



Case Study: Baptist Health

Bond Sale Date: December 4, 2019

\$86,385,000 Series 2019 Tax-Exempt Fixed Rate Bonds

\$112,730,000 Series 2019 Corporate Taxable Fixed Rate Bonds

About Baptist Health:

Based in Little Rock, Baptist Health ("Baptist") is the largest health care delivery system in Arkansas providing a full continuum of care to over 1.3 million residents in central and western Arkansas and eastern Oklahoma through nine acute care hospitals, a rehabilitation hospital, a long-term acute care hospital, medical practices, an accredited nursing school, outpatient care facilities, and other healthcare related facilities. In 2018, Baptist expanded its presence in western Arkansas through the acquisition of a two acute care facilities based system from Community Health Systems, Inc. (Ponder represented Baptist in the acquisition). Baptist obtained a \$150 million bridge loan to partially fund the acquisition the newly named Baptist Health – Fort Smith and Baptist Health – Van Buren facilities and related entities while also upgrading the acquired facilities.

Pricing Results:

Credit Ratings: NR/A/NR (Moody's/S&P/Fitch)

Series 2019 Tax-Exempt Bonds						
Maturity	Par Amount (millions)	Coupon	Yield to Call	Spread to MMD	Yield to Maturity	Spread to MMD
2044	\$6,380	4.00%	3.00%	99 bps	3.48%	147 bps
2047	\$39,200	5.00%	2.73%	69 bps	3.85%	181 bps
2049	\$32,930	3.20%	N/A	N/A	3.31%	125 bps

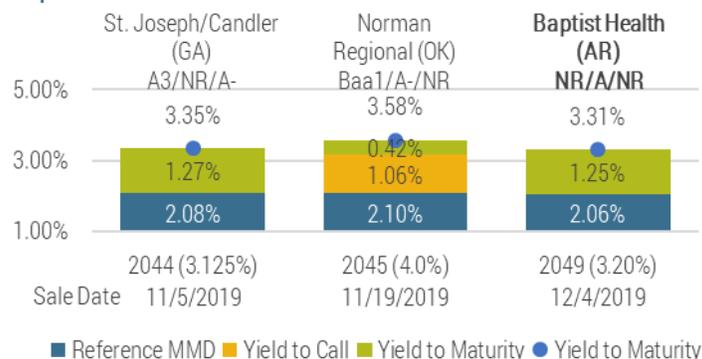
Series 2019 Corporate Taxable Bonds				
Maturity	Par Amount (millions)	Coupon	Yield to Maturity	Spread to Treasuries
2034	\$13,525	3.57%	3.57%	180 bps
2049	\$74,505	4.10%	4.22%	200 bps

Focus on Value:

Ponder served as financial advisor to Baptist on all aspects of the Series 2019 tax-exempt and corporate taxable bond issuance. Bond proceeds will be used to refinance the \$150 million bridge loan, convert approximately \$55 million of existing variable rate taxable debt to long-term taxable fixed rate debt, and fund new projects. Ponder's role included extensive work to develop the rating agency presentation, investor presentation, and disclosure documents to reflect the significant evolution of the system over the past four years (in addition to the recent acquisition and other significant initiatives, Baptist has entered into an HMO joint venture with Arkansas Blue Cross/Blue Shield and multiple joint ventures with the University of Arkansas Medical System).

Ponder also worked with the financing team to develop and execute the plan of finance. Baptist needed a significant amount of project funding which did not qualify for tax-exempt debt or municipal taxable financing. Ponder recommended issuing corporate taxable bonds. Even though taxable interest rates were attractively low, Baptist strongly desired a 10-year par call option instead of a make-whole redemption feature typical for corporate taxable bonds. Ponder's financial advisors and bond pricing desk negotiated with the underwriters to successfully structure \$113 million of corporate taxable serial and term bonds with a 10-year optional call and an "all-in" true interest cost of 4.11% (a first for 2019). Ponder advisors also worked with the underwriting team to successfully price the serial and term tax-exempt bonds with coupons ranging from 3.2% to 5.0% during a period of heavy new issue supply, and with "all-in" true interest cost of 3.60%.

Comparable Bond Sales:



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