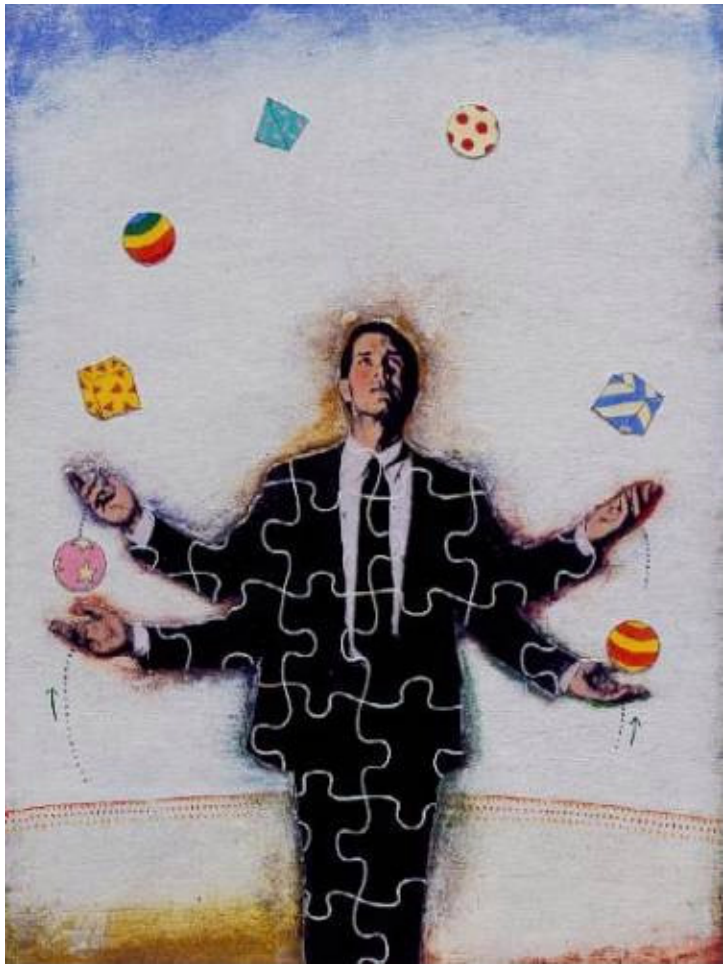

The University of Vermont Health Network

Credit Ratios for EPIC Project
Ponder CON Letter

January 2017

PONDER&CO

the art and science of healthcare finance

UVM Health Network – Credit Ratios

	Better	UVM HN										Moody's Medians*					
			Projected [1]														
		FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	A1	A2	A3	Baa1	Baa2	Baa3
Total Operating Revenues ($Millions)	Higher	1,801	1,835	1,903	1,973	2,040	2,110	2,182	2,257	2,334	2,414	1,065	715	580	527	303	428
Operating Cash Flow Margin (%)	Higher	9.8	8.4	9.0	9.8	10.7	10.6	10.7	10.7	10.1	9.5	11.8	11.4	10.0	9.3	8.1	8.2
Operating Margin (%)	Higher	3.9	2.8	2.3	2.8	3.4	3.5	3.6	3.5	3.4	3.5	4.9	3.7	3.1	3.2	1.5	0.9
Excess Margin (%) - Actual [2]	Higher	5.7	3.7	3.5	3.9	4.5	4.8	4.9	5.0	5.0	5.2	8.2	6.7	5.4	5.5	3.7	2.6
Excess Margin (%) - Adjusted [3]	Higher	5.8	4.8	4.3	4.7	5.4	5.7	5.9	6.1	6.2	6.4	8.2	6.7	5.4	5.5	3.7	2.6
Maximum Debt Service Coverage (x) – Actual [2]	Higher	4.8	3.9	4.7	5.2	5.9	6.1	6.7	7.0	6.9	6.9	6.0	4.8	4.2	3.9	3.4	3.7
Maximum Debt Service Coverage (x) - Adjusted [3]	Higher	4.8	4.4	5.0	5.6	6.4	6.6	7.3	7.7	7.7	7.7	6.0	4.8	4.2	3.9	3.4	3.7
Cash on Hand (days)	Higher	156	170	159	159	175	189	205	220	233	244	255	223	187	171	152	133
Unrestricted Cash/LT Debt (%)	Higher	159	134	134	145	171	201	237	279	326	374	181	152	139	111	95	97
LT Debt / Capitalization (%)	Lower	33	38	36	33	31	28	25	23	20	18	31	33	37	39	43	39
Debt to Cash Flow (x) – Actual [2]	Lower	2.1	3.4	2.9	2.5	2.1	2.0	1.8	1.6	1.5	1.5	2.3	2.7	2.8	2.9	3.8	3.3
Debt to Cash Flow (x) - Adjusted [3]	Lower	2.1	3.1	2.7	2.3	2.0	1.8	1.6	1.5	1.4	1.3	2.3	2.7	2.8	2.9	3.8	3.3

