

ZIEGLER INVESTMENT BANKING

# ZIEGLER NFP SENIOR LIVING BORROWER UPDATE

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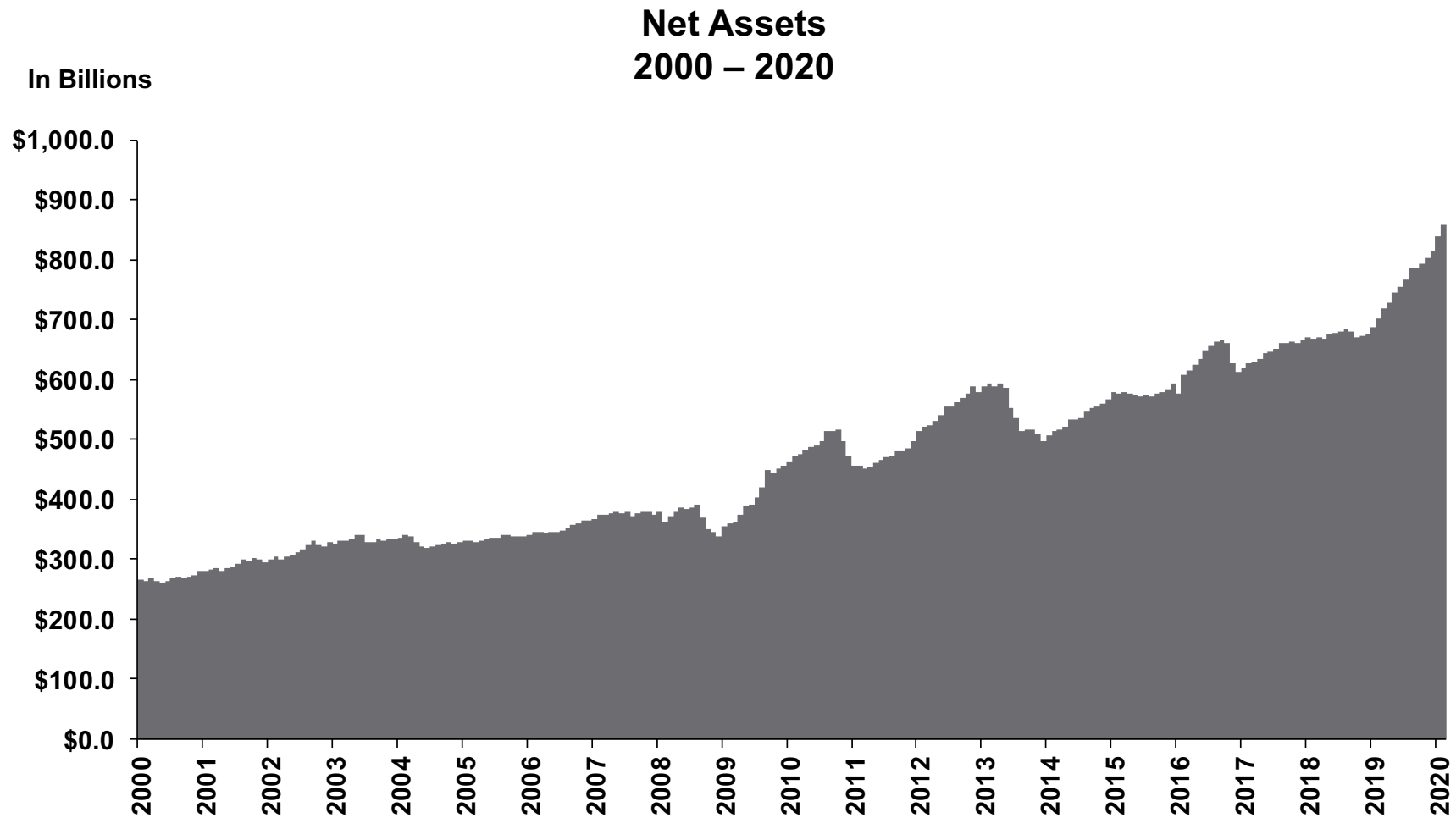
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# CURRENT MARKET OVERVIEW

