



Sectorwatch: Healthcare: Assisted Living Facilities & Services

August 2019

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Introduction

The assisted living industry is comprised of a full continuum of properties catering to seniors ranging from REIT-backed residential developments to skilled nursing and acute care hospitals utilizing an MSO model to differentiated operators specializing in memory care. Many providers are predominantly reliant on private pay and, accordingly, have more limited regulatory risk exposure than other healthcare subsectors. We've seen significant momentum in the assisted living market driven by three macro trends:

- 1) Modest levels of new construction not keeping pace with the population demographic shift.
 - 2) Consolidation of a highly fragmented landscape comprised of local and regional owner/operator.
 - 3) Operational and service-level improvements realized by larger platforms to increase property-level net operating income.
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Overview

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.



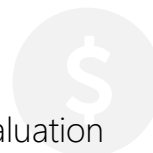
Public Basket Performance

- 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

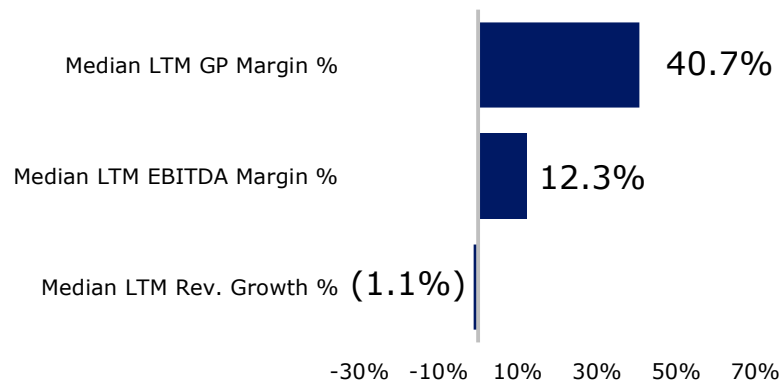
Profitability

↓ -3.2%

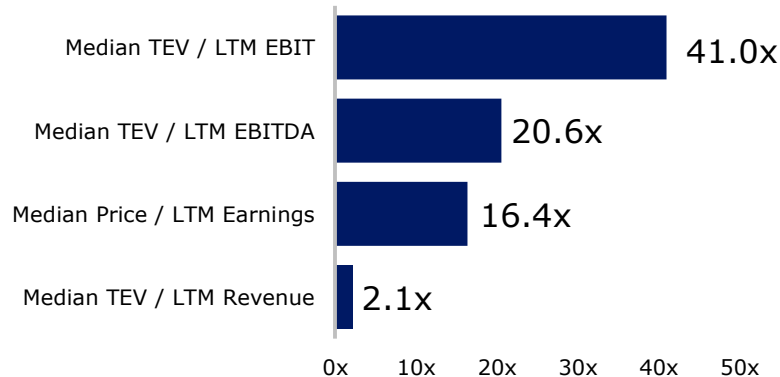
1 - year EBITDA % compared to EBITDA % average for last 3 years

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

Operating Metrics



Valuation



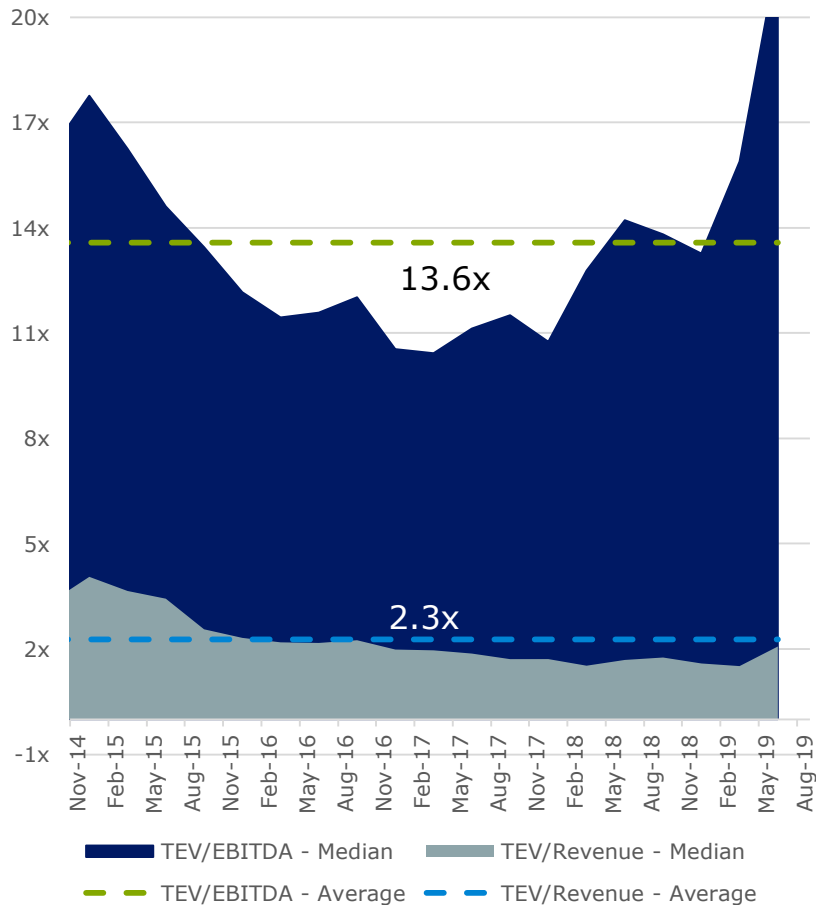
Public Basket



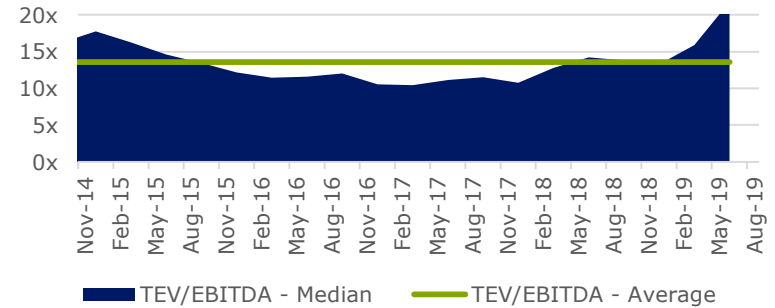
Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Diversicare Healthcare Services, Inc.	475	551	-4%	19%	3%	0.9	33.5	6,000	92
Capital Senior Living Corporation	1,361	455	-1%	32%	12%	3.0	24.3	4,541	100
National HealthCare Corporation	1,386	989	2%	41%	10%	1.4	12.7	14,891	66
The Ensign Group, Inc.	3,994	2,177	12%	14%	9%	1.8	19.7	23,463	93
Genesis Healthcare, Inc.	4,213	4,710	-10%	45%	7%	0.9	13.7	61,300	77
Brookdale Senior Living Inc.	7,139	3,326	-10%	29%	14%	2.1	15.8	43,200	77
HCP, Inc.	23,328	1,826	-1%	59%	53%	12.8	24.0	201	9,083
Ventas, Inc.	37,304	3,719	2%	54%	49%	10.0	20.6	500	7,438
Welltower Inc.	51,888	5,010	15%	46%	44%	10.4	23.7	384	13,046
Average	14,565	2,529	0%	38%	22%	4.8	20.9	17,164	3,341
Median	4,213	2,177	-1%	41%	12%	2.1	20.6	6,000	93

