

**LTC Properties Inc.
Second Quarter 2025 Earnings Call
August 5, 2025**

Presenters

Pam Kessler - Co-President & Co-CEO

Cece Chikhale - Executive Vice President, CFO, Secretary & Treasurer

Gibson Satterwhite - Executive Vice President, Asset Management

Dave Boitano - Executive Vice President & Chief Investment Officer

Clint Malin - Co-President & Co-CEO

Q&A Participants

John Kilichowski - Wells Fargo Securities, LLC, Research Division

Austin Wurschmidt - KeyBanc Capital Markets Inc., Research Division

Michael Carroll - RBC Capital Markets, Research Division

Omotayo Okusanya - Deutsche Bank AG, Research Division

Operator

Greetings, and welcome to the LTC Properties Second Quarter 2025 Earnings Call. At this time, all participants are in a listen-only mode.

Before management begins its presentation, please know that today's comments, including the question-and-answer session, may include forward-looking statements subject to risks and uncertainties that may cause actual results and events to differ materially. These risks and uncertainties are detailed in LTC Properties' filings with the Securities and Exchange Commission from time-to-time, including the company's most recent 10-K, dated December 31st, 2024. LTC undertakes no obligation to revise or update these forward-looking statements to reflect events or circumstances after the date of this presentation.

Please note, this event is being recorded. I would now like to turn the conference over to LTC management.

Pam Kessler

Hello, and welcome, everyone, to our second quarter 2025 earnings call. With me today, in order of speaker are Cece Chikhale, Chief Financial Officer; Gibson Satterwhite, Executive Vice President of Asset Management; Dave Boitano, Chief Investment Officer; and Clint Malin, Co-CEO.

LTC has been focused on transformation and execution. We executed on strengthening our team through promotions, the addition of a new Chief Investment Officer and a new Board member with extensive REIT experience. We executed on initiating a RIDEA platform, which will transform

LTC from a small cap triple net REIT to a larger, more diversified senior housing focused REIT. We executed on enhancing liquidity. We are executing on growth, and driving additional accretive growth remains our top priority. Our momentum is evident.

Last quarter, we increased our pipeline to \$300 million. Today, we are increasing guidance again to \$400 million of investments in 2025, which will more than double the size of our existing SHOP portfolio. It will also expand our SHOP operators to five, three of whom are new relationships for LTC. We have established a strong platform for meaningful growth, and with ample access to capital, we're moving through the year with energy and optimism as we continue to successfully deliver on our plan.

Now I'll turn things over to Cece for a review of our financials, a liquidity update and increased guidance.

Cece Chikhale

Thank you, Pam. The numbers I'll be discussing today are for the second quarter of compared to the same period in 2024, unless otherwise noted. I will focus my comments on key items as a detailed description of our financial results was provided in yesterday's earnings release and supplemental. Core FFO improved to \$0.68 from \$0.67. Core FAD improved by \$0.05 to \$0.71 versus \$0.66. The increase in core FFO primarily was related to a decrease in interest expense, an increase in fair market rent resets and an increase in SHOP NOI. These were partially offset by lower interest income due to mortgage loan payoffs and principal paydowns and higher G&A.

Core FAD increased principally related to these same factors plus rent escalations and increases from the turnaround impact of deferred rent provided in the second quarter of last year.

To further strengthen our capital position, subsequent to the end of the second quarter, we entered into a new four-year unsecured credit agreement with a solid group of banks. The new unsecured credit agreement matures in July 2029 and provides a one-year extension option. Aggregate commitments on the revolver increased from \$425 million to \$600 million, and we have the ability to further increase the loan commitments up to \$1.2 billion.

Additionally, we rolled two \$50 million term loans that were maturing over the next 16 months into the revolver, keeping the swap agreements intact through November 2025 at 2.3% and November 2026 at 2.4% based on current margins. At June 30, our debt to annualized adjusted EBITDA for real estate was 4.2 times, and our annualized adjusted fixed charge coverage ratio was 5.1 times. Our current total liquidity stands at \$674 million.

We have increased our full year 2025 Core FFO guidance range by \$0.02 to \$2.67 and \$2.71. The low end of this guidance includes only those investments made to date, while the high end includes \$320 million in investments that are expected to close in the next 60 days. Dave will provide more color on these investments shortly. Additional assumptions underpinning this guidance can be found in the supplemental posted on our website.

