

3/20/20

Special Healthcare Real Estate Update



LAWRENCE, EVANS & CO., LLC

Investment Banking | Healthcare Finance | Consulting

It appears we are only at the beginning stages of what is shaping up to be a significant economic downturn due to the coronavirus pandemic and government-imposed isolation and self-distancing policies. These precautions have cancelled many sporting and business events crippling the business world while striking fear into the safety of the elder population with death rates north of 15%. This combined uncertainty of the economic standstill and the severity of COVID-19 have made capital market conditions challenging, and in some

| Economic Indicators | | | | |
|---------------------------------|----------------|-------------------|------------------|--------------------|
| <i>Date: 3/20/20</i> | Current | Last Month | Last Year | 1-Year Avg. |
| Federal Funds Rate | 1.25% | 1.75% | 2.50% | 2.12% |
| U.S. Treasury: 2-Year | 0.49% | 1.44% | 2.45% | 1.72% |
| U.S. Treasury: 10-Year | 0.94% | 1.61% | 2.61% | 1.90% |
| U.S. Treasury: 30-Year | 1.56% | 2.07% | 3.02% | 2.37% |
| LIBOR: 1-Month | 0.80% | 1.65% | 2.48% | 2.04% |
| LIBOR: 3-Month | 0.77% | 1.70% | 2.61% | 2.12% |
| SIFMA | 1.28% | 1.13% | 1.61% | 1.36% |
| SIFMA/LIBOR | 160.68% | 68.48% | 64.82% | 67.97% |
| SOFR | 1.20% | 1.57% | 2.40% | 2.02% |
| SIFMA Swap Rate: 10-Year | 0.95% | 1.17% | 1.94% | 1.36% |
| SIFMA Swap Rate: 20-Year | 0.98% | 1.39% | 2.20% | 1.59% |
| SIFMA Swap Rate: 30-Year | 0.97% | 1.47% | 2.31% | 1.68% |
| 30 Year MMD | 2.32% | 1.84% | 2.87% | 2.16% |

cases impossible, for healthcare real estate companies to raise equity and debt capital even while interest rates have fallen. We have seen dramatic declines in share prices across the seniors housing sector as the likely impact of the Covid-19 pandemic becomes clear. Already we hear of dropping census from fear of facility breakouts like Kirkland in Washington and staff shortages due to illness or their children home from school closings. As of this writing, shares of the largest public ALF and SNF providers have fallen from 25%-80% since January 2020 and look to fall further as the pandemic spreads. The situation is similar among the largest healthcare REITs showing declines from 40% to 75%. While these share price declines are not unexpected given the current crisis, they are exacerbated by other ongoing issues in the larger credit markets.

Liquidity has dried up as lenders prepare to retrench as significant sectors of the workforce are sidelined to social distancing. The share price of major diversified commercial real estate lenders and brokers reflects this desiccation. We have seen share price drops from 30% to 60% among this group. Even the Agency lenders Fannie Mae and Freddie Mac have seen declines of 48% and 53% respectively. The declines in the agencies is more attributable to their single-family divisions, but the drop is noteworthy none the less.

Now that we have the bad news out of the way, we recommend that seniors housing operators and owners begin to draw down on their lines of credit, establish lines of credit, and maximize payment terms and any supplier financing options available to preserve cash as the market deteriorates. Additional financing resources are available in the form of receivable financing or factoring and other asset-based lines of credit to help facilities weather this difficult time. Please contact Neil Johnson or David Opalek to discuss additional financing options for your facility or project.

