



# Sectorwatch: Healthcare: Assisted Living Facilities & Services

June 2019

# Healthcare: Assisted Living Facilities & Services

June 2019

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# Overview

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7MA provides Investment Banking & Advisory Services to the Business Services and Technology Industries globally. We advise on M&A and private capital transactions, and provide market assessments and benchmarking. As a close knit team with a long history together and a laser focus on our target markets, we help our clients sell their companies, raise capital, grow through acquisitions, and evaluate new markets. We publish our sectorwatch, a review of M&A and operational trends in the industries we focus.

## Dashboard

- Summary metrics on the sector
- Commentary on market momentum by comparing the most recent 12-month performance against the last 3-year averages.



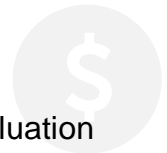
## Public Basket Performance

- Summary valuation and operating metrics for a basket of comparable public companies



## Valuation Comparison

- Graphical, detailed comparison of valuation multiples for the public basket



## Recent Deals

- The most recently announced deals in the sector



# Dashboard



## Revenue Growth

↓ -5.2%

1 - year revenue growth compared to revenue growth average for last 3 years

Current revenue growth rate is less than the average of the last 3 years, indicating that the market may be flattening or declining

## Pricing / Gross Margin Momentum

↑ 0.1%

1 - year gross profit % compared to gross profit % average for last 3 years

Current gross profit margin exceeds the average of the last 3 years gross profit margin by this amount, indicating supplier pricing power

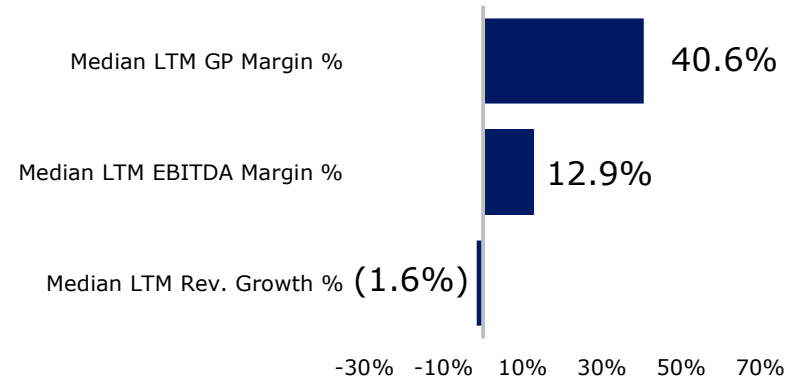
## Profitability

↓ -3.2%

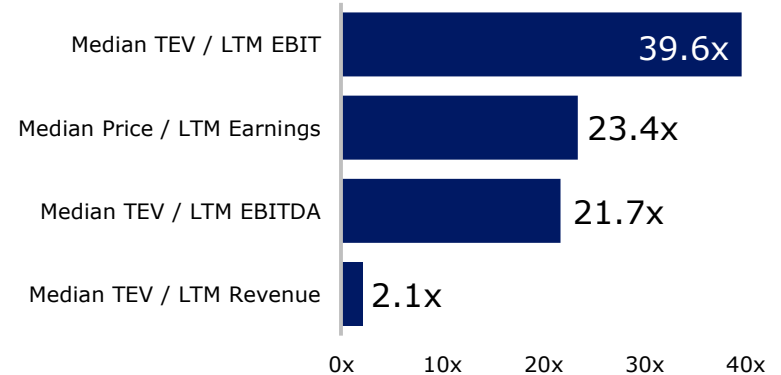
1 - year EBITDA % compared to EBITDA % average for last 3 years

Current EBITDA margin is less than the average of the last 3 years EBITDA margins, which may signal further consolidation

## Operating Metrics



## Valuation



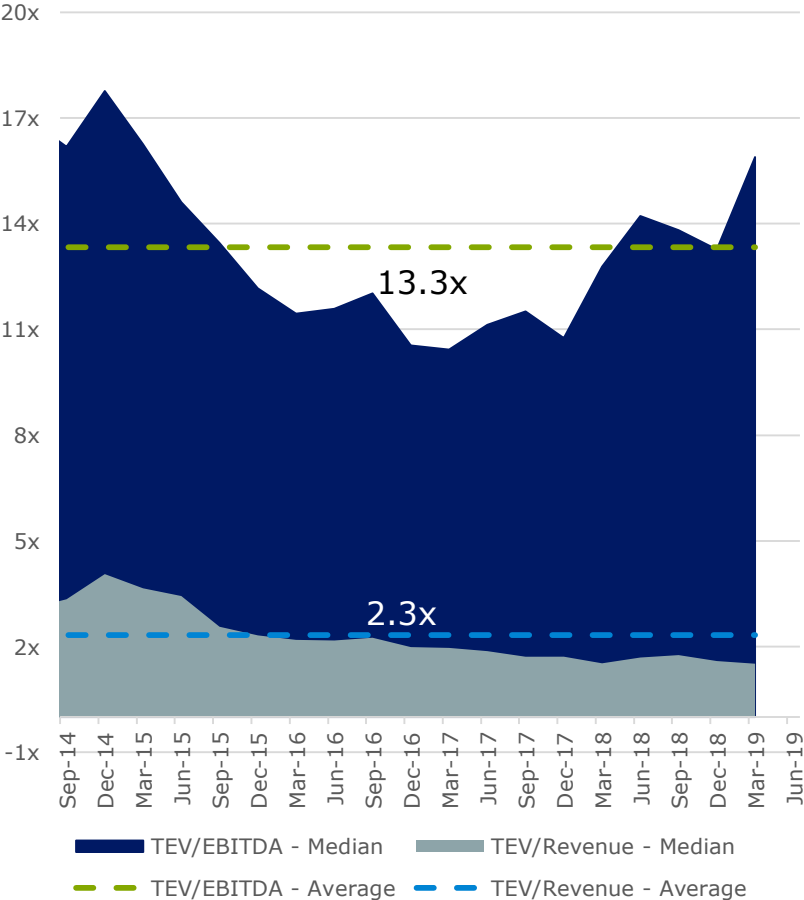
# Public Basket



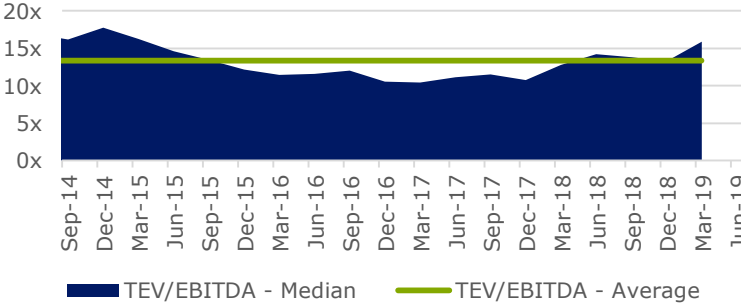
Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Diversicare Healthcare Services, Inc.	479	557	-3%	20%	3%	0.9	25.7	6,000	93
National HealthCare Corporation	1,347	984	2%	41%	10%	1.4	12.2	14,891	66
Capital Senior Living Corporation	1,380	457	-2%	33%	13%	3.0	23.5	4,541	101
The Ensign Group, Inc.	4,255	2,098	10%	14%	9%	2.0	22.0	23,463	89
Genesis Healthcare, Inc.	4,254	4,837	-8%	44%	8%	0.9	11.3	61,300	79
Brookdale Senior Living Inc.	7,035	3,421	-9%	30%	15%	2.1	14.2	43,200	79
HCP, Inc.	21,560	1,804	-2%	60%	55%	12.0	21.7	201	8,973
Ventas, Inc.	36,844	3,714	3%	54%	49%	9.9	20.3	500	7,428
Welltower Inc.	47,364	4,809	12%	47%	45%	9.8	22.1	384	12,523
<b>Average</b>	13,835	2,520	0%	38%	23%	4.7	19.2	17,164	3,270
<b>Median</b>	4,255	2,098	-2%	41%	13%	2.1	21.7	6,000	93

