



# INSTITUTIONAL INVESTOR PANEL

## PRESENTED BY

**Andrew Dialynas**  
Analyst  
Capital Research & Management

**Margaret Johnson**  
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Fitch Ratings

**Paul Rizzo**  
Director  
Deutsche Bank

**Rich Scanlon**  
Senior Managing Director  
Ziegler

# OBJECTIVES

- To share trends from the fixed-rate, tax-exempt bond market in senior living.
- To engage in dialogue with institutional investors with keen insight into the not-for-profit senior living sector.
- To identify key takeaway for providers looking to enter the market in the future and manage existing relationships with institutional investors and credit rating agencies.

# AGENDA

TOPIC 1: INTRODUCTION

TOPIC 2: INVESTOR PERSPECTIVE: CAPITAL GROUP

TOPIC 3: INVESTOR PERSPECTIVE: DEUTSCHE BANK

TOPIC 4: FITCH RATINGS PERSPECTIVE

QUESTIONS & ANSWERS

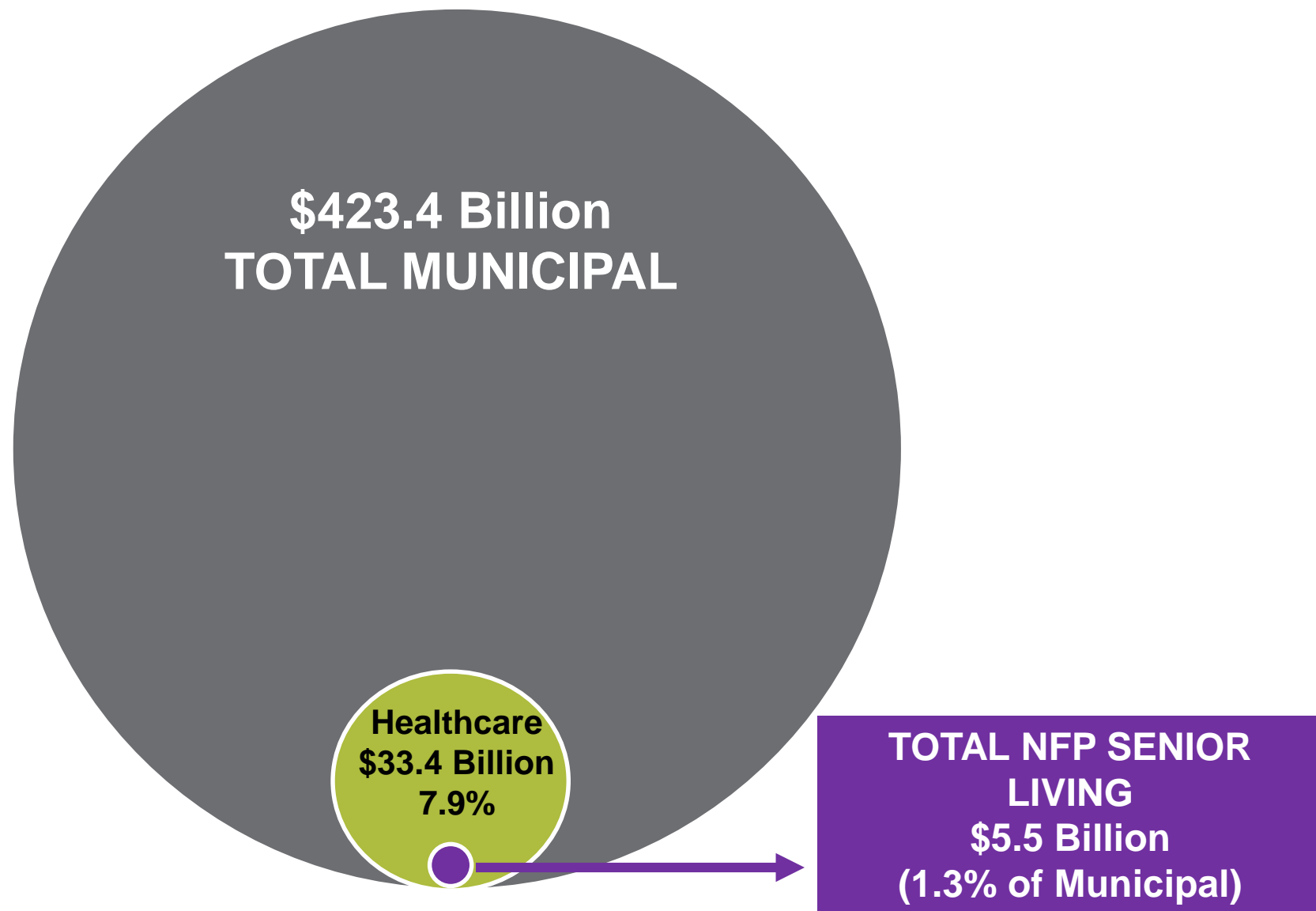


TOPIC 1

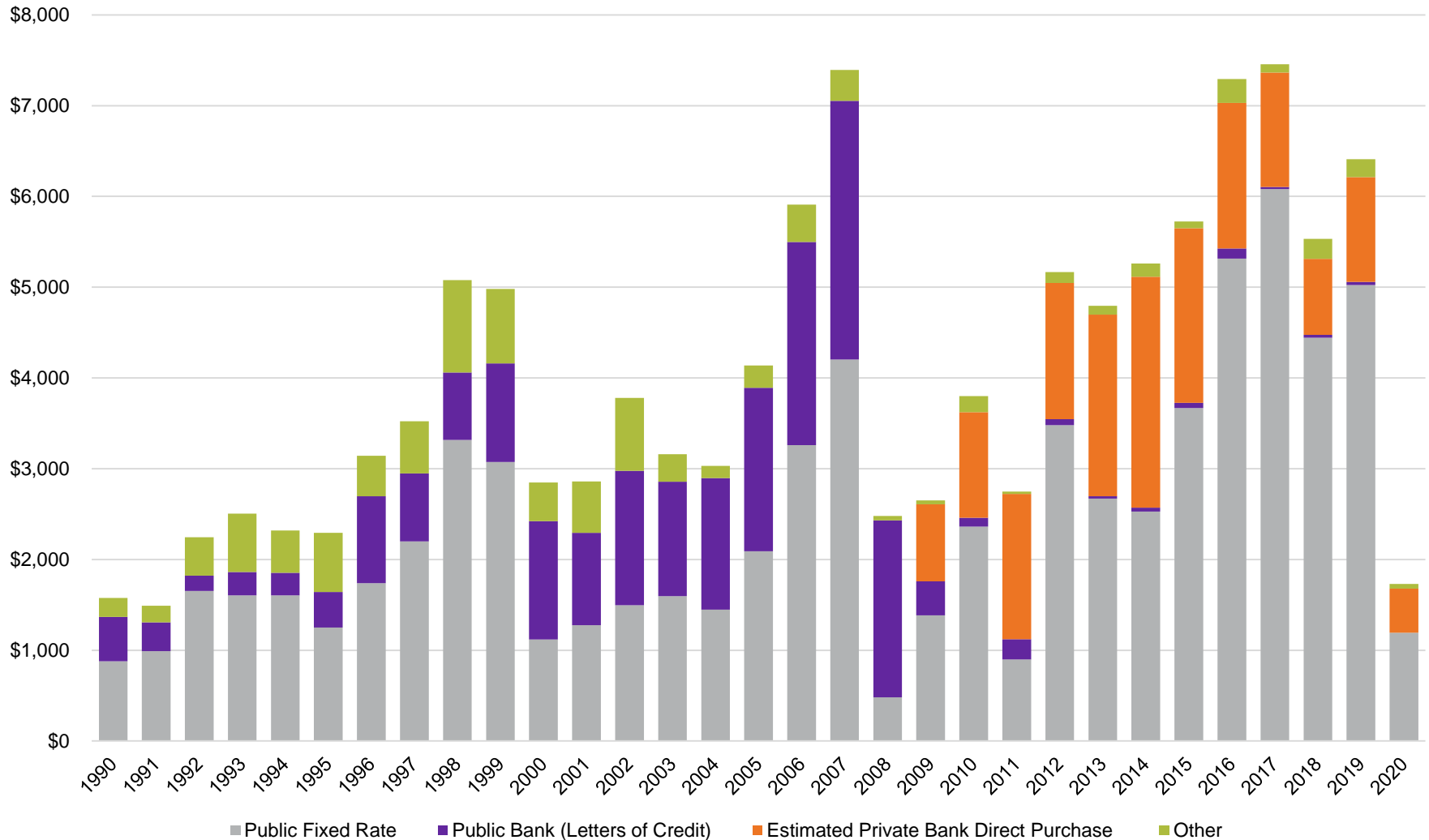
# INTRODUCTION

**Rich Scanlon**  
Senior Managing Director  
Ziegler

## MUNICIPAL VOLUME (2019)



# NOT-FOR-PROFIT SENIOR LIVING FINANCINGS ALL STRUCTURES



Source: Refinitiv data; and Ziegler Investment Banking, Volume & Other Bank Credit Estimates thru 9/11/20