# CHANGES IN MUNICIPAL BOND FUND ASSET VALUES

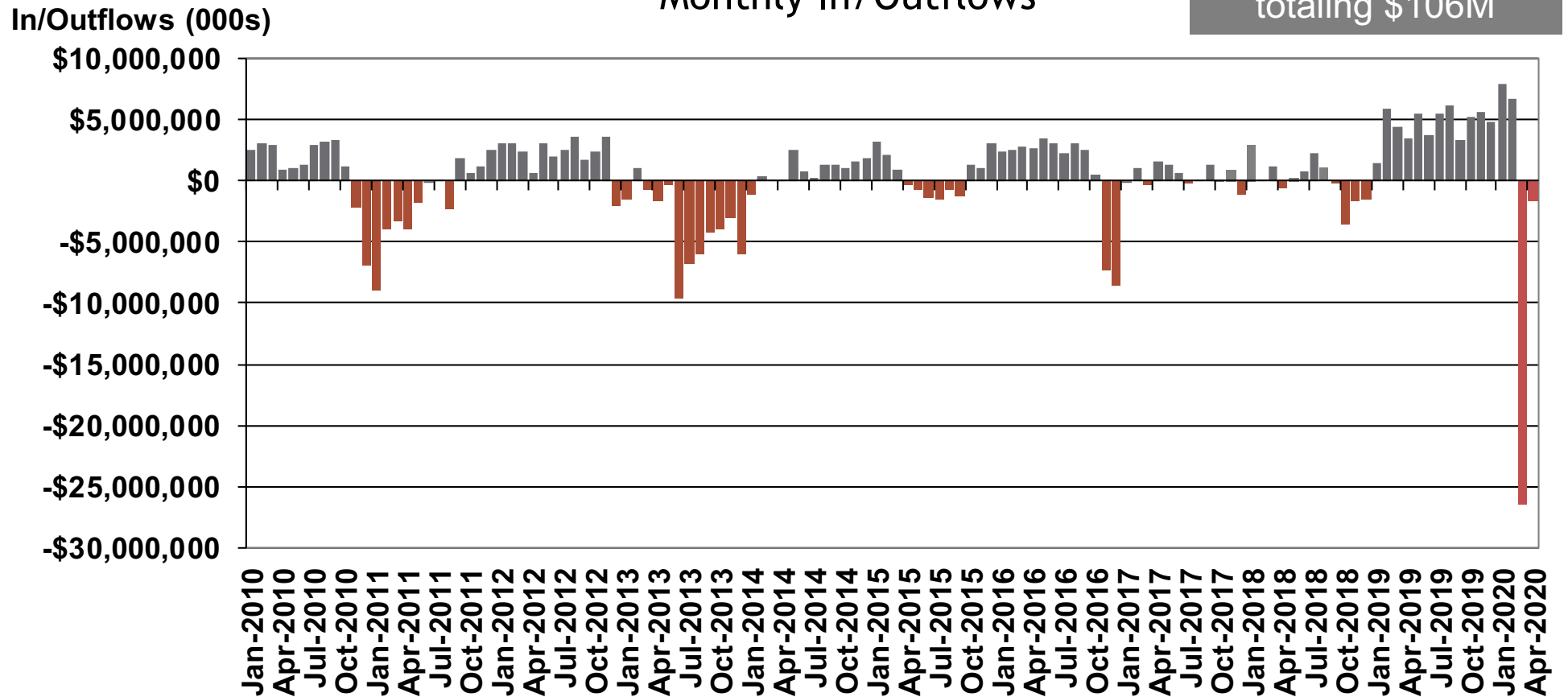


Source: Investment Company Institute, as of February, 2020

# ALL MUNICIPAL BOND FUNDS: INFLOWS/OUTFLOWS

All Municipal Bond Funds  
Monthly In/Outflows

Muni funds report net cash inflows totaling \$106M



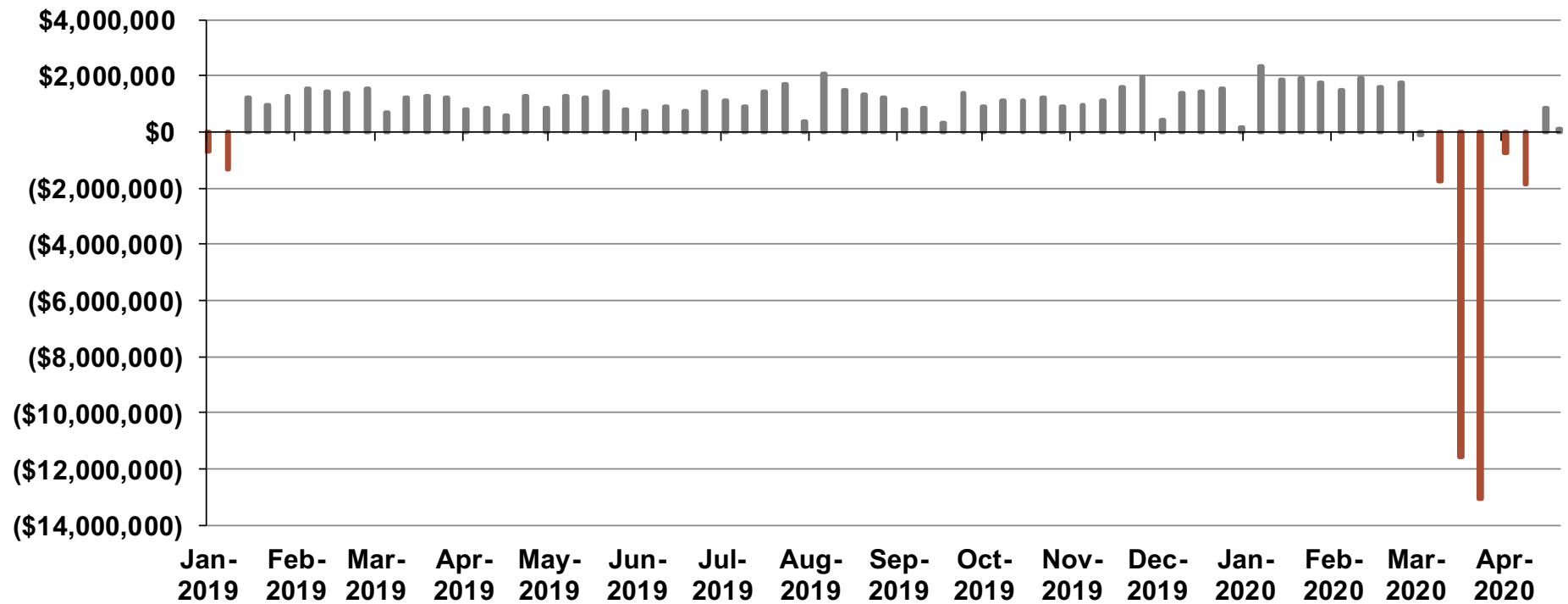
Source: Lipper Data Service, as of 4/22/20