share price as of 28Jun19

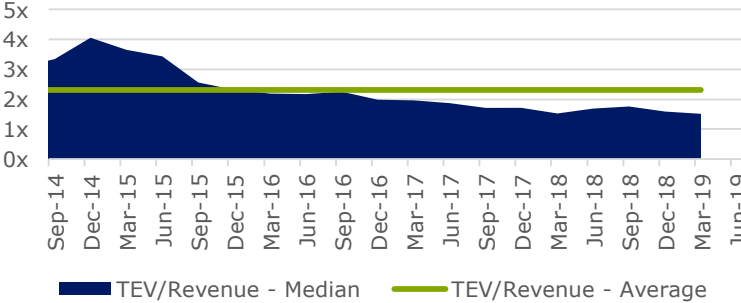
# Public Basket Valuation Trends



## Public EBITDA Multiples over Time



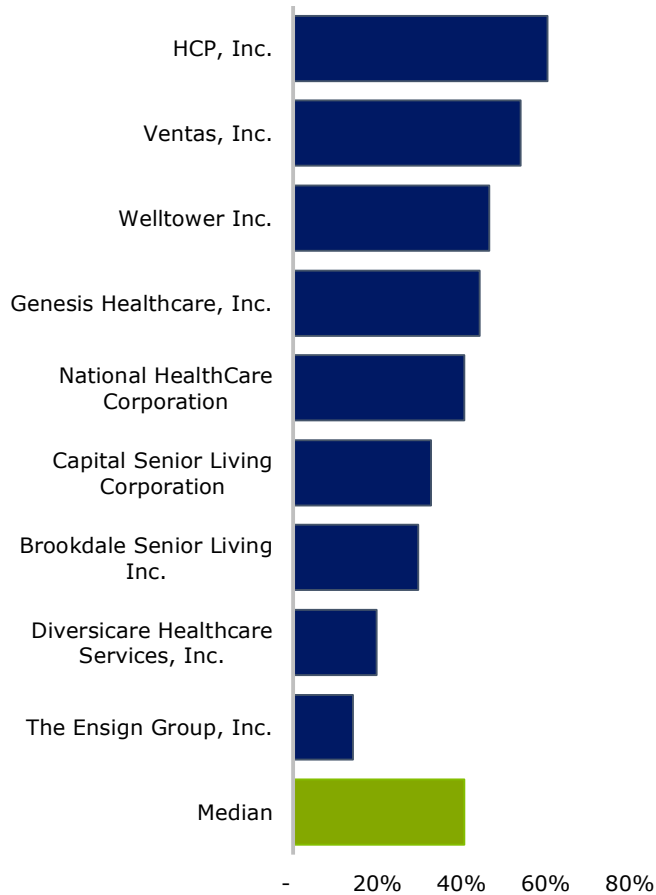
## Public Revenue Multiples over Time



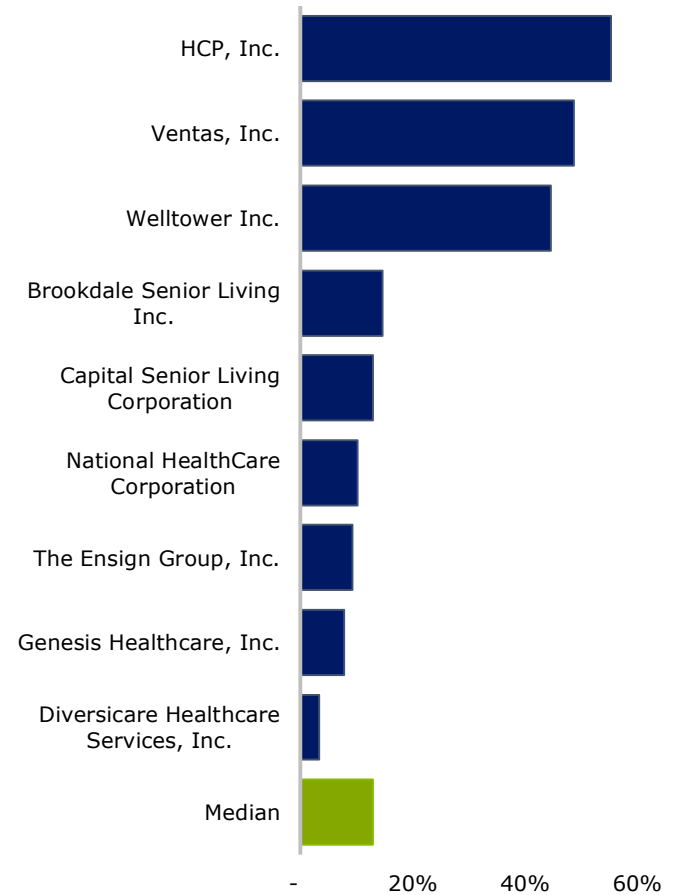
# Operational Metrics



LTM Gross Profit Margin %



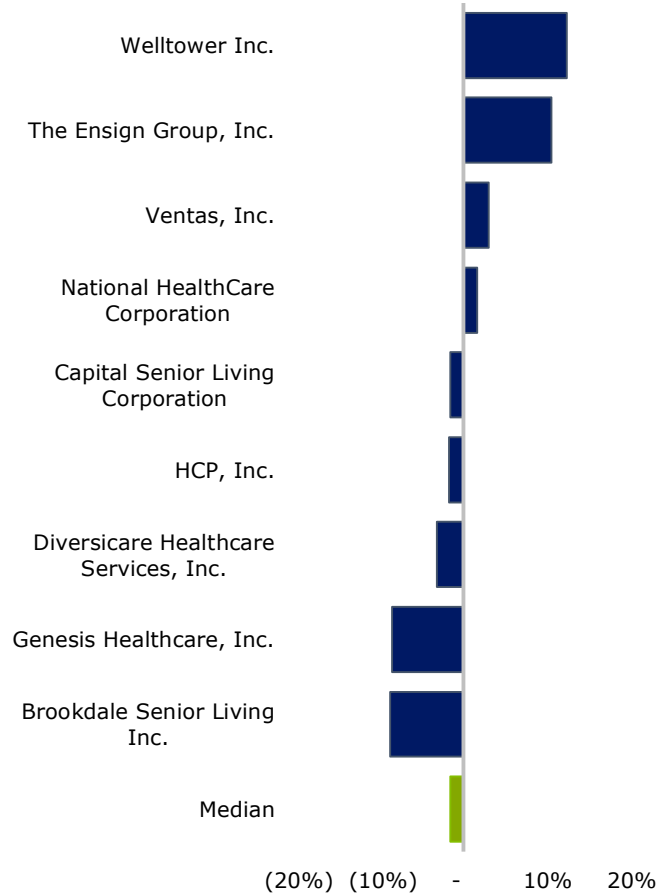
LTM EBITDA %



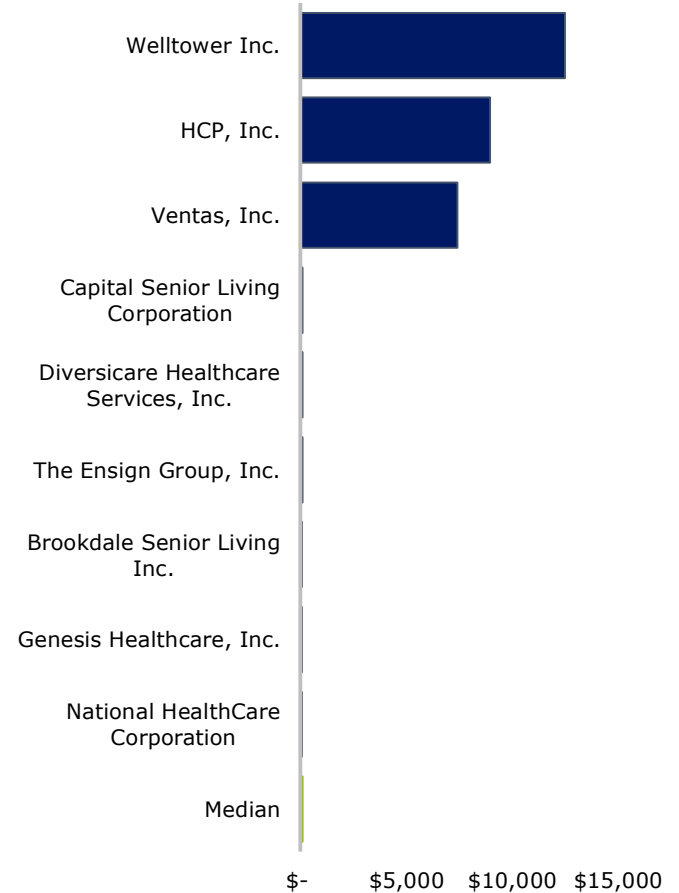
# Operational Metrics



LTM Revenue Growth %



LTM Revenue per Full Time Employee x 000's

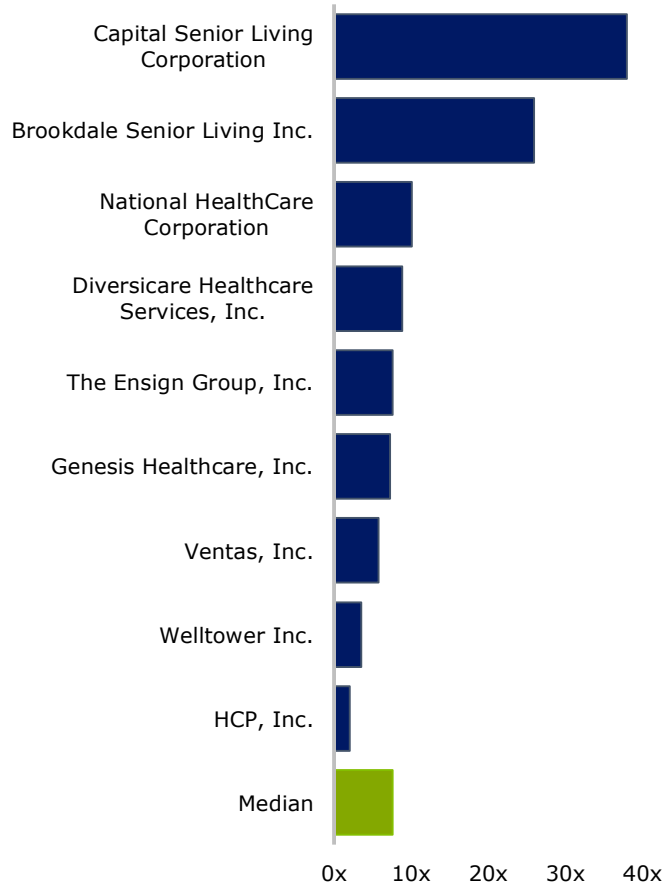




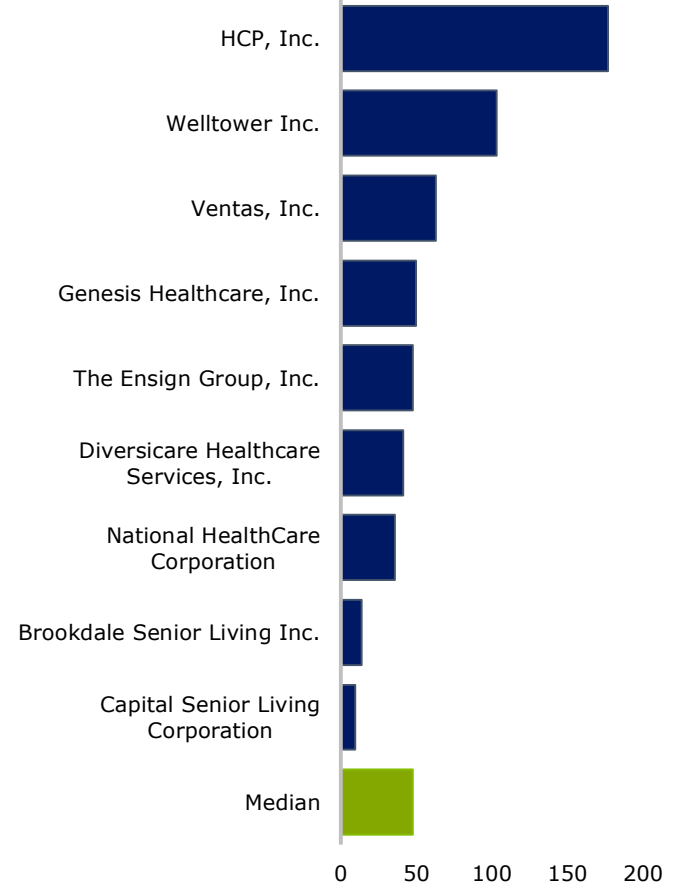
# Operational Metrics



## Accounts Receivable Turnover



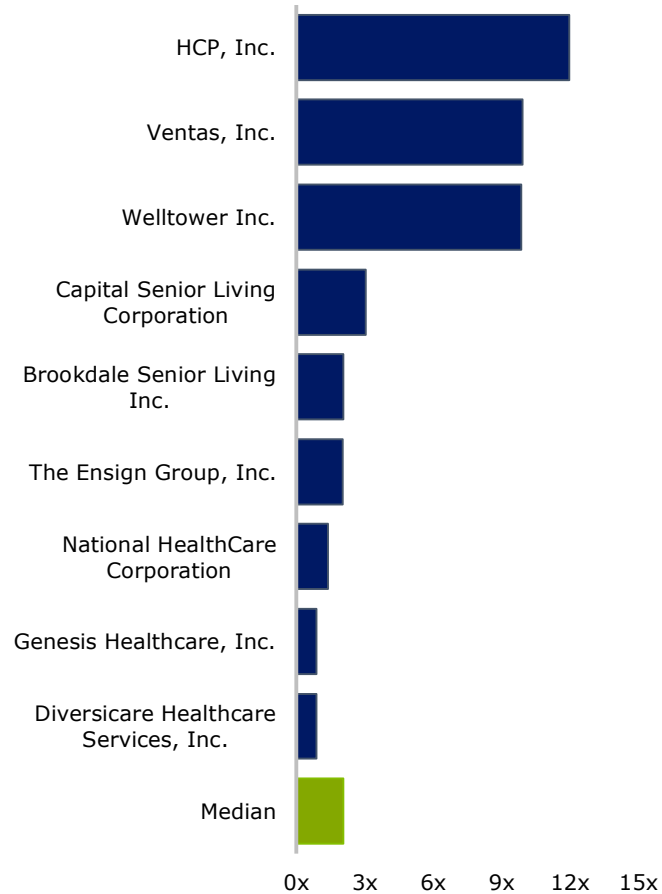
## Average Days Sales Outstanding



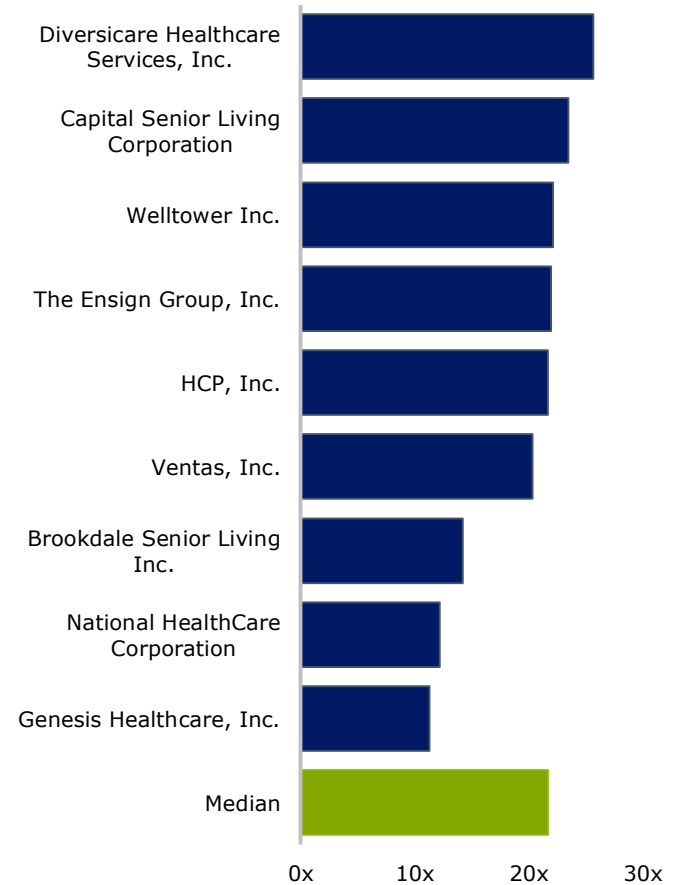
# Valuation



TEV / LTM Revenue



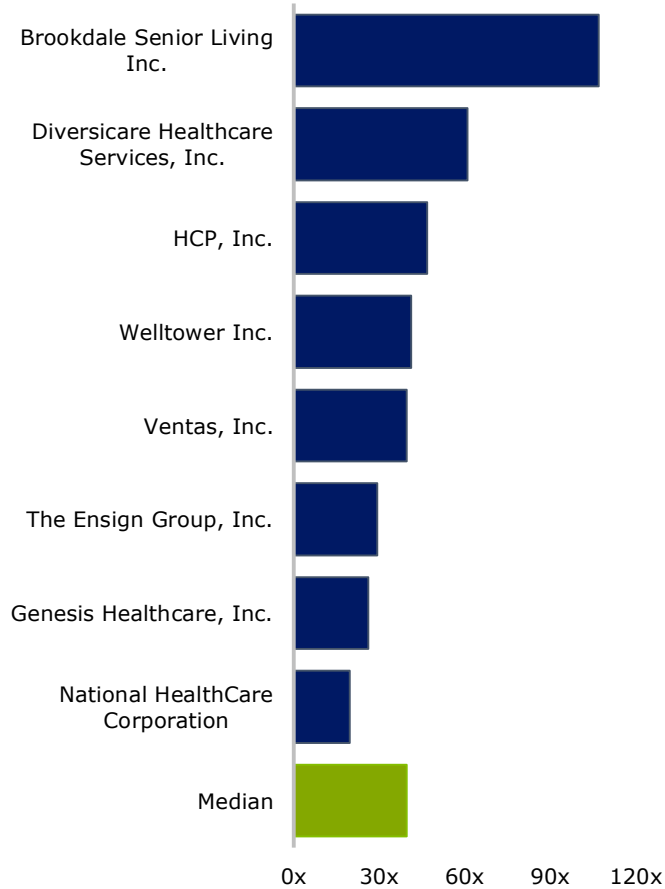
TEV / LTM EBITDA



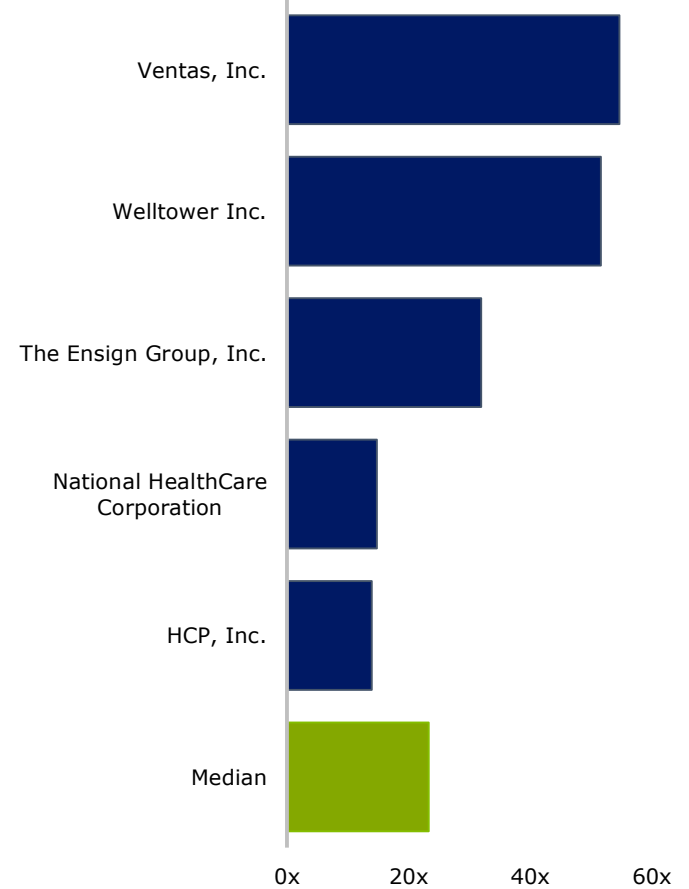
# Valuation



TEV / LTM EBIT



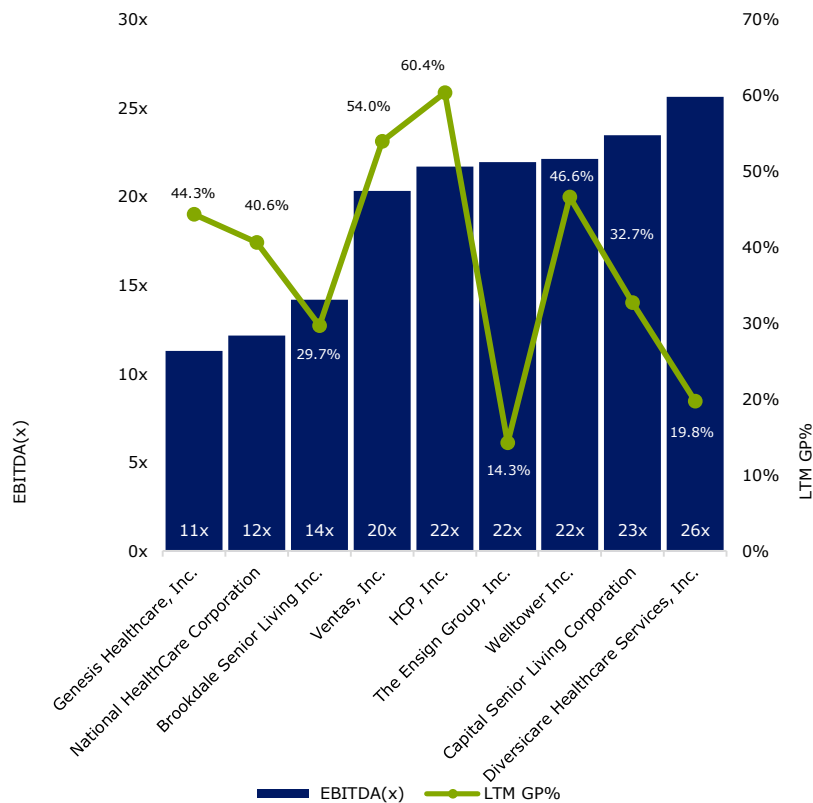
Price / LTM Earnings



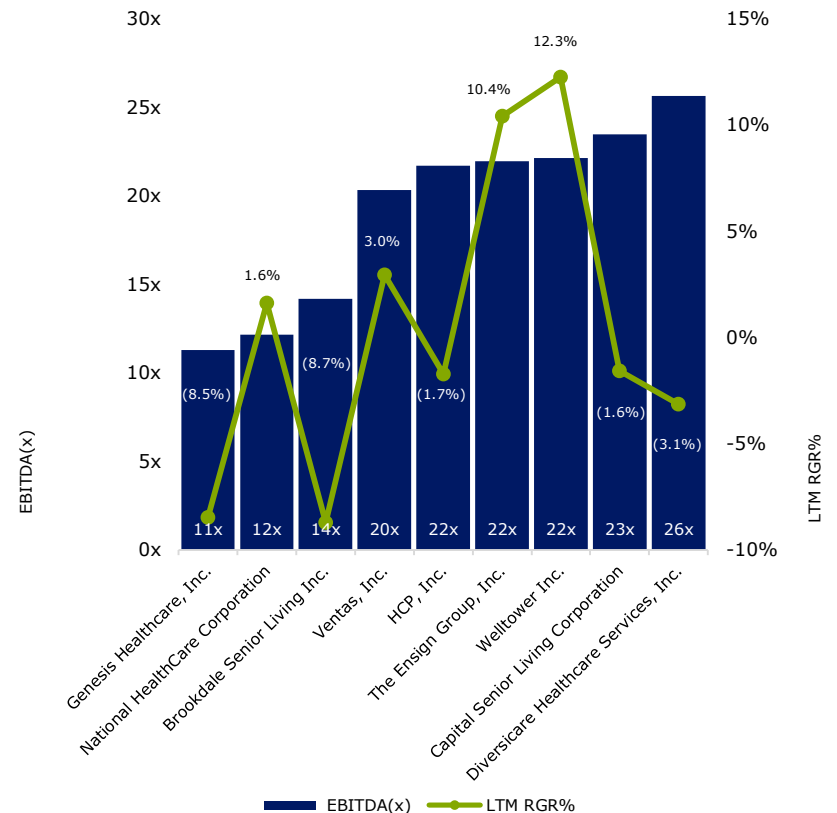
# Valuation



## Historical Valuation Multiples versus Gross Profit



## Historical Valuation Multiples versus Revenue Growth Rate



# Recent Transactions



<u>Date</u>	<u>Target</u>	<u>Buyer / Investor</u>	<u>Total Transaction Value</u>	<u>Target Revenue</u>	<u>TEV / Revenue</u>	<u>TEV / EBITDA</u>
