



ZIEGLER INVESTMENT BANKING

# PRESERVING THE NOT-FOR-PROFIT LEGACY IN SENIOR LIVING

LUTHERAN SERVICES IN AMERICA  
May 12, 2021

## PRESENTED BY

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# AGENDA

TOPIC 1: WELCOME – BRIEF REVIEW OF ZIEGLER

TOPIC 2: FRAMING THE SECTOR'S NOT-FOR-PROFIT HERITAGE

TOPIC 3: LUTHERAN-SPONSORED SENIOR LIVING & CARE TODAY

TOPIC 4: LOOKING AHEAD: UNDERSTANDING THE FUTURE NFP LANDSCAPE

DISCUSSION



TOPIC 1

# BRIEF OVERVIEW OF ZIEGLER

# THE ZIEGLER ADVANTAGE

Privately-held Investment Bank focused on Advisory Services, Capital Markets and Proprietary Investments to the Healthcare Industry



1902

Established



185

Professionals



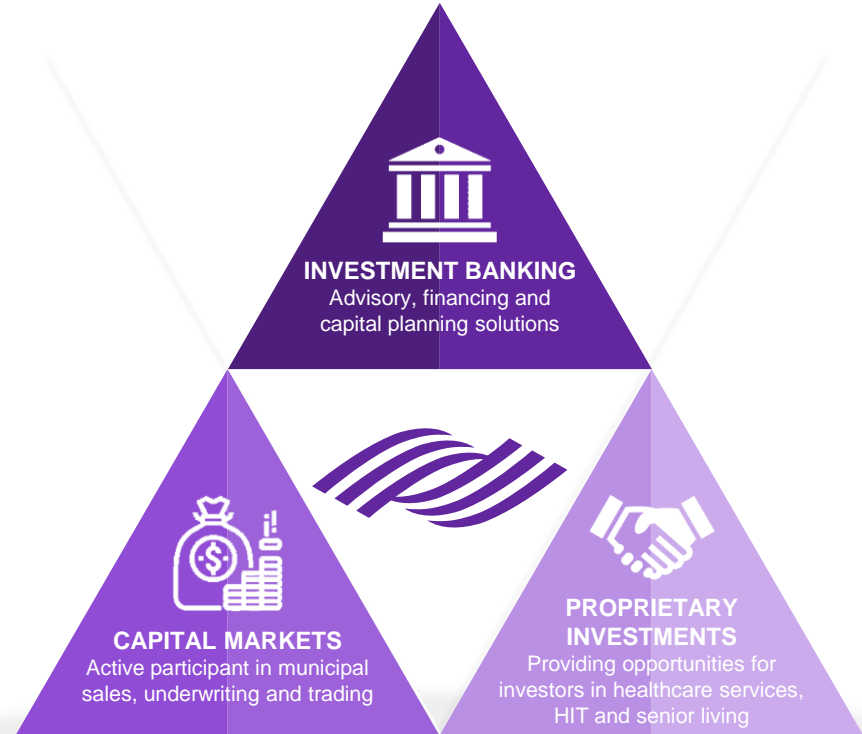
60+

Managing Directors/  
Directors



21

Offices Nationally



PROVEN PERFORMANCE



RELATIONSHIPS



INSIGHT



BREADTH OF SERVICES



FLEXIBILITY



EXPERIENCED PROFESSIONALS

# NATIONAL FOOTPRINT

**HEADQUARTERED** at One North Wacker Drive in Chicago with regional and branch offices throughout the U.S., Ziegler provides its clients with capital raising, strategic advisory services, fixed income sales & trading and research.