Key: **Better than "A" category** | **"A" Category** | **"Baa" Category** | **Below "Baa" Category**

1. Based on financial projections provided by UVHN management as of 1/2/2017, FY 2016 includes Alice Hyde Medical Center for full twelve months

2. Based on actual investment income

3. Assumes investment income equals 5% of unrestricted cash and investments consistent with Moody's medians

* Medians for free-standing hospitals, single-state & multi-state health systems as published in "Not-for-Profit and Public Healthcare - US Medians - Growing Revenue and Demand Support Strong Margins, Contraction Ahead" (September 8, 2016)

PONDER&CO

UVM Medical Center – Credit Ratios

	Better	UVM MC										Moody's Medians*					
			Projected [1]														
		FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	A1	A2	A3	Baa1	Baa2	Baa3
Total Operating Revenues ($Millions)	Higher	1,182	1,200	1,247	1,295	1,340	1,386	1,434	1,484	1,536	1,589	1,065	715	580	527	303	428
Operating Cash Flow Margin (%)	Higher	12.1	9.5	9.9	10.6	11.7	11.8	12.0	12.0	11.3	10.6	11.8	11.4	10.0	9.3	8.1	8.2
Operating Margin (%)	Higher	6.3	4.0	3.0	3.2	3.6	3.8	3.8	3.8	3.6	3.9	4.9	3.7	3.1	3.2	1.5	0.9
Excess Margin (%) - Actual [2]	Higher	9.4	5.2	4.5	4.7	5.0	5.4	5.5	5.5	5.5	5.9	8.2	6.7	5.4	5.5	3.7	2.6
Excess Margin (%) - Adjusted [3]	Higher	8.6	6.7	5.4	5.6	6.2	6.6	6.8	6.9	7.0	7.3	8.2	6.7	5.4	5.5	3.7	2.6
Maximum Debt Service Coverage (x) – Actual [2]	Higher	5.4	3.8	4.2	4.6	5.2	5.4	5.8	6.0	6.0	5.9	6.0	4.8	4.2	3.9	3.4	3.7
Maximum Debt Service Coverage (x) - Adjusted [3]	Higher	5.1	4.3	4.6	5.0	5.7	6.0	6.4	6.7	6.7	6.7	6.0	4.8	4.2	3.9	3.4	3.7
Cash on Hand (days)	Higher	202	227	208	204	223	239	258	277	291	304	255	223	187	171	152	133
Unrestricted Cash/LT Debt (%)	Higher	172	140	137	144	167	194	226	264	306	349	181	152	139	111	95	97
LT Debt / Capitalization (%)	Lower	32	38	36	34	31	29	26	24	21	20	31	33	37	39	43	39
Debt to Cash Flow (x) – Actual [2]	Lower	1.8	3.8	3.3	2.9	2.5	2.3	2.0	1.8	1.8	1.7	2.3	2.7	2.8	2.9	3.8	3.3
Debt to Cash Flow (x) - Adjusted [3]	Lower	2.0	3.3	3.0	2.7	2.3	2.1	1.8	1.7	1.6	1.5	2.3	2.7	2.8	2.9	3.8	3.3

Key: **Better than "A" category** | **"A" Category** | **"Baa" Category** | **Below "Baa" Category**

1. Based on financial projections provided by UVHN management as of 1/2/2017
2. Based on actual investment income
3. Assumes investment income equals 5% of unrestricted cash and investments consistent with Moody's medians

* Medians for free-standing hospitals, single-state & multi-state health systems as published in "Not-for-Profit and Public Healthcare - US Medians - Growing Revenue and Demand Support Strong Margins, Contraction Ahead" (September 8, 2016)