3Apr19	Vista Gardens	NCP Capital Management, LLC	22.80	-	-	-
1Apr19	Operations of Rockbrook Memory Care	The Ensign Group, Inc.	-	-	-	-
8Jan19	Brookdale South San Angelo	Sagora Senior Living, Inc.	-	-	-	-
1Nov18	Texas Senior Housing Communities	Bridgestone Living LLC	-	-	-	-
4Oct18	Operations of Villa Court Assisted Living and Memory Care	Bridgestone Living LLC	-	-	-	-
30Sep18	Three Centers in Kentucky of Diversicare Healthcare Services, Inc.	Birchwood Nursing and Rehabilitation LLC; Westwood Nursing and Rehabilitation LLC	18.70	-	-	-
20Aug18	Seniors Housing Community Located in Battery Park City	Ventas, Inc.	144.00	-	-	-
29Jun18	Orchard Park Memory Care of Peregrine Senior Living LLC	ValStone Asset Management LLC	6.65	-	-	-
15Jun18	Brandon Wilde Life Care Community	Life Care Services LLC	-	-	-	-
1May18	Five Assisted Living/Memory Care Communities in Columbus and Cleveland, Ohio and Erie, Pennsylvania	National Health Investors, Inc.	67.50	-	-	-
2Mar18	HCR ManorCare, Inc.	ProMedica Health System, Inc.	6,305.58	3,741.14	1.6x	16.8x
5Feb18	Cedar Hills Senior Living and Deer Creek Senior Living	Bridgestone Living LLC	-	-	-	-
24Jan18	Woodland Terrace Senior Living Complex in Cary	Welltower Kisco Ridea Landlord, LLC	83.50	-	-	-
23Jan18	Eclipse Senior Living, Inc.	Ventas, Inc.	-	-	-	-