## SEATTLE, WA

520 Pike Street  
Suite 1505  
Seattle, WA 98101



## MINNEAPOLIS, MN

333 South 7th Street  
Suite 2170  
Minneapolis, MN 55402



## MILWAUKEE, WI

735 North Water Street  
Suite 1000  
Milwaukee, WI 53202



## CHICAGO, IL Headquarters

One North Wacker Drive  
Suite 2000  
Chicago, IL 60606

1902

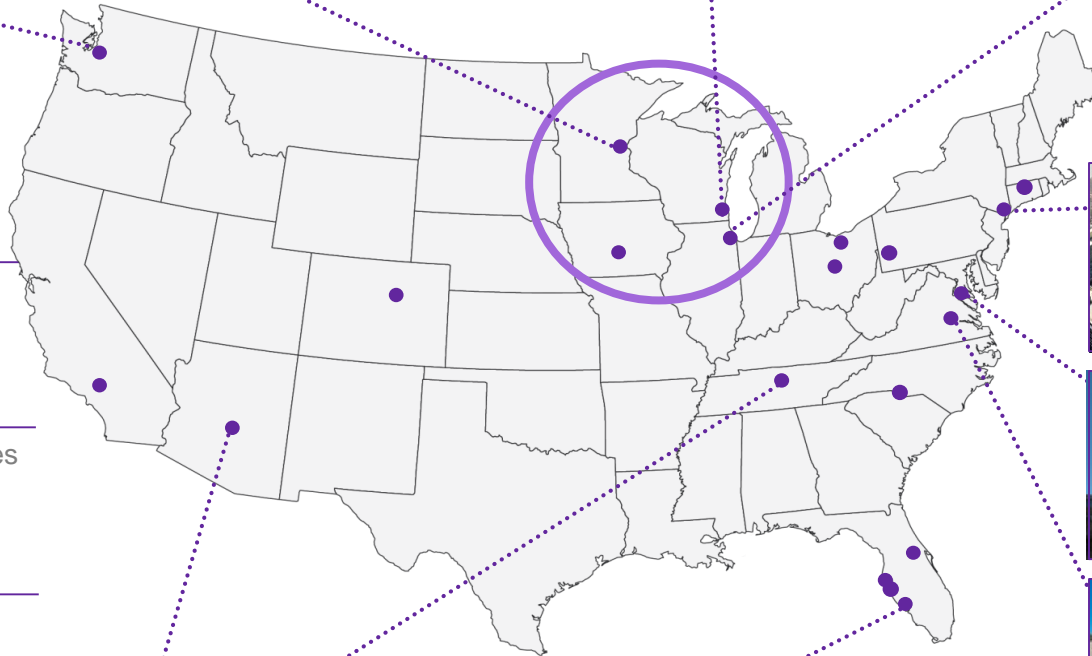
established

185+

number of associates

21

Registered offices



## NEW YORK

2 Grand Central Tower  
140 East 45th Street  
Suite 2200  
New York, NY 10017



## BETHESDA, MD

7500 Old Georgetown Rd  
Suite 750  
Bethesda, MD 20817



## RICHMOND, VA

5701 Patterson Avenue  
Suite 200  
Richmond, VA 23226



## SCOTTSDALE, AZ

14850 N. Scottsdale Rd  
Suite 350  
Scottsdale, AZ 85254



## NASHVILLE, TN

150 3rd Avenue South  
Suite 1150  
Nashville, TN 37201

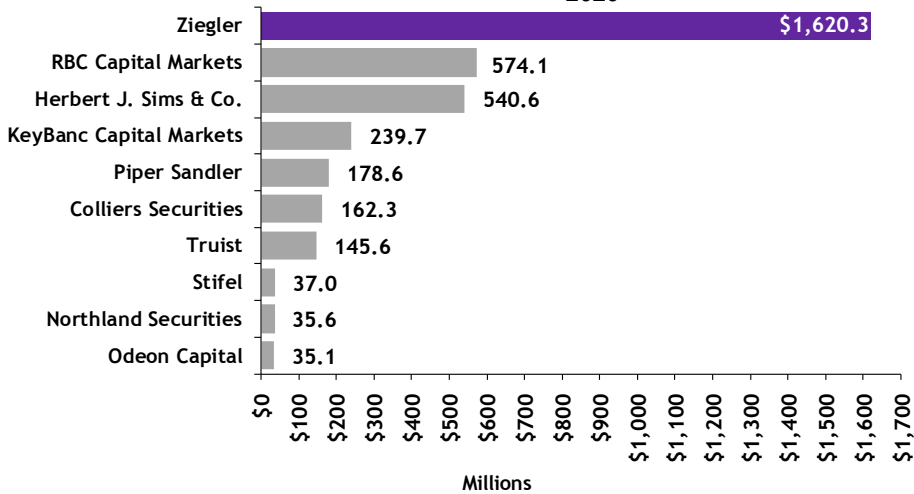


## SARASOTA, FL

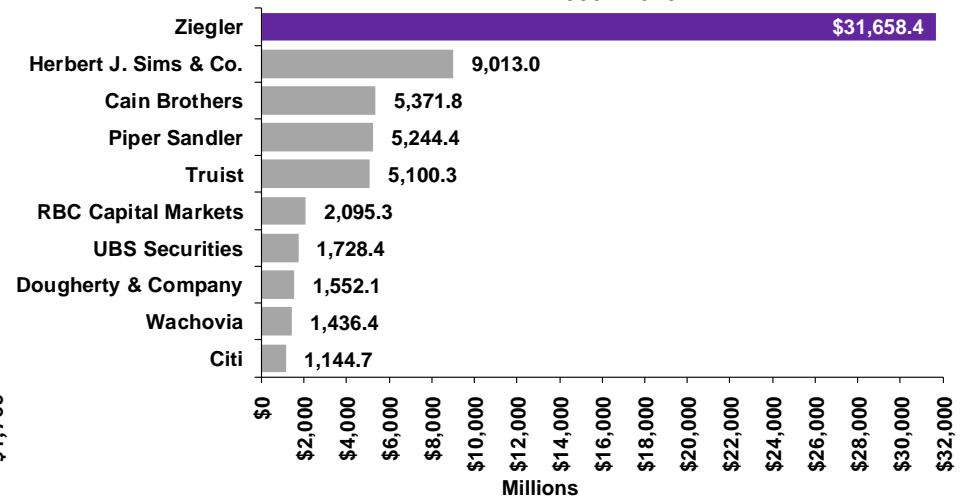
1605 Main Street  
Suite 1020  
Sarasota, FL 34236

# ZIEGLER - THE LEADER IN SENIOR LIVING NOT-FOR-PROFIT FINANCINGS

Top Lead Managing Underwriters  
Senior Living Finance NFP Bond Financings  
2020



Top Lead Managing Underwriters  
Senior Living Finance NFP Bond Financings  
2000 - 2020

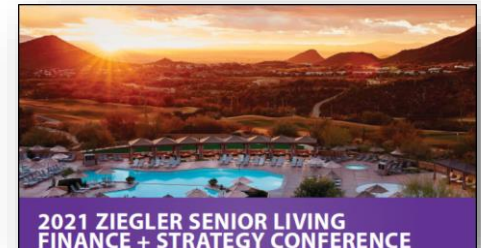


- Since the early 1990s, Ziegler has closed nearly \$2.7 billion in bond financings to 34 Lutheran organizations across 81 transactions

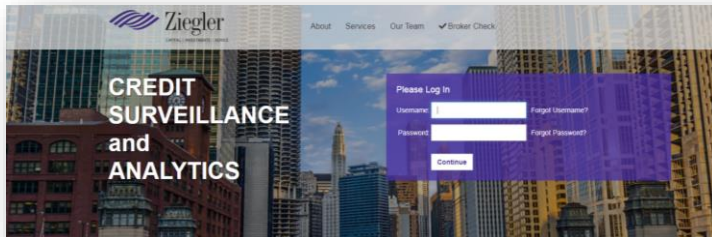


# ZIEGLER'S SENIOR LIVING RESEARCH, EDUCATION & THOUGHT LEADERSHIP

- Numerous educational events annually
- External industry research
- Internal research & database management



- Industry communication
- Ziegler Credit Surveillance and Analytics





# PLANNING FOR AN IN-PERSON GATHERING SENIOR LIVING FINANCING + STRATEGY CONFERENCE



## 2021 ZIEGLER SENIOR LIVING FINANCE + STRATEGY CONFERENCE

**SAVE THE DATES**  
**OCTOBER 6–8, 2021**

**JW MARRIOTT STARR PASS HOTEL & SPA**  
3800 W. Starr Pass Boulevard | Tucson, AZ 85745



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# FRAMING THE SECTOR'S NOT-FOR-PROFIT HERITAGE

# A SECTOR FOUNDED ON NFP SPONSORSHIP

- The concept of residential homes for the “aged,” “widows” and “older adults” originated from not-for-profit grassroots endeavors
  - Many were church/congregation-driven
  - Donated land and estates from philanthropic individuals in a particular area
  - Often began as homes for orphans or orphans and widows
  - Some with roots in Lutheran-sponsored hospitals/asylums
  - A number transitioned away from orphanages and solely into ministries for the aging

# A SECTOR FOUNDED ON NFP SPONSORSHIP



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*Evangelical Lutheran Concordia Orphans and Old Peoples Home, Founded in 1881*





# A SECTOR FOUNDED ON NFP SPONSORSHIP



*Altenheim, St. Louis*



*German Lutheran Hospital and Asylum, St. Louis*



*Lutheran Convalescent Home*



# A SECTOR FOUNDED ON NFP SPONSORSHIP



Lutheran Orphan's Home, Tipton





# A SECTOR FOUNDED ON NFP SPONSORSHIP



The Vacation House on the Artman Tract, Sellersville, Pa.