share price as of 15Aug19

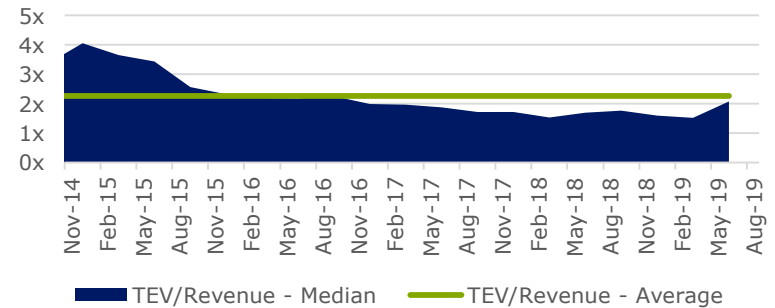
Public Basket Valuation Trends



Public EBITDA Multiples over Time



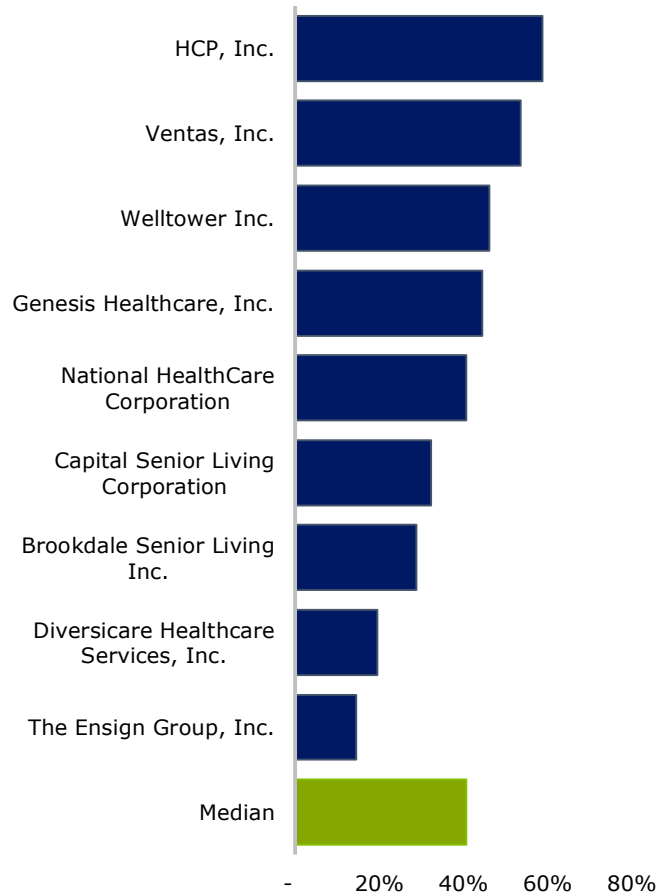
Public Revenue Multiples over Time



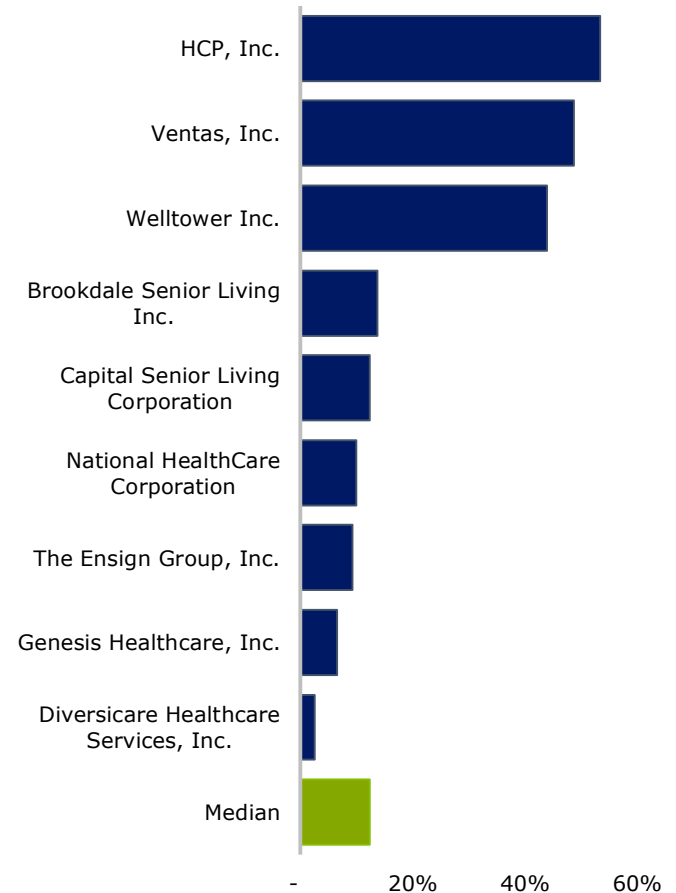
Operational Metrics



LTM Gross Profit Margin %



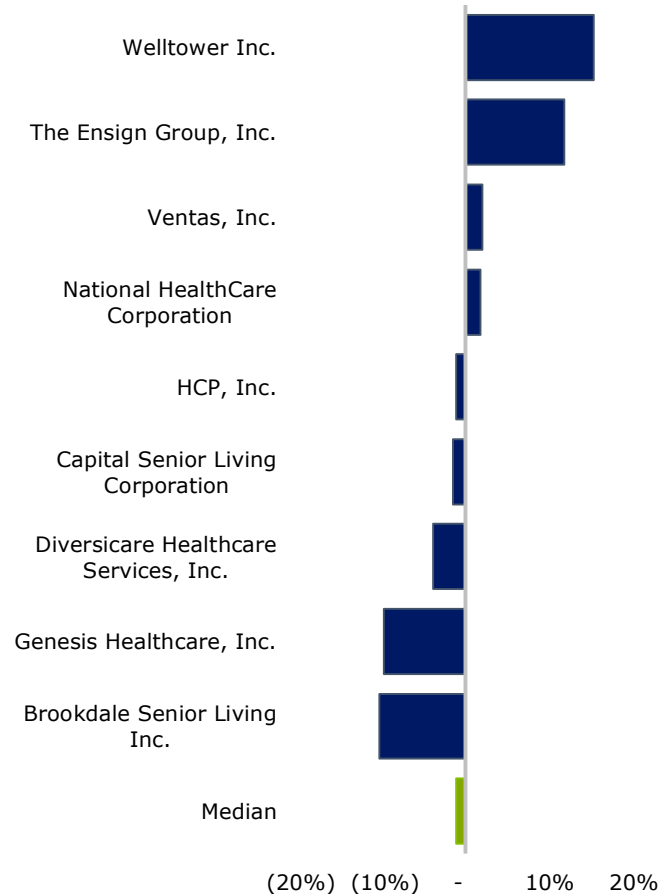
LTM EBITDA %



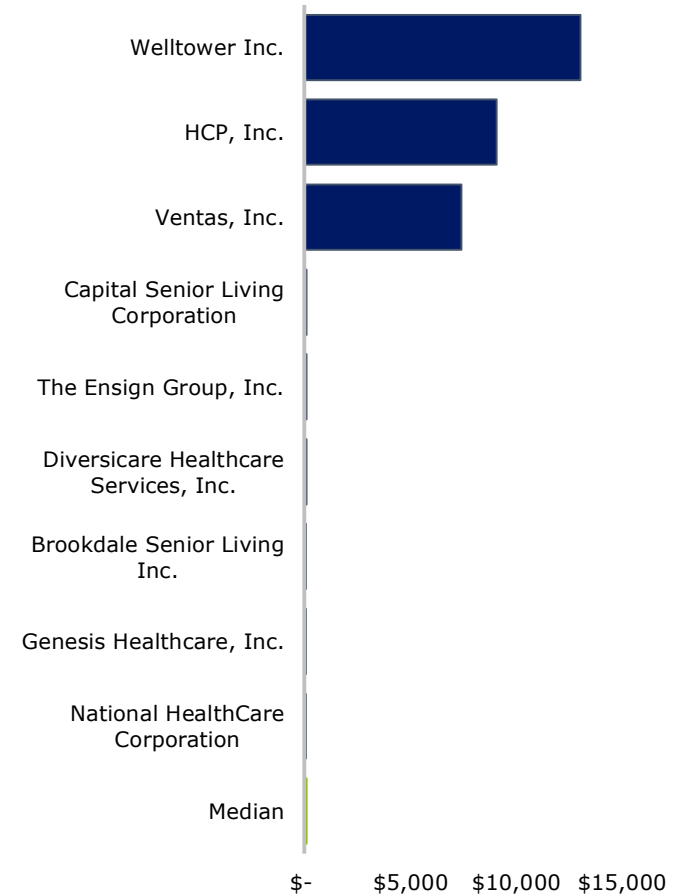
Operational Metrics



LTM Revenue Growth %



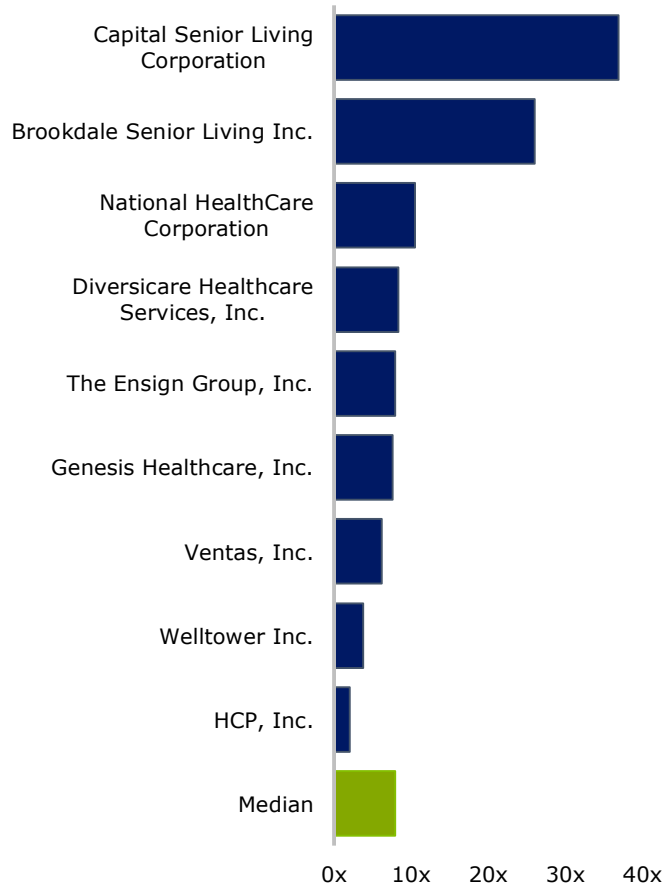
LTM Revenue per Full Time Employee x 000's