# ALL MUNICIPAL BOND FUNDS: INFLOWS/OUTFLOWS

## All Municipal Bond Funds Weekly Inflows/Outflows

Muni funds report net cash inflows totaling \$106M

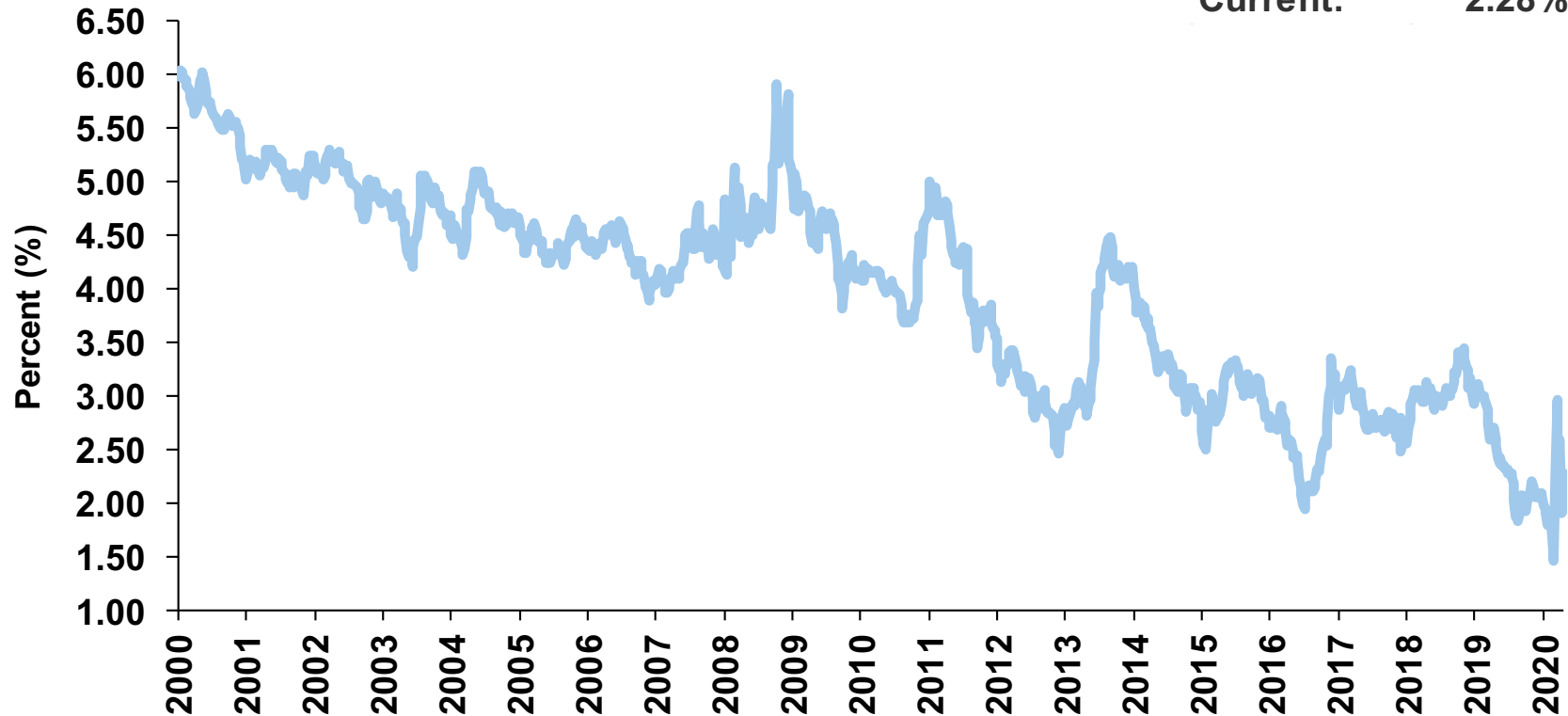
In/Outflows (\$000s)



