

Financial Viability Guidance: Financial viability measures and data definitions

Measure	Ratio	Calculation	Performance Threshold	Performance Outcome	Data Definition
Operating EBITDA margin	Percentage	$\frac{C33}{(C10-C7-C5)}$	Tier 1 8% to 15% Tier 2 3% to 10% Tier 3 0% to 5%	7b	<ul style="list-style-type: none"> Operating EBITDA (Operating Earnings before interest, tax, depreciation and amortisation) / Operating Revenue Indicates the provider's profitability as a percentage of operating revenue Operating revenue excludes capital grants and non-cash income Providers with material interest bearing debt would be expected to operate at higher levels
Working capital ratio	Ratio	$\frac{(C43-C39)}{(C66-C60-C64)}$	Tier 1, 2 & 3 >1.5 times	7b	<ul style="list-style-type: none"> Current Assets less unspent capital grants / Current Liabilities less (capital grants received in advance and accommodation bonds) Indicates whether the provider has enough current assets to meet its short-term obligations when they fall due
Amended quick ratio	Ratio	$\frac{(C38+C40+C91)}{(C66-C60-C64)}$	Tier 1, 2 & 3 >1.2 times	7b	<ul style="list-style-type: none"> (Cash, Short-term investments and unused overdraft facilities) / Current liabilities less (capital grants received in advance and accommodation bonds) Indicates the provider's ability to quickly meet its short-term liabilities
Operating cash flow adequacy	Ratio	$\frac{C98}{C104}$	Tier 1 >1.20 times Tier 2 >1.05 times Tier 3 >1.00 times	7b/6a	<ul style="list-style-type: none"> Operating Cash Inflows / Operating Cash Outflows Indicates whether cash flows generated from the provider's operations are enough to pay for its ongoing expenses
Gearing ratio	Percentage	$\frac{(C57+C135+C136+C61+C62+C63+C69+C70+C137+C138+C71)}{C55}$	Tier 1, 2 & 3 <30%	7a/7b	<ul style="list-style-type: none"> Total repayable debt / Total assets Indicates how much a provider owes compared to how much it has invested
Interest cover ratio	Ratio	$\frac{C33}{C30+C31+C123+C124}$	Tier 1, 2 & 3 >1.5 times	7b	<ul style="list-style-type: none"> Operating EBITDA / Financing costs and lease interest paid Financing costs excludes loan establishment costs Indicates the provider's ability to pay the interest on its outstanding debt
Debt service-ability	Ratio	$\frac{(C57+C135+C136+C61+C62+C63+C69+C70+C137+C138+C71)}{(C33-C30-C31-C123-C124)}$	Trend analysis	7a/7b	<ul style="list-style-type: none"> Repayable debt / (Operating EBITDA less finance and lease interest costs) Indicates the provider's ability to meet its debt repayments
Debt service coverage ratio	Ratio	$\frac{C33}{(C135+C136+C61+C62+C63+C30+C31+C123+C124)}$	Trend analysis	7a/7b	<ul style="list-style-type: none"> Operating EBITDA / (Debt liabilities and finance and lease interest costs) Indicates how many times the provider's loan commitments are covered by the surpluses it generates
Cash coverage ratio	Ratio	$\frac{(C105+C101)}{(C135+C136+C61+C62+C63+C30+C31+C123+C124)}$	Trend analysis	7b	<ul style="list-style-type: none"> (Cash flow from operating activities and interest paid) / (Debt liabilities and finance and lease interest costs) Indicates how many times the provider's loan commitments are covered by the cash it generates from internal operations
Return on assets	Percentage	$\frac{C33}{C55}$	Tier 1 & 2 >=5% Tier 3 >5%	7b/6a	<ul style="list-style-type: none"> Operating EBITDA / Average total assets Indicates the profits generated from the provider's assets Dependent on asset level of provider. Less assets would normally result in a higher ROA
Cash Cost of capital	Percentage	$\frac{(C30+C31)}{C55}$	Tier 1 & 2 <=2.5% Tier 3 <2.5%	7b	<ul style="list-style-type: none"> Total finance costs / Average total assets Indicates the provider's cost of acquiring its assets Related to return on assets: should be at least 1-3% lower than return on assets. Finance costs should exclude loan establishment costs

NB: C = Consolidated Business Analysis worksheet

S = Segmented Business Analysis worksheet