*“The Artman Home for Deserving Lutherans of all Ages and Both Sexes”*

Source: [ArtmanHome.org/anniversary](http://ArtmanHome.org/anniversary)



*St. John Specialty Care Center, 1903*

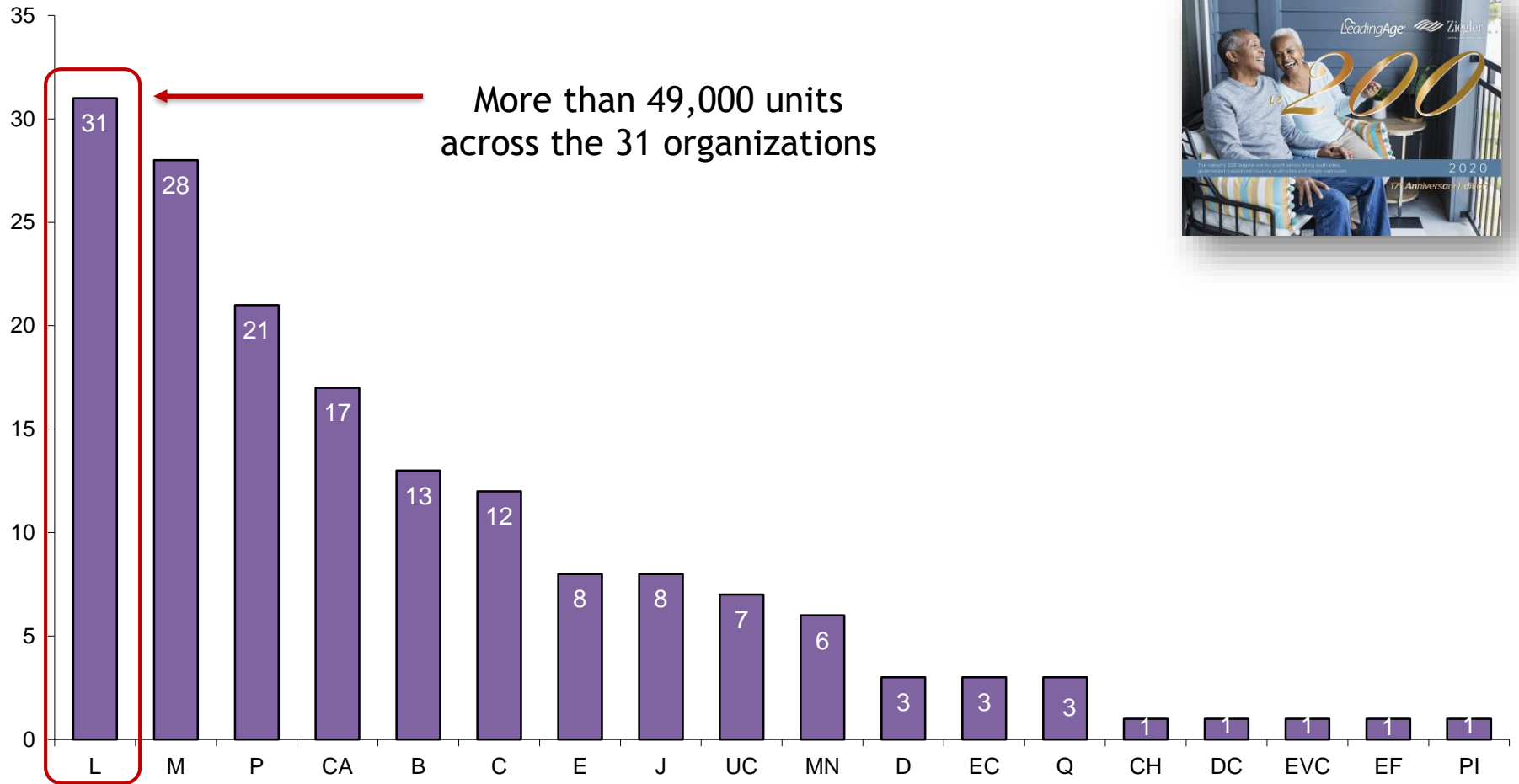
Source: Lutheran SeniorLife website



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# LUTHERAN-SPONSORED SENIOR LIVING & CARE TODAY

# LUTHERAN REPRESENTATION AMONG THE LARGEST NOT-FOR-PROFIT SENIOR LIVING ORGANIZATIONS

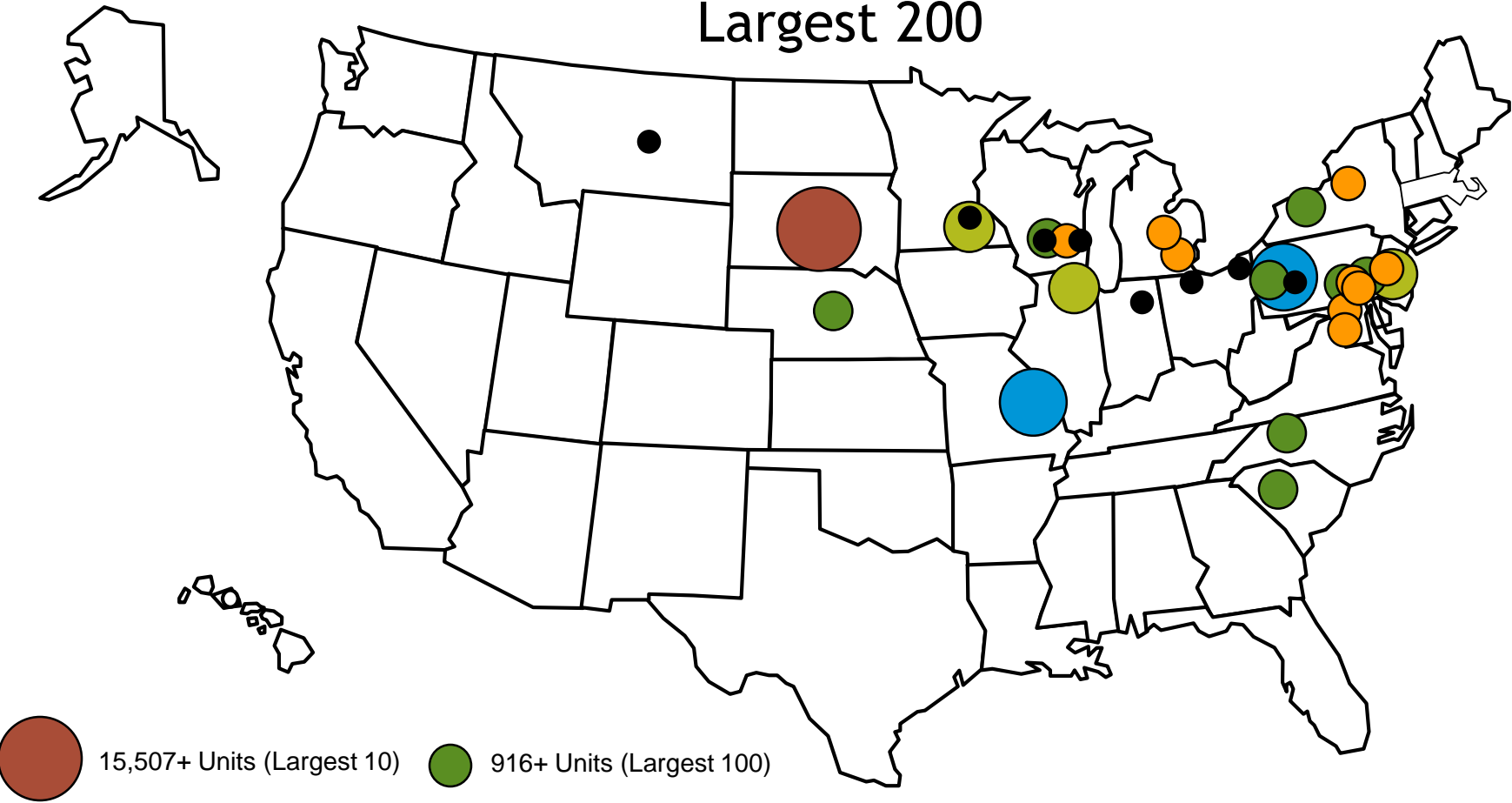


# 2020 LEADINGAGE ZIEGLER 200: SYSTEM HEADQUARTERS LUTHERAN ORGANIZATIONS BY SIZE

2020 Rank	2019 Rank	System Name	State	Units (as of 12/31/19)				Communities (as of 12/31/19)				
				Total	ILU	ALU	NCB	Total	LPC	IL	AL	NH
2	2	The Evangelical Lutheran Good Samaritan Society	SD	15,507	4,795	2,110	8,602	142	53	8	9	72
17	16	Lutheran Senior Services	MO	3,541	1,678	744	1,119	11	8	0	1	2
22	22	Concordia Lutheran Ministries	PA	2,806	996	1,147	663	14	6	0	6	2
27	27	Diakon Lutheran Social Ministries	PA	2,410	918	531	961	9	9	0	0	0
32	33	Ecumen	MN	2,109	376	1,391	342	30	0	5	20	5
47	48	Lutheran Life Communities	IL	1,551	408	360	783	6	4	0	0	2
61	60	Lutheran Services Carolinas	NC	1,302	311	259	732	9	1	1	1	6
66	62	Immanuel	NE	1,240	646	393	201	17	7	1	7	2
70	65	SpiriTrust Lutheran	PA	1,193	557	292	344	6	6	0	0	0
76	75	Lutheran SeniorLife	PA	1,123	489	192	442	5	2	3	0	0
80	77	Lutheran Homes of SC	SC	1,060	404	306	350	5	5	0	0	0
88	86	Liberty Lutheran Services	PA	972	437	318	217	5	4	0	1	0
91	90	Oakwood Lutheran Senior Ministries, Inc.	WI	953	621	220	112	2	2	0	0	0
97	99	St. John's	NY	916	403	38	475	4	0	1	1	2
109	110	Lutheran Social Ministries of Maryland	MD	823	639	69	115	2	2	0	0	0
112	113	LutherCare	PA	810	473	126	211	3	2	0	0	1
117	119	National Lutheran Communities & Services	MD	795	435	180	180	3	0	2	1	0
122	124	Lutheran Social Ministries of New Jersey, Inc.	NJ	769	277	182	310	3	1	0	0	2
123	127	Grace Inspired Ministries	PA	767	451	151	165	2	2	0	0	0
125	126	Samaritas	MI	762	294	120	348	5	1	2	0	2