# HISTORICAL INTEREST RATES (SENIOR LIVING)

30-Year “AAA” MMD  
(2000 YTD - Weekly)

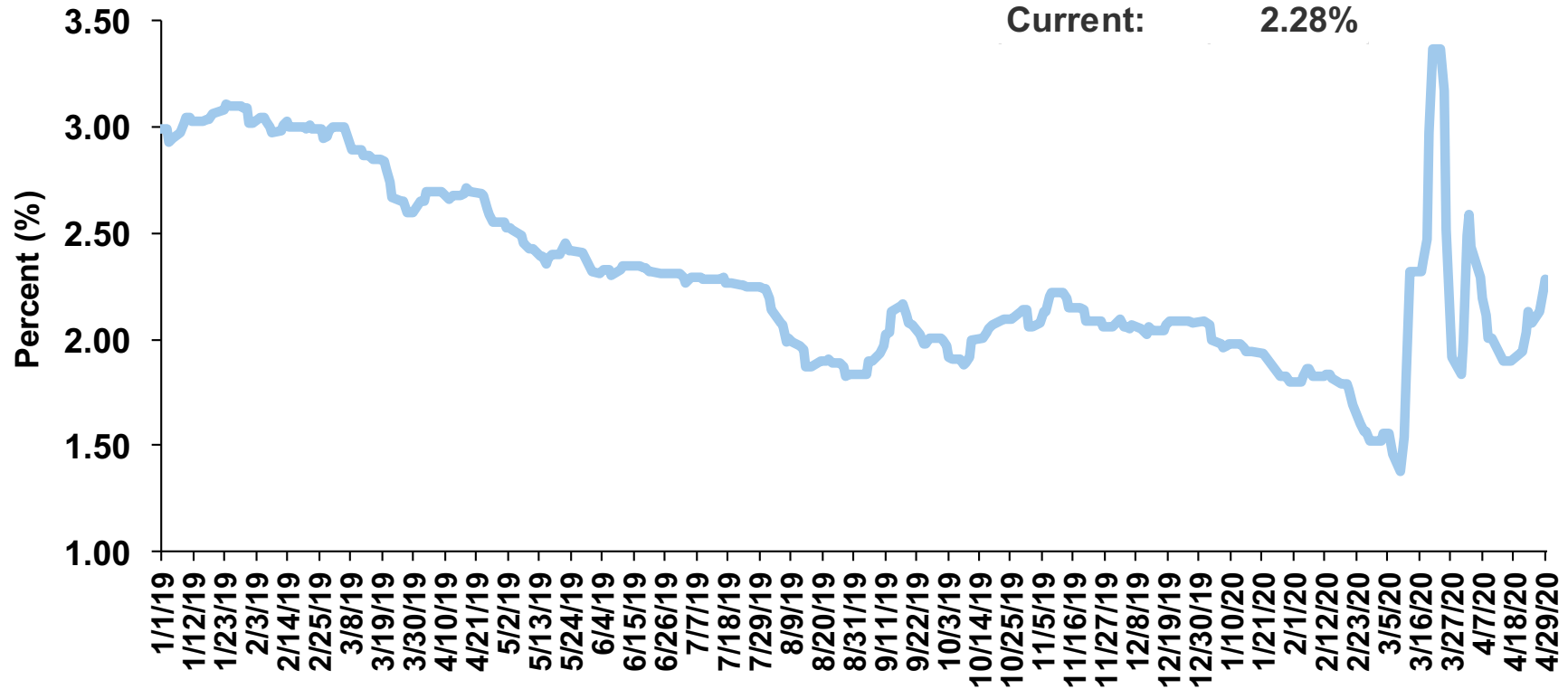
Minimum: 1.46%  
Maximum: 6.04%  
Average: 3.96%  
Current: 2.28%



# HISTORICAL INTEREST RATES (SENIOR LIVING)

30-Year "AAA" MMD  
(2019 YTD - Daily)