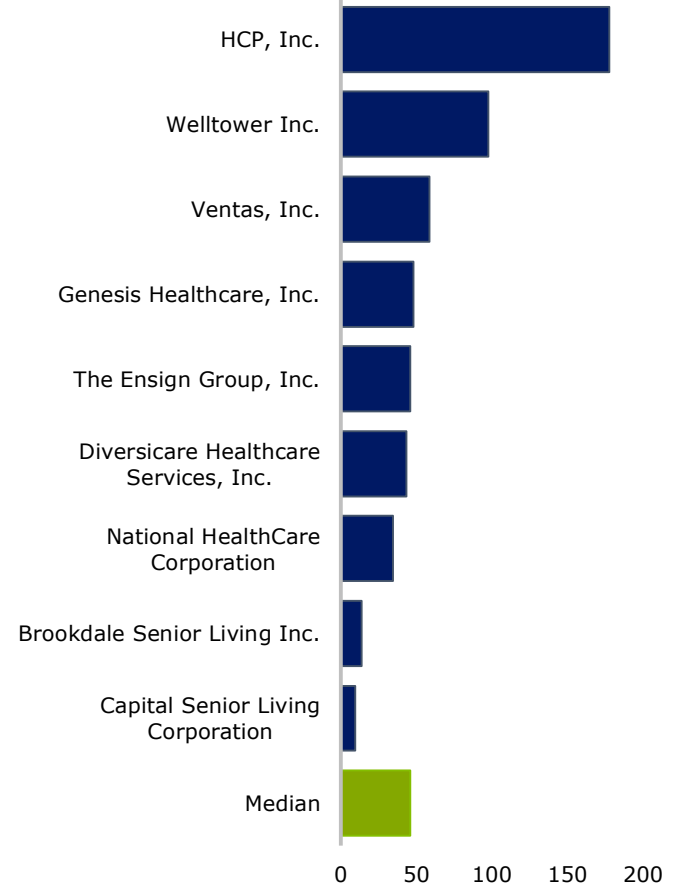
Operational Metrics



Accounts Receivable Turnover



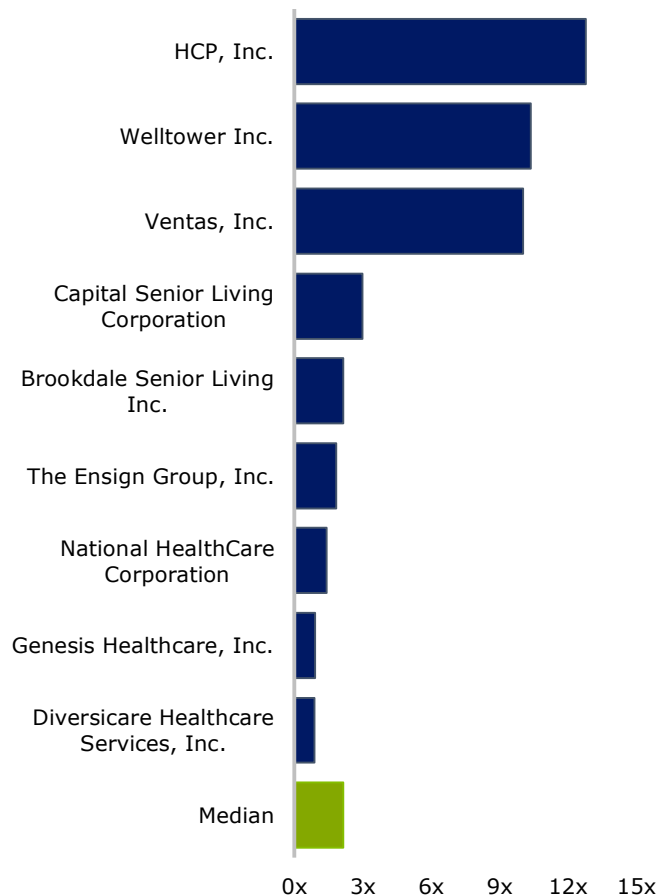
Average Days Sales Outstanding



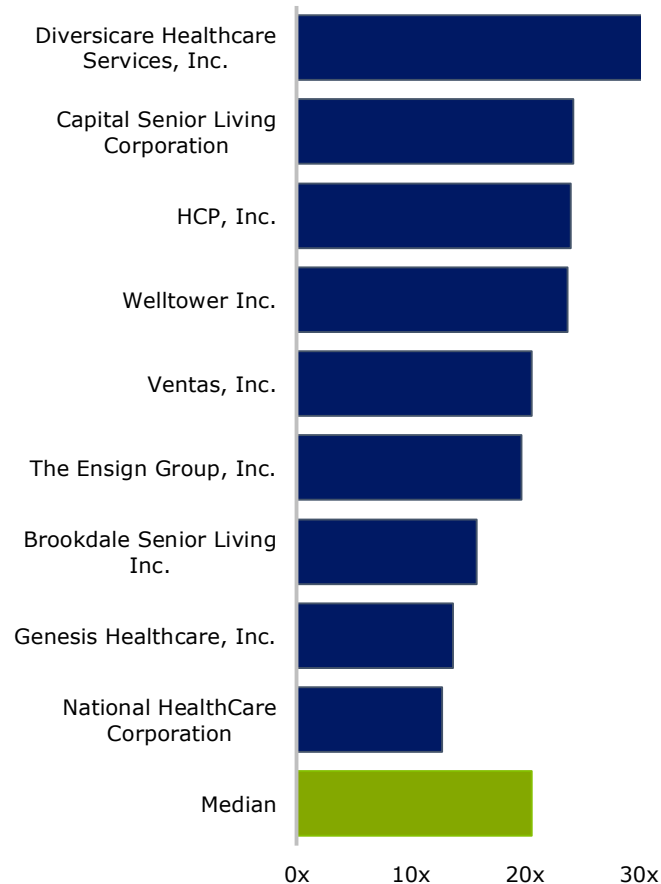
Valuation



TEV / LTM Revenue



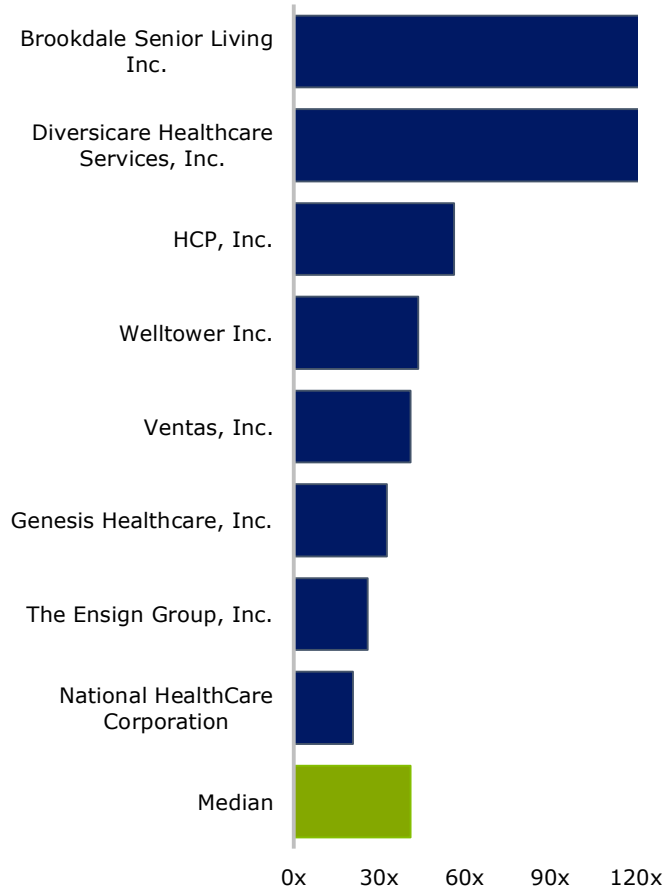
TEV / LTM EBITDA



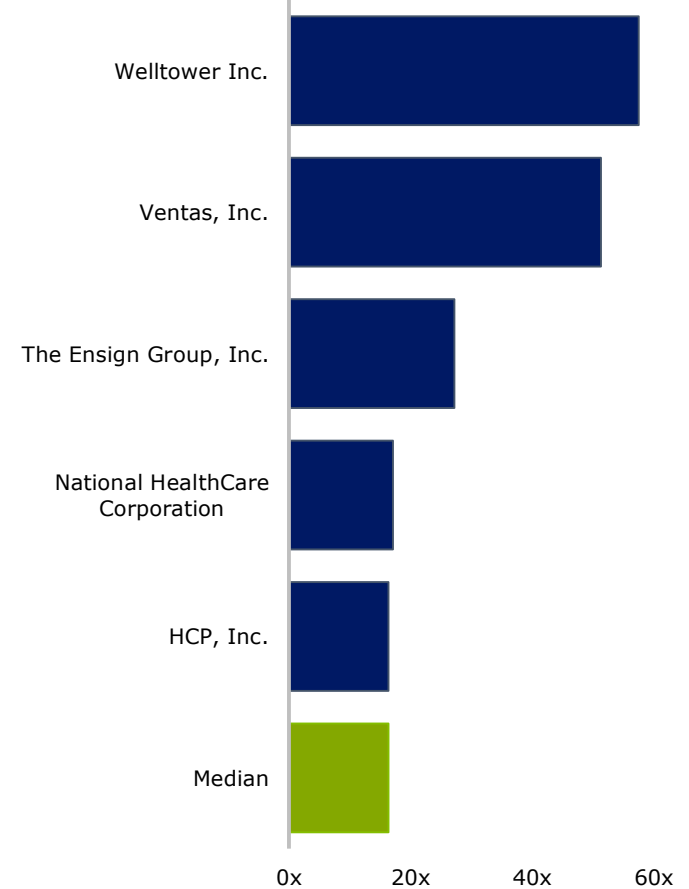
Valuation



TEV / LTM EBIT



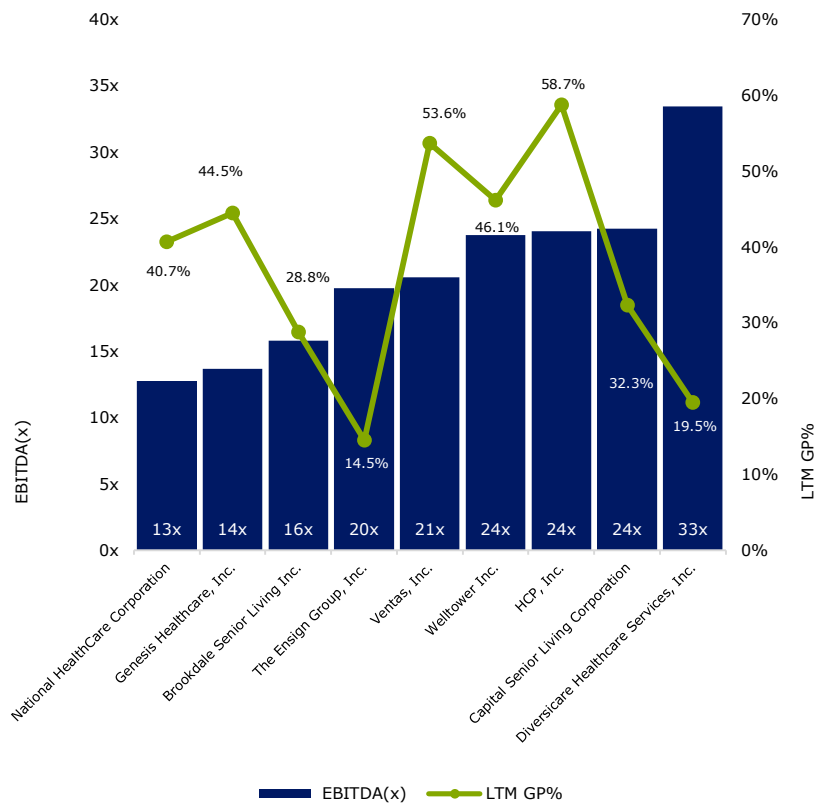
Price / LTM Earnings



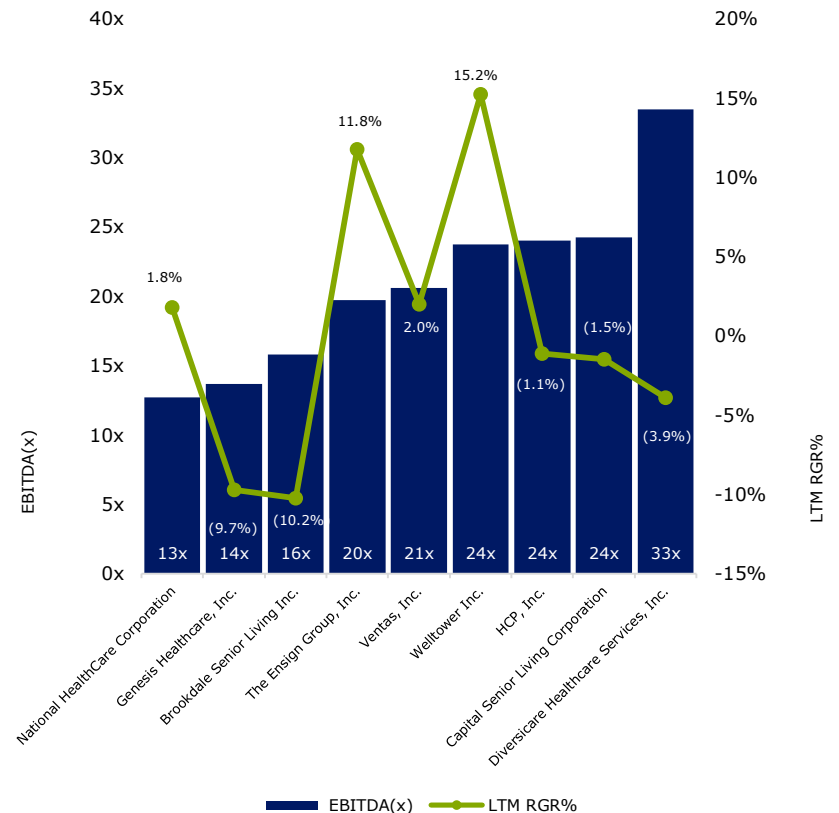
Valuation



Historical Valuation Multiples versus Gross Profit



Historical Valuation Multiples versus Revenue Growth Rate



Recent Transactions



Date	Target	Buyer / Investor	Total Transaction Value	Target Revenue	TEV / Revenue	TEV / EBITDA
1Aug19	Mainplace Senior Living, California	The Ensign Group, Inc.	-	-	-	-
