

ZIEGLER INVESTMENT BANKING

SENIOR LIVING FINANCE Z-NEWS

FEATURED ARTICLE

FINANCIAL RATIOS FOR LIFE PLAN COMMUNITIES: 2019 UPDATES

The 2019 edition of the *CARF Financial Ratios & Trend Analysis* was just released by CARF, in partnership with Ziegler and Baker Tilly. Ziegler's own Amy Castleberry, along with representatives from Baker Tilly, have partnered with CARF International for a number of years to produce this valuable report. The 2019 edition contains data for single-site and multi-site organizations across 17 different financial ratios. Comparative information is provided based upon contract type and quartile rankings. Below are some key findings from this year's report.

- The data reveals that CARF-accredited organizations continue to demonstrate financial strength and operational stability despite some emerging operational trends that placed pressure on a few key profitability measures.
- The median Net Operating Margin (NOM) for single-site providers declined for the third consecutive year to 3.79%. While down from a high of 7.52% in 2010, it remains above the median NOM from 1996-2004. Multi-site providers saw a decline as well, coming in at 4.49% for this year's publication.
- Despite the pressure on profitability, liquidity remains strong for both multi-site and single-site organizations. The Days Cash on Hand Ratio (DCH) for multi-sites hit a record high of 341 days. The median DCH ratio for single-site providers fell to 388 days, but only second to last year's record high of 399 days.

In addition to the CARF publication, there are other reports on key ratios for Life Plan Communities that are generally released on an annual basis. Just recently, Ziegler Research released its publication *Financial Ratio Medians for Not-For-Profit Entrance Fee Continuing Care Retirement Communities*. Unlike the CARF publication, which reflects communities that have a CARF accreditation, the Ziegler Research report includes communities for which Ziegler has underwritten debt. The most recent report reflects figures for 119 not-for-profit Continuing Care Retirement Communities (CCRCs). Similar to the trend observed among CARF-accredited communities, the median NOM figure was 4.30% for fiscal year 2018, a drop from the 5.80% seen the year prior. Days Cash on Hand was slightly above the previous year's figure at 334 days, two years in a row of increases. To access the full Ziegler Research Not-For-Profit Medians report, please [click here](#).

An additional highly anticipated annual report is the *2019 Median Ratios for Nonprofit Continuing Care Retirement Communities*, prepared by FitchRatings (Fitch). This report obviously reflects communities that are investment-grade and rated through Fitch. Fitch ratios indicate solid, but lower core operating performance. The NOM decreased to 5.90% in 2018, down from 7.20% in 2017 for the investment-grade category. Below-investment grade saw a NOM decrease in 2018 to 3.80%, from 5.10% in 2017. In contrast to the patterns observed in the CARF and Ziegler Research Publications, the Fitch report identified a decrease in Days Cash on Hand, which they attribute mostly to late-2018 pressured investment performance. Despite a decrease, the investment-grade group median was a healthy 501 Days Cash on Hand in 2018. Overall, Fitch has issued a stable rating outlook for the sector, marking the 7th year in a row. Staffing challenges and pressures, particularly in the skilled nursing space, remain on Fitch's radar.

Each of these reports, as well as other benchmarking resources, present a unique universe of communities. Organizations are encouraged to utilize the respective reports as additional perspective on their own ratios, knowing that some reports may align more closely to their peer group than others.

If you are interested in further information on Ziegler, or any of the publications included in this article, please contact the Ziegler banker in your region.

LISA MCCrackEN
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SENIOR LIVING RESEARCH AND DEVELOPMENT
ZIEGLER

CARF Complimentary Webinar:

The 2019 Financial Ratios & Trend Analysis of CARF-Accredited CCRCs Webinar, offering CPE Credit, is open to everyone and will be held on Thursday, November 14, 2019 at 11:00a-12:30p CT / 12:00-1:30p ET.

Presenters are: Amy Castleberry (Ziegler), Todd Boslau (Baker Tilly), Tim Myers (Ingleside).