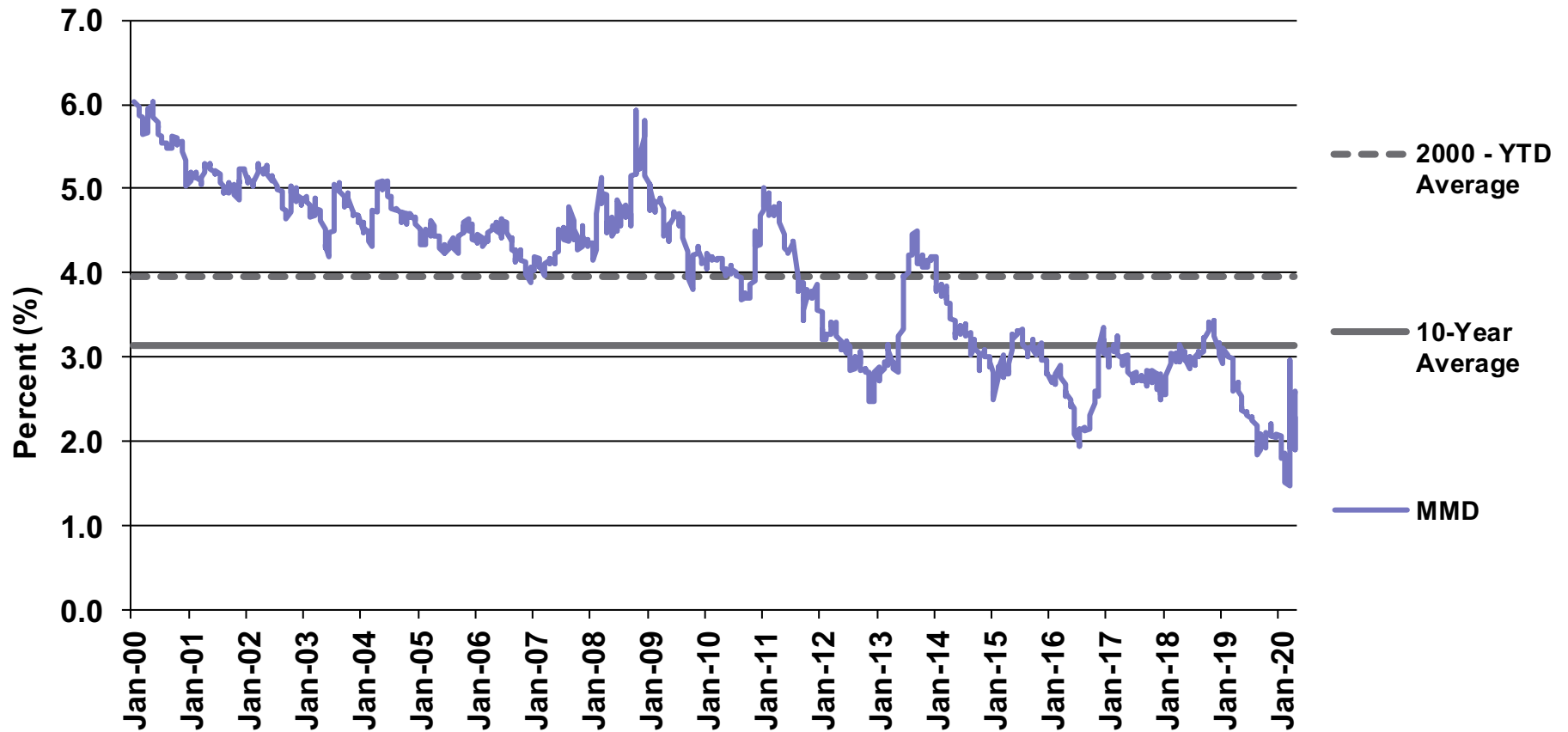
Minimum:	1.38%
Maximum:	3.37%
Average:	2.29%
Current:	2.28%