31Dec17	38-Unit Private Pay Seniors Housing Property Located in Tulsa	Welltower Inc.; Sagora Senior Living, Inc.	10.00	-	-	-
31Dec17	Two Communities in Ohio	Bridge Investment Group, LLC	31.00	-	-	-
27Dec17	Two Senior Living Communities in Alabama and Indiana	Senior Housing Properties Trust	39.46	-	-	-
20Dec17	Atria Senior Living, Inc.	Fremont Realty Capital	-	-	-	-
8Nov17	Six Senior Living Communities	Senior Housing Properties Trust	104.00	-	-	-
30Sep17	Three Private Pay Seniors Housing Properties in Texas	Welltower Inc.; Sagora Senior Living, Inc.	166.00	-	-	-
17Aug17	Whitehall OpCo, LLC	Skyline Healthcare, LLC	26.00	-	-	-
30Jun17	Oyster Creek Assisted Living and Memory Care	Civitas Senior Healthcare, LLC	-	-	-	-
19Jun17	Hawthorn Retirement Group, LLC	Columbia Pacific Advisors, LLC	2,600.00	-	-	-
8Jun17	103 Bed Skilled Nursing Center in Selma, Alabama	Diversicare Healthcare Services, Inc.	8.75	-	-	-

# Healthcare: Assisted Living Facilities & Services

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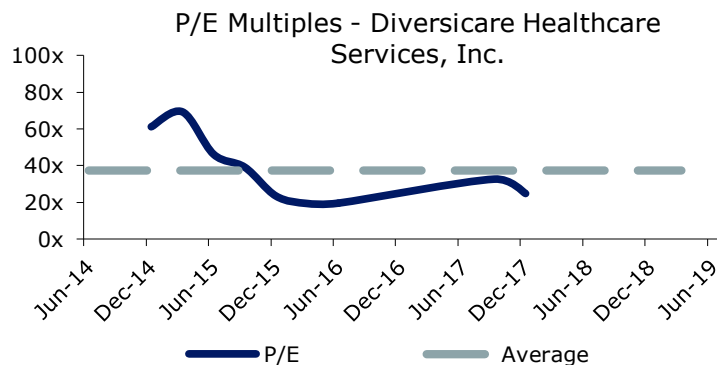
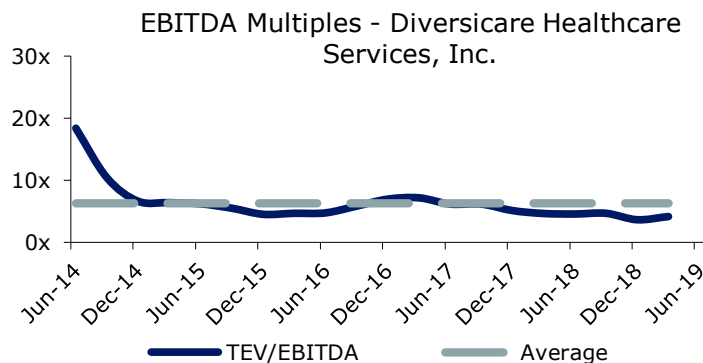
APPENDIX:  
Public Basket  
Constituents