Additionally, our highly experienced Special Situations Group have developed extensive relationships with specialized investors, including lenders and equity investors with particular knowledge and expertise in navigating innovative solutions to complex challenges. Moreover, we have historically worked with a broad network of skilled restructuring attorneys and hands-on, operations-focused advisors to develop the best short-term and long-term solutions for our clients, including work-out solutions with existing lenders, equity infusions, and in-court and out-of-court solutions. In the event you have a matter in mind that you would like to discuss with us, please reach out.

| Skilled | | | | | | |
|---------------------|-----------|--------------------|-------------------|--------|--------------------|--------|
| Company | Ticker | Price 3/19/2020 | Price 1/1/2020 | YTD % | Price 3/19/2019 | TTM % |
| Diversicare Health | PINX:DVCR | 1.49 | 2.20 | -32.3% | 4.09 | -63.6% |
| Ensign Group | NAS:ENSG | 35.15 | 45.37 | -22.5% | 47.48 | -26.0% |
| National HealthCare | ASE:NHC | 69.67 | 86.43 | -19.4% | 80.24 | -13.2% |
| Genesis Healthcare | NYS:GEN | 0.99 | 1.64 | -39.6% | 1.38 | -28.3% |

Source: Pitchbook Data, Inc.

| ALF/ILF | | | | | | |
|-------------------------|---------|--------------------|-------------------|--------|--------------------|--------|
| Company | Ticker | Price 3/19/2020 | Price 1/1/2020 | YTD % | Price 3/19/2019 | TTM % |
| Brookdale Senior Living | NYS:BKD | 2.04 | 7.27 | -71.9% | 6.90 | -70.4% |
| Capital Senior Living | NYS:CSU | 0.60 | 3.09 | -80.6% | 4.95 | -87.9% |
| Five Star Senior Living | NAS:FVE | 2.66 | 3.71 | -28.3% | 9.90 | -73.1% |

Source: Pitchbook Data, Inc.

| REITS | | | | | | |
|------------------------------|----------|--------------------|-------------------|--------|--------------------|--------|
| Company | Ticker | Price 3/19/2020 | Price 1/1/2020 | YTD % | Price 3/19/2019 | TTM % |
| Welltower | NYS:WELL | 40.92 | 81.78 | -50.0% | 75.27 | -45.6% |
| National Health Investors | NYS:NHI | 38.14 | 81.48 | -53.2% | 78.19 | -51.2% |
| Ventas | NYS:VTR | 19.98 | 57.74 | -65.4% | 61.08 | -67.3% |
| Sabra Health Care | NAS:SBRA | 8.01 | 21.34 | -62.5% | 18.17 | -55.9% |
| Healthpeak | NYS:PEAK | 20.08 | 34.47 | -41.7% | 30.31 | -33.8% |
| LTC Properties | NYS:LTC | 28.70 | 44.77 | -35.9% | 44.35 | -35.3% |
| CareTrust | NAS:CTRE | 12.35 | 20.63 | -40.1% | 23.13 | -46.6% |
| New Senior Investment Group | NYS:SNR | 2.05 | 7.65 | -73.2% | 5.12 | -60.0% |
| Omega Healthcare Investors | NYS:OHI | 22.27 | 42.35 | -47.4% | 35.84 | -37.9% |
| Diversified Healthcare Trust | NAS:DHC | 2.35 | 8.18 | -71.3% | 11.39 | -79.4% |

Source: Pitchbook Data, Inc.

| Others | | | | | | |
|---------------------|-----------|--------------------|-------------------|--------|--------------------|--------|
| Company | Ticker | Price 3/19/2020 | Price 1/1/2020 | YTD % | Price 3/19/2019 | TTM % |
| FNMA | PINX:FNMA | 1.57 | 3.12 | -49.7% | 2.64 | -40.5% |
| FMCC | PINX:FMCC | 1.40 | 3.00 | -53.3% | 2.50 | -43.9% |
| IX | TKS:8591 | 10.50 | 16.55 | -36.6% | 14.18 | -26.0% |
| Walker & Dunlop | NYS:WD | 42.21 | 64.68 | -34.7% | 52.97 | -20.3% |
| Marcus & Milichap | NYS:MMI | 27.11 | 37.25 | -27.2% | 39.61 | -31.6% |
| Cushman & Wakefield | NYS:CWK | 10.39 | 20.44 | -49.2% | 17.79 | -41.6% |
| Jones Lang LaSalle | NYS:JLL | 99.80 | 174.09 | -42.7% | 160.49 | -37.8% |
| CBRE Group | NYS:CBRE | 39.44 | 61.29 | -35.7% | 50.57 | -22.0% |

Source: Pitchbook Data, Inc.

