MPLN talked at length about how their revenue from UNH is increasing. Based on UNH’s comments, this shouldn’t be a surprise. With natural healthcare cost inflation, a pilot that represents just 150k out of 27 million members would hardly be noticeable. The issue for MPLN is that

Naviguard is not just a replacement for MPLN, it is an attempt to change the healthcare eco-system by the most powerful and largest private payer. If successful, these reforms to the system may make MPLN's core product irrelevant.

Deal Timeline Looks Rushed

I am of the view that Michael Klein intellectually anchored to MPLN as a good business in 2013 and never changed his mind. After raising one of the largest SPACs in history, and with a string of business successes, I believe he rushed the SPAC merger and justified the potentially high price with his significant incentives via the promote and deal fees which lowered his average cost well below other investors. The SPAC sponsor is supposed to replace the standard wall street IPO process of price discovery with deep diligence and negotiating leverage that comes with size. I do not believe that was achieved in this deal. On its face, the negligible discount of ~10% to the pre-pandemic price, which itself was inflated, may have long term franchise implications for Klein.

As part of the deal, Klein gets ~22 million shares as a promote, and transaction fees of over \$30 million. His incentive was to complete a deal.

Timeline of the Deal

The SPAC IPO was completed on February 19th, a Wednesday. Less than two weeks later, on Tuesday, March 3rd, Michael Klein met with the Financial Sponsors and MPLN. From the proxy, we learn that the first meeting established a \$12 billion valuation for MPLN, and that the deal would be financing a 3rd party merger:

On March 3, 2020, representatives of Churchill, including Michael Klein, the Chief Executive Officer, President and Chairman of Churchill, met with Mark Tabak, the Chief Executive Officer of MultiPlan, and Allen Thorpe, a director of MultiPlan and a Partner of H&F, at H&F's office in New York City to discuss potential strategic transactions involving MultiPlan and Churchill, including Churchill providing financing support for a potential transaction between MultiPlan and a third party, as well as a potential business combination between Churchill and MultiPlan. In connection with discussions regarding a potential business combination between Churchill and MultiPlan, Churchill indicated that a potential enterprise value for MultiPlan (subject to due diligence and a more complete understanding of MultiPlan's business, financials and prospects) could be approximately \$12 billion, but Mr. Thorpe indicated that, at the time, MultiPlan was not interested in pursuing a potential business combination with Churchill, and believed that the other potential transaction would be a better opportunity for MultiPlan and its stockholders.

The next meetings occurred between April 17th and 27th, with the pause likely driven by the Pandemic. Additionally, the business combination faded away and it was later disclosed that the potential target was facing significant financial headwinds. During these meetings, Churchill proposed buying all of MPLN for a valuation of \$10.5 billion, which was a reduction from the \$12 billion valuation discussed at the March 3rd meeting. On Monday, April 27th both parties agreed to a three to six week due diligence

process. On May 1st, the first due diligence request was sent. On May 4th, the due diligence process began.

On Friday, May 8th, just nine business days after agreeing to move forward at a \$10.5 billion valuation, the Financial Sponsors informed Klein that \$10.5 billion was not enough to move forward. Additionally, they wanted more favorable governance. Klein responded on Monday, May 18th that he would raise his offer to \$11 billion but the governance would not change. The Financial Sponsors agreed with this valuation and due diligence continued. Contemporaneously, Klein stopped exploring other deals and focused fully on MPLN.

On Thursday, May 28th, Klein delivered a formal LOI with a ~\$11 billion valuation and a “sources and uses” substantially similar to the final transaction. Yet, due diligence continued until the middle of July. On July 13th the merger agreement was signed at an \$11 billion valuation.

Thoughts on the Timeline

After conducting exhaustive due diligence on MPLN, over a period of months, I do not believe it is possible for someone to maintain their view of value if they did a similar amount of primary research as I conducted. Every conversation with former employees, competitors and industry experts was negative. Many of the conversations had salacious anecdotes. Muddy Water’s report states:

We believe that MPLN is public because of a grievous oversight in due diligence by the SPAC promoter...