30Jun19	The Terrace at Mount Ogden	The Ensign Group, Inc.	-	-	-	-
30Jun19	six-community portfolio in the Denver and Boulder metropolitan statistical areas	Welltower Inc.	308.00	-	-	-
16Jul19	Benchmark Senior Living Portfolio	-	1,850.00	-	-	-
31Jul19	13 Non-Core Senior Housing Property Portfolio	Prime Care Properties, LLC	274.00	-	-	-
18Jul19	Three Senior Living Communities in the Pittsburgh Metro Area	Grace Management, Inc.; Chicago Pacific Founders; CPF Living Communities	-	-	-	-
1Jun19	Skilled Nursing Facility in Sonoma, California (nka:Valley of the Moon Post Acute)	The Ensign Group, Inc.	-	-	-	-
3Jul19	Woodhaven Village in Conroe	Grace Management, Inc.; Chicago Pacific Founders; CPF Living Communities	-	-	-	-
2Jul19	The Plaza at Richardson	O&M Investments, LLC	6.00	-	-	-
27Jun19	Wildewood Downs Nursing & Rehabilitation Center	The Charlotte Assisted Living & Memory Care	35.00	-	-	-
10Jun19	Autumn Leaves of Fort Mill (nka:The Pearl at Fort Mill)	Phoenix Senior Living LLC	-	-	-	-
5Jun19	Texas Post-Acute Care Campus	The Ensign Group, Inc.	-	-	-	-
16May19	The Virginian	Focus Healthcare Partners	-	-	-	-
2Apr19	Wood Haven Senior Living	Esplanade Capital; Meridian Senior Living, LLC	-	-	-	-
3Apr19	Vista Gardens	NCP Capital Management, LLC	22.80	-	-	-

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APPENDIX: Public Basket Constituents

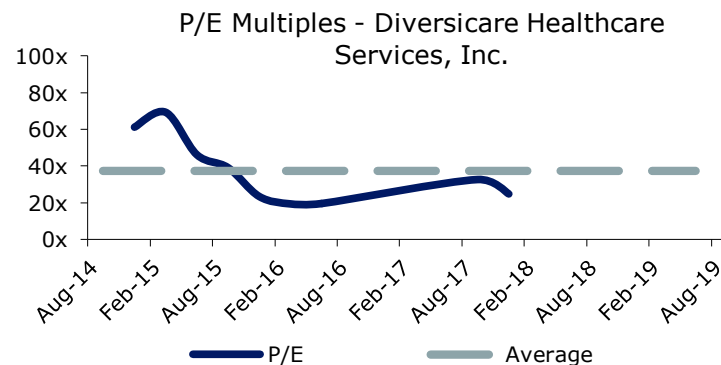
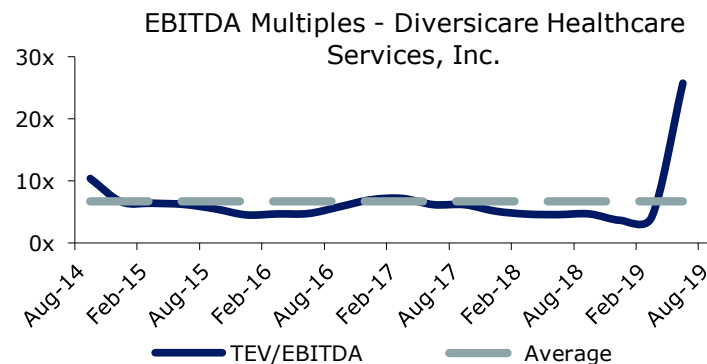
Public Basket



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.