Lawrence, Evans & Co., LLC. is a boutique healthcare financial advisory and investment banking firm comprised of senior level professionals who provide lead advisory services to private companies, lenders, and other parties-in-interest that are executing financial and strategic transactions. Founded in 2003, the firm provides a wide array of services such as finance and capital raising, mergers and acquisitions, management consultancy services, turnaround management and restructuring, and real estate finance and development. The firm caters to the healthcare providers and service companies (senior housing, hospital, physician services, dental, dermatology, ophthalmology, physical therapy, behavioral health, RCM, HCIT, Population Health, etc.), transportation and logistics, and business services sectors. Transactions are typically under \$250 million or \$15 million EBITDA.

| | | |
|---|--|--|
| INVESTMENT BANKING & CORPORATE FINANCE | <ul style="list-style-type: none"> • Private Company Sales • Division/Subsidiary Divestitures • Distressed Transaction Advisory | <ul style="list-style-type: none"> • Acquisition Advisory Services • Private Market Financings • LBO's and Recapitalizations |
| CONSULTING | <ul style="list-style-type: none"> • Strategic Options Analysis • Valuations & Financial Assessments • Interim CEO/CFO | <ul style="list-style-type: none"> • Strategic Planning • Organizational Reviews • Expert Testimony & Opinions |
| TURNAROUND & RESTRUCTURING | <ul style="list-style-type: none"> • Turnaround Management • Debt Restructuring/Refinancing • Orderly Liquidations | <ul style="list-style-type: none"> • Chief Restructuring Officer (CRO) • Bankruptcy Planning / 363 Sales • Receivership / Trustee |

Represented Healthcare Transactions

| | | | |
|---|---|--|---|
| <p>CCRC REFINANCE</p> <p>17,465,000 SERIES 2015A 5,120,000 SERIES 2015B</p> <p> ACTED AS ADVISOR</p> | <p>SKILLED NURSING AND ASSISTED LIVING PORTFOLIO</p> <p>MIDWEST</p> <p>\$35,000,000 MULTI-FACILITY REFINANCING</p> <p> ACTED AS ADVISOR</p> | <p>SKILLED NURSING FACILITY</p> <p>MICHIGAN</p> <p>\$4,000,000 REFINANCING TERM NOTE & REVOLVER</p> <p> ACTED AS ADVISOR</p> | <p>125 ACRES OF LAND</p> <p>CITY OF LOS ANGELES</p> <p>REAL ESTATE ACQUISITION FINANCING</p> <p> ACTED AS ADVISOR</p> |
| <p>ACUTE CARE HOSPITAL TEXAS</p> <p>ACQUISITION CAPITAL PRIVATE PLACEMENT SENIOR AND SUB-NOTE WORKING CAPITAL LINE</p> <p> ACTED AS ADVISOR</p> | <p>SOUTHEASTERN US HOSPITAL OPERATOR</p> <p>\$65,000,000 3 HOSPITALS</p> <p> ACTED AS ADVISOR</p> | <p>\$70MM MIDWEST SPECIALTY WAREHOUSE, BROKERAGE, TRUCKING</p> <p>BUY-SIDE SEARCH</p> <p> ACTED AS ADVISOR</p> | <p></p> <p>HYATT house</p> <p>175 ROOM \$18,026,000</p> <p>NON-RECOURSE HOTEL CONSTRUCTION LOAN</p> <p> ACTED AS ADVISOR</p> |

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