I cannot agree. “A grievous oversight in due diligence” implies that something was missed. I am skeptical that a serious, independent due diligence process was conducted. MPLN’s bonds were near distressed levels in 2019; there were clear red flags. Yet, in the face of 2018/2019 woes and a global pandemic, Klein pays a 40% premium to the 2016 takeout valuation after multiple years of revenue declines. Klein’s comments at the analyst day reek of ignorance:

I hope as you all have heard this story you have begun to understand why we at Churchill have been so enthusiastic about an investment in MultiPlan, that we have been reviewing this opportunity since 2013, first on behalf of Warren Buffett and Berkshire Hathaway, and then on behalf of our own vehicles that we created starting in 2018. MultiPlan has been the number one company that we have sought to partner with during the entire time period that we have had a public equity vehicle.

The reasons I think are quite clear... we look for a market-leading company. We look for companies that have a sustainable advantage. We look for companies in particular that are in a position that as a private company, they may be constrained either by virtue of being private or by virtue of leverage, where if we were to bring them into the public market, deleverage the balance sheet and invest behind growth, the growth phase of the company can be enhanced materially. We also look specifically for companies where our operating executives can add a degree of value. And we look for companies that we can put significant capital to work ourselves.

MultiPlan meets all of those characteristics, as I think you've heard MultiPlan has a very, very unique differentiated business model. It's unquestionably critical to its clients. I had the good fortune of speaking to the senior executives, at customers that represent about 65% of the revenue base of MultiPlan. And what they came back with in terms of their responses, both of MultiPlan, its services and its team were extraordinarily powerful. They indicated that MultiPlan was critical to their operation, and that MultiPlan's business was the gold standard in terms of pricing, transparency and information in the U.S. healthcare space. They indicated that the U.S. healthcare space was large and growing, but by virtue of \$1.2 trillion of spending, that was perceived as either overcharges or waste, or in some form of administrative abuse, that put them in a position that they required the tools of MultiPlan to make healthcare more affordable, so that they could provide more healthcare to more of their particular clients and consumers that work for employers that are part of their systems as payers.

So we were quite taken by the customers' view that MultiPlan was critical to them, was valuable to them, and was a company that they would be providing more of their internal and external business to MultiPlan over the coming years now. You've heard from the team, so I won't be repetitive but what we found compelling is that: A, the market is growing significantly and continues to grow on a basis that has consistency that we can actually really forecast based upon the cost structure of U.S. healthcare. We can do so because the company has 100% contracted revenues. We can do so because the customers have long-term relationships, 75% of which are more than three years in terms of contract length, but all of them have long and deep historical relationships. We also can be comfortable underwriting our forecasts, because the growth opportunity ahead is based principally upon achieving more revenues from the same clients using the same services. That's very rare as I think you will understand that a company can grow and double their top-line by applying the same services to the same customers by taking more wallet share. We've also felt it's critical in our prior situations and certainly in this situation, to set the balance sheet up to win.

The Mystery Merger Partner

There was a potential merger discussed in the proxy and mentioned during the sell side day (see below). MPLN sounded like the acquiror and I believe this deal is dead given how MPLN has traded.

Daniel Grosslight of Citi: In previous call you alluded to a large M&A transaction was in the works this year. Can you provide an update on that large acquisition?

Michael Klein - Chairman & Chief Executive Officer of Churchill Capital Corp III: It's Michael Klein. Just to circle back, maybe perhaps to the genesis of the question. It is true and clear that the conversations that Churchill began with MultiPlan in the January, February timeframe. And the rationale and drive that both MultiPlan and Hellman & Friedman had for this partnership was specific acquisition approaches and a specific acquisition approach that came to MultiPlan. That would clearly be a substantial opportunity for MultiPlan and still can be as that transaction was

postponed due to the target company's weakness relative to COVID. We're not – as Mark said speaking about any particular opportunities or focused on only one opportunity. But the reference to that initiating this process was clear, and then opportunity continues to be under consideration. Thank you.

Warren Buffett Tried to Buy This Business ("So it has to be amazing...")

The SPAC sponsor, Michael Klein has noted multiple times that Berkshire Hathaway tried to buy MPLN in 2013 when Klein was a banker:

From the August Investor Day:

Michael Klein: ...I hope as you all have heard this story you have begun to understand why we at Churchill have been so enthusiastic about an investment in MultiPlan, that we have been reviewing this opportunity since 2013, first on behalf of Warren Buffett and Berkshire Hathaway, and then on behalf of our own vehicles that we created starting in 2018....