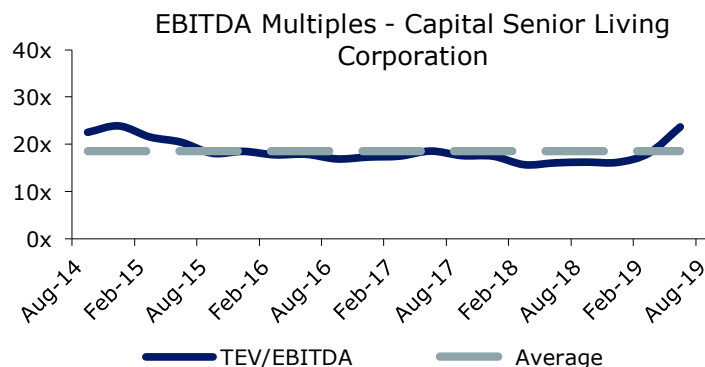
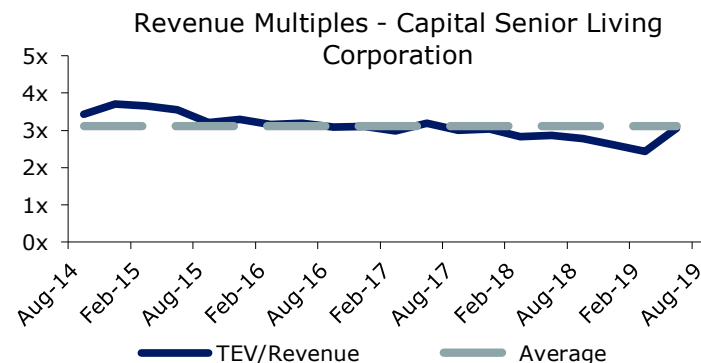


Public Basket



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.

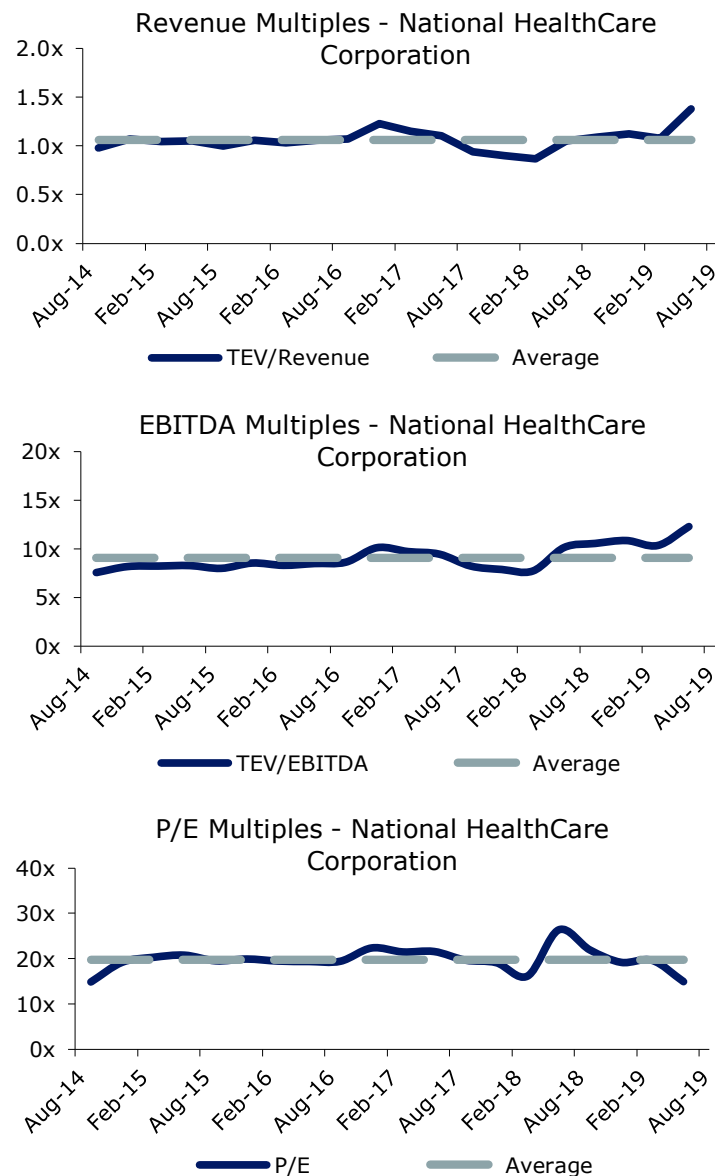


Public Basket



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.



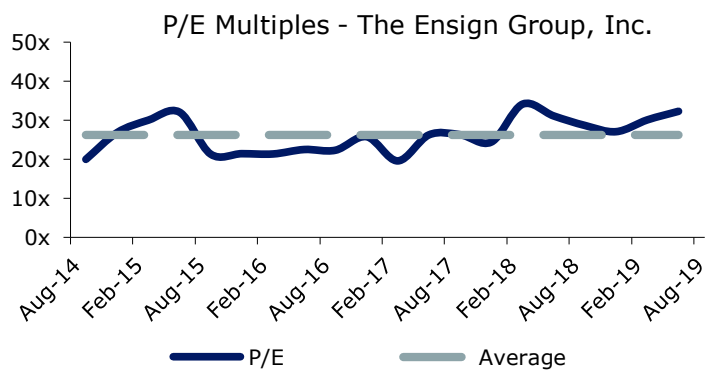
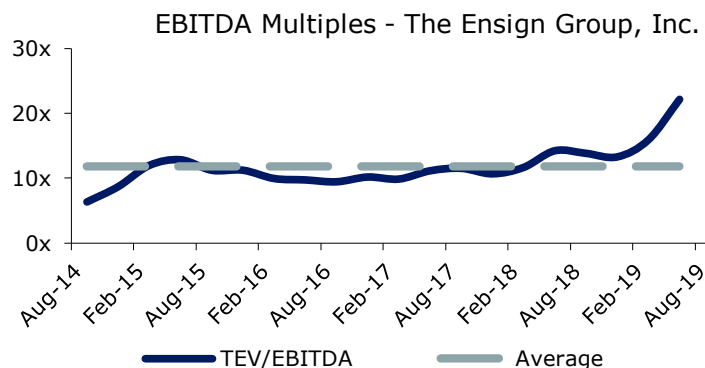
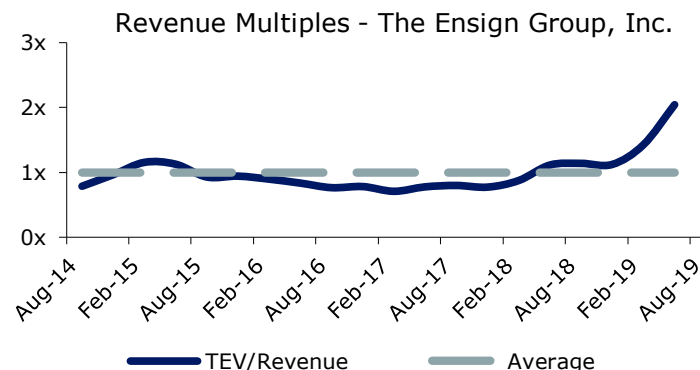
Public Basket



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
8/12/19	The Ensign Group, Inc. (NasdaqGS:ENSG) acquired Real Estate and Operations of Surprise Health and Rehabilitation Center.
7/31/19	The Ensign Group, Inc. (NasdaqGS:ENSG) acquired Agape Hospice and Palliative Care.
7/31/19	The Ensign Group, Inc. (NasdaqGS:ENSG) acquired Mainplace Senior Living, California.
7/31/19	The Ensign Group, Inc. (NasdaqGS:ENSG) acquired Stonebridge Home Care.
7/31/19	The Ensign Group, Inc. (NasdaqGS:ENSG) acquired The terrace at Mount Ogden.