Please register here: <https://go.bakertilly.com/btcarf119>

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CAPITAL :: INVESTMENTS :: ADVICE

NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

AS OF OCTOBER 24, 2019

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
The Forest at Duke (NC)	Fitch	A Stable	Upgraded IDR Revised Outlook	10/21/19
El Castillo Retirement Residences (NM)	S&P	NR	Withdrew Rating	10/23/19
Still Hopes (SC)	Fitch	BB Stable	Affirmed Rating	10/23/19
Lifespace Communities (IA)	Fitch	BBB Stable	Assigned Rating Affirmed Rating	10/24/19
Peconic Landing at Southold (NY)	Fitch	BBB- Stable	Assigned Rating Affirmed Rating	10/24/19

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*IDR - Issuer Default Rating (FitchRatings)

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INTEREST RATES/YIELDS

(AS OF OCTOBER 18, 2019)

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	2.05%	1.92%	2.56%
Senior Living 30-Yr "A"	3.05%	2.92%	3.43%
Senior Living 30-Yr "BBB"	3.25%	3.12%	3.72%
Senior Living Unrated	4.15%	4.02%	4.55%
Senior Living New Campus	6.00%	6.00%	6.44%
SIFMA Muni Swap Index	1.29%	1.49%	1.55%

	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
*ZSLMLB Index	4.29%	4.28%	2.25%

*Ziegler Senior Living Municipal Long Bond Index

Source: Ziegler Capital Markets

FEATURED FINANCINGS


PRESBYTERIAN MANORS, INC.
Wichita, Kansas

City of Wichita, Kansas,
Health Care Facilities Revenue Bonds,
Series III, 2019

\$47,765,000

MARKET COMMENTARY

FROM A CAPITAL MARKETS PERSPECTIVE

Last week in equities, the S&P 500 and the NASDAQ rose slightly for the second week in a row while the Dow slipped. The weekly moves were small--less than 1%--as Tuesday's rise was largely offset by a decline on Friday. The S&P 500 remained more than 1% below its record high set in late July. Earnings season got off to a shaky start, as the five-dozen major companies that reported results through Thursday posted a 5.4% earnings decline compared with last year's third quarter, according to FactSet¹. Several executives said the U.S. dollar's recent strength hurt international results. Overall, quarterly earnings are expected to decline 4.6%.

An index of U.S. indicators showed the economy continued to grow last month, but at a slower pace than in previous months. Five of 10 indicators in the Conference Board's Leading Economic Index for the U.S. were positive, but September's overall growth rate was down compared with the previous month. A forecast from the International Monetary Fund projects that global economic growth will decline to around 3% this year, which would be the smallest gain since 2009. The IMF expects that tariffs resulting from global trade disputes will shave as much as \$700 billion from global economic output.

In fixed income, a bond market indicator that flashed warning signs about prospects for an economic recession has returned to a more normal level in recent weeks. In late August, the yield of the 10-year U.S. Treasury slipped below that of the 2-year note—a rare instance of yield curve inversion. But the 10-year yield has since climbed 18 basis points above that of the 2-year yield. The 10-year Treasury bond yield rose to around 1.755% on Friday, up from 1.70% a week earlier. In Munis, yields matched treasury movements. The 10-Year and 30-Year MMD each increased 7 bp's from 1.40% to 1.47% and 2.00% to 2.07% respectively. The tax-exempt bond funds saw an inflow of approximately \$1,203.36 million.

ADAM BUCHANAN

SENIOR VICE PRESIDENT

¹ FactSet. Earnings Insight, Key Metrics, (10/18/2019)*See pages 4-5 for current market rates.**Market and other data within this report derived from Bloomberg and other sources deemed to be reliable.*

MARKET REVIEW

MONEY MARKET RATES

	10/18/19	1 WEEK AGO	1 MONTH AGO	1 YEAR AGO
Prime Rate	5.00	5.00	5.00	5.25
Federal Funds (weekly average)	1.85	1.80	2.08	2.17
90 Day T-Bills	1.66	1.66	1.90	2.26
30-Day Commercial Paper (taxable)	1.87	1.90	2.06	2.27
Libor (30-day)	1.84	1.92	2.04	2.28
7 Day Tax-Exempt VRDB	1.29	1.40	1.47	1.57
Daily Rate Average	1.22	1.37	1.45	1.57

