

Nineteenth Annual Not-For-Profit Health Care Investor Conference

New York, New York

May 18, 2018

Jim Skogsbergh, President and CEO

Nick Turkal, M.D. President and CEO

Dominic J. Nakis, Chief Financial Officer

AdvocateAuroraHealth



Advocate Health Care



Aurora Health Care®

Presentation Disclaimer

This presentation is provided as of May 18, 2018 in connection with Advocate Aurora Health's ("AAH's") participation at the Nineteenth Annual Not-For-Profit Health Care Investors Conference hosted by the American Hospital Association, Healthcare Financial Management Association and Citigroup Global Markets, Inc. It has been prepared for informational purposes only. The following material and presentation contains information which is forward looking within the meaning of federal securities law and is subject to completion and amendment. If you are viewing this presentation after the date stated above, events may have occurred that have a material adverse effect on the financial information presented. These forward-looking statements are based on the current plans and expectations of AAH that, although believed to be reasonable, are subject to a number of known and unknown uncertainties and risks inherent in the operation of health care facilities, many of which are beyond AAH's control, that could significantly affect current plans and expectations and AAH's future financial position and results of operations. These forward-looking statements speak only as of the date made. Investors are cautioned not to unduly rely on such forward-looking statements. All statements other than the statements of historical fact could be deemed forward-looking. This presentation does not constitute nor does it form part of an offer to sell or purchase, or the solicitation of an offer to sell or purchase, any securities. All opinions, estimates, projections, forecasts and valuations are preliminary, indicative and are subject to change without notice. By viewing this presentation you acknowledge that you understand and agree to the provisions of this page.

THIS IS transformation

Advocate Aurora Health

By the numbers



\$11.7B
TOTAL
REVENUE

5.2%
OPERATING
MARGIN


70,000
EMPLOYEES

\$16.7B
TOTAL
ASSETS

269.7
DAYS CASH
ON HAND

16%
EBDIT %


3,300+
EMPLOYED
PHYSICIANS



27
HOSPITALS



500 OUTPATIENT
LOCATIONS
100 RETAIL
CLINICS



2.7M
UNIQUE
PATIENTS



Nearly \$2B
COMMUNITY
BENEFITS IN 2016

AdvocateAuroraHealth

AdvocateAuroraHealth: Our Purpose

We help people live well.

AdvocateAuroraHealth: Our Values

- ***Excellence*** – We are a top performer in all that we do.
- ***Compassion*** – We unselfishly care for others.
- ***Respect*** – We value the unique needs and preferences of all people.

Shared Market Assumptions

- Structural revenue slowdown/decline in core business lines
- Traditional cost management yield not sufficient
- Margin pressures continue
- Fundamentally different competitive landscape
- Growing propensity for consumer defection

Strong Strategy Alignment

Aurora 2020

Our Purpose: We help people live well

Our Aspiration: Aspire to be nationally recognized for being the **best brand**, delivering the **best value** and employing the **best people** in health care, furthering our purpose of helping people live well.



Advocate 2020

Mission, Values, Philosophy

Vision: To be a faith-based system providing the safest environment and best health outcomes while building lifelong relationships with the people we serve

Core Strategies

Transform Care Delivery, Deliver an Extraordinary Experience, Optimize Growth

2020 Aspirational Goals

Transform Care Delivery	Deliver an Extraordinary Experience	Optimize Growth
Safety ✓ Zero SSEs	Outstanding Care Experience ✓ Patient Loyalty Score of X	Patient/Member Loyalty ✓ Increase Retention to X%
Quality ✓ Top Decile Health Outcomes	Consumer-Centric Transactions ✓ Net Promoter Subscale Score of X	Scale ✓ Grow Unique Lives Served by 500,000 (33%)
Affordability ✓ Cost/Adj Discharge of X Cost/Visit of \$X	AdvocateCare ✗ 6% PMPM Margin	Accretive Growth ✓ \$60M in Operating Income from New Revenue Operating Margin of 4%

✓ Aligned
✗ Variance

AdvocateAuroraHealth

Other Sources of Alignment

- Geography between Chicago and Milwaukee = 1.3 million people.
- Similar cultures, structure, history, and strategies.
- Joint Venture of shared lab services.
- Excellent financial results – margin, balance sheet, strong partners.
- Cost/quality matrix can drive value.
- Clarity relative to in-market mergers – respect for anti-trust issues.
- Extensive thought/desire to change to status quo – benefiting the patient.