144	149	Community Wellness Partners, Inc.	NY	640	124	0	516	4	0	1	1	2
145	150	Wellspring Lutheran Services	MI	635	125	169	341	9	1	2	2	4
146	NR	Luther Manor	WI	633	325	156	152	2	1	0	1	0
151	156	Genacross Lutheran Services	OH	598	138	175	285	4	2	1	0	1
152	157	St. John's Lutheran Ministries, Inc.	MT	588	145	257	186	5	4	0	1	0
153	158	Shepherd of the Valley Lutheran Retirement Services	OH	587	238	229	120	4	2	1	0	1
158	161	Ebenezer Society	MN	567	0	320	247	8	0	0	5	3
163	170	Bethany Lutheran Homes, Inc.	WI	545	170	252	123	10	2	1	6	1
169	176	The Lutheran Home Association	WI	525	161	157	207	6	2	1	2	1
170	140	Lutheran Life Villages	IN	524	135	65	324	3	1	0	0	2
184	189	Allegheny Lutheran Social Ministries	PA	451	203	96	152	3	3	0	0	0

# 2020 LEADINGAGE ZIEGLER 200: SYSTEM HEADQUARTERS LUTHERAN ORGANIZATIONS BY SIZE

Largest 200



- 15,507+ Units (Largest 10)
- 916+ Units (Largest 100)
- 2,806+ Units (Largest 25)
- 633+ Units (Largest 150)
- 1,551+ Units (Largest 50)
- 451+ Units (Largest 200)

Source: 2020 LeadingAge Ziegler 200 Publication (data as of 12/31/19)

# LUTHERAN REPRESENTATION AMONG THE LARGEST NOT-FOR-PROFIT SENIOR LIVING ORGANIZATIONS

- Roughly 20% of Lutheran-sponsored organizations reported growth in units or communities in 2019
  - Primarily expansions and community repositionings
- Roughly 48% offer Affordable Housing options for seniors (nearly 6,500 units across roughly 100 communities)
- 3 out of 10 provide third-party management to another provider
- Average annual revenue:
  - \$132 million (with ELGSS)
  - \$96 million (without ELGSS)



# LUTHERAN REPRESENTATION AMONG THE LARGEST NOT-FOR-PROFIT SENIOR LIVING ORGANIZATIONS

- Slightly more than half (54%) are in some form of HCBS
  - Average annual HCBS revenue (of those with HCBS):
    - \$17MM (with ELGSS)
    - \$13MM (w/o ELGSS)
- Twelve percent (12%) have at least one accredited community (CARF, JCAHO)
- 8 of 10 outsource rehab/therapy; most common:
  - HealthPRO Heritage
  - Select Rehab
  - Symbria

