Gentiva Health plans nearly $1B Odyssey buy

The Associated Press

Home health provider Gentiva Health Services Inc. said Monday it plans to spend nearly $1 billion in cash to buy hospice firm Odyssey HealthCare Inc. in a move to create the nation's largest provider of home health and hospice care.

Atlanta-based Gentiva said it will pay $27 per share for Odyssey stock, marking a 40 percent premium to the shares' closing price Friday. Based on Odyssey's 33.8 million shares outstanding at March 31, the deal is valued at $912.3 million.

Shares of Dallas-based Odyssey surged $7.02, or 36.4 percent, to $26.31 in morning trading. Shares last traded above $26 in 2004. Gentiva shares rose $2.54, or about 10 percent, to $28.33.

The boards of both companies have approved the acquisition, which is expected to close in the third quarter, pending approval by regulators and Odyssey stockholders.

The companies said the deal will create a hospice care provider with an average daily patient census of about 14,000 and operations in 30 states. They anticipate the combination will create a company with more than $1.8 billion in annual revenue. Gentiva expects the acquisition to add to adjusted earnings per share within the first 12 months following closing.

"The two companies share similar geography between Gentiva's home health operations and Odyssey's hospice operations, with very little overlap between the two companies' hospice programs," Gentiva CEO and President Tony Strange said in a statement.

Gentiva expects to raise about $1.1 billion in new debt financing to fund the purchase and refinance existing debt. The company said it has secured financing commitments from a syndicate that includes BofA Merrill Lynch, Barclays Bank PLC, General Electric Capital Corp., and SunTrust Bank and SunTrust Robinson Humphrey Inc.

Edge Healthcare Partners is acting as Gentiva's financial adviser. Goldman, Sachs & Co. is acting as financial adviser to Odyssey's board.

Last week, Gentiva acquired United Home Care Group, a home health and hospice service company based in Louisiana. Terms of the deal were not disclosed, but Gentiva said it can now provide services to about 85 percent of the state of Louisiana.

Earlier this month, Gentiva was one of four home health care providers that received letters from the Senate Finance Committee questioning whether the

companies increased their patient visits out of medical necessity or in order to deliberately trigger higher Medicare reimbursements.

Source URL (retrieved on *04/24/2014 - 4:48pm*):
http://www.mdtmag.com/news/2010/05/gentiva-health-plans-nearly-1b-odyssey-buy?qt-recent_content=0