



Case Study: Bon Secours Mercy Health, Inc.

Bond Sale Date: December 10, 2018
 \$305,684,000 Series 2018A Taxable Fixed Rate Bonds
 \$310,000,000 Series 2018 Taxable Direct Purchase Bonds
 \$100,000,000 Series A and B Taxable Commercial Paper

About Bon Secours Mercy Health:

On September 1, 2018, Mercy Health combined with Bon Secours Health System (“BSHSI”), Inc to form Bon Secours Mercy Health, Inc. (“BSMH”). On that date, BSMH was substituted as the sole corporate member of Mercy Health and the governing board of Mercy Health was reconstituted, such that the members of the governing board of BSMH are, with few exceptions, the members of the governing board of Mercy Health. BSMH serves communities throughout Florida, Kentucky, Maryland, New York, Ohio, South Carolina, and Virginia at over 1,00 sites of care, including 42 acute care hospitals and more than 50 home health agencies and senior health housing facilities. BSMH employs over 57,000 people (including 2,100 physicians) and provides nearly \$2 million per day in community benefits.

Focus on Value:

Ponder serves as financial advisor to Bon Secours Mercy Health for its first public offering as a combined health care system. The \$816 million restructuring of BSHSI’s legacy debt includes a \$306 million taxable fixed rate bond issuance, two series of taxable commercial paper totaling \$100 million, and two taxable term loans totaling \$310 million. The financing consolidates the two legacy debt structures into a single credit group, meeting the goals of achieving an integrated credit structure with flexible covenants, diversified product mix, minimizing dual reporting requirements and costs of integration, and creating uniform agreements with all bank creditors/counterparties. As a result of the financing, all legacy BSHSI debt is refunded by debt directly issued under the Mercy Health Master Trust Indenture (MTI), which was selected as the surviving obligation.

To facilitate the public and private offerings, Ponder advised BSMH on its overall finance plan, rating presentations (which achieved A2/A+/AA- ratings), and investor and credit support strategies. Ponder worked closely with the underwriters to structure the taxable fixed rate financing and achieve an attractive all-in 10-year rate at 4.30%, despite challenging market conditions during pricing. In addition, Ponder helped negotiate an efficient variable rate portfolio which diversifies BSMH’s risk among products, tenors and banks, and lowers its variable rate cost of funds.

Pricing Results:

Credit Ratings(M/S/F): A2 Positive/A+ Stable/AA- Stable

Maturity	Par Amount (\$ thousands)	US Treasury (10 Year)	Spread to US Treasury	Coupon
7/1/2028	305,684	2.85%	1.45%	4.30%



Jennifer King Daugherty
 Managing Director

206-232-0461
 jdaugherty@ponderco.com