# LUTHERAN REPRESENTATION AMONG THE LARGEST NOT-FOR-PROFIT SENIOR LIVING ORGANIZATIONS

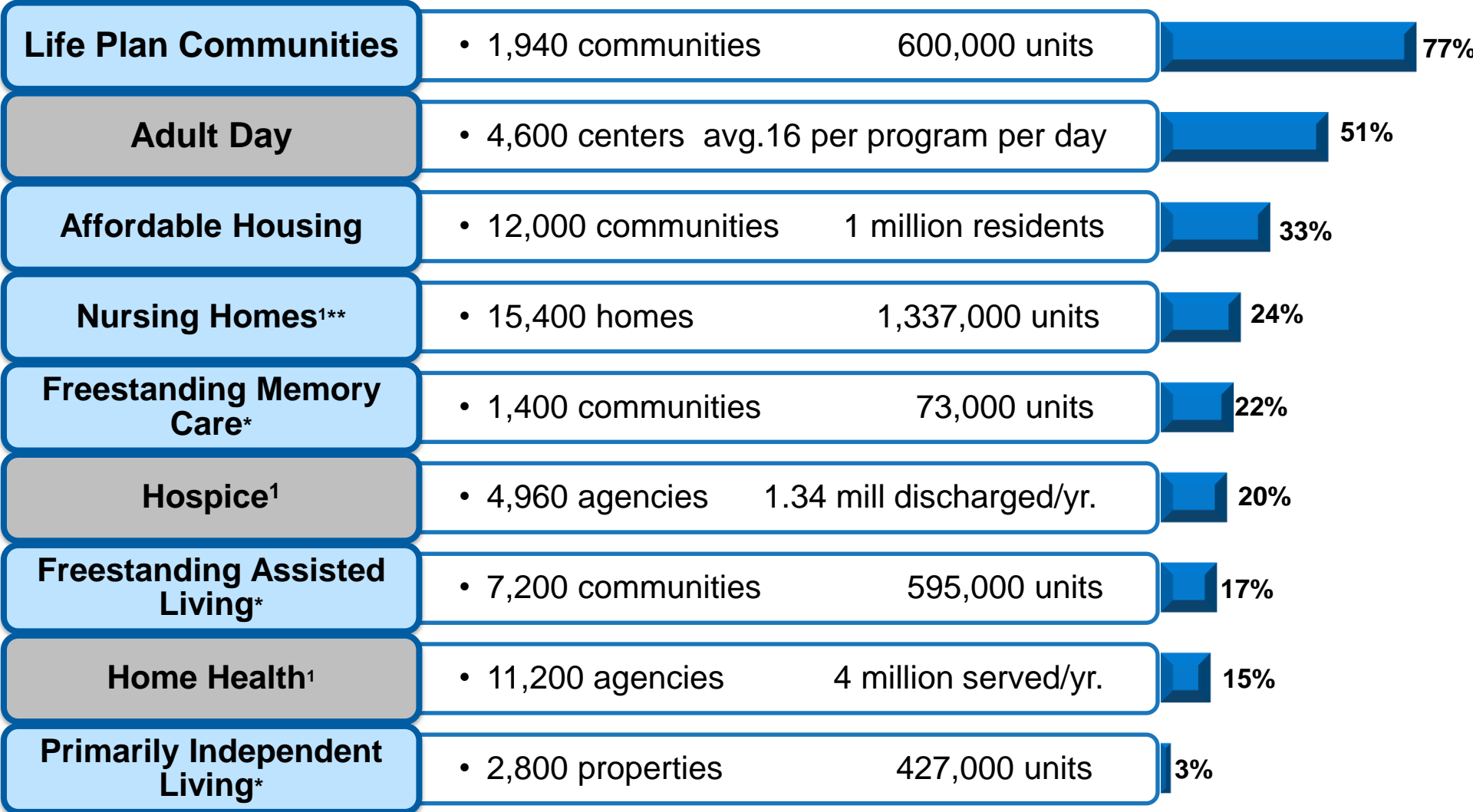
- EMR/EHR Platforms:
  - MatrixCare, Netsmart and Point Click Care are the most commonly used among Lutheran-sponsored senior living organizations
- Nearly 50% are in some type of formal joint venture with another organization
  - Another senior living provider
  - Home health/home care/hospice platform or other HCBS (e.g. PACE)
  - Therapy joint venture

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# LOOKING AHEAD: UNDERSTANDING THE FUTURE NFP LANDSCAPE

# TODAY'S RETIREMENT OPTIONS

## A LOOK AT SENIORS HOUSING & SERVICES SUPPLY % NFP

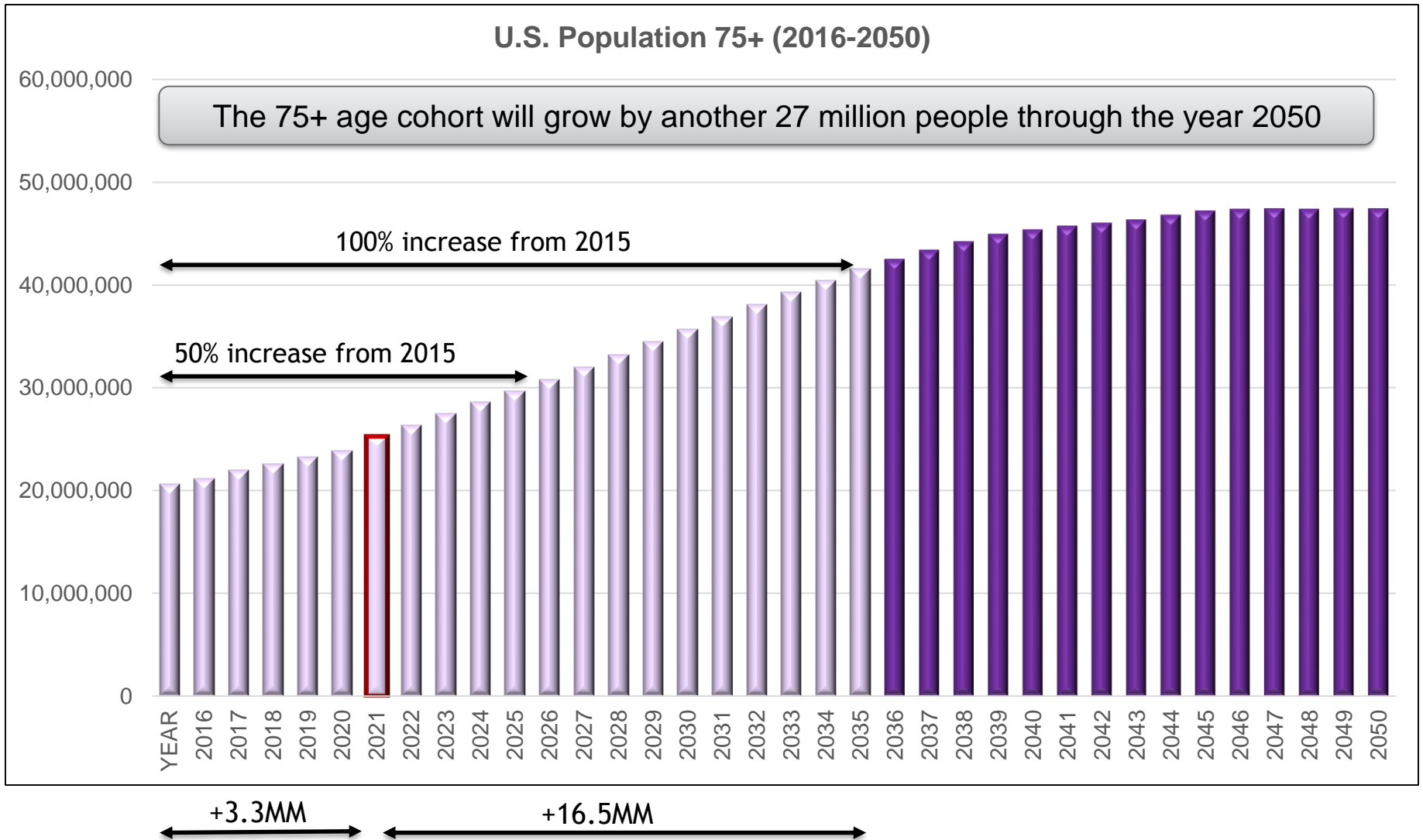


\*REPRESENTS NIC PRIMARY 31 MARKETS \*\*Nursing Home data includes both freestanding SN and those within a larger continuum

Sources: Ziegler National CCRC Listing & Profile (June '20), \*NIC Investment Guide, Fifth Edition (2018)

<sup>1</sup>Centers for Medicare and Medicaid Services (June, 2020); Centers for Disease Control & Prevention (2020)