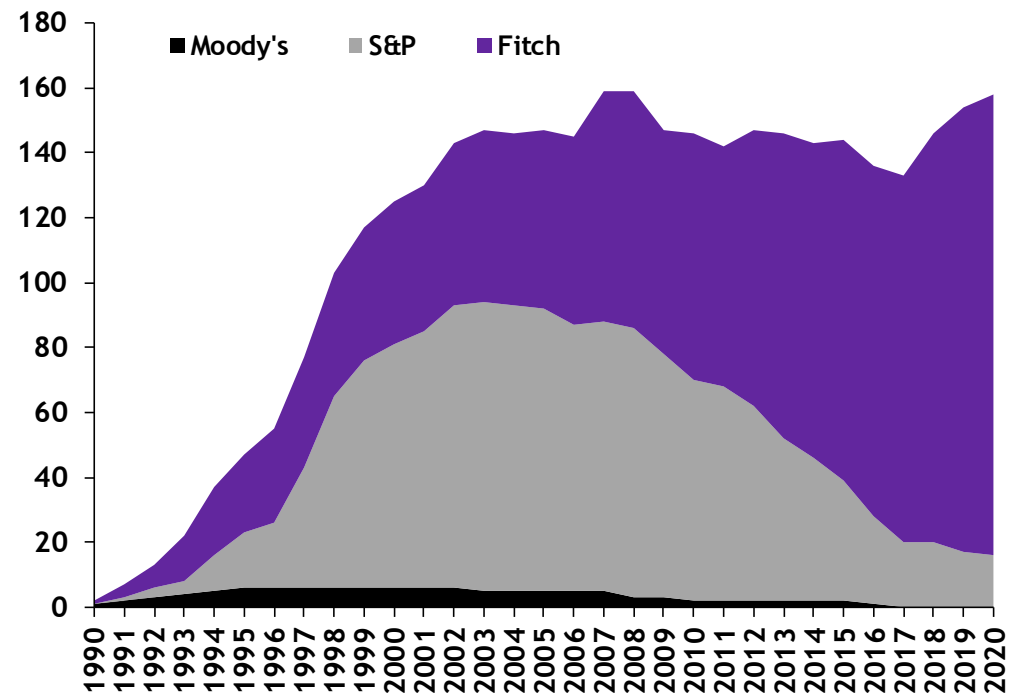
# NON-PROFIT SENIOR LIVING CREDIT RATING TRENDS

- Compared with one year ago, the sector experienced a net loss of one rating; there are also two less organizations rated by multiple rating agencies.

Rated Bond Issues Through 9/11/20		ICR/IDR/IGR
Fitch	142	15
S&P	16	3
Moody's	0	0
	*158	**17
*2 organizations have debt rated by more than one rating agency. Therefore, there are a total of 156 organizations with fixed rate rated debt.		

- All of these agencies publish guidelines for their ratings
- CARF, Fitch & S&P publish rating category medians for key ratios

NON-PROFIT SENIOR LIVING CREDIT RATING TRENDS  
CUMULATIVE SENIOR LIVING RATINGS



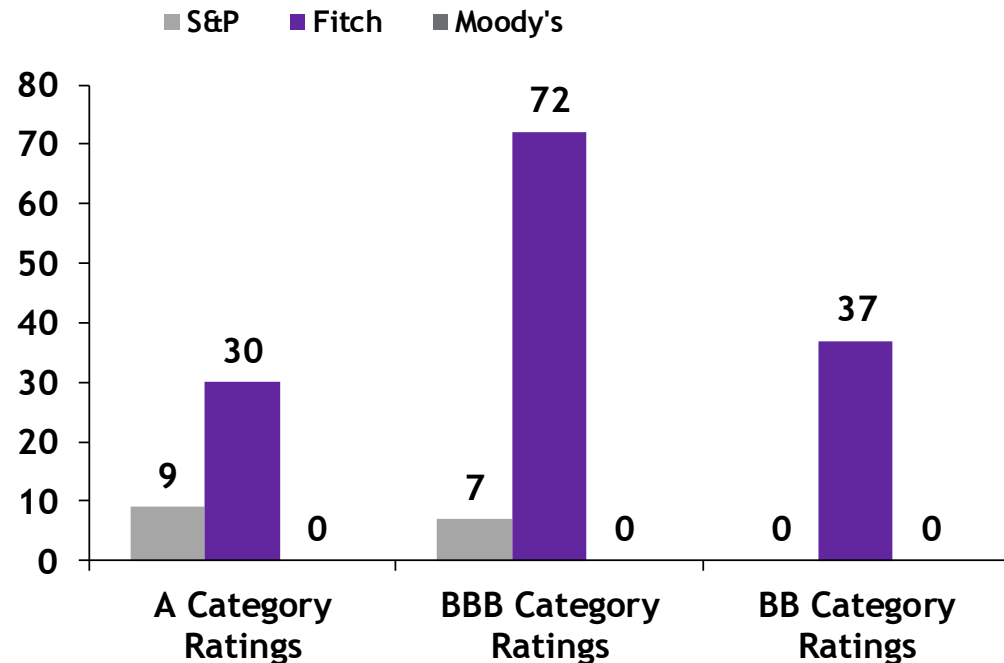
\*\*S&P ICR=Issuer Credit Rating / Fitch IGR=Implied General Revenue Rating & IDR=Issuer Default Rating  
Ratings assigned at the provider's request after fixed rate debt has been paid.

# NON-PROFIT SENIOR LIVING CREDIT RATING TRENDS

- Roughly 20% of LPCs are rated

Rating Categories	
"A"	39
"BBB"	79
"BB"	37
Total	155

Ratings Distribution by Category



Note: three category 'B' Ratings excluded from above total



## NON-PROFIT SENIOR LIVING CREDIT RATING TRENDS INCREMENTAL UPGRADES AND DOWNGRADES (2000 YTD)

- Upgrades have lagged strong financial performance of many Life Plan Communities
- Growth with debt has resulted in downgrades or maintenance of a rating that might have been upgraded
- Recent Downgrades
  - Underperformance on new projects
  - Decline in investment performance

# of New Debt Ratings Per Year																					
	11	7	13	9	6	6	13	14	7	1	15	2	11	11	4	9	11	9	10	7	5
Upgrades						✓										✓					
						✓	✓				✓			✓		✓	✓				
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	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Downgrades	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
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# CURRENT INTEREST RATES (SENIOR LIVING)

