

BUILDING FOR GROWTH:

How Today's Senior Living CFO Can Meet 3 Key Challenges



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SENIOR HOUSING NEWS

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Today's senior living chief financial officer already knows:

The job has changed.

The modern senior living CFO has an increasingly expansive set of responsibilities, as all of the industry's changes over the past several years have, as expected, filtered into the CFO's role. Staffing and HR, technology and training, marketing and sales, quality of care and of course all things growth-related — it all flows back to the CFO.

The complexities of the business are on the rise and diversification necessitates a diverse CFO skill set to navigate these changes.

In this white paper, you will learn how to:



1. Evaluate available technology solutions to improve occupancy, staffing and quality



2. Expand your network of financing options for growth and project development



3. Discreetly execute a sale process to maximize price and limit knowledge of the sale



What the Right CFO Partner Brings

Access to capital, technology tools, M&A guidance and more

Today's senior living CFO needs a partner experienced in both senior care and lending who can help foster relationships with the best banks, while serving as a conduit to the top technology solutions that can enhance and expand development projects.

"CFO's need to be more proactive," says Dan Revie, Managing Director and Practice Head of Senior Housing and Care Finance at investment bank Ziegler, which specializes in the health care and senior living sectors. "They should also place a greater focus on strategy," he says, to ensure the organization is in a position of strength.

Evaluate Technology Solutions

How CFOs can identify best-in-class partners

We know that information technology often falls under the oversight of the CFO, particularly from a strategic investment standpoint. This is one of the fastest-growing subsectors within the longevity economy and Ziegler Research data has shown that tech spending increased substantially since the onset of the pandemic. The number of companies with technology solutions and platforms has grown exponentially, even just in the past 2-3 years.

It is important for CFOs to stay on top of the solutions available and to know who may be the best-in-class partners.

There are a number of ways to do this.

In addition to being aware at tradeshows and reading about innovative solutions in industry publications, reliance on insights from your partners is key. This can be accomplished by seeking feedback from peer organizations or business partners whom you trust.

As noted previously, Ziegler has strategically committed to several private equity funds, called the Ziegler Link•Age Funds, that invest in these growing companies. Additionally, there are research publications and white papers produced by companies like Ziegler that break down the marketplace and highlight key vendors across various categories.

“As a leader in the space, we try to bring the latest industry trends, statistics and information to our clients to help them make proactive decisions.”

DAN REVIE

**MANAGING DIRECTOR & PRACTICE HEAD
SENIOR HOUSING & CARE FINANCE
ZIEGLER**

One example of this is Ziegler’s 2021 white paper, *Understanding the Technology Ecosystem for Senior Living & Care: An overview of workforce solutions*. Additional resources are available that show technology adoption rates in the sector as well as technology spending trends.

The bottom line: it is important to have a strategy to scan the marketplace on an ongoing basis to evaluate technologies that can be accretive to your organization.

Your Guide to Senior Living Banks

How to expand your list of lenders

While a CFO’s responsibilities are expanding, so too is the work involved in securing capital for projects or selling buildings. These deal structures and capital sources are growing increasingly complex. For CFOs contemplating their growth plans, and exploring the best ways to finance that growth, they want a partner to contribute across four key areas:

- 1. Valuation.** Assess the company’s position and help it establish a corporate valuation model
- 2. Growth areas.** Propose a range of growth- and value-creating options for the company
- 3. Growth strategy.** Recommend options and approaches for growth
- 4. Execution.** Explain to the operator’s leadership how they can help execute the growth strategy

Operators often lack both the time and the industry knowledge to properly navigate the range of capital providers as well as the fluctuating landscape. That’s understandable. And it’s where the right partner can add significant value for CFOs.

“The lending environment is much more rigid today. Several lenders have gone pencils down on senior housing, with the primary concerns being the increased cost in the labor markets, and in general,” Revie says.

Those hikes, he notes, have resulted in margin compression of the bottom lines, building anxiety among the lenders about whether there will be sufficient cash flow to make debt service payments.

“Until some of the cost pressures, particularly labor, start to ease a bit, I think those concerns are going to remain,” Revie says.

Whether debt or equity capital, the right partner is one with the connections and data to help an operator find the best possible deal. In doing so, the operator is freed up to work on other items, such as daily financial reporting.