Complementary Capabilities

Advocate

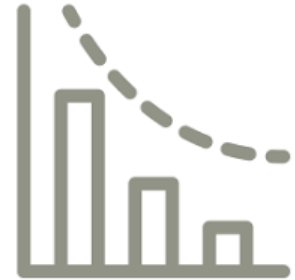
- Advocate Physician Partners
- Capitation experience
- Population health
- Excellent distribution of assets

Aurora

- Large integrated medical group
- 700 account ACO and insurance co.
- Population health
- Excellent distribution of assets

Shared Rationale: Belief in Scale

- Scale economies / synergy
- Higher tolerance for income statement volatility
- Attract and retain talent
- Assume risk
- Enhance advocacy stature
- Magnet for future growth
- Opportunities for new and creative partnerships



Merger Summary

- Full-asset merger
- Single system board of directors
 - 50/50 representation
 - Size 14 members; 12 beginning 2020
 - Self perpetuating after year 4
- Co-Ceo's
- Single executive team
- Consolidated balance sheet
- Continue existing brands



Integration Roadmap



✓ Defined integration team structure and goals

✓ Functional team on-boarding

✓ Complete

✓ In process

✓ Design, plan, and vet a set of initiatives enabled by the integration

✓ Ensure robust plans in place for broader cultural and organizational integration

On-going monitoring / tracking of execution of integration initiatives and plans

Proforma Financial Profile

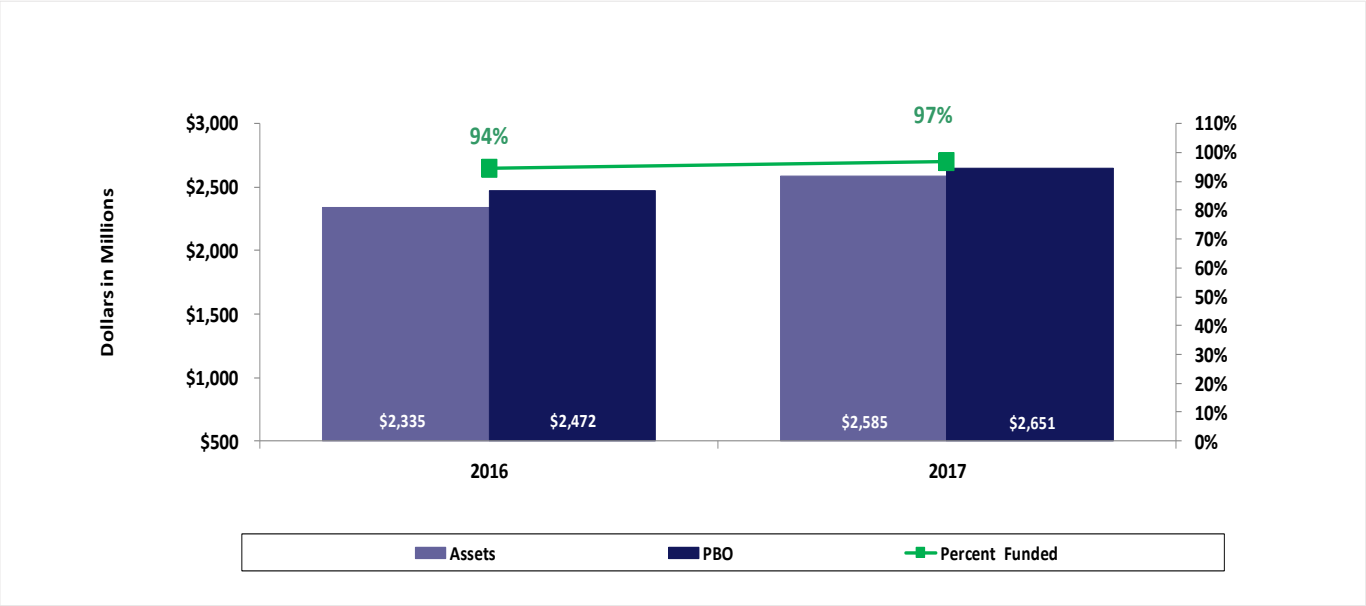
Dominic J. Nakis

Chief Financial Officer

Proforma Financial Profile

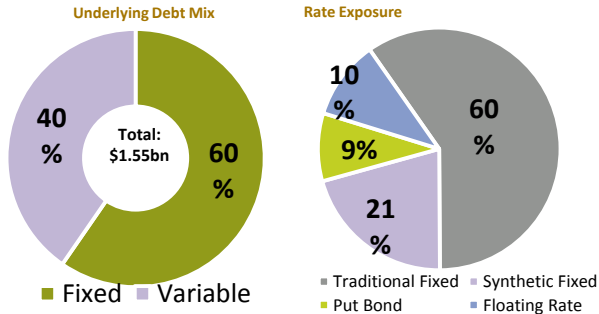
	2016	2017
Total Revenue	\$10.9 B	\$11.7 B
Net Income	\$1.0 B	\$1.2 B
Operating Cash Flow Margin	11.3%	10.2%
Net Margin	9.0%	9.9%
EBITDA Margin	14.7%	16.0%
Total Assets	\$15.5 B	\$16.7 B
Total Debt (short & long term)	\$3.2 B	\$3.1B
Cash to Debt	214%	252%
Debt to Capitalization	27.8%	24.4%
Days Cash on Hand	259	270