## Senior Living Interest Rate Ranges Tax-Exempt Revenue Bonds (1)

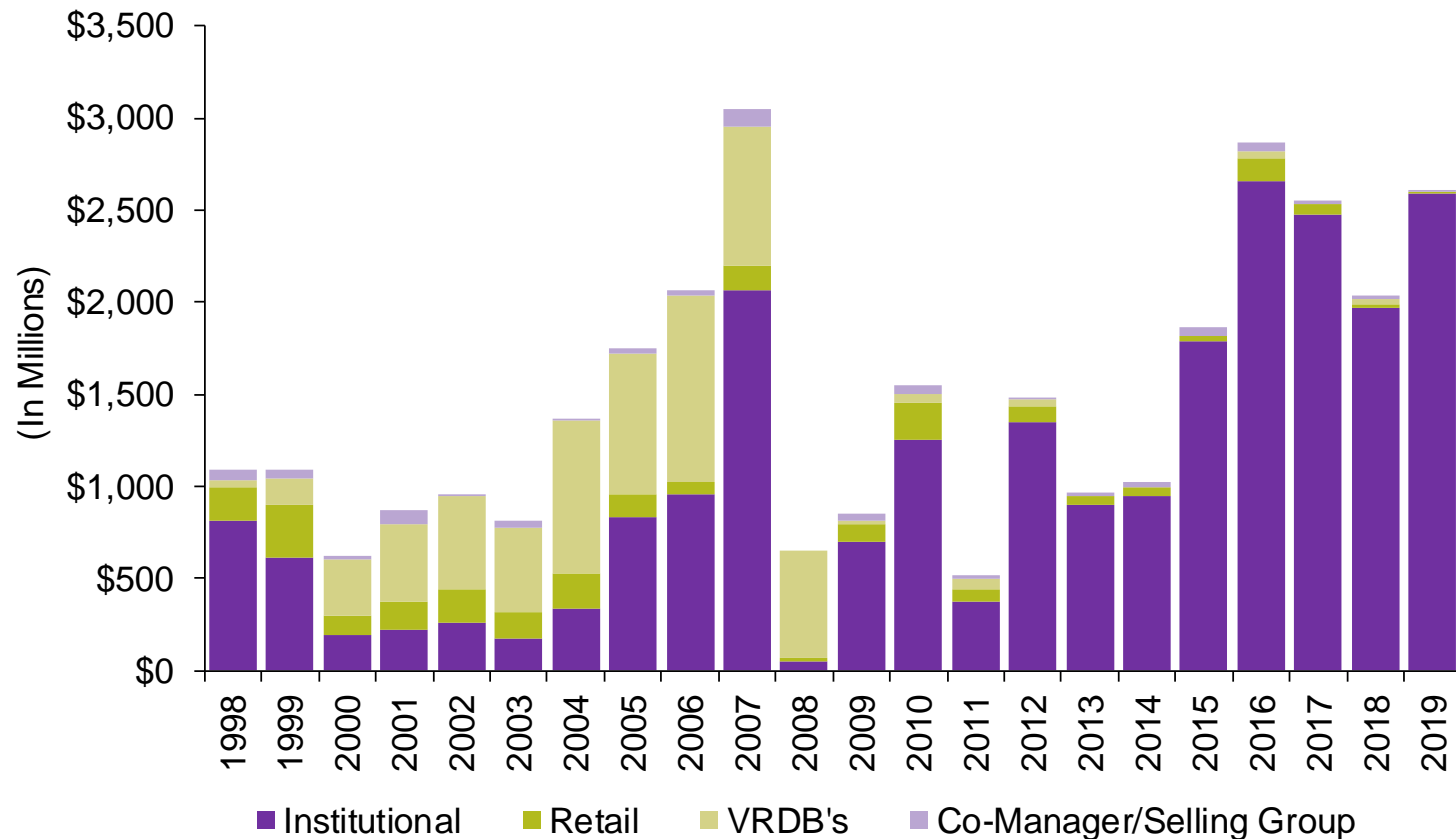
SENIOR LIVING FINANCING STRUCTURES (1) (Insurers Ratings: Fitch/S&P/Moody's)	AVERAGE LONG- TERM INTEREST RATE RANGES (2)	CREDIT ENHANCEMENT	AVERAGE RATE SPREAD TO "AAA" MARKET	SPREAD TO REVENUE BOND INDEX
Unrated - New Campuses	6.500% - 7.500%	--	+ 492 to + 592	+ 386 to + 486
Unrated - Existing Stable Communities	4.500% - 5.500%	--	+ 292 to + 392	+ 186 to + 286
"BB" Rated (Fitch, S&P or Moody's)	4.000% - 4.500%	--	+ 242 to + 292	+ 136 to + 186
"BBB" Rated (Fitch, S&P or Moody's)	3.500% - 4.000%	--	+ 192 to + 242	+ 86 to + 136
"A" Rated (Fitch, S&P or Moody's)	2.500% - 3.500%	--	+ 92 to + 192	+ -14 to + 86
"AA" Rated (FHA)	2.000% - 2.500%	0.50%	+ 92 to + 142	+ -14 to + 36
"AAA" Rated (FHA)	2.000% - 2.000%	0.65%	+ 107 to + 107	+ 1 to + 1