# Public Basket



## Diversicare Healthcare Services, Inc.

Diversicare Healthcare Services, Inc. provides post-acute care services to skilled nursing center, patients, and residents primarily in the Southeast, Midwest, and Southwest United States. The company offers skilled nursing health care services, including nutrition, recreational therapy, social, housekeeping, and laundry services; the delivery of ancillary medical services at the nursing centers; rehabilitation therapy services, such as audiology, speech, occupational, and physical therapies; and medical supplies, nutritional support, infusion therapies, and related clinical services. As of December 31, 2018, it operated 72 nursing centers with 8,214 licensed nursing beds. The company was formerly known as Advocat Inc. and changed its name to Diversicare Healthcare Services, Inc. in March 2013. Diversicare Healthcare Services, Inc. was founded in 1994 and is based in Brentwood, Tennessee.



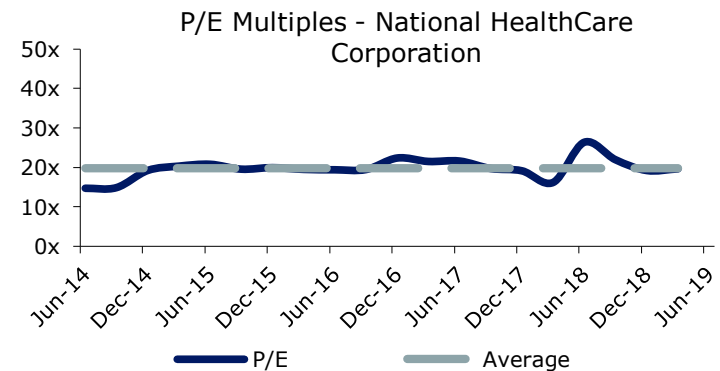
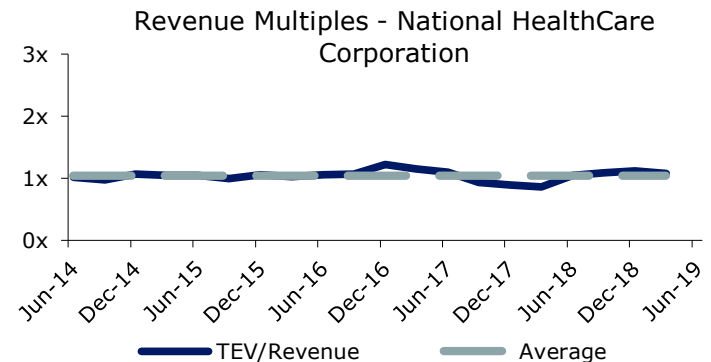
Date	Key Development Headline
12/2/18	Birchwood Nursing and Rehabilitation LLC, Westwood Nursing and Rehabilitation LLC, and others completed the acquisition of three centers in Kentucky from Diversicare Healthcare Services, Inc.
10/31/18	Birchwood Nursing and Rehabilitation LLC, Westwood Nursing and Rehabilitation LLC, and others agreed to acquire three centers in Kentucky from Diversicare Healthcare Services, Inc. for \$18.7 million.