PONDER&CO

UVM Health Network – Input Data

	Actual	Projected [1,2]								
Income Statement	9/30/2016	9/30/2017	9/30/2018	9/30/2019	9/30/2020	9/30/2021	9/30/2022	9/30/2023	9/30/2024	9/30/2025
Net Patient Revenues	1,639,830	1,712,353	1,771,426	1,832,565	1,895,763	1,961,208	2,028,933	2,098,996	2,171,455	2,246,480
Other Operating Revenues	161,179	122,858	131,645	140,588	144,690	148,960	153,407	158,039	162,863	167,888
Total Operating Revenues	1,801,009	1,835,211	1,903,071	1,973,153	2,040,453	2,110,168	2,182,340	2,257,035	2,334,318	2,414,368
Total Expenses	1,730,414	1,784,622	1,858,369	1,917,768	1,971,456	2,035,498	2,104,780	2,177,173	2,253,963	2,328,814
Income from Operations	70,595	50,589	44,702	55,385	68,997	74,670	77,560	79,862	80,355	85,554
Non-Operating Gains/Losses [3]	35,229	39,616	38,110	39,253	44,269	49,366	55,180	61,398	67,433	73,498
Net Income	105,823	90,204	82,811	94,638	113,266	124,036	132,740	141,260	147,788	159,052
Maximum Annual Debt Service	44,306	44,306	41,804	41,567	41,294	41,294	39,487	39,487	39,487	39,487
Amortization Depreciation	83,134	83,634	104,069	115,584	128,129	129,794	137,446	142,233	137,111	126,110
Interest Expense	23,117	19,153	23,092	22,200	21,231	20,216	19,342	19,191	18,326	17,667
Non-Operating Gains/Losses [4]	33,443	17,555	22,972	22,526	24,353	27,315	30,497	34,006	37,576	41,099
Net Income	104,038	68,144	67,674	77,911	93,350	101,985	108,057	113,868	117,931	126,653
Balance Sheet										
Total Debt - LT & ST	443,407	589,337	569,274	543,267	516,640	491,568	465,774	440,116	413,804	393,517
Unrestricted Net Assets	894,971	952,115	1,004,788	1,087,699	1,176,049	1,283,035	1,396,092	1,514,960	1,637,891	1,769,544
Available Cash	704,572	792,312	762,192	785,058	885,380	987,312	1,103,596	1,227,968	1,348,657	1,469,952

1. $ 000's
2. Based on financial projections provided by UVHN management as of 1/2/2017; FY2016 includes Alice Hyde financial data for 12 months through 9/30/2016
3. Assumes investment income equals 5% of unrestricted cash and investments consistent with Moody's medians
4. Based on actual investment income, FY2016 calculated as follows:

Non-Op Revenue (Projections)	6,258
Add Back: Loss on Extinguishment of Debt	22,320
Add Back: Change in FMV of Swap	4,865
	33,443

PONDER&CO

UVM Medical Center – Input Data

	Actual	Projected [1,2]								
Income Statement	9/30/2016	9/30/2017	9/30/2018	9/30/2019	9/30/2020	9/30/2021	9/30/2022	9/30/2023	9/30/2024	9/30/2025
Net Patient Revenues	1,062,550	1,108,234	1,146,778	1,186,695	1,227,985	1,270,714	1,314,983	1,360,806	1,408,230	1,457,281
Other Operating Revenues	119,171	92,154	100,327	108,643	112,107	115,726	119,508	123,461	127,594	131,914
Total Operating Revenues	1,181,721	1,200,388	1,247,105	1,295,338	1,340,092	1,386,440	1,434,491	1,484,267	1,535,824	1,589,195
Total Expenses	1,107,671	1,152,038	1,209,878	1,253,305	1,291,968	1,333,506	1,379,704	1,428,606	1,480,112	1,527,783
Income from Operations	74,050	48,350	37,227	42,033	48,124	52,934	54,787	55,661	55,712	61,412
Non-Operating Gains/Losses [3]	29,210	34,300	32,491	32,855	36,655	40,615	45,226	50,185	54,969	59,738
Net Income	103,259	82,650	69,718	74,888	84,779	93,550	100,013	105,846	110,680	121,150
Maximum Annual Debt Service	34,123	34,123	34,123	34,123	34,123	34,123	34,123	34,123	34,123	34,123
Amortization Depreciation	50,476	50,459	66,967	77,370	91,005	93,236	100,649	105,760	101,471	90,940
Interest Expense	18,435	14,916	18,772	18,247	17,698	17,105	16,476	16,547	15,909	15,428
Non-Operating Gains/Losses [4]	41,244	15,257	19,741	19,022	20,264	22,539	25,039	27,830	30,669	33,450
Net Income	115,294	63,607	56,968	61,055	68,388	75,473	79,826	83,491	86,381	94,862
Balance Sheet										
Total Debt - LT & ST	339,803	490,730	473,636	456,045	437,698	419,371	399,881	380,213	359,414	342,574
Unrestricted Net Assets	728,470	785,077	831,045	901,100	968,488	1,048,962	1,133,788	1,222,279	1,313,660	1,413,522
Available Cash	584,190	686,001	649,822	657,094	733,109	812,307	904,515	1,003,705	1,099,376	1,194,766

1. $ 000's
2. Based on financial projections provided by UVHN management as of 1/2/2017
3. Assumes investment income equals 5% of unrestricted cash and investments consistent with Moody's medians
4. Based on actual investment income, FY2016 calculated as follows

Non-Op Revenue (Projections)	15,864
Add Back: Loss on Extinguishment of Debt	22,320
Add Back: Change in FMV of Swap	3,060
	41,244

PONDER&CO