# AN AGING U.S. POPULATION



Source: U.S. Census Bureau, data released September 2018

# OVERALL GROWTH OBSERVATIONS

- **Not-for-profit (NFP)** senior living growth:
  - New community development relatively flat
  - Primary growth through expansions, community reinvestment
  - Growth through affiliations and acquisitions has been significant
  - Multi-site providers more aggressive with plans
  - Variation across clients and regions
- **For-profit (FP)** senior living growth:
  - **Growth of new locations** continues to be high; period of pause with COVID-19, but will not stop. Private sector money remains plentiful.
  - **Primarily Independent Living/Assisted Living/Memory Care** new community development
- Expansion of the continuum with **home and community-based services (HCBS)** platforms (joint ventures common); interest accelerated with COVID-19



# DRIVERS FOR SENIOR LIVING CONSOLIDATION

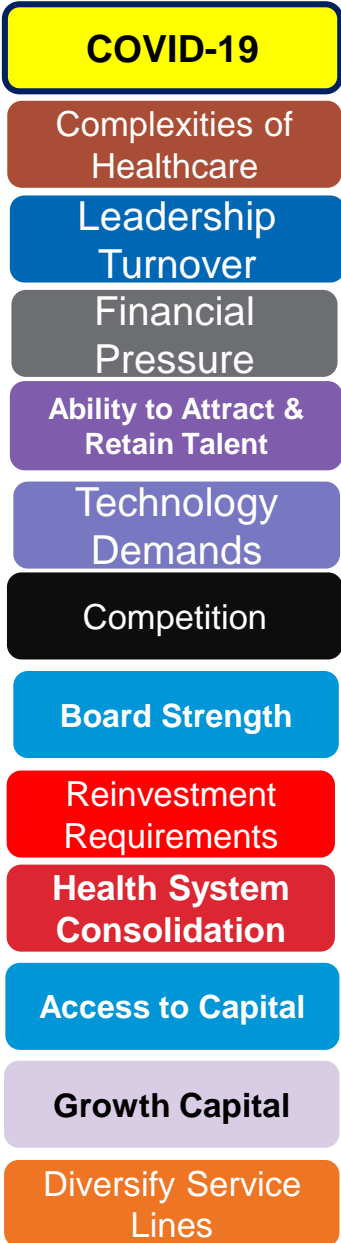
Influence ↑



2000

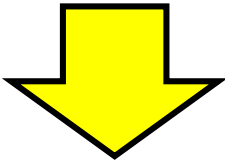


2010



2020

**COVID-19**

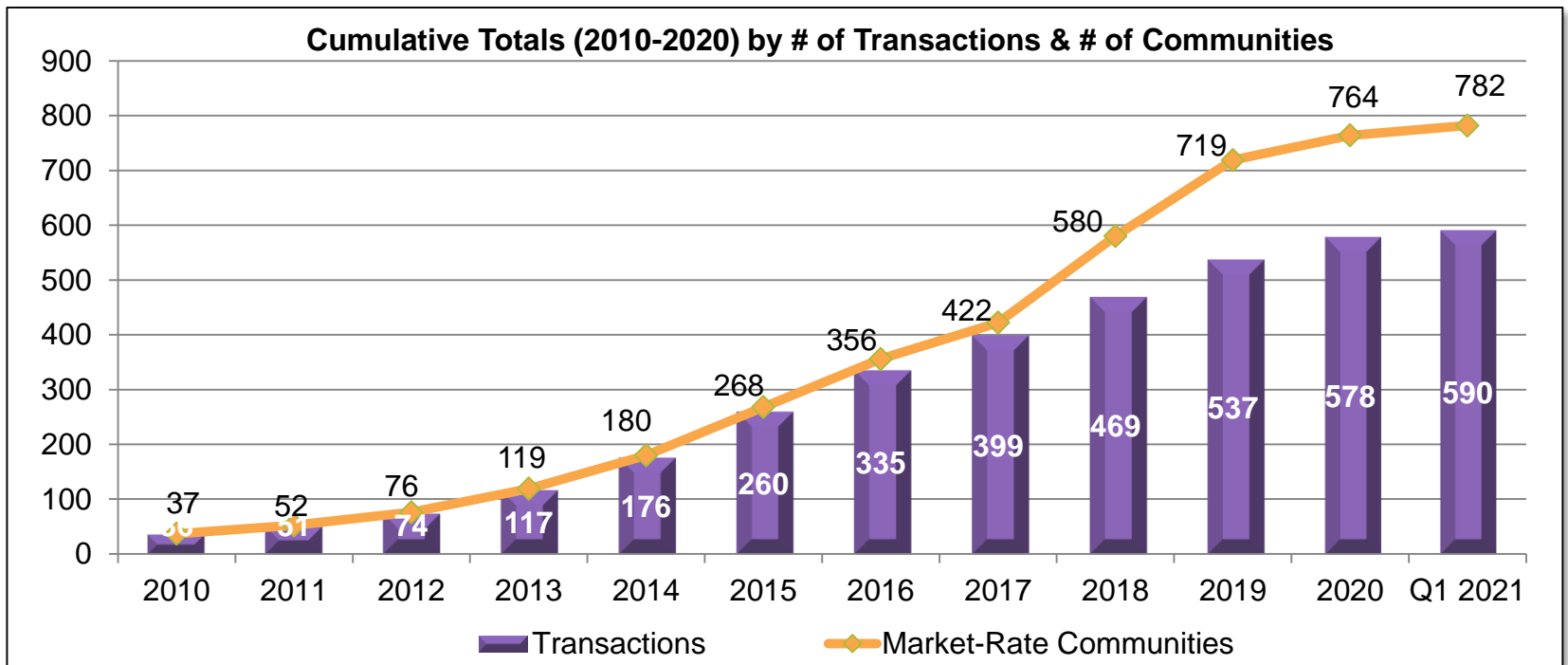


- Increased SNF pressures
- Accelerated CEO retirements
- Recognition of benefits of scale and resources
- Recruitment & retention difficulties
- Asset sales- desire for cash