Now I'll turn things over to Gibson for a portfolio review and update on SHOP.

Gibson Satterwhite

Thanks, Cece. To execute on our goals in managing operator concentration and lowering exposure to older skilled nursing assets, we have agreed to allow Prestige an option to prepay their \$180 million loan, secured by 14 skilled nursing centers in Michigan without penalty. The 12-month window to prepay the loan opens in July 2026. With improving operating performance in this portfolio, and in consideration for granting the prepayment window, Prestige has agreed to eliminate the current pay rate and revert monthly interest payments to the full contractual interest rate of 11.14%, effective July 1, 2025, and escalates annually. Additionally, we are now under contract to sell all of the seven skilled nursing centers tied to the lease with the operator who chose not to renew for strategic reasons.

We expect these transactions to close in the first part of the fourth quarter, generating net proceeds of about \$120 million against our gross book value of \$72 million. We anticipate recording a gain on sale of approximately \$80 million in connection with the sales. With the generated proceeds and the potential of Prestige's loan prepayment, we are working towards strategically recycling capital out of older skilled nursing assets and into newer seniors housing communities. We have increased our assumptions for the expected rent due to LTC on the portfolio of 14 properties subject to market-based rent resets and now expect to collect revenue of \$5.7 million this year, up 10% from the \$5.1 million we discussed last quarter and up 64% from the rent collected from these properties last year.

We have received full contractual rent from Genesis through August. Our properties are in core markets for them, and in early June, they exercised their first five-year extension option, making the new expiration date April 30, 2031.

We continue to believe that our SHOP portfolio is highly transformative. Average occupancy in the portfolio for the second quarter was 81%, and SHOP NOI totaled \$2.5 million. As of the end of the quarter, our SHOP portfolio consisted of triple net leases converted to RIDEA. For comparative purposes, we generated about \$780,000 more income in the second quarter than we did under the triple net leases for the same period last year. Our prior guidance for the 13 properties recently converted into our SHOP portfolio remains unchanged at \$9.4 million to \$10.3 million of SHOP NOI.

Now I'll hand the call over to Dave for a discussion of our investment activity.

Dave Boitano

Thank you, Gibson. I'm excited to be speaking with you today on my first earnings call since joining the company as Chief Investment Officer, and I will begin with what drew me to LTC. Beyond the strength and collaboration of a deeply experienced team, what really stood out is how well positioned LTC is for the future. With the addition of SHOP, LTC is exceptionally

equipped to seize the growing opportunity to partner with seniors housing operators, particularly strong, regionally focused operators who bring deep healthcare expertise and experience and a profound understanding of their local markets.

Late last month, we added to our SHOP portfolio with the acquisition of a 67-unit stabilized assisted living and memory care community in California built in 2019. We invested \$35 million at an estimated initial yield of 7%. The community will continue to be operated by an affiliate of Discovery Senior Living, a new SHOP operating partner for LTC.

Our SHOP investment sites are on accretion, and we're focused on accelerating growth through the acquisition of newer, stabilized properties with strong operating partners. However, we will continue to make shorter term accretive investments for financial and strategic purposes. As such, during the second quarter, we originated a \$42 million mortgage loan secured by a 250-unit senior housing community in Florida built in 2021. This five-year loan carries a fixed interest rate of 8.5%.

These two transactions bring 2025 year-to-date investments to nearly \$80 million with approximately \$320 million more expected to close over the next 60 days. Of this, approximately \$60 million represents an 8.25% five-year mortgage loan. The remaining \$260 million represents stabilized SHOP investments with an average age of six years and at an estimated average year one yield of 7%. Our targeted unlevered IRR on these stabilized SHOP communities is north of 10%. At completion, these investments will drive our SHOP portfolio's gross book value to approximately \$475 million, up from our initial \$175 million. Upon closing, SHOP will represent nearly 20% of our total portfolio, cementing our transformation through RIDEA.

Even with the significant amount of investment activity we've discussed today, we are working to backfill our pipeline, which includes several SHOP transactions for which we've already issued LOIs. On our last earnings call, we highlighted our expanded investment pipeline, and we have expanded it further. The LTC team is delivering on external growth.