- 1) Non-state specific
- 2) Long-term (30-35 Yr), fixed rate

# BOND DISTRIBUTION CHANNELS

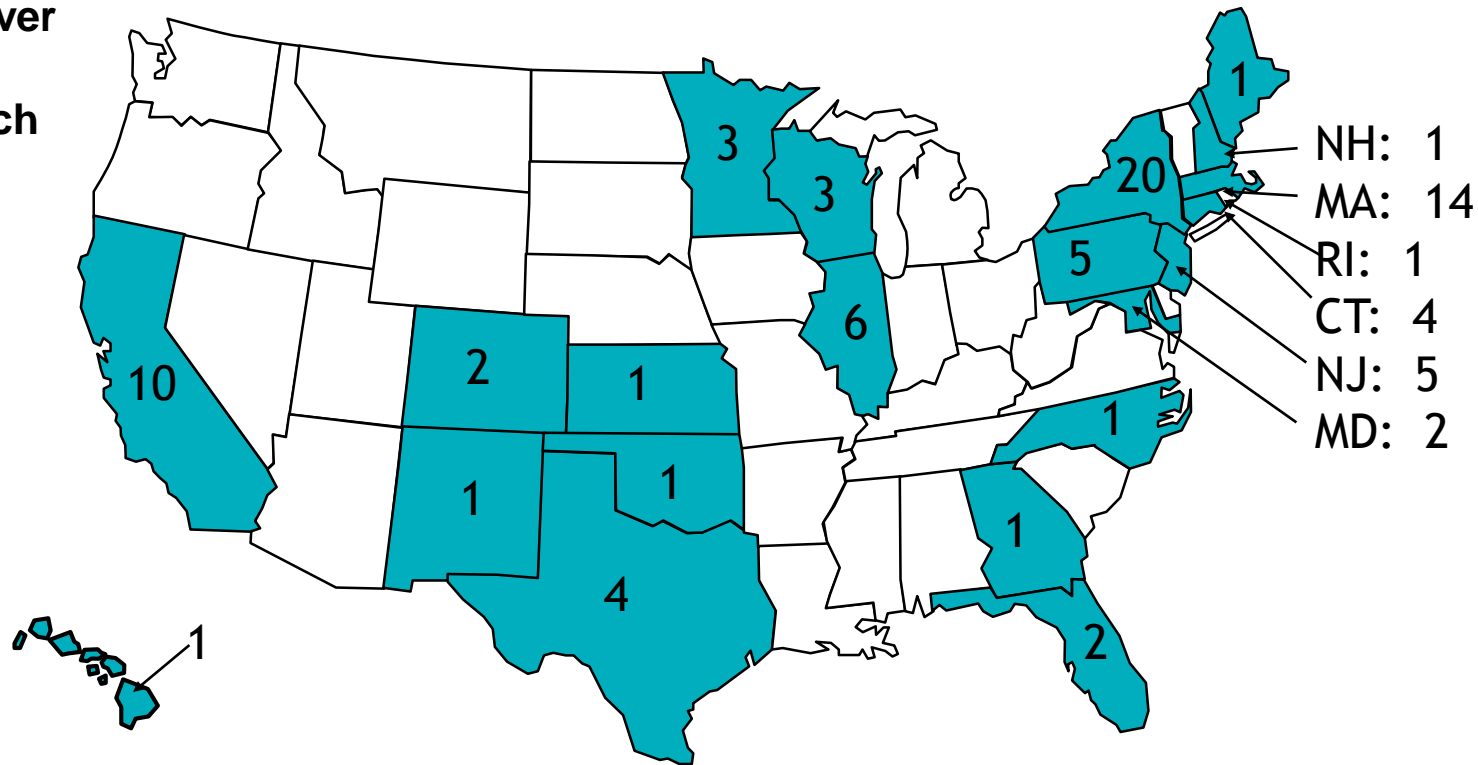
## ZIEGLER'S SENIOR LIVING VOLUME

**Par Amount of Senior Living Bonds**

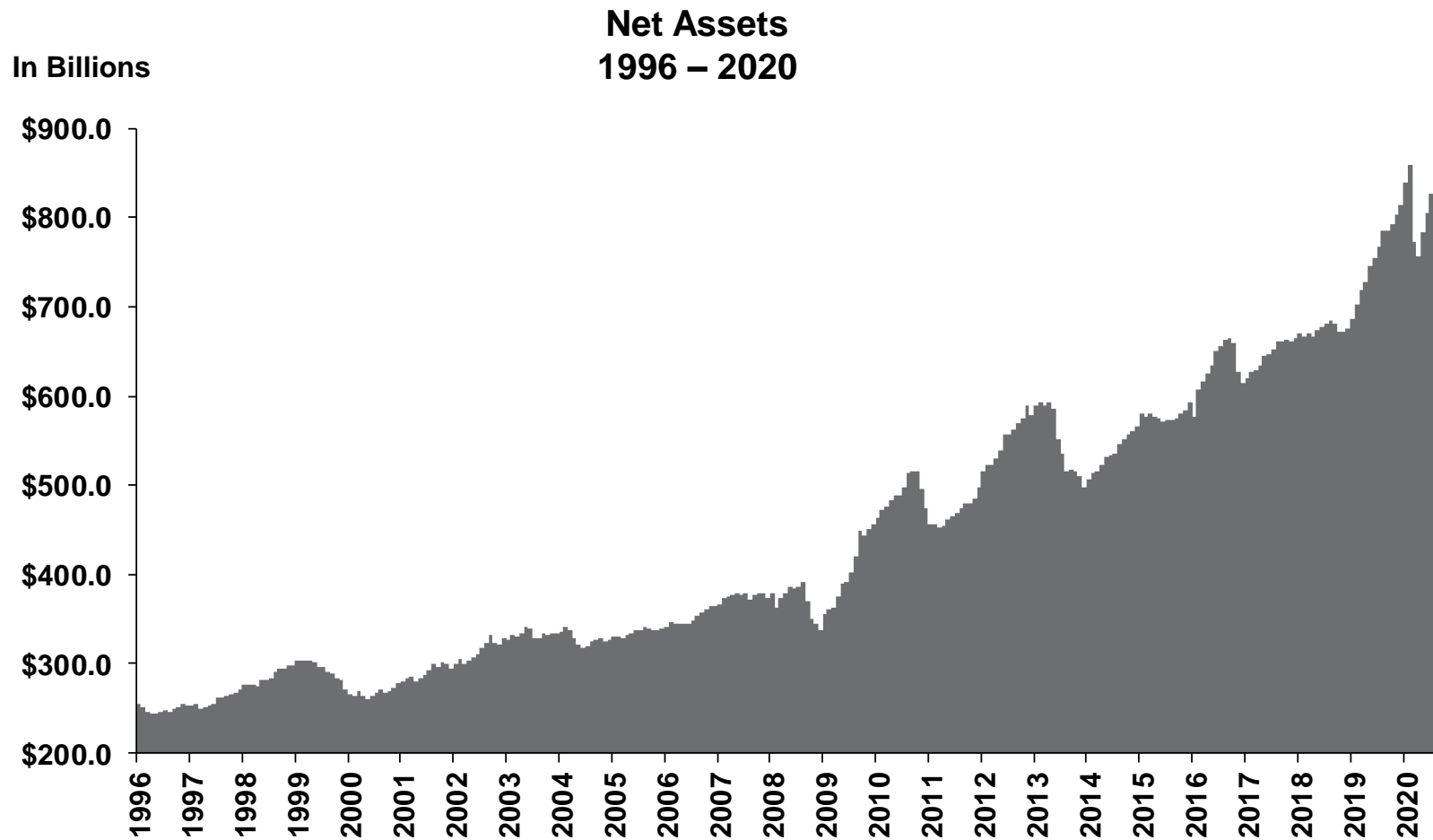


# ACTIVE INSTITUTIONAL PURCHASERS OF SENIOR LIVING DEBT

- Ziegler covers over 300 institutional accounts of which the majority are buyers of tax-exempt senior living bonds.
- The chart is the location of the most active 80+