Source: Ziegler Investment Banking

# PACE OF MERGERS, ACQUISITIONS & AFFILIATIONS TO INCREASE

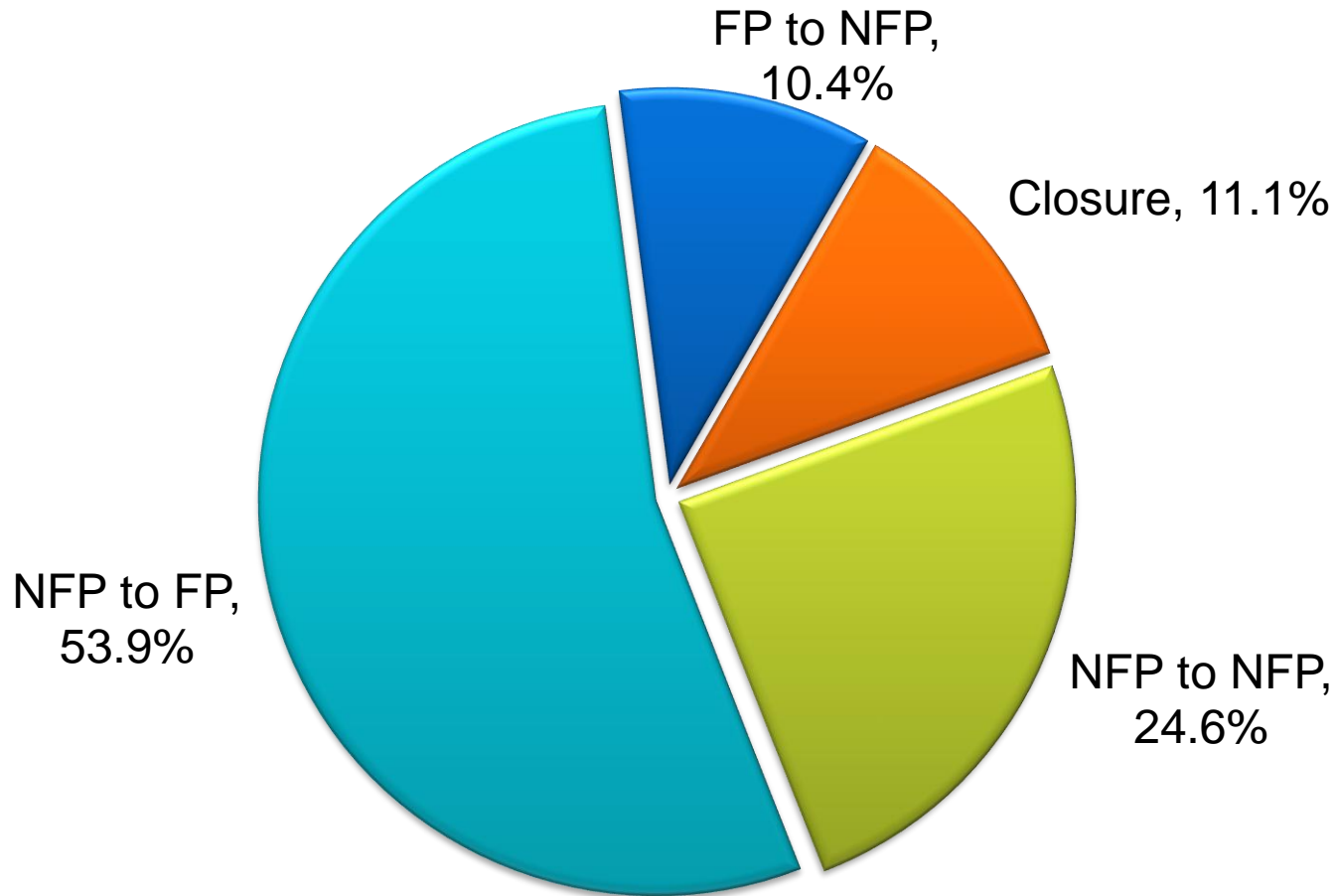
- Strategically-driven vs. Distressed situations
- Significant focus of the Chief Strategy/Business Development Officers



Note: Includes market-rate communities; excludes government subsidized; The ELGSS community count is also excluded from the community count (represents 160+ communities); Source: Ziegler Investment Banking 12/31/2020

# SPONSORSHIP TRANSITIONS BY CATEGORY

## NFP CHANGE OF OWNER TRANSACTIONS: 2010-2020



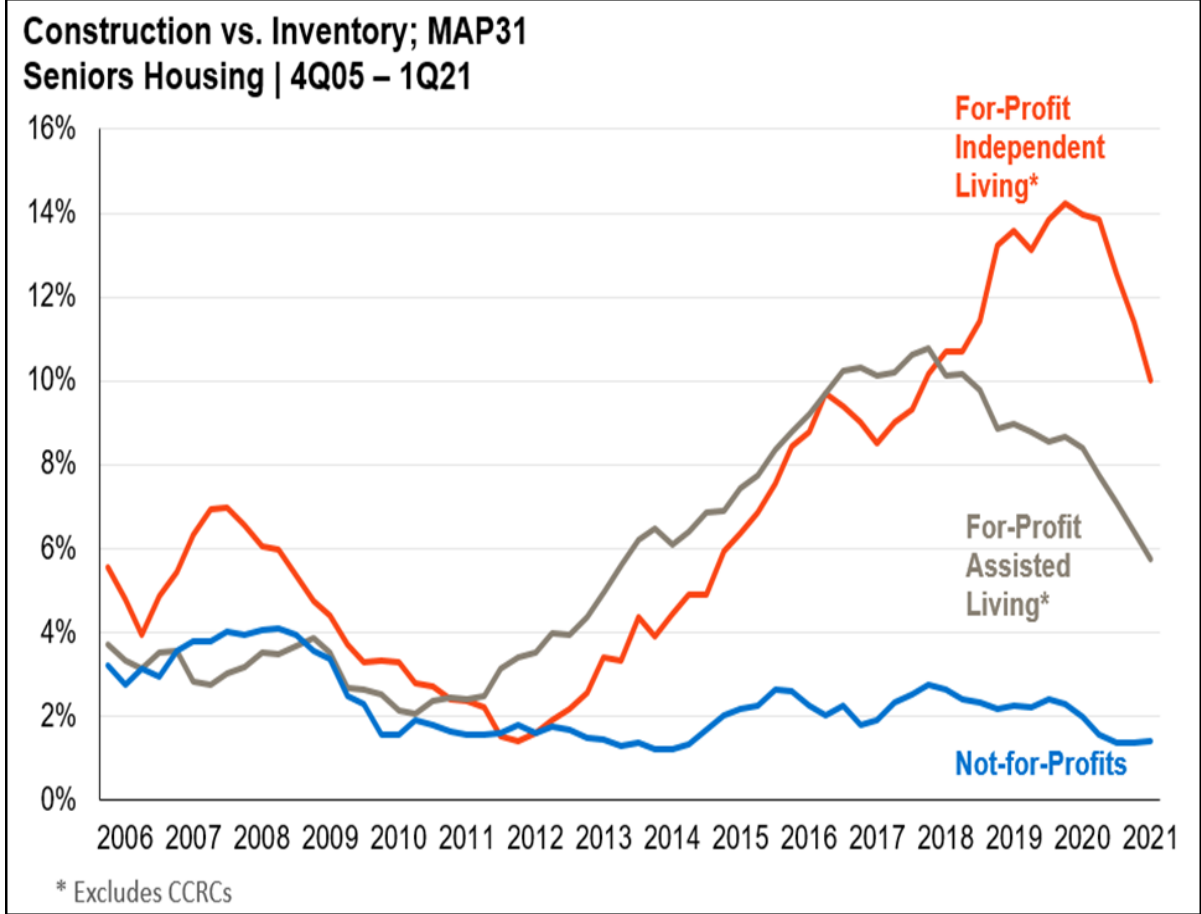
# THE ROLE OF FAITH IN SPONSORSHIP TRANSITIONS

- Across the past five years, 80% of the NFP to NFP sponsorship transitions have been among faith-based providers
  - 52% were with another faith-based organization (may/may not be within the same denomination)
  - 20% of those within the same faith/denomination