# HISTORICAL INTEREST RATES (SENIOR LIVING)

“AAA” MMD Index  
30-Year Maturity Yield

30-Yr MMD	
Minimum:	1.46%
Maximum:	6.03%
Average:	3.95%
Current:	2.28%

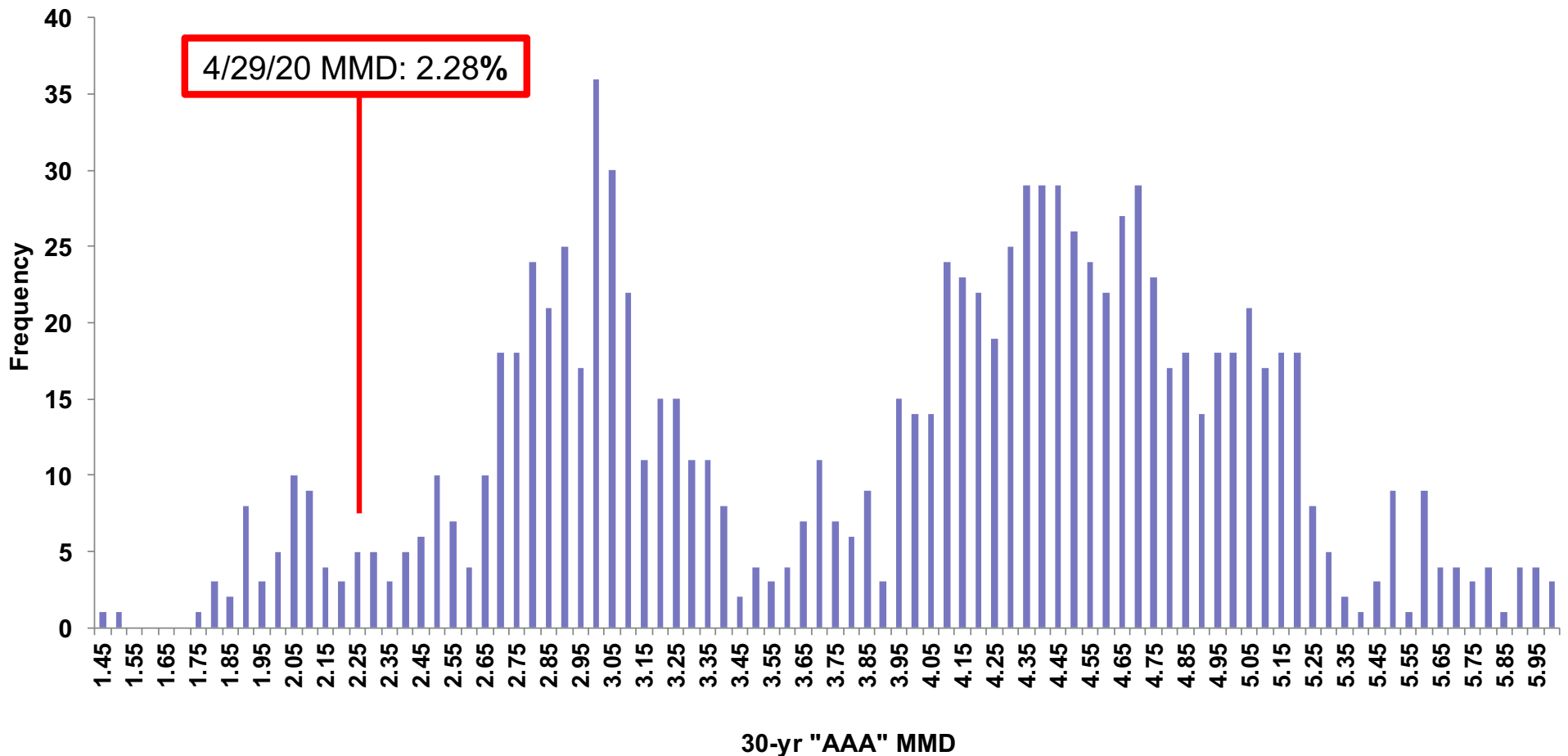




# HISTORICAL INTEREST RATES

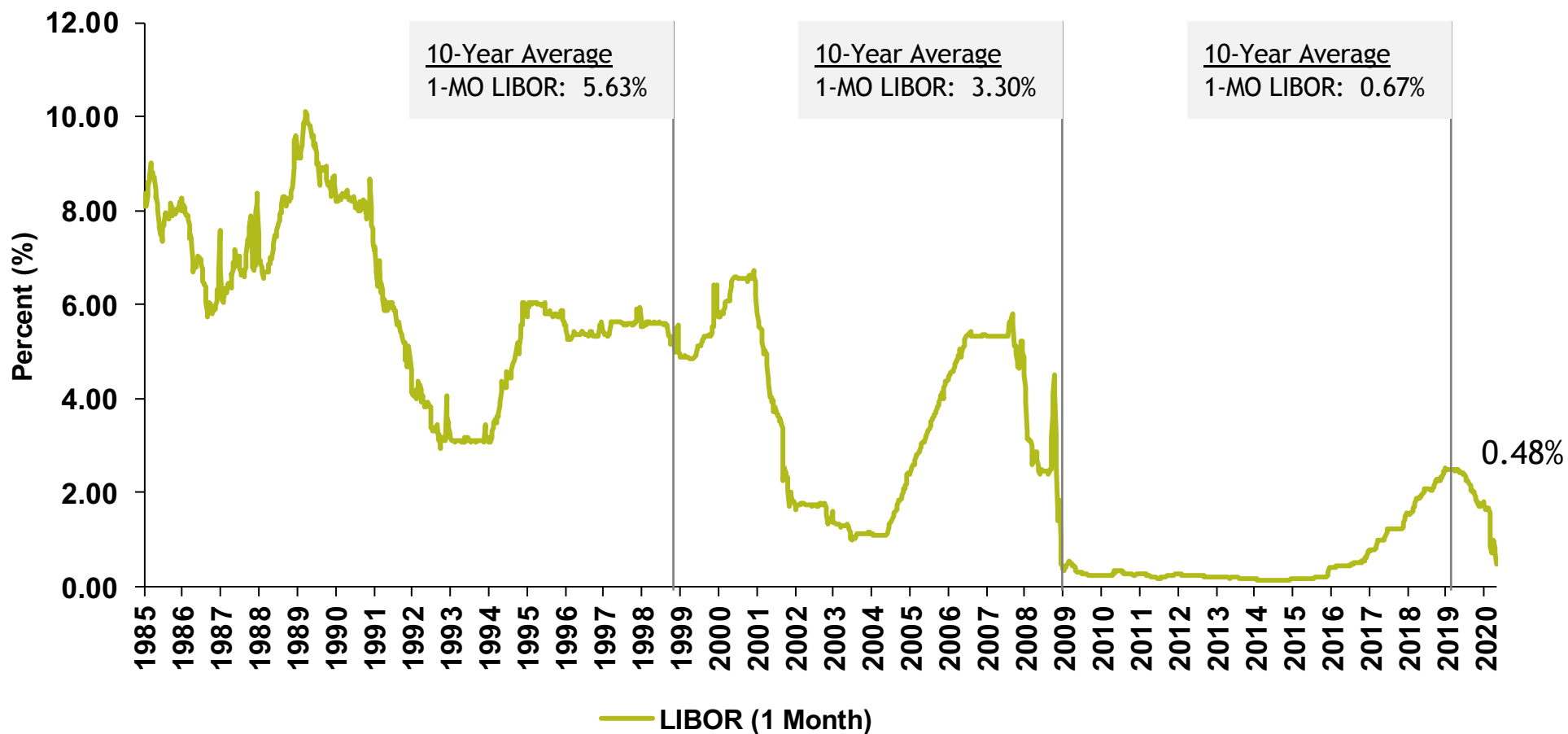
## UNIQUE MARKET OPPORTUNITY

30-yr "AAA" MMD Histogram  
2000 - 2020 (Frequency "Weekly")