I'll pass the call to Clint now.

Clint Malin

Thanks, Dave. We're glad to have you on board. The pace of external growth through SHOP is just beginning for LTC. Not only did our confidence in Anthem and new perspective drive the cooperative conversions with them, but the conversions were a cost-effective G&A approach to launching our SHOP platform with assets already familiar to us. Now with the acceleration of new investments, we are focused on scaling our accounting and asset management teams to manage our growth. So with growth front and center for LTC, I share the enthusiasm of my colleagues when I say that I have never been more excited about our future opportunities.

Operator, we're ready for questions from the audience.

Operator

Thank you. And at this time, we will conduct our question and answer session. If you would like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate that your line is in the question queue. You may press star, two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment please while we poll for questions.

And our first question comes from John Kilichowski with Wells Fargo. Please state your question.

John Kilichowski

Good morning. Thank you, and congrats on the quarter. First question for me is just on how do you think about funding all of these new investments here, especially given where your cost of equity is and kind of the going in 7-cap yields?

Pam Kessler

So as we've talked about on previous calls, we anticipate in the long term to fund these on a leverage-neutral basis or perhaps even over-equitize them. We've been blending in higher-yielding loans. So with the total blend, we feel our cost of capital is adequate to fund them with debt and equity. And we also have some loan -- I'm sorry -- sales proceeds coming at the end of the year, about \$120 million as we've discussed previously, that we'll use to fund these.

John Kilichowski

Okay. That's helpful. Thank you. And then maybe on the underwriting here for these, what are you thinking about NOI growth on the SHOP acquisitions, in years two and three, let's say?

Clint Malin

I think we were looking -- I mean -- go ahead, Dave.

Dave Boitano

I mean, we're projecting out fairly 3%-ish sort of growth over the years, right? We think there's considerable upside on top of that. But for pro forma purposes, we're buying stable buildings and projecting out normalized growth.

John Kilichowski

Okay. That's helpful. And the last one--

Pam Kessler

--Our acquisitions -- they're not deep value add. We've discussed the characteristics of the assets that we're looking to acquire, which are stabilized with good cash flows. So we don't have any outsized NOI projections, although we do believe that margins can be improved. But by and large, occupancy has stabilized.

John Kilichowski

Okay. That's very helpful. And then last one for me is just on you transitioned 13 properties in the quarter. Maybe could you talk about what's the potential for the rest of the year in terms of what you've identified from your net lease portfolio that could be transitioned still?

Clint Malin

John, this is Clint. We've talked about this on previous calls. We launched the SHOP portfolio with the cooperative conversions of both Anthem and New Perspective. There could be a handful of other buildings that could be added, such as the transition portfolio that Gibson spoke about in the prepared remarks. But we've said all along, this really is an external growth story, which really goes to our pipeline and what we've guided to in bringing in new offers into the portfolio. So we see that the majority of the growth of the SHOP platform is going to be through external growth.

John Kilichowski

Got it. Very helpful, and congrats again.

Clint Malin

Thank you.

Operator

Your next question comes from Austin Wurschmidt with KeyBanc Capital Markets. Please state your question.

Austin Wurschmidt

Hey, good morning, everyone. So don't want to get too far ahead of ourselves, but I am curious just how large the pipeline of additional SHOP LOIs that Gibson referenced beyond what you have here ready to close in the months ahead. And just whether there are additional deals like mortgage loans you referenced beyond those SHOP deals also kind of in that pipeline beyond the \$320 million that you disclosed this quarter? Thanks.

Clint Malin

Thanks, Austin. We're being selective in deal flow, and we're very encouraged to see the amount of investments we've been able to put into guidance so far. So as Dave mentioned on the prepared remarks, I mean, there are other opportunities that we have put out LOIs. But what we're focused on, we're focused on single-asset transaction small portfolios of stabilized assets, newer vintage properties. And that's really where our target is.

So we're seeing more opportunities, but we're able to vet through those and really focus in to what we're trying to grow the platform. So we are focused on execution of the remaining investments in our pipeline, but there are still other opportunities that we are going to pursue.