COMPARATIVE YIELDS

TAXABLE REVENUE

	GOVT	A		MMD	NR*	BB	BBB	A	AAA
1 Year	1.56	2.16	1 Year	1.12	2.82	2.52	1.92	1.57	1.42
5 Year	1.56	2.61	5 Year	1.13	2.93	2.68	2.13	1.83	1.53
7 Year	1.65	2.90	7 Year	1.25	3.25	2.95	2.30	2.10	1.70
10 Year	1.74	3.54	10 Year	1.45	3.55	3.25	2.65	2.45	1.90
30 Year	2.24	4.04	30 Year	2.05	4.15	3.85	3.25	3.05	2.50

(* Representative of institutional sales)

TAX-EXEMPT MARKET INDICATORS

	THIS WEEK	LAST WEEK	CHANGE	2019 HIGH	LOW
Bond Buyer					
20 Bond Index	2.70	2.59	+0.11	4.24	2.59
11 Bond Index	2.24	2.13	+0.11	3.71	2.13
Revenue Bond Index	3.18	3.07	+0.11	4.71	3.07
30 Year MMD	2.05	1.92	+0.13	3.11	1.84
Weekly Tax-Exempt Volume (Bil)	7.70	4.47	+3.23	9.36	0.20
30 Day T/E Visible Supply (Bil)	12.62	11.49	+1.13	12.62	.93
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	136.77	133.33	+3.44	145.27%	109.21%

INTEREST RATE COMPARISON

DATE	7-DAY T/E VRDB	PRIME RATE	FED FUNDS WEEKLY AVG.	13-WEEK T-BILL RATE	C.P.RATE TAXABLE	LIBOR (30-DAY)	30-YEAR T/E BONDS (A-AAA)		
10/18/19	1.29	5.00	1.85	1.66	1.87	1.84	3.05	-	2.50
10/11/19	1.40	5.00	1.80	1.66	1.90	1.92	2.92	-	2.37
10/04/19	1.49	5.00	1.85	1.71	1.90	1.99	2.92	-	2.37
09/27/19	1.58	5.00	1.83	1.77	1.92	2.03	3.01	-	2.46
09/20/19	1.47	5.00	2.08	1.90	2.06	2.04	3.08	-	2.53
09/13/19	1.31	5.25	2.10	1.94	2.05	2.03	3.03	-	2.48
09/06/19	1.28	5.25	2.11	1.95	2.03	2.04	2.60	-	2.05
08/30/19	1.35	5.25	2.11	1.98	2.02	2.10	2.54	-	1.99
08/23/19	1.36	5.25	2.10	1.94	2.02	2.14	2.61	-	2.06
08/16/19	1.35	5.25	2.11	1.87	2.07	2.18	2.57	-	2.02
08/09/19	1.32	5.25	2.10	1.99	2.11	2.20	2.71	-	2.16
08/02/19	1.40	5.25	2.28	2.05	2.18	2.24	2.89	-	2.34
07/05/19	1.49	5.50	2.38	2.17	2.36	2.39	2.97	-	2.47
06/07/19	1.40	5.50	2.37	2.26	2.38	2.41	3.03	-	2.53
05/03/19	2.12	5.50	2.42	2.41	2.42	2.48	3.23	-	2.73
04/05/19	1.48	5.50	2.40	2.42	2.47	2.47	3.40	-	2.90
03/01/19	1.74	5.50	2.40	2.43	2.43	2.49	3.88	-	3.43
02/01/19	1.43	5.50	2.40	2.39	2.40	2.51	4.02	-	3.47
01/04/19	1.63	5.50	2.40	2.42	2.47	2.52	3.93	-	3.38
12/07/18	1.65	5.25	2.19	2.39	2.30	2.38	4.08	-	3.55
11/02/18	1.61	5.25	2.18	2.25	2.25	2.31	3.83	-	3.38
10/05/18	1.53	5.25	2.16	2.21	2.21	2.28	4.11	-	3.76

Market and other data within this report derived from Bloomberg and other sources deemed to be reliable.