From the August Sell-Side Day:

Analyst: Hi, Dave and Mark, congratulations on the deal. Very excited for you. Just a question for Michael Klein, or really for everyone. Given the very high margins of the business, there was always a concern with disclosure of those margins in a public market context. And consequently there was the series of sponsors – sponsor transactions, and now finally the company is going public. What gets you comfortable with disclosure of those margins now that you weren't comfortable with, let's say a few years ago, and is there any shift in the business that makes it more plausible to have that disclosure?

Michael Klein: Sure. Well, first and foremost, thank you for the question and you may or not know that we have been around the company since 2013. And in fact we were first introduced to Mark [MPLN's CEO] when Mark approached me in 2013 with a simple question that had growth opportunities ahead of him, which he's clearly shown, in the data analytic space. He wanted to get off the private equity Ferris wheel, if you will, and be in a longer term held position and less levered. And at that we identified Berkshire Hathaway as a potential partner and brought them to be a buyer from the consortium. Silver Lake wasn't prepared to sell at that point in time so the transaction didn't (inaudible) market understanding the viewing -- and there's a few things that I say that give me great comfort in where we stand as a public company....

Financial Times Article on MPLN SPAC Merger

...He has had plenty of time to get acquainted with MultiPlan — Mr Klein was helping Warren Buffett's Berkshire Hathaway in 2013 when it considered buying the company. The Buffett deal never happened, but it put MultiPlan and its long-serving chief executive Mark Tabak on Mr

Klein's radar. With a deal now secured, the banker once tipped as a potential CEO at Citigroup has to prove his latest act on Wall Street works for both shareholders and companies alike....

Berkshire's 2013 interest in MPLN, and rejection by current owner Silver Lake, sounds positive on its face. Yet, a deeper look, reveals a different story. See below, Berkshire tried to buy in 2013. A year later, the sponsors (BC Partners and Silver Lake) did sell to Starr International and Partners Group for 9.1x EBITDA after having bought the company for 10.1x EBITDA in 2010. Implicitly, Berkshire would have offered less than the 9.1x EBITDA that the new buyers paid. Furthermore, the new owners capitalized on the two recent acquisitions to subsequently sell for nearly an un-levered double (they likely used leverage) just two years later....

	2010	Change	2010	Change	2014	Change	2016	Change	2019
Revenue									
Data iSight	0	0	0	52	52	130	182	142	324
MARS	0	0	0	2	2	46	47	60	107
All Other	353	201	554	111	665	94	759	(206)	552
	353	201	554	164	718	270	988	(5)	983
EBITDA	160	146	306	178	484	232	716	34	750
	45.3%	72.6%	55.2%	108.5%	67.4%	85.9%	72.5%	NM	76.3%

Buyer	Carlyle	BC/SL	SI/PG	H&F	SPAC
Valuation	1,000	3,100	4,400	7,500	11,000
TEV / EBITDA	6.3x	10.1x	9.1x	10.5x	14.7x

Berkshire's 2013 interest was validated by the subsequent success of the next owners of MPLN. However, his interest says nothing about whether the current valuation is correct. Moreover, note that recent financial trends for MPLN are negative; revenue, EBITDA and margins have declined since 2017.

The Financial Sponsors Bought Shares of the SPAC Pre-Merger & the SPAC Sponsor Bought Shares in the Open Market ("It Has to be Cheap...")

After the SPAC merger was announced in July, the Financial Sponsors purchased ~9.1 mm shares in CCXX, or ~8.3% of the total shares outstanding. They paid \$11.06 per share. I view this datapoint cautiously and skeptically. The cash used for the shares was trapped in MPLN, the Financial Sponsors did not need to make a capital call to their investors; I believe this is an important nuance as it converts the purchase from an investment to a buyback.