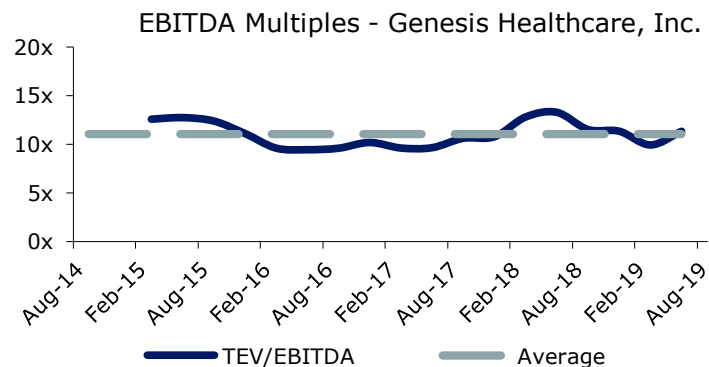
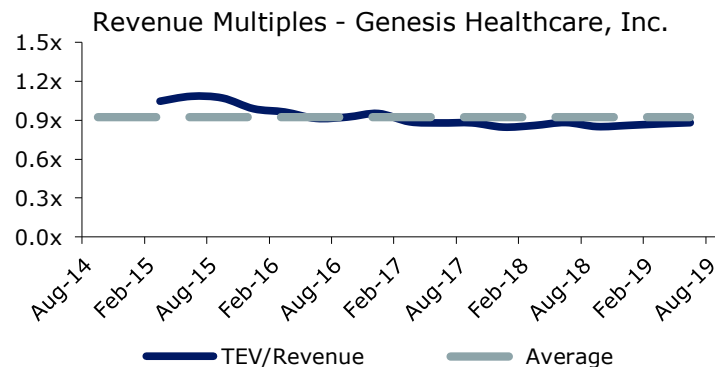
Public Basket



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, Inc. (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).



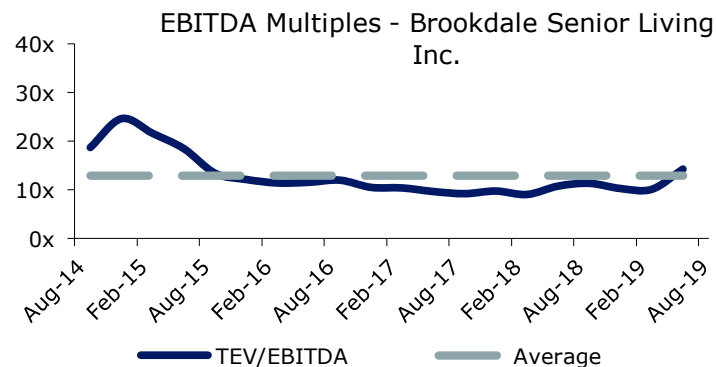
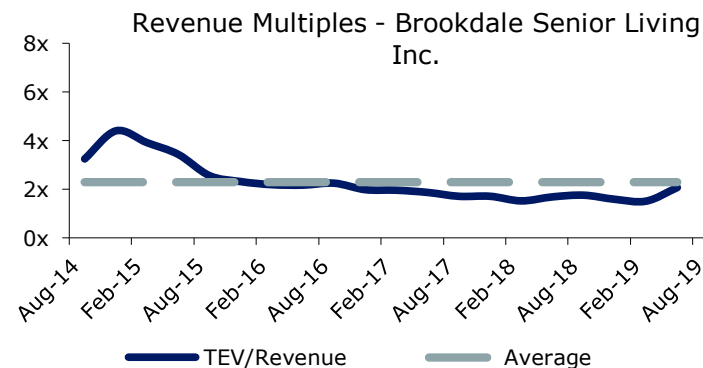
Public Basket



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 acquire 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

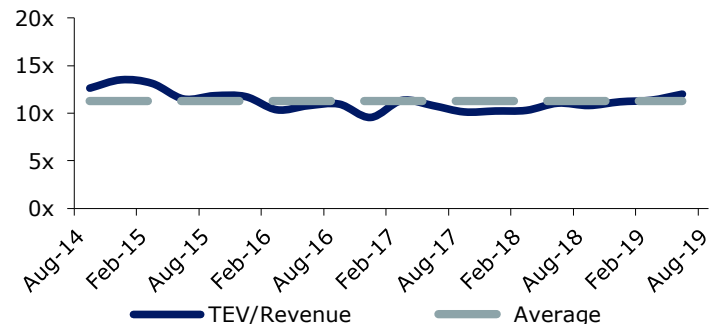


HCP, Inc.

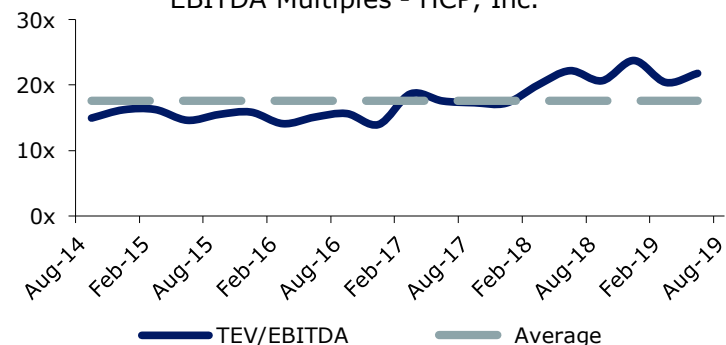
HCP, Inc. is a fully integrated real estate investment trust (REIT) that invests in real estate serving the healthcare industry in the United States. HCP owns a large-scale portfolio primarily diversified across life science, medical office and senior housing. Recognized as a global leader in sustainability, 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
7/31/19	HCP, Inc. (NYSE:HCP) acquired Medical office building in Kansas City for \$15 million.
7/30/19	HCP, Inc. (NYSE:HCP) acquired portfolio of five senior housing properties in California for approximately \$400 million.
7/30/19	HCP, Inc. (NYSE:HCP) acquired The Hartwell Innovation Campus for approximately \$230 million.
7/30/19	HCP, Inc. (NYSE:HCP) completed the acquisition of 427,000 Square Foot, Two-Building Life Science and Office Campus in the South San Francisco from Diamond Investment Properties.
7/30/19	HCP, Inc. (NYSE:HCP) acquired The 56,000 Square Foot Property for \$16 million.