Along with its deep bench of experienced health care-centric professionals, Ziegler also brings original data to bear through its CFO hotline, which provides real-time feedback from CFOs across the country. Additionally, Ziegler has partnered with NIC to implement a lender survey which will be retooled and relaunched in 2023.



Finding the Right Partner for the Middle Market

The middle market in senior living has been a hot topic for several years now, and will continue to be through the end of this decade. A landmark, NIC-led study in 2019 found that by 2029, 14.4 million middle-income older adults would be in the United States, and 54% of them would lack the financial resources to pay for senior living at average market rates. That market pressure has continued to grow, with health challenges persistent in this group.

According to a NIC-led study in 2019 called “The Forgotten Middle”:

- 8% of middle-income seniors will have cognitive impairment
- 60% will have mobility limitations
- 20% will have “high needs”

Therefore, taking advantage of the middle-market demand means having the ability to simultaneously locate the need and the opportunity while also managing the health challenges.

“We want to view ourselves as an investment banker for the middle market,” Revie says



Ensuring a Confidential Process

Why a new M&A partner should help operators keep deals quiet as long as possible

The M&A process carries a crucial, soft element that is often overlooked: discretion. For senior living operators, selling or buying properties is not merely a question of making the math work. There are people in play whose lives might change as a result of any given transaction. Ziegler's ability to help operators execute deals both swiftly and quietly is a huge piece of its value proposition.

"We can work in a sell-side or buy-side advisory role, helping operators keep focus entirely on their organization, buildings, staffing, financial reporting, occupancy — all of the things that they need to do in their day job," Revie says.

Confidentiality with any given transaction is a must, but so is the ability to discreetly foster connections between potential buyers and sellers. "We do a lot to help customers navigate the dynamics of transactions themselves, but our scope of work encompasses a lot of high-level strategy and support as well," Revie says. "I think people would be surprised to know that we're one of the top M&A firms in the country."

TOP TAKEAWAYS FROM 2022 NIC

3 Takeaways for CFOs from the 2022 NIC Fall Conference

The fall conference for National Investment Center for Seniors Housing & Care (NIC) included a multitude of insights for today's senior living CFO. Here are Dan Revie's choices for the most important.

1. Be proactive. CFOs are traditionally aligned with more of an accountant or controller role, just running the numbers month after month, but a CFO's role in this environment needs to be more than that, Revie says. They must anticipate changes and be willing to take the necessary steps to adapt to them.

2. Focus on strategy. CFOs should also place a greater focus on strategy, something that looks beyond the traditional view of historical financial statements.

3. Embrace technology. Technology's role in senior living continues to grow. While CFOs don't need to be technology experts, they should be familiar with the tools that are able to help them on the technology and services side, he says.

A look at the Ziegler-NIC team

The right partner for a senior living CFO helps operators meet all roles.

"As a leader in the space, we try to bring the latest industry trends, statistics and information to our clients to help them make proactive decisions," Revie says. Ziegler Director of Senior Living Research Lisa McCracken maintains Ziegler's CFO hotline, which provides real-time feedback for CFOs around the country on some of the latest, hot-topic issues.

Then, the Ziegler Link•Age Funds provide access to technology and service resources for a variety of different operational areas.

"We're able to share what's working or what isn't working with CFOs around the country," Revie says.

Ziegler has also partnered with NIC to implement a lender survey to launch in late 2022 and early 2023. The survey will help CFOs scan the national marketplace so that they can break it into regional markets that make the most sense.

Ziegler: The senior living CFO's strategic partner and market differentiator

Today's CFO faces a number of challenges, and Ziegler is well-positioned to bring forth solutions to many of these headwinds. A well-rounded, full-service firm, Ziegler's breadth of experience and trusted approach to capital markets and proprietary investments consequently it to take the lead on health care and senior living, generating a positive impact on the communities it serves. Through its research, they have helped senior living executives weather even the most challenging circumstances, by enabling them to make key, data-driven decisions.

"Ziegler views itself as a thought leader in the industry, and we are a resource for our clients with respect to any type of financing or M&A transaction," Revie says. "We go above and beyond with our technology funds called the Ziegler Link•Age Funds, where we offer senior housing providers access to cutting-edge technology and services that can help them improve their operations."

To learn how Ziegler can do the same for you, contact them at:



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