Just before the redemption deadline, on October 5th, SPACs had a tough day in the market with many falling over 10%. CCXX was not spared and fell to \$8.99. It has closed at \$9.9 the prior trading day. Facing the risk of a wave of redemptions, as the market price was below trust value of \$10.04, Michael Klein stepped up. The SPAC Sponsor issued a press release announcing his plans to buy up to \$50 million of shares in the future. The stock immediately rose to \$10.49 and closed at \$10.35. In the end, only 8.7 mm shares out of 110 mm redeemed. Michael Klein disclosed purchases of 481,711 shares at ~\$10.30 per share over the next two days for a total cost of \$4.96 mm. Subsequent to the earnings call on 11/11, Klein bought another 1.41 million shares at just under \$6.85 per share.

Digging through the deal proxy, it is clear what the Financial Sponsors and the SPAC Sponsor were doing. The merger agreement required a minimum proceeds amount equal to the size of the PIPEs. Said differently, redemptions by original SPAC holders could have been 100% and the deal would have closed. However, the SPAC sponsor got 25.4 mm shares to pre-commit to not redeeming. The “flex” in the deal, which would absorb changes in redemptions, was balance sheet cash. The greater the redemption amount, the more net debt that MPLN would emerge with. Typically, in SPAC mergers, the financial sponsor payout would be the “flex” and be reduced by the size of redemptions. This makes sense as exiting with a high debt balance impairs the go forward equity. Indeed, at maximum redemptions, MPLN would have emerged with 6.8 times debt to 2019 EBITDA.

SPAC IPO		No	Actual	Max			No	Actual	Max
At Issuance		Redemp	Redemp	Redemp			Redemp	Redemp	Redemp
Sources					Shares				
Shares		\$1,123.0	\$1,123.0	\$1,123.0	SPAC A	110.0	101.3	25.4	
A Shares	110.0	1,300.0	1,300.0	1,300.0	SPAC B	27.5	27.5	27.5	
B Shares	27.5	1,268.0	1,268.0	1,268.0	SPAC Fee	1.5	1.5	1.5	
	137.5	4,157.0	4,157.0	4,157.0	PIPE	132.1	132.1	132.1	
		7,848.0	7,848.0	7,848.0	MPLN	415.7	415.7	415.7	
Uses						686.8	678.1	602.2	
A Warrants	27.5	4,157.0	4,157.0	4,157.0	Debt				
PP Warrants	23.0	1,521.0	1,521.0	1,521.0	Cash	995.1	908.2	149.1	
	50.5	809.7	727.5	10.2	Debt	5,264.7	5,264.7	5,264.7	
Gross Proceeds		1,210.0	1,210.0	1,210.0	Net Debt	4,269.6	4,356.5	5,115.6	
A Shares	\$1,100.0	0.0	86.9	846.0		5.7x	5.8x	6.8x	
PP Warrants	23.0	150.3	145.5	103.8					
	\$1,123.0	7,848.0	7,848.0	7,848.0					
Total									

On the same day, 10/5, that Klein announced plans to buy \$50 mm in stock, the company also launched a debt refinancing. In the end, the actual debt transaction would not be formally launched until 10/26, well after the deal close. Utilizing the large post deal cash balance of over \$900 million, MPLN was able to refinance its 2024 bonds with new 2028 debt and pay down its credit facility. None of this would have been possible with high redemptions.

	Rate	Dec	Jun	Merger	Merger PF	Bond	Bond PF
Debt							
Credit Facility	4.0%	2,710	2,710		2,710	(369)	2,341
Notes 2024	7.1%	1,560	1,560		1,560	(1,560)	0
Notes 2028	5.8%					1,300	1,300
PIK Notes 2022	8.5%	1,179	1,179	(1,179)	0		0
Convert	6.0%			1,300	1,300		1,300
Gross Debt		5,449	5,449		5,570		4,941
Cash		22	179	729	908	(715)	193
Net Debt		5,427	5,270		4,662		4,748

For a combined investment of ~\$105 mm, the Deal Sponsors increased the chance of refinancing their debt and ensured it would emerge with a more reasonable leverage level and a longer maturity runway. Combined, the sponsors have ~445 mm shares and 23 mm warrants (worth over \$4.5 billion at deal value). **The interesting question, however, is why the deal was structured this way in the first place.**

Clearly, lower leverage was important for tradability and the refinancing. Wouldn't it have been easier to raise a larger PIPE, or alternatively make the Financial Sponsor's cash payout of \$1.52 billion absorb some of the redemption?

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