Austin Wurschmidt

Do you think the subset of opportunities in front of you are enough to sustain this sort of investment pace that you've outlined kind of pretty much through really the back half of 2025, or was there something unique about sort of this initial foray into SHOP where it kind of brought to you a larger number of opportunities at the outset?

Clint Malin

Well, we're definitely seeing more deals in the market. And a big part of where we're at today is the intentional focus that we made when Cece and Gibson's teams are focused on the cooperative conversion of Anthem and New Perspective. We've been out in the market premarketing this SHOP platform with the broker community, with owners that we know in the industry, with operators speaking about this. So I think where you see today is really a culmination of intentional efforts to get the word out and premarket what we're trying to do through external growth.

So we do see that there's going to be other opportunities. But it is also competitive out there. There's -- anybody who has a SHOP platform is looking at investments. So it definitely is a competitive landscape. But we think, given the size of LTC, we have a competitive advantage that we can actually focus on smaller deals which have better price points to drive accretive growth for our shareholders.

Austin Wurschmidt

That's helpful. And then just last one - with respect to the 2025 NFO guidance, the SHOP NOI contribution was up fairly meaningfully versus what you provided last quarter. I guess just can you share what's all included in that updated figure? And I think you said that the Anthem and New Perspective NOI contribution from last quarter is unchanged. So can you kind of sort through the moving pieces and then what drove the lift in annual guidance this quarter? Thanks.

Gibson Satterwhite

Hi, this is Gibson. So I'll talk just a little bit about what was in the 13 properties, and then I'll turn it over to talk about our growth assumptions layered on top of that. We came in about \$400,000 higher than our internal expectations on SHOP NOI in Q2. And there were a few factors at play. So New Perspective, got converted a little bit later. Anthem's occupancy was like a little bit lower and -- but that was more than offset by expense savings. But after two months, we're not willing to change our full year guidance. We'll just wait and see if those expenses are subject to mean reversion as we get through the year.

They have caught up on the occupancy front. So we feel pretty good that we have a good chance to meet our expectations going forward on occupancy. And so we'll monitor expenses. When we get through Q3, we'll circle back and tighten the guidance.

Pam Kessler

And then the other increase is due to the projected new deals that are coming on board.

Austin Wurschmidt

Got it. Understood. Thank you.

Unknown

Thank you.

Operator

And your next question comes from Michael Carroll with RBC Capital Markets. Please state your question.

Michael Carroll

Yeah, thanks. I wanted to touch on the Prestige change that you guys made allowing them to potentially prepay some of their loans. I mean, it sounds like this doesn't open up until the back half of 2026? I mean, how are those discussions going? Does Prestige need to get new financing to be able to pay those down? I mean, I'm assuming that they want to do this, and that's why you gave them this change in the lease -- or the mortgage agreements?

Clint Malin

Correct. They'd have -- this is Clint. They would have to find that financing. I mean, most likely, HUD would be an option for them; it would probably be the best fit for this portfolio.

Michael Carroll

And then can you talk about the size of this? I know you gave us related to the communities, but what is the -- how are -- is it kind of equal weighted by the communities, we can just do a weighted average of how much these loans represent, or can you give us a number of how much they could potentially prepay?

Pam Kessler

Well, it's all or none. It's the whole portfolio. It's the \$175 million loan.

Michael Carroll

Okay. And then can you give us an update on ALG? I know they have a couple of purchase options, and is that something that they plan on exercising? I know in the prior calls, you were saying that they could potentially do it by the end of the year. Is that something that could still occur?

Clint Malin

Well, last call, we talked about, given where interest rates were at, that it will probably fall into something in 2026. So I think at this point, we really have to wait and see where our interest rates shake out. But at this point, we're not expecting this year and if -- more likely, probably 2027 would be our guess when they would be able to be in a position to execute on that. But it's going to come down to continued performance improvement, which we've been seeing and then just where interest rates shake out.

Michael Carroll

Okay. And then just lastly for me, Pam, can you give us an update on LTC's longer-term leverage targets? I know with the pipeline, it does imply that your leverage is going to tick up. Obviously, you're going to need to fund those, so maybe there is some new equity coming to fund part of that. But do you want to be below -- in the low 5s -- or sorry -- low 4 net debt-to-EBITDA range? Is that kind of what you want to target? Or how are you thinking about that?