# VARIABLE INTEREST RATES RISK AND REWARD

Time Period	Average 1 Mo. LIBOR	70% Average of LIBOR
1989-1999	5.63%	3.94%
1999-2009	3.30%	2.31%
2009-2019	0.67%	0.47%



## BANK LENDING ENVIRONMENT

- Bank activity in not-for-profit senior living varies by region and by institution
  - We continue to see some deals get done in certain markets
  - Others have pulled term sheets and are hitting the pause button; some observations of COVID-19 pricing premiums
- Banks are currently spread thin with processing PPP loans
- Many banks are focusing on existing relationships
- Mixed appetite for new construction
- We anticipate that banks will continue to be active lenders coming out of the COVID-19 crisis

# NFP SENIOR LIVING HOT TOPICS: COVID-19

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# PAYROLL PROTECTION PROGRAM LOANS

- For Round 1 of \$349 billion, Ziegler tracked 84 senior living providers (not all of whom had public debt outs.) that applied for \$195mm+ in PPP loans thru 45+/- banks (Truist = 15)
- Ziegler is assembling stats on amounts actually received
- Round 2 (\$310 billion) approved by Congress last week
- Most providers were able to qualify under “Funded Indebtedness” provision of Additional Indebtedness Tests (“AIT”)
- Accurate record keeping and adherence to PPP requirements are critical to minimize potential for loans not to be “forgiven” as borrowers anticipate
  - Treasury Secretary Mnuchin stated on 4/28 that the SBA will audit any company taking out more than \$2.0mm from the PPP before that loan is forgiven

# NFP LIFE PLAN COMMUNITIES: REVENUE, EXPENSE PRESSURES

- Providers are adapting
  - LPC marketing has adapted to move in restrictions and virtual marketing events
- Ziegler does not expect significant amount of DSRF draws or defaults in monthly payments to the Trustee unless LPC operations impacted deep into Q3
- Sector “payment defaults to date” – “headline news”
- Covenants that are being monitored
  - Temporary Debt - Marketing, Occupancy CCOL
  - L/T Debt – Rate and Liquidity Covenants

# NFP LIFE PLAN COMMUNITIES: RATING AGENCIES

- As of 4/20/2020 – Fitch 134 rated credits and S & P 19 (4 orgs have ratings from both)
- Represents about 20% of LPC's, most of which are in the “BBB” category
- Ratings on senior living bonds are a function of the overall economy/environment as well as community operations
- Fitch's outlook on the sector is “negative”
  - How could it be anything else
  - Too much uncertainty
- Downgrade/outlook reduction does not impact a borrower financially unless they are coming to the market with a new bond issue