# Public Basket



## National HealthCare Corporation

National HealthCare Corporation operates, manages, and provides services to skilled nursing facilities, assisted living facilities, independent living facilities, and home health care programs. Its skilled nursing facilities offer licensed therapy services, nutrition services, social services, activities, and housekeeping and laundry services, as well as medical services prescribed by physicians; and rehabilitative services, such as physical, speech, respiratory, and occupational therapy for patients recovering from strokes, heart attacks, orthopedic conditions, neurological illnesses, or other illnesses, injuries, or disabilities. National HealthCare Corporation was founded in 1971 and is based in Murfreesboro, Tennessee.



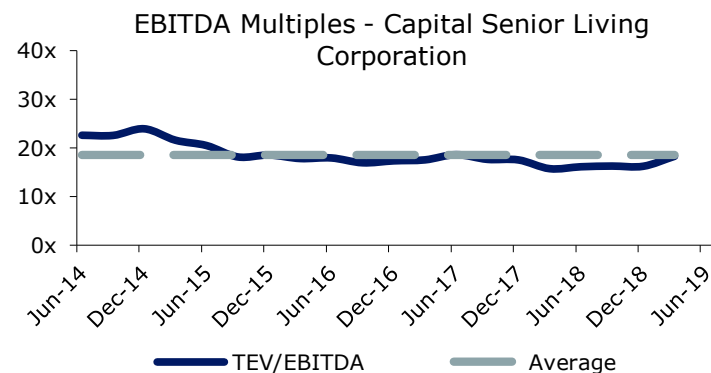
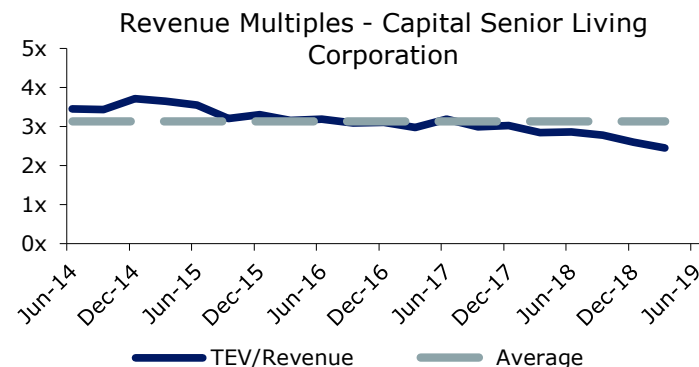


# Public Basket



## Capital Senior Living Corporation

Capital Senior Living Corporation develops, owns, operates, and manages senior housing communities in the United States. The company provides senior living services to the elderly, including independent living, assisted living, and memory care services. Its independent living services comprise daily meals, transportation, social and recreational activities, laundry, housekeeping, and 24-hour staffing; and access to health screenings, periodic special services, and dietary and similar programs, as well as exercise and fitness classes. The company's assisted living services consist of personal care services, such as assistance with activities of daily living (ADLs), including ambulation, bathing, dressing, eating, grooming, personal hygiene, and monitoring or assistance with medications; support services comprising meals, assistance with social and recreational activities, laundry, general housekeeping, maintenance, and transportation services; and supplemental services, including extra transportation, personal maintenance, and extra laundry, as well as special care services for residents with various forms of dementia. In addition, it offers home care services through third-party providers. As of December 31, 2018, the company operated 129 senior housing communities in 23 states with an aggregate capacity of approximately 16,500 residents, including 83 owned and 46 leased senior housing communities. Capital Senior Living Corporation was founded in 1990 and is headquartered in Dallas, Texas.



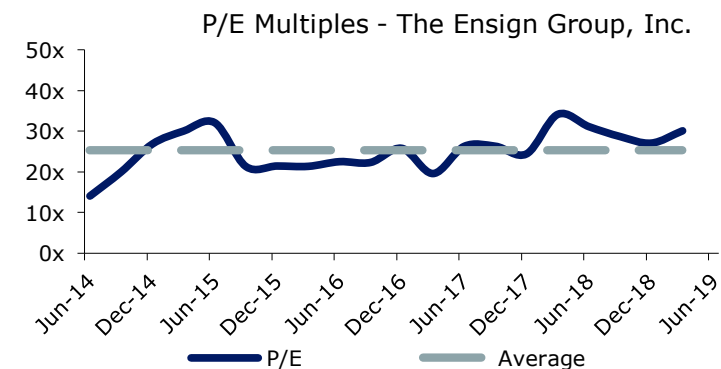
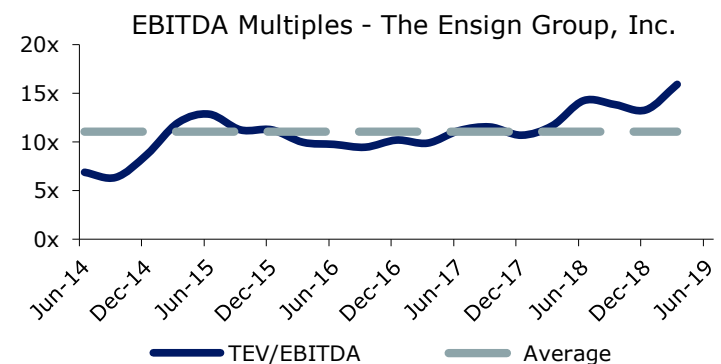
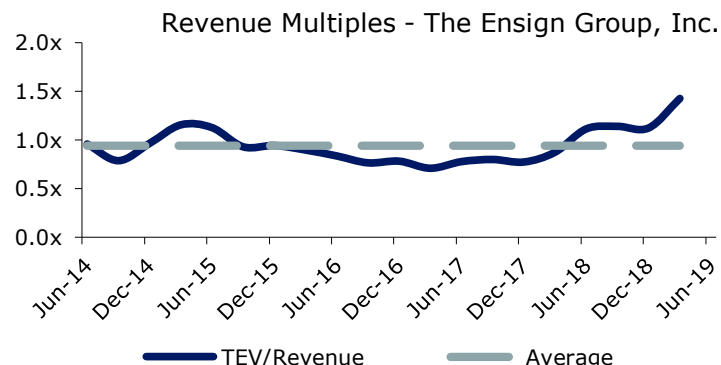
# Public Basket



## The Ensign Group, Inc.

The Ensign Group, Inc. provides health care services in the post-acute care continuum and other ancillary businesses. The company operates in three segments: Transitional and Skilled Services; Assisted and Independent Living Services; and Home Health and Hospice Services. The Transitional and Skilled Services segment offers a range of medical, nursing, rehabilitative, and pharmacy services, as well as routine services, such as daily dietary, social, and recreational services to Medicaid, private pay, managed care, and Medicare payors. The Assisted and Independent Living Services segment provides residential accommodations, activities, meals, security, housekeeping, and assistance in the activities of daily living to independent seniors. The Ensign Group, Inc. was founded in 1999 and is based in Mission Viejo, California.

Date	Key Development Headline
6/5/19	Ensign Group Seeks Acquisitions
6/4/19	The Ensign Group, Inc. (NasdaqGS:ENSG) acquired Texas Post-Acute Care Campus.
5/1/19	The Ensign Group, Inc. (NasdaqGS:ENSG) acquired operations four skilled nursing facilities in California.
5/1/19	The Ensign Group, Inc. (NasdaqGS:ENSG) acquired Two Post-Acute Care Retirement Campuses in Arizona from The Evangelical Lutheran Good Samaritan Society.
4/2/19	Ensign Group To Seek Acquisitions

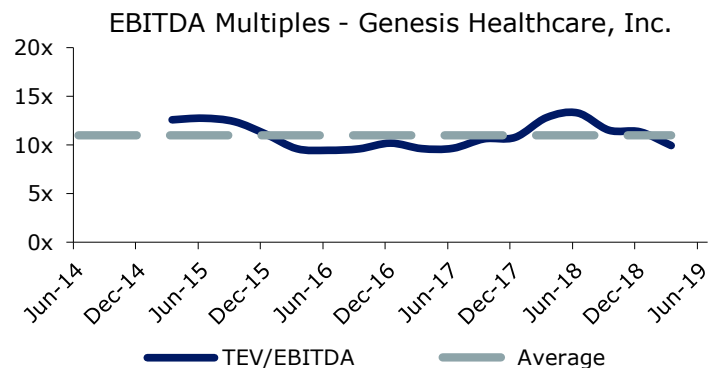
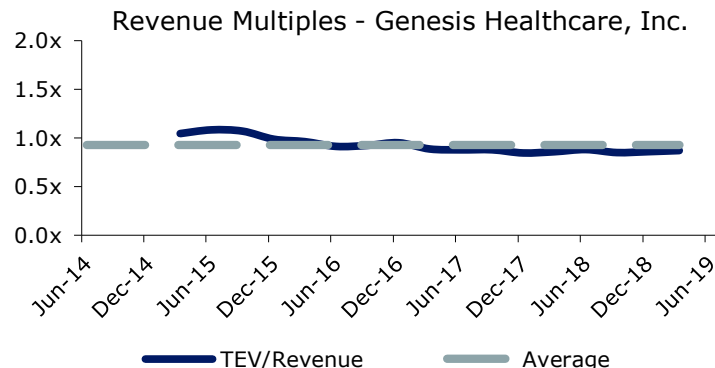


