

Financial Viability Guidance: Financial viability measures and data definitions

Measure	Ratio	Calculation	Performance Threshold	Performance Outcome	Data Definition
Operating EBITDA margin	Percentage	D54	Tier 1 8% to 15%	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
		(D22-D19-D17)			
Working capital ratio	Ratio	(D67-D63)	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
		(D98-D96-D90)			
Amended quick ratio	Ratio	(D62+D64+D129)	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
		(D98-D96-D90)			
Operating cash flow adequacy	Ratio	D140	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
		D146			
Gearing ratio	Percentage	(D87+D91+D92+D93+D94+D95+D101+DC102+D103+D104+D105)	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
		D85			
Interest cover ratio	Ratio	D54	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
		(D45+D46+D47+D48)			
Debt service-ability	Ratio	(D87+D91+D92+D93+D94+D95+D101+D102+D103+D104+D105)	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
		(D54-D45-D46-D47-D48)			
Debt service coverage ratio	Ratio	D54	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
		(D91+D92+D93+D94+D95+D45+D46+D47+D48)			
Cash coverage ratio	Ratio	(D148+D144)	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
		(D91+D92+D93+D94+D95+D45+D46+D47+D48)			
Return on assets	Percentage	D54	Tier 1 & 2 ≥5% Tier 3 >5%	7b/6a	<ul style="list-style-type: none"> Operating EBITDA / Average total assets Indicates how much profit is generated from the provider's assets Dependent on asset level of provider. Less assets would normally result in a higher ROA
		(C85+D85)/2			
Cash Cost of capital	Percentage	(D45+D46)	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 13% lower than return on assets. Finance costs should exclude loan establishment costs
		(C85+D85)/2			