

Medians for Life Plan Communities

Fitch Ratings has released data on 2019 investment grade median ratios for life plan communities (LPC). None of the coronavirus impact is captured in this set of medians, as the impact from the virus is only first seen in the first quarter of 2020, which will be captured in next year's median report. The number of ratings has grown steadily over the past decade. This is mostly as a result of new borrowers being added to Fitch's rated portfolio, as opposed to ratings being downgraded.

LPC Medians by Rating Category: Fiscal Year-End 2019

	<u>Investment Grade</u>	<u>A</u>	<u>BBB</u>	<u>Below Investment Grade</u>
Sample Size	113	35	76	39
Days Cash on Hand *	527.8	649.3	495.8	306.7
Operating Ratio (%) *	96.6	92.5	97.4	101.2
Excess Margin (%) *	1.6	2.1	1.6	(5.5)
MADS Coverage Ratio-Revenue Only (x)	1.0	1.4	0.8	0.6
Adjusted Debt-to-Capitalization (%) *	47.4	43.1	61.1	81.8

LPC Medians by Contract Type: Fiscal Year-End 2019

	<u>Type A</u>	<u>Type B</u>	<u>Type C</u>
Sample Size	62	33	50
Days Cash on Hand *	529.5	447.1	420.5
Operating Ratio *	99.5	98.3	95.2
Excess Margin (%) *	1.5	(2.4)	(1.0)
MADS Coverage Ratio-Revenue Only (x)	0.7	0.8	1.1
Adjusted Debt-to-Capitalization (%) *	62.4	67.6	60.6

***Definitions:**

Days Cash on Hand – (unrestricted cash and investments) / (cash operating expenses / 365)

Operating Ratio (%) – cash operating expenses / cash operating revenues

Excess Margin (%) – (total operating revenue – total operating expenses + non-operating revenue) / (total operating revenue + non-operating revenue)

Adjusted Debt-to-Capitalization (%) – total debt / total debt + deferred revenues from nonrefundable entrance fees + unrestricted net assets

(Source: FitchRatings – Public Finance: 2020 Median Ratios for Not-For-Profit Life Plan Communities Seek Stability; September 1, 2020)