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California Statewide Communities Development Authority: Fitch New Issue Report

Key Rating Drivers Revenue Defensibility – 'bbb' Maintenance of Leading Market Positions; Growing in Accretive Markets Adventist's revenue defensibility continues to be midrange, with solid positions in multiple markets, all of which exhibit stable-to-favorable population growth trends and socioeconomic characteristics. Adventist is a multistate provider, with system operations in four states and inpatient hospital facilities located in three states: California, Oregon and Hawaii, (with one retirement facility in Washington), although the vast majority of facilities are located in California. Operating Risk – 'bbb' Improved, but Challenged Performance in Fiscal 2023; Expected Operational Progress with Robust Capex Plan The system's operating risk assessment remains midrange with the expectation of adequate cost management opportunities to continue supporting improved operating performance. In fiscal 2023 (Dec. 31), Adventist recorded an operating loss of approximately $108 million, which is significantly improved from the prior period's $241 million operating loss in fiscal 2022. Fiscal 2023's improved operating performance translated into a better 3.0% operating EBITDA margin (up from 0.3%), and is in line with management's projections. Fitch anticipates operational performance to continue to track positively and reach between 6%-7% over the next 24 months, which should be attainable.

ACCESS REPORT

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