# CHANGES IN MUNICIPAL BOND FUND ASSET VALUES

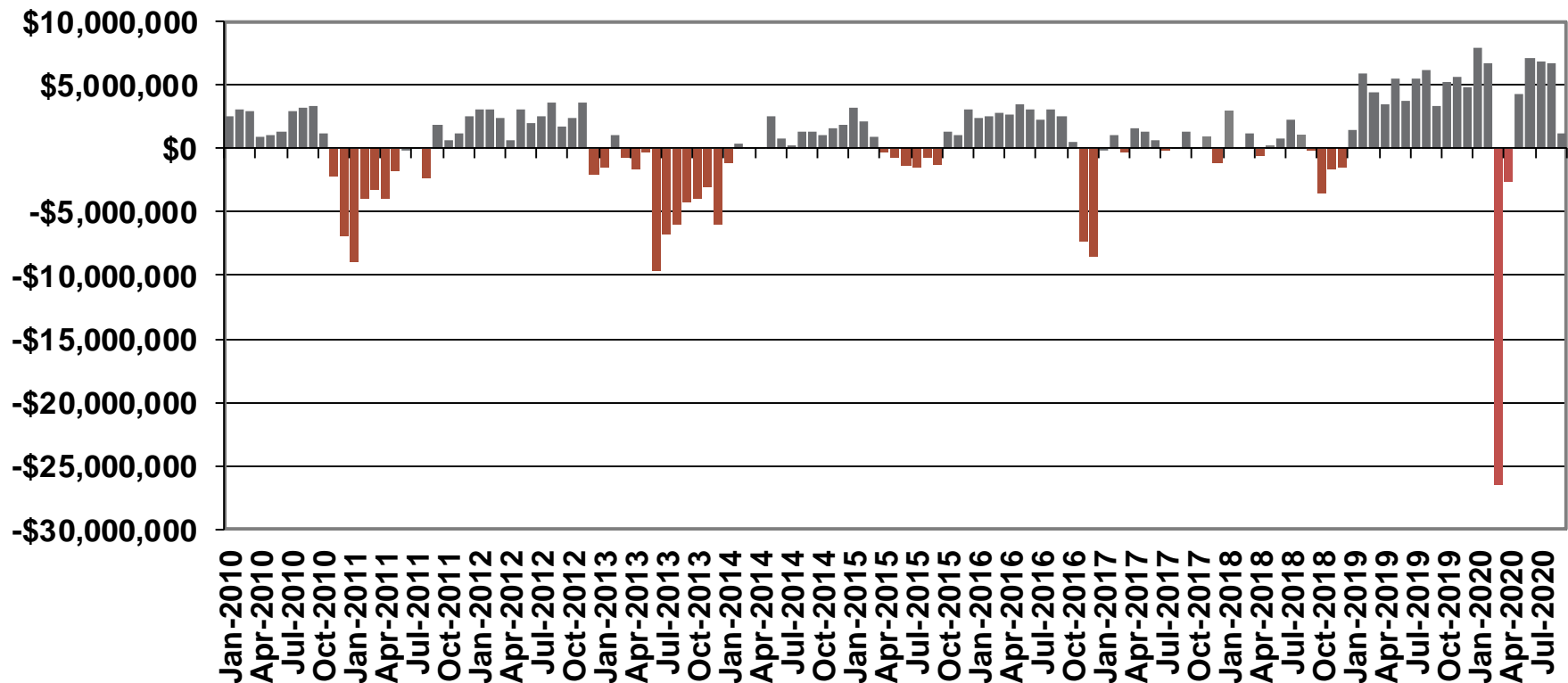


# ALL MUNICIPAL BOND FUNDS: INFLOWS/OUTFLOWS MONTHLY

## All Municipal Bond Funds Monthly In/Outflows

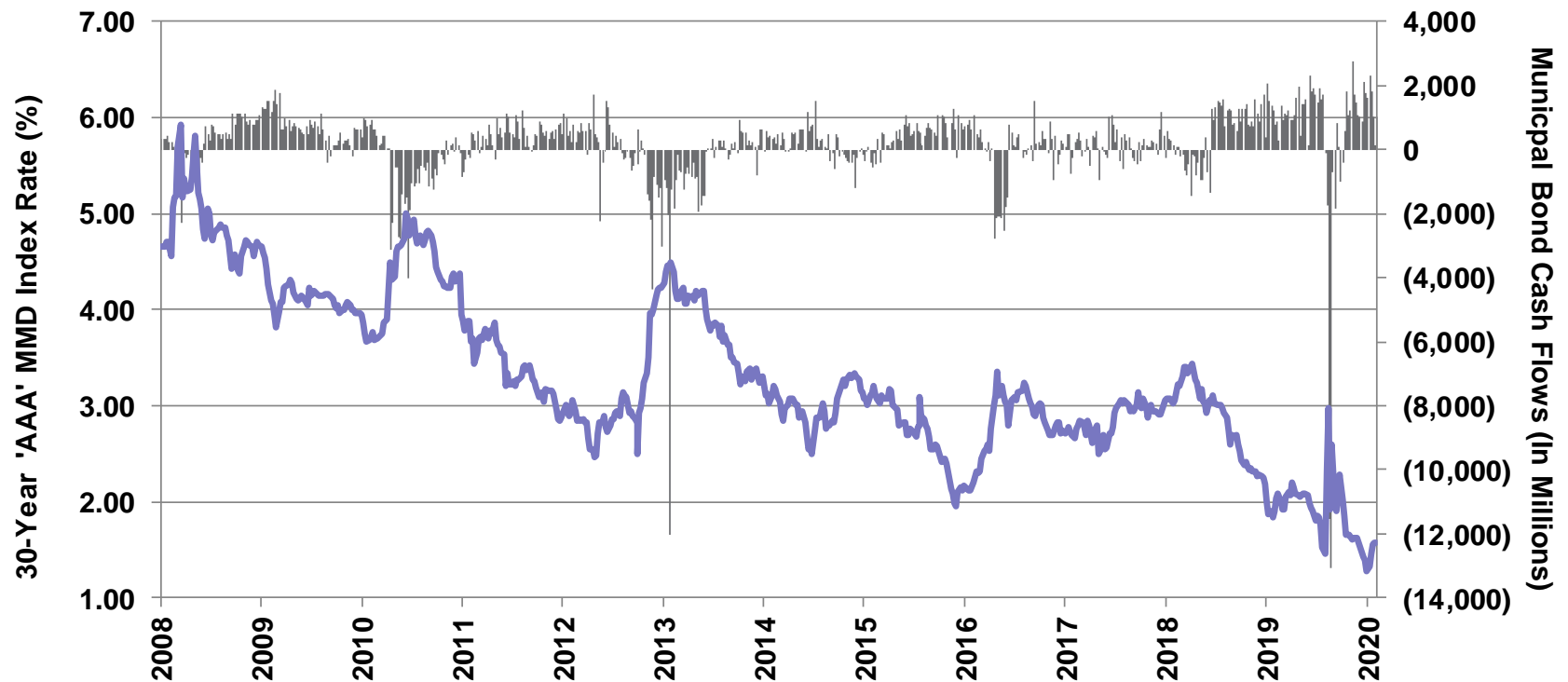
Muni funds report net cash inflows in aggregate for the month of August at +\$6.8B; September to date: \$1.4B

In/Outflows (000s)