# Public Basket



## Genesis Healthcare, Inc.

Genesis Healthcare, Inc., together with its subsidiaries, owns and operates skilled nursing facilities and assisted/senior living facilities in the United States. The company operates through three segments: Inpatient Services, Rehabilitation Therapy Services, and All Other Services. It also provides a range of rehabilitation therapy services, including speech-language pathology, physical therapy, occupational therapy, and respiratory therapy. In addition, the company offers other specialty medical services, such as physician, staffing, and other healthcare related services. Genesis HealthCare, Inc. was founded in 2003 and is headquartered in Kennett Square, Pennsylvania.



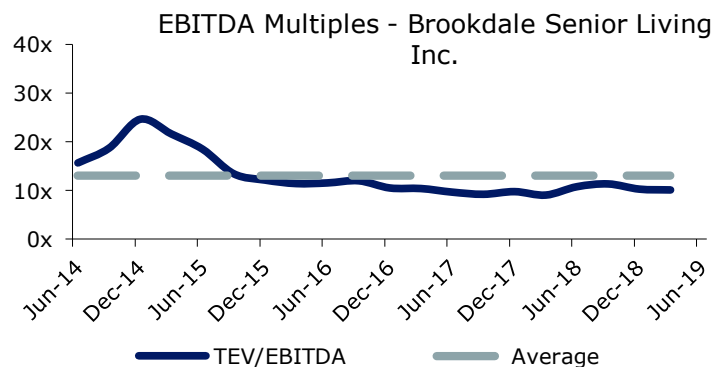
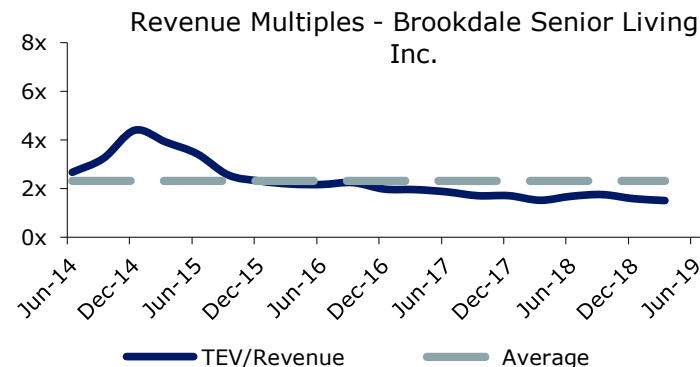
Date	Key Development Headline
4/22/19	Riswein Health Industry Investment Co., Ltd. cancelled the acquisition of 51% stake in GRS-HS from Genesis Healthcare, (NYSE:GEN).
2/3/19	Genesis Healthcare, Inc. (NYSE:GEN) and Next Healthcare Capital acquired 15 skilled nursing facilities from Welltower Inc. (NYSE:WELL) for approximately \$200 million.
11/6/18	Genesis Healthcare, Inc. (NYSE:GEN) acquired eight skilled nursing facilities and one assisted living facility in New Mexico and Arizona.
10/31/18	Regency Reit, LLC completed the acquisition of remaining seven Texas nursing facilities from Genesis Healthcare, Inc. (NYSE:GEN).
10/2/18	An unknown buyer acquired 15 skilled nursing facilities from Genesis Healthcare, Inc. (NYSE:GEN).

# Public Basket



## Brookdale Senior Living Inc.

Brookdale Senior Living Inc. owns and operates senior living communities in the United States. It operates through five segments: Independent Living, Assisted Living and Memory Care, CCRCs, Health Care Services, and Management Services. The Independent Living segment owns or leases communities comprising independent and assisted living units in a single community that are primarily designed for middle to upper income senior citizens. Brookdale Senior Living Inc. was incorporated in 2005 and is headquartered in Brentwood, Tennessee.



Date	Key Development Headline
3/28/19	Post Acute Partners, LLC acquired Six Senior Living Homes from Brookdale Senior Living Inc. (NYSE:BKD).
10/31/18	Ventas, Inc. (NYSE:VTR) completed the acquisition of seniors housing community located in Battery Park City from Brookdale Senior Living Inc. (NYSE:BKD).
9/3/18	Bridge Investment Group, LLC acquired Two Communities in Ohio from Brookdale Senior Living Inc. (NYSE:BKD) for \$31 million.
8/19/18	Ventas, Inc. (NYSE:VTR) signed a definitive agreement to seniors housing community located in Battery Park City from Brookdale Senior Living Inc. (NYSE:BKD) for approximately \$140 million.
6/29/18	Welltower Inc. (NYSE:WELL) completed the acquisition of remaining 20% stake in Welltower RIDEA Joint Venture from Brookdale Senior Living Inc. (NYSE:BKD).

# Public Basket

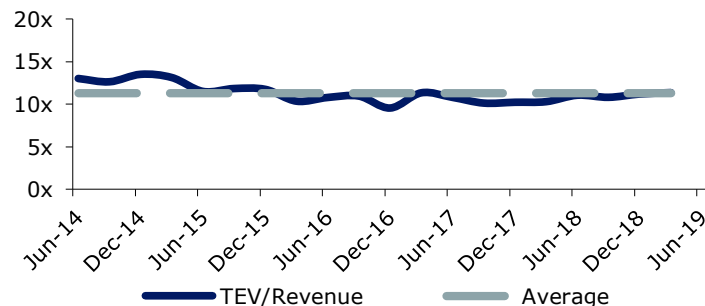


## HCP, Inc.

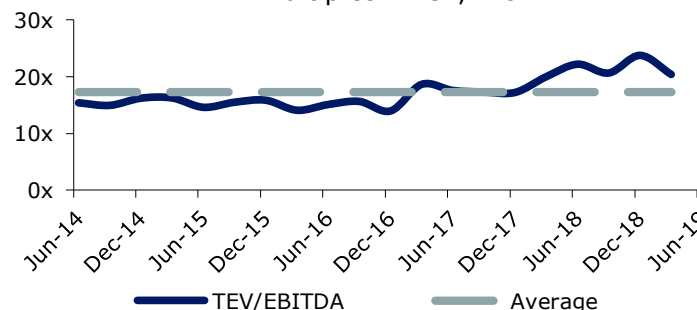
HCP, Inc. is a fully integrated real estate investment trust (REIT) that invests in real estate serving the healthcare industry in the United States. HCP owns a large-scale portfolio primarily diversified across life science, medical office and senior housing. Recognized as a global leader in sustainability, HCP has been a publicly-traded company since 1985 and was the first healthcare REIT selected to the S&P 500 index.

Date	Key Development Headline
6/20/19	HCP To Seek Acquisitions
4/30/19	HCP, Inc. (NYSE:HCP) acquired portfolio of nine senior housing properties for approximately \$450 million.
4/30/19	HCP, Inc. (NYSE:HCP) acquired Three Senior Housing Communities in California for approximately \$110 million.
12/30/18	An institutional investor completed the acquisition of 51% stake in U.K. holdings from HCP, Inc. (NYSE:HCP).
12/10/18	HCP Intends To Seek Acquisitions

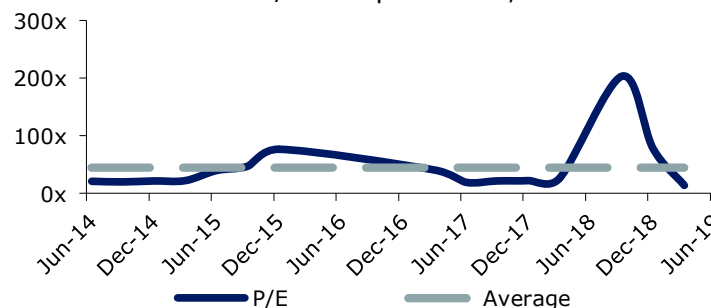
Revenue Multiples - HCP, Inc.