# ZIEGLER CREDIT SURVEILLANCE & ANALYTICS

Recommended Best Practices



## STATISTICS ON COVID-19 BORROWERS MONITORED BY ZCS

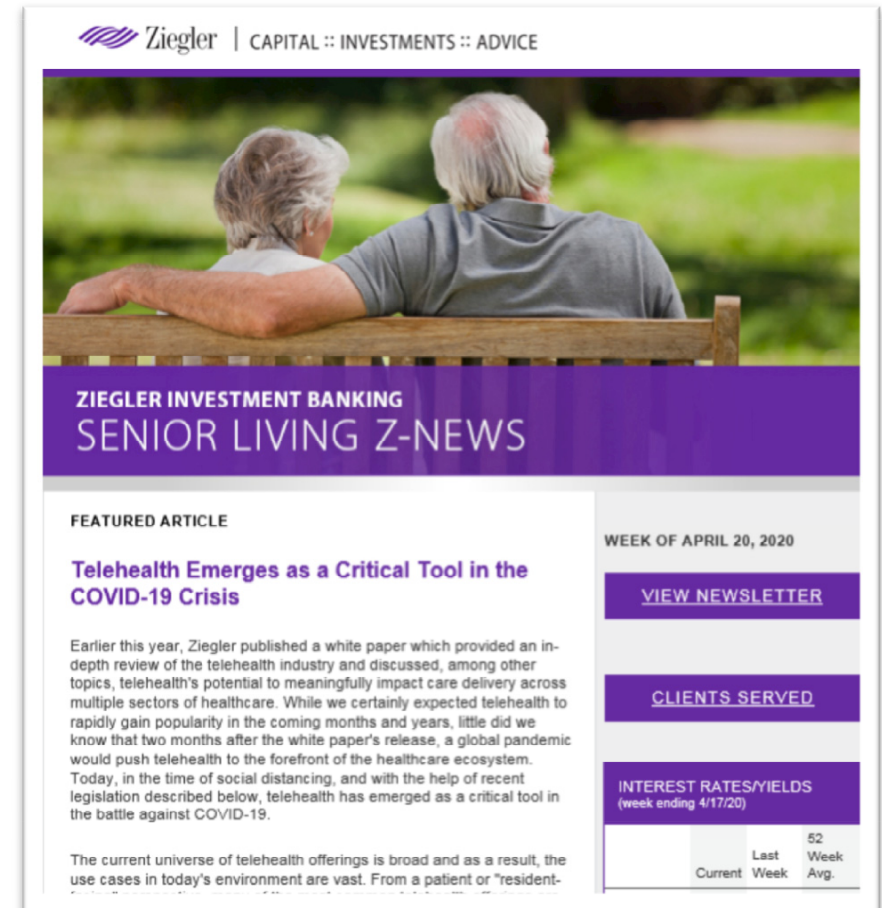
- Ziegler Credit Surveillance monitors over 200 NFP life plan community borrowers with fixed rate bond debt outstanding
- From ZCS-hosted borrower continuing disclosure conference calls and via EMMA, we are combing for COVID-19 data as relates to:
  - Status of PPP loans:
    - Applications, approvals, funding received, bondholder waivers needed or not
  - Status of other CARES Act funding, FEMA
  - Impact on sales and occupancy, if any
  - Status of any expansion projects.....ongoing, delayed, resuming?
- ZCS still does not see evidence of significant financial fallout due to COVID-19, unless current economic shutdown continues into 3<sup>rd</sup> quarter of 2020

# CLOSING REMARKS

# ZIEGLER ONGOING RESOURCES



The screenshot shows the Ziegler website's COVID-19 resources page. The header includes the Ziegler logo and navigation links: What We Do, Who We Are, Our Services, Newsroom, and COVID-19. A search bar is located in the top right. The main heading is "COVID-19 RESOURCES" in large white letters on a purple background. Below this, the word "RESOURCES" is centered. A paragraph of text reads: "Listed below please find useful links regarding COVID-19 as well as our webinars highlighting market conditions, helpful resources and additional information on the sectors we serve." A bulleted list of links follows, including: "The CARES Act is intended to provide immediate financial relief to U.S. companies and not-for-profit organizations in the form of loans, grants, tax-relief and additional benefits. It should be noted that the CARES Act is the third stimulus bill to come through the federal government in response to the COVID-19 outbreak. While it is not certain, many speculate that a fourth bill may be forthcoming as well. Click here for more information.", "Paycheck Protection Plan - Frequently Asked Questions (U.S. Treasury as of 4/26/20)", "The Small Business Owner's Guide to the CARES Act (U.S. Senate Committee on Small Business & Entrepreneurship)", "Coronavirus (COVID-19): Small Business Guidance and Loan Resources (U.S. Small Business Administration (SBA))", "Fact Sheet: Expansion of the Accelerated and Advance Payments Program for Providers and Suppliers during COVID-19 Emergency (Centers for Medicare & Medicaid Service (CMS))", and "Paycheck Protection Program Application Form (U.S. Treasury as of 4/3/20)".



The screenshot shows the Ziegler Senior Living Z-News page. The header includes the Ziegler logo and navigation links: CAPITAL :: INVESTMENTS :: ADVICE. The main heading is "ZIEGLER INVESTMENT BANKING SENIOR LIVING Z-NEWS" in white letters on a purple background. Below this, the word "FEATURED ARTICLE" is centered. The article title is "Telehealth Emerges as a Critical Tool in the COVID-19 Crisis". The article text reads: "Earlier this year, Ziegler published a white paper which provided an in-depth review of the telehealth industry and discussed, among other topics, telehealth's potential to meaningfully impact care delivery across multiple sectors of healthcare. While we certainly expected telehealth to rapidly gain popularity in the coming months and years, little did we know that two months after the white paper's release, a global pandemic would push telehealth to the forefront of the healthcare ecosystem. Today, in the time of social distancing, and with the help of recent legislation described below, telehealth has emerged as a critical tool in the battle against COVID-19." Below the article text, there is a table with the following data:

WEEK OF APRIL 20, 2020		
VIEW NEWSLETTER		
CLIENTS SERVED		
INTEREST RATES/YIELDS (week ending 4/17/20)		
	Last Week	52 Week Avg.
Current		

The current universe of telehealth offerings is broad and as a result, the use cases in today's environment are vast. From a patient or "resident-

<https://www.ziegler.com/covid-19/>

- Summary documents on the CARES Act
- Links to key sources of information
- Webinars that Ziegler has hosted for various audiences re: COVID-19
- Z-News updates

QUESTIONS?

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Founded in 1902, Ziegler specializes in the healthcare, senior living and educational sectors as well as general municipal finance