Pam Kessler

Yeah, I mean, being at 4.2 right now gives us the flexibility to be able to fund our near-term investments with debt and then take it out long term with equity or long-term debt as the interest rates come down. So yeah, this really hasn't changed. Our target hasn't really changed over the past decade. We've always targeted below 5s and sitting in the low 4s gives us the optionality. During COVID, we did flex up a little higher in order to do some acquisitions. But long term, we still target the low 4s.

Michael Carroll

Okay, great. Thank you.

Operator

Thank you. And just a reminder to the audience, to ask a question, press star, one on your phone now.

Our next question comes from Omotayo Okusanya with Deutsche Bank. Please state your question.

Omotayo Okusanya

Yes, good morning, everyone. First of all, on Prestige, with the loan, now that they're back to contractual rate, could you just talk a little bit about why there's a lot of confidence that they can maintain that in the near term without potentially having to access the security deposit?

Clint Malin

Sure, Tayo. This is Clint. As we've talked about in previous quarters, they have been making performance improvements through occupancy gains. When we modified the loan during the pandemic because of reimbursement challenges they had, I mean, we sort of foresaw that this would be -- they would be able to come back over a period of time. And when we did this, we gave them like a two and a half year runway to be able to make performance improvements, both in bottom line as well as occupancy gains, which they've been doing. And so we sort of designed this and expected it would eventually get back to contractual at some point in time.

So we're kind of where we expected this to be. I think they see an opportunity to get long-term financing maybe at better rates. And so that's where they're looking at exploring this in '26 to be able to take out to long-term maybe cheaper financing.

Omotayo Okusanya

Got you. That's helpful. And then with the RIDEA portfolio, could you just talk a little bit about, again, the process you're going through to make sure you have the right operator for these assets? Could you talk a little bit about, again, the structure of the management contracts and how the operators are set up to be aligned with your goals to kind of grow bottom line NOI?

Clint Malin

Sure. Well, I guess, first of all, Tayo, regarding the operators, I mean, we're fortunate in the deals that we're looking at that are new or vintage, stabilized, every asset has a continuing operator. So it's not like we're coming in and changing operators. So that's been an important element as we turn to external growth of SHOP. So that's been a key element on this. So we think, given the performance and the operators have all been in for a number of years, that should continue. So we're encouraged by that as we execute on external growth.

Yeah, and in regard to the contracts, I mean, we've looked -- we engaged third-party resources to help us structure these management agreements and really look at an alignment of interest through financial incentives for both parties. So we're looking at compositions of management fees on top line and on bottom line. We're looking at short-term and long-term performance goals. This has been well received by operators, and I think that a choice of capital for operators is refreshing, as well. And our conversations have been very productive with operators.

Omotayo Okusanya

Got you. Last one for me, if you don't mind - is there any point where you can see yourself doing more of the value-add type RIDEA transactions, again, low occupancy? You guys focus on leasing it up and kind of driving really large same-store NOI growth like some of the other healthcare REITs do?

Clint Malin

I guess it depends on where our stock price goes and our cost of capital.

Omotayo Okusanya

Yeah, yeah.

Clint Malin

For right now, we'll continue on -- so right now, we'll continue on our focus, which is single assets, smaller portfolios, newer assets is what our focus is going to be and there's always going to be an opportunity maybe here or there for a value-add opportunity, but that's not our primary focus at this point.

Pam Kessler

Yeah, I think especially as we launch the SHOP portfolio, Tayo, I mean, looking at the value add, I think that's something that you can do when you have more scale because that takes time. And it's a little messy. Turnarounds are not easy. And for right now, I think building a very strong base in our SHOP with newer stabilized assets with good cash flow, that's the most prudent way to build this platform.

Clint Malin

I think we have a better risk-adjusted return in our mind to be able to drive shareholder value.

Omotayo Okusanya

Okay. Thank you.

Clint Malin

Thank you.

Operator

Thank you. And ladies and gentlemen, there are no further questions at this time. I'll hand it back to Pam Kessler for closing remarks. Thank you.

Pam Kessler

We are very excited about the opportunities ahead as we are committed as ever to driving growth and shareholder value for years to come. Thank you all for joining us today, and we look forward to speaking with you again next quarter.

Operator

This concludes today's conference. All parties may disconnect. Have a good day.