# RECENT NFP SPONSORSHIP TRANSITIONS

Year	Community/Org.	New Sponsor	State	Transaction	Type
In process	Living Care Retirement Community	HumanGood	WA	NFP to NFP	LPC
2021	Covia	Front Porch	CA	NFP to NFP	LPCs & Affordable
2021	Bivins Pointe	N/A	TX	Closure	SNF
2021	St. Mary's East	Hill Valley Healthcare	PA	NFP to FP	AL/SN
2021	Albright Care Services	Asbury Communities	PA	NFP to NFP	LPCs, PACE, Pharmacy
2020	Abramson Center for Jewish Life	Imperial Health	PA	NFP to FP	AL/SN
2020	Twining Village	MED Healthcare Partners	PA	NFP to FP	LPC
2020	Lutheran Home at Concord Reserve	Life Enriching Communities	OH	NFP to NFP	LPC
2020	Sunset Retirement	Otterbein Senior Lifestyle Choices	OH	NFP to NFP	LPC
2020	Quail Summit	St. Ann's Community	NY	NFP to NFP	IL/AL
2020	Augsburg Village	National Lutheran Communities & Services	MD	NFP to NFP	LPC
2020	Lutheran Crossings	Lutheran Social Ministries of New Jersey	NJ	NFP to FP	AL/SN

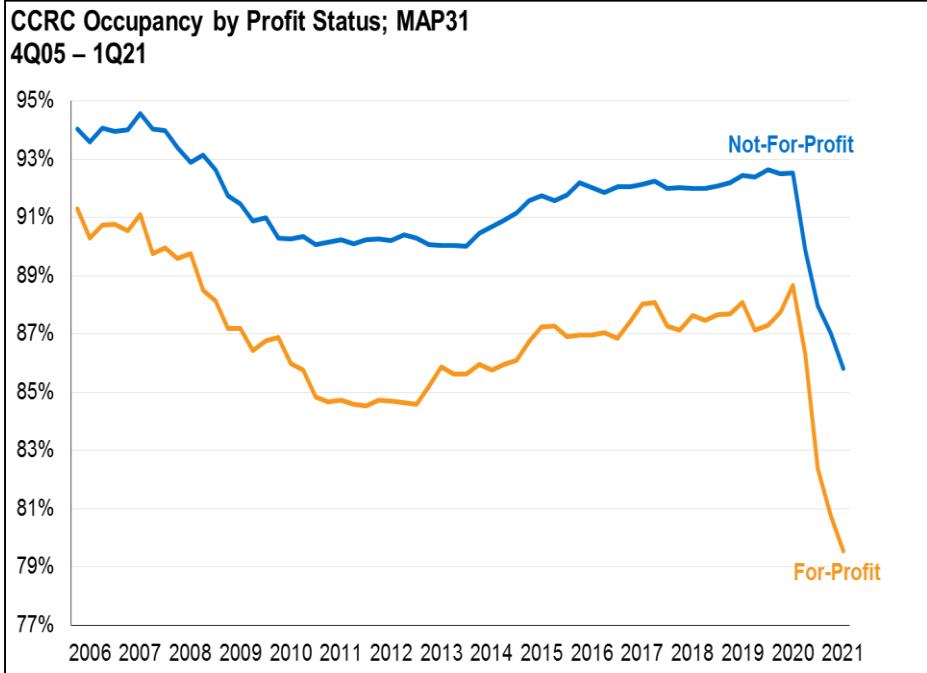
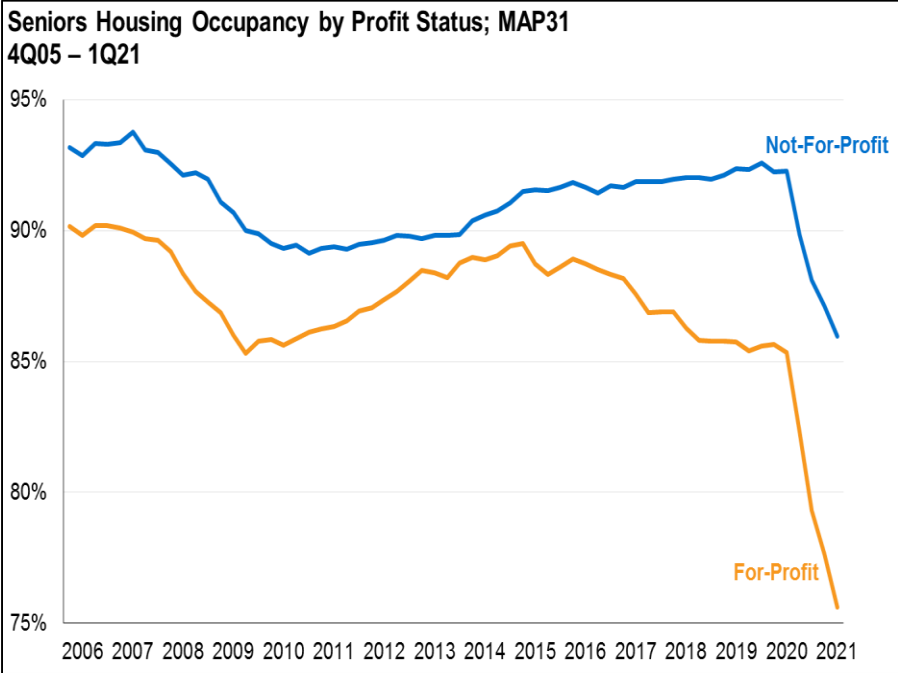
# GROWTH FROM THE PRIVATE SECTOR WILL CONTINUE



- Even with a slowdown due to COVID-19, FP owners and operators remain bullish on the sector
- Most growth in the form of IL/AL/MC; rental communities
  - **Limited private sector interest in EF Life Plan Communities**
- Overall decline in nursing homes

\* Excludes CCRCs

# COVID-19 OCCUPANCY DECLINES



Property Type	Q1 2021 National Occupancy (FP & NFP)
CCRCs	84.4%
Seniors Housing	78.9%
Majority IL	82.2%
Majority AL	75.5%
Majority SN	74.1%

CCRC Segment	Q1 2021 Occupancy (both FP and NFP CCRCs)
Independent Living	88.6%
Assisted Living	82.5%
Memory Care	82.5%
Nursing Care	76.5%

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# QUESTIONS & ANSWERS



## DISCUSSION QUESTIONS

- What do we see as key steps needed to stay relevant and vibrant moving forward?
- How can we use our NFP, faith-based heritage as a strategic advantage?
- What role does governance play in preserving the NFP legacy in senior living & care?
- Is there opportunity to collaborate further as Lutheran-sponsored entities (with other Lutherans or other faith-based providers)?

# ABOUT ZIEGLER

- Ziegler is a privately-held investment bank, capital markets and proprietary investments firm
- A registered broker dealer with SIPC & FINRA
- Ziegler provides its clients with capital raising, strategic advisory services, equity & fixed-income trading and research
- Founded in 1902, Ziegler specializes in the healthcare, senior living and educational sectors as well as general municipal finance

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