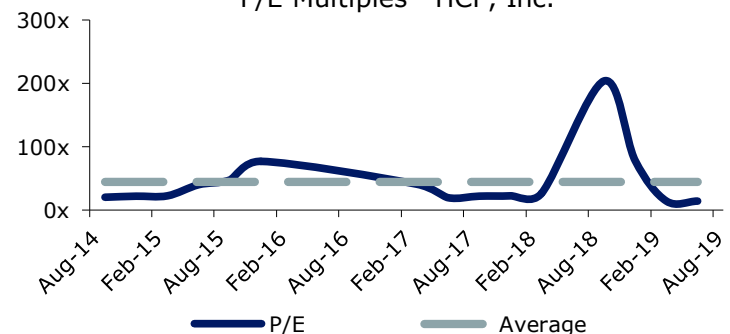
Revenue Multiples - HCP, Inc.



EBITDA Multiples - HCP, Inc.



P/E Multiples - HCP, Inc.



Public Basket

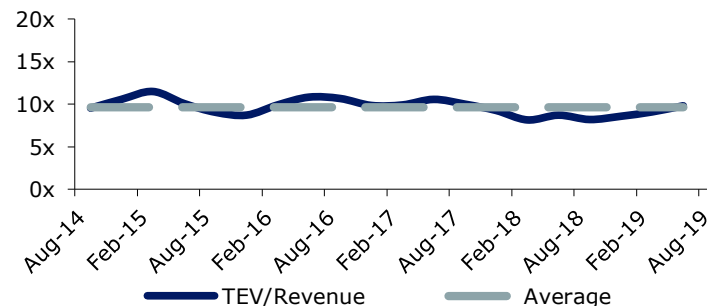


Ventas, Inc.

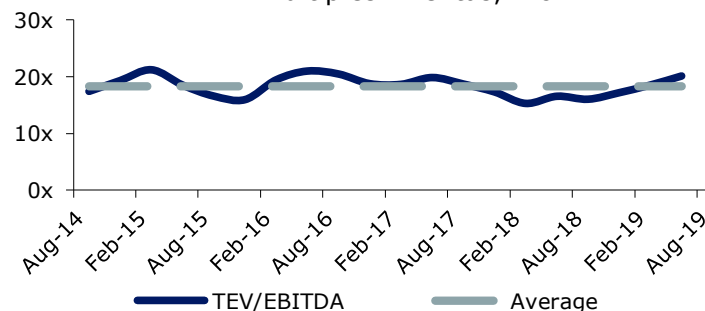
Ventas, Inc., an S&P 500 company, is a leading real estate investment trust. Its diverse portfolio of approximately 1,200 assets in the United States, Canada and the United Kingdom consists of seniors housing communities, medical office buildings, university-based research and innovation centers, inpatient 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
7/25/19	Ventas, Inc. (NYSE:VTR) acquired Duke Health Medical office Building from Private Diagnostic Clinic, PLLC.
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.

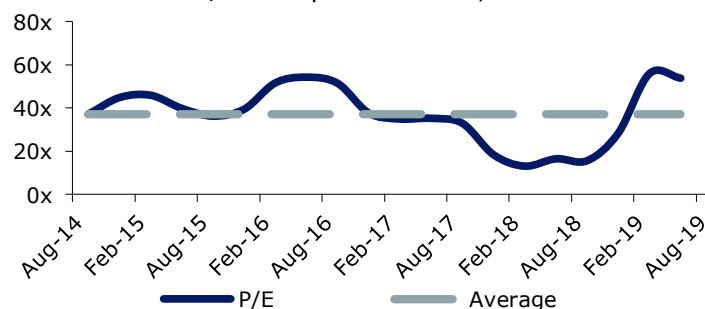
Revenue Multiples - Ventas, Inc.



EBITDA Multiples - Ventas, Inc.



P/E Multiples - Ventas, Inc.



Public Basket

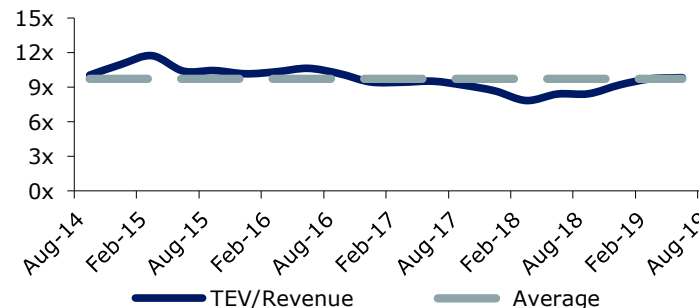


Welltower Inc.

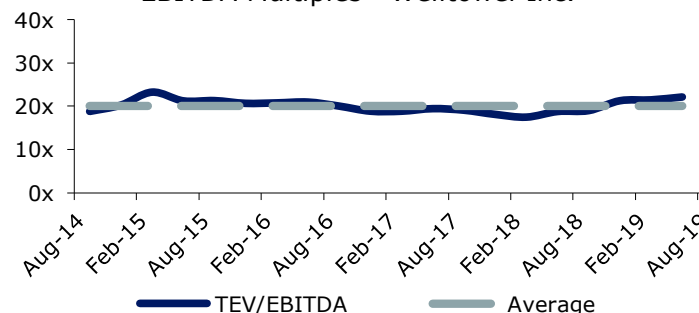
Welltower Inc. (NYSE:WELL), an S&P 500 company headquartered in Toledo, Ohio, is driving the transformation of health care infrastructure. The Company invests with leading seniors housing operators, post-acute providers and health systems to fund the real estate infrastructure needed to scale innovative 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
7/30/19	Welltower Inc. (NYSE:WELL) and Discovery Senior Living acquired three infill seniors housing campuses in Dallas-Fort Worth and San Antonio from South Bay Partners, Ltd. for approximately \$220 million.
7/30/19	Welltower Inc. (NYSE:WELL) acquired six-community portfolio in the Denver and Boulder metropolitan statistical areas from Balfour Senior Care, LLC for approximately \$310 million.
7/30/19	Welltower Inc. (NYSE:WELL) entered into a definitive purchase agreement to acquire 6-Building Medical Office Campus in Berkeley Heights from Summit Medical Group, P.A. for \$140 million.
7/30/19	An unknown buyer acquired 95% stake in Benchmark Senior Living Portfolio from Welltower Inc. (NYSE:WELL) for \$1.9 billion.

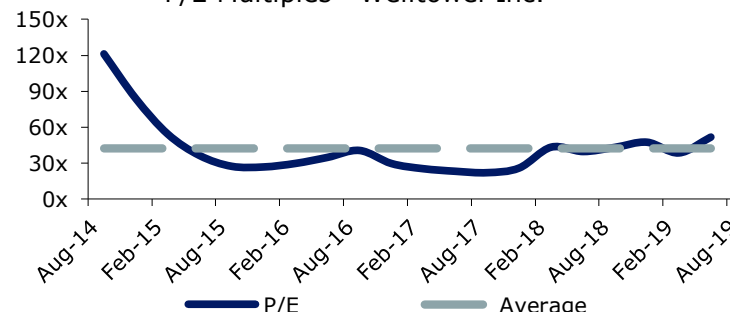
Revenue Multiples - Welltower Inc.



EBITDA Multiples - Welltower Inc.



P/E Multiples - Welltower Inc.



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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