Pension Plans Well Funded



Legacy Capital Structures

Advocate Health Care Network



Ratings (M/S/F): Aa2 / AA+ / AA

Obligated Group: 94% of Total Revenue, 92% of Total Assets

Debt Security: Unsecured Obligation

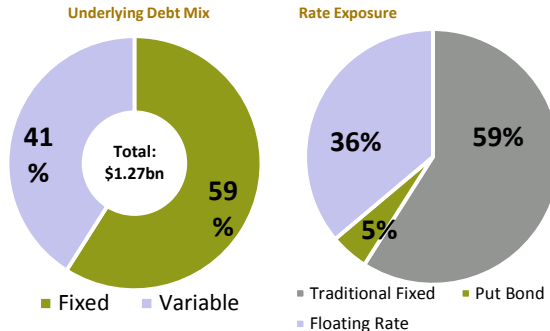
Max Annual Debt Service: \$106.6mm

Derivatives: \$318.4mm

Capital Leases: \$53.1mm

Excludes capital leases and other financing arrangements

Aurora Health Care



Ratings (M/S/F): A2 / NR / A+

Obligated Group: 71% of Total Revenue, 85% of Total Assets

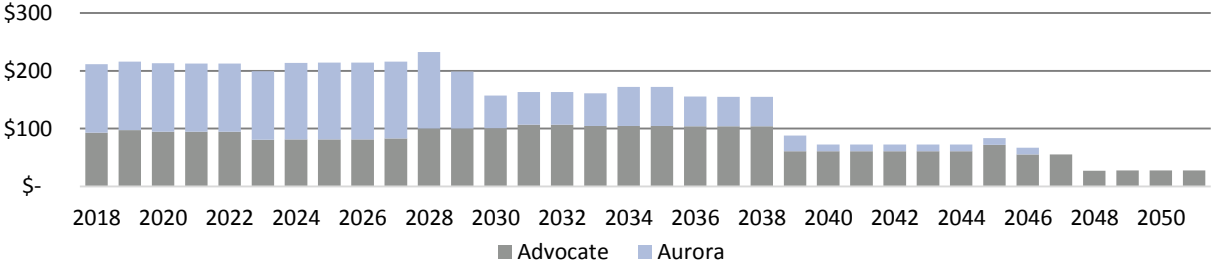
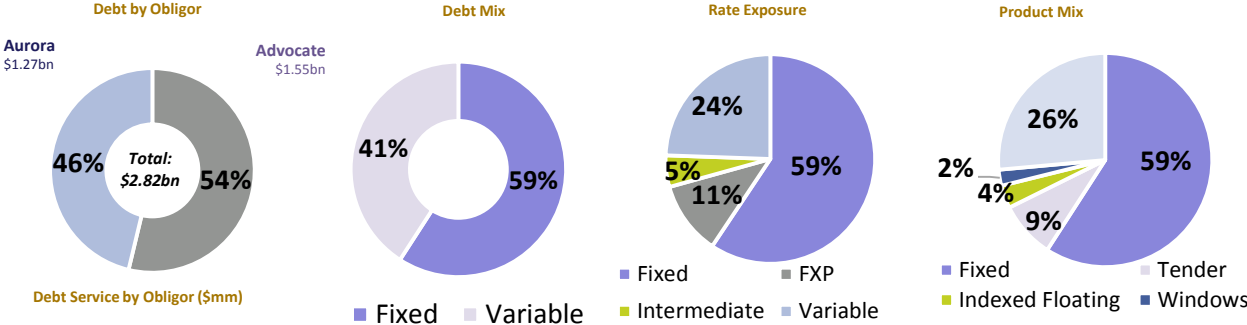
Debt Security: Limited Pledge of Gross Revenue;
Mortgage (Aurora St. Luke's); Reserve Fund (2009, 2010 bonds)

Max Annual Debt Service: \$128.4mm

Derivatives: none

Capital Leases: \$205.2mm

Capital Structure Shows Diversified Product and Interest Rate Mix, with Front-Loaded Debt Service



Capital Structure Considerations/Goals

- Combine into a single obligated group
- Mix of fixed/variable rate debt being sensitive to the risk-adjusted cost of capital
- Achieve a low, level and long maximum annual debt service profile
- Manage event risk by staggering maturities

Capital Structure Considerations – continued

- Neither Advocate nor Aurora has agreed to assume any liability for or otherwise guarantee the other party's debt as part of the transaction
- Evaluation of optimal credit structure, and any potential refinancing of all or part of existing debt, will be determined based upon market conditions, management considerations and other factors

Advocate Aurora Well Positioned

- Structured integration process to capitalize on combined strengths
- National leader in clinical innovation, health outcomes, consumer experience and value based care
- Strong brands
- Physician partnerships
- Top decile workforce engagement
- Balance sheet strength and solid operating performance