# CHANGES IN MUNICIPAL BOND FUND CASH FLOWS

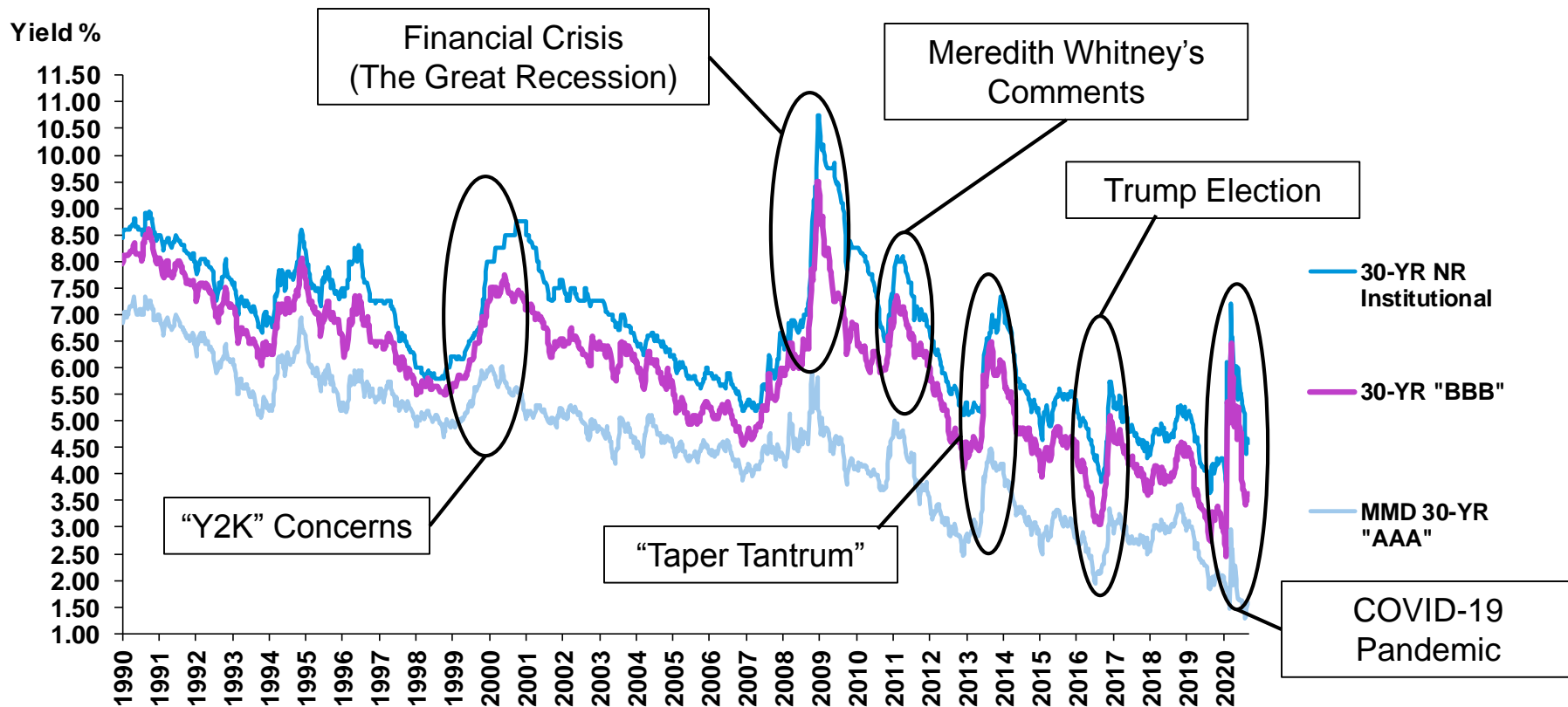
Municipal Bond Fund Cash Flows vs. 30-Year MMD (Weekly)



# HISTORICAL INTEREST RATES (SENIOR LIVING)

30-Year NR Institutional vs MMD 30-Year "AAA"  
(1990 YTD - Weekly)

	30-Year NR Institutional	30-Year "BBB"	MMD 30-Year "AAA"
Minimum:	3.64%	2.45%	1.28%
Maximum:	10.75%	9.50%	7.35%
Average:	6.70%	5.96%	4.56%
Current:	4.58%	3.58%	1.58%







## TOPIC 2

# INVESTOR PERSPECTIVE: CAPITAL GROUP

**Andrew Dialynas**

Analyst

Capital Research & Management



## TOPIC 3

# INVESTOR PERSPECTIVE: DEUTSCHE BANK

**Paul Rizzo**  
Director  
Deutsche Bank



## TOPIC 4

# RATING AGENCY PERSPECTIVE

**Margaret Johnson**  
Director, LPCs  
Fitch Ratings



# FITCH RATINGS UPDATE ON LIFE PLAN COMMUNITIES

- **Sector Outlook Revised to Negative, But No All Encompassing Rating Action**
  - » Most rating actions year-to-date have been affirmations with Stable Outlooks. Negative rating actions have outpaced positive rating actions, as expected.
  - » Fitch's rated portfolio of LPCs entered the pandemic with improved financial cushions and emergency stimulus funding has largely offset near-term revenue and expense pressures.
  - » Occupancy pressure remains primarily in skilled nursing, due to reduction in acute care elective volumes translating into low post-acute rehabilitation volumes. But, these are expected to recover.
  - » ILU move-ins have been delayed, not cancelled; Pipelines are strong; Projects have filled.
- **Risks are Ahead for LPCs**
  - » Implications of prolonged economic slowdown on ability to backfill vacated ILUs and fill projects opening in 2021
  - » Long-term efficacy of virtual marketing strategies and reputational impact of COVID-19
  - » Implications of slow-to-recover elective procedures on post-acute rehabilitation volumes
  - » Longer term expense pressures from potential changes in regulations or infection control protocol

# DISCUSSION, QUESTIONS & ANSWERS



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- A registered broker dealer with SIPC & FINRA
- Ziegler provides its clients with capital raising, strategic advisory services, equity & fixed-income trading and research
- Founded in 1902, Ziegler specializes in the healthcare, senior living and educational sectors as well as general municipal finance

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