EBITDA Multiples - HCP, Inc.



P/E Multiples - HCP, Inc.



# Public Basket

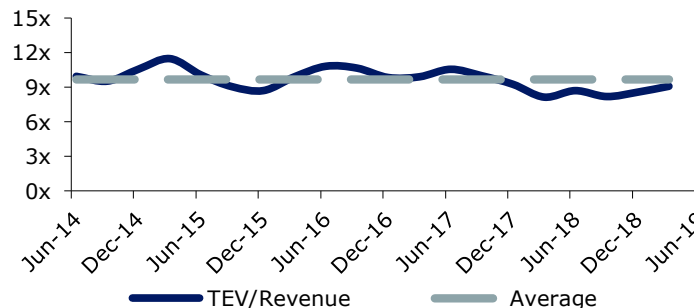


## Ventas, Inc.

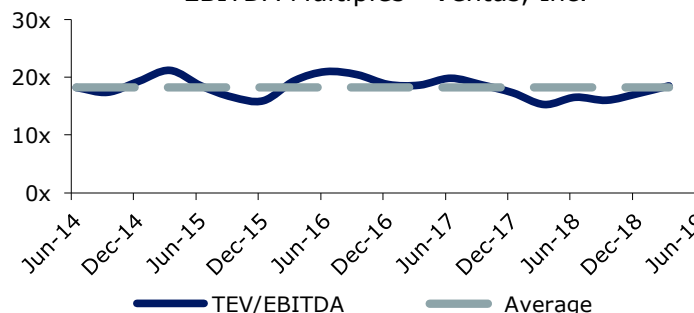
Ventas, Inc., an S&P 500 company, is a leading real estate investment trust. Its diverse portfolio of approximately 1,200 assets in the United States, Canada and the United Kingdom consists of seniors housing communities, medical office buildings, university-based research and innovation centers, inpatient rehabilitation and long-term acute care facilities, and health systems. Through its Lillibridge subsidiary, Ventas provides management, leasing, marketing, facility development and advisory services to highly rated hospitals and health systems throughout the United States. References to “Ventas” or the “Company” mean Ventas, Inc. and its consolidated subsidiaries unless otherwise expressly noted.

Date	Key Development Headline
6/3/19	Ventas Reportedly Intends To Seek Acquisitions
6/2/19	Ventas, Inc. (NYSE:VTR) and Le Groupe Maurice entered into a definitive agreement to acquire Class A portfolio of 31 communities and four in-progress developments in Quebec for CAD 2.4 billion.
4/4/19	Ventas, Inc. (NYSE:VTR) acquired 1030 Massachusetts Avenue located at Cambridge, Massachusetts from Bain Capital Real Estate, LP and Longfellow Real Estate Partners, LLC in a transaction valued at approximately \$130 million.
2/3/19	Ventas, Inc. (NYSE:VTR) acquired an unknown majority stake in building at 3401 Market St. in Philadelphia from University City Science Center for \$26 million.
10/31/18	Ventas, Inc. (NYSE:VTR) completed the acquisition of seniors housing community located in Battery Park City from Brookdale Senior Living Inc. (NYSE:BKD).

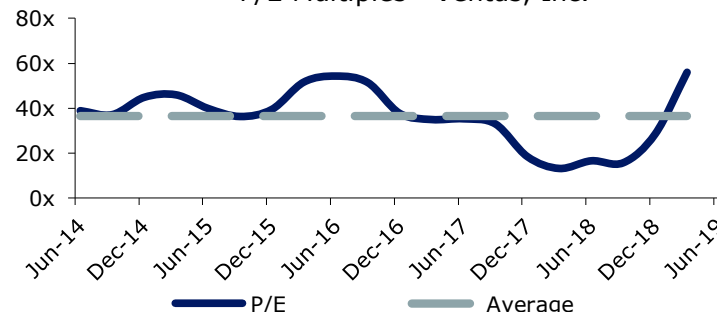
Revenue Multiples - Ventas, Inc.



EBITDA Multiples - Ventas, Inc.



P/E Multiples - Ventas, Inc.

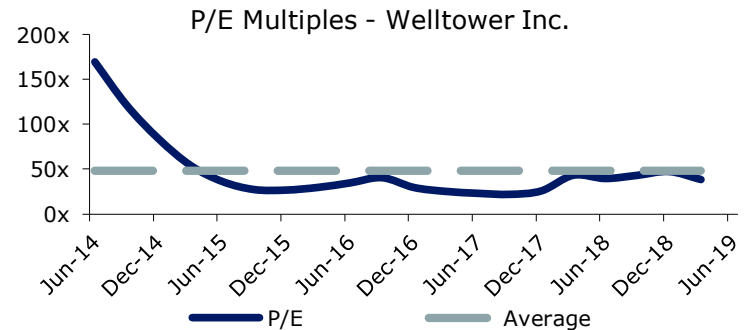
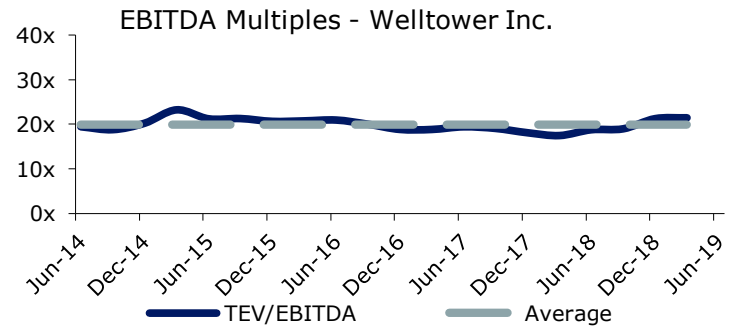
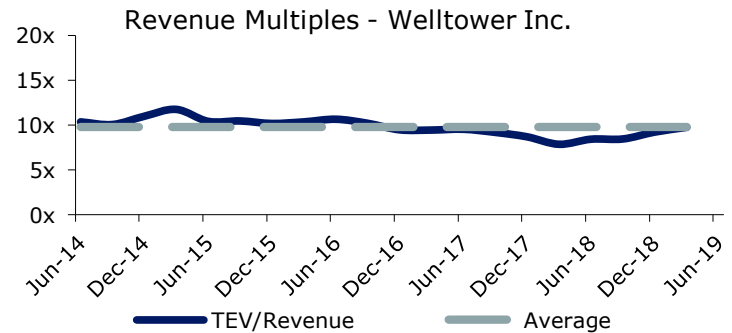


# Public Basket



## Welltower Inc.

Welltower Inc. (NYSE:WELL), an S&P 500 company headquartered in Toledo, Ohio, is driving the transformation of health care infrastructure. The Company invests with leading seniors housing operators, post-acute providers and health systems to fund the real estate infrastructure needed to scale innovative care delivery models and improve people's wellness and overall health care experience. Welltower™, a real estate investment trust ("REIT"), owns interests in properties concentrated in major, high-growth markets in the United States, Canada and the United Kingdom, consisting of seniors housing and post-acute communities and outpatient medical properties.



Date	Key Development Headline
5/14/19	Welltower Inc. (NYSE:WELL) completed the acquisition of 55 medical office building and related properties in United States from CNL Healthcare Properties, Inc., CHP Partners, LP.
4/29/19	An unknown buyer acquired StoryPoint Triple-Net Portfolio from from Welltower Inc. (NYSE:WELL) for \$290 million.
4/29/19	An unknown buyer acquired 47.5% stake in a non-core stand-alone memory care property in United States for \$9 million.
4/16/19	Welltower Inc. (NYSE:WELL) acquired Dominion portfolio from South Bay Partners, Ltd.
2/3/19	Genesis Healthcare, Inc. (NYSE:GEN) and Next Healthcare Capital acquired 15 skilled nursing facilities from Welltower Inc. (NYSE:WELL) for approximately \$200 million.

# CONTACT INFO

7MA provides Investment Banking & Advisory Services to the Business Services and Technology Industries globally. We advise on M&A and private capital transactions and provide market assessments and benchmarking. As a close-knit team with a long history together and a laser focus on our target markets, we help our clients sell their companies, raise capital, grow through acquisitions, and evaluate new markets. Securities offered through 7M Securities LLC.

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