LTC Properties, Inc.

Second Quarter 2016 Analyst and Investor Call

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CORPORATE PARTICIPANTS

Wendy Simpson – *Chairman, CEO and President*

Pam Kessler – *EVP & Chief Financial Officer*

Clint Malin – *EVP & Chief Investment Officer*

PRESENTATION

Operator
Good morning and welcome to the LTC Properties Second Quarter 2016 Analyst and Investor Call. All participants will be in listen-only mode. Should you need assistance please signal a conference specialist by pressing the star key followed by zero. Please note the conference is being recorded. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star, then one on your telephone keypad. To withdraw your question, please press star, then two.

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 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 31, 2015. LTC undertakes no obligation to revise or update these forward-looking statements to reflect events or circumstances after the date of this presentation.

I would now like to turn the conference over to Ms. Wendy Simpson, Chairman, CEO, and President. Please go ahead.

Wendy Simpson
Thank you, Andrew, good morning, everyone, and thank you for joining us today. First, I want to thank you for the great reception you gave our guest speakers on our last call. Dr. Flashner and Mr. Rockwell were very pleased to have the opportunity to talk about their companies and the challenges in their sectors of the healthcare spectrum in the United States. We all appreciated your questions and participation.

But today, the only people joining me on this call are the same old people: Pam Kessler, our CFO, and Clint Malin, our CIO. You'll hear from them both momentarily. LTC had a quiet, but active first half of the year. To date, in 2016, we have invested approximately $82 million. We've termed out $78 million of debt at favorable rates with well-spaced amortizing payments and long-term final maturities, and we've sold approximately $80 million of common shares under our ATM program. During the first quarter, our average net price per share was $43.07 and our average net price per share in the second quarter was $48.80. Pam and Clint will provide more specifics about these activities during their presentations.

We've sold some non-strategic assets. And as a result of one of those sales, we no longer have investments in schools. The two skilled nursing properties we sold in Texas have participated in the Upper Payment Limit program without our consent and we could either have defaulted them or disposed of them. The operator was not a core operator within our portfolio and was willing to purchase the properties at a price we were willing to accept. We have a few more assets we may sell, but there is nothing material in that bucket. At the end of the quarter, we had investment commitments totaling about $65 million that will be expended in the remainder of 2016 and some in 2017. These invested dollars will be FFO-producing mostly in 2017.

As we continue to keep our balance sheet at a conservative leverage ratio, we do have and I believe will have sufficient capital available to fund these commitments and do acquisitions that would be accretive to LTC. Clint will discuss our pipeline and our operating statistics.

First though, I will turn the call over to Pam. Pam?

Pam Kessler

Thank you, Wendy. Normalized FFO increased 19.8% year-over-year for the second quarter of 2016 to $29.2 million, or $0.77 on a fully diluted per share basis. Revenues for the quarter increased 23.5% or $7.6 million year-over-year. The improvement primarily reflects acquisitions, completed development and capital improvement projects, lease amendments, as well as an increase in interest income from mortgage loans resulting from loan origination, CapEx funding under existing loans and the amendment to our Michigan loan. This was partially offset by a reduction in revenue from a property sold last December and mortgage loan payoff.

Second quarter interest expense was $6.8 million, an increase of $2.9 million over the comparable 2015 quarter, due primarily to the sale of senior unsecured notes in 2015 and 2016, combined with greater utilization of our line of credit to fund investments and development. The provision for doubtful accounts decreased $311,000 year-over-year. The 2015 quarter included a $400,000 one-time provision related to the $40 million of additional loan proceeds funded out of the Michigan loan at the end of June of last year.

General and administrative expenses were $4.1 million, or $179,000 higher this quarter, compared with a year ago due to increased staffing. And looking at G&A for the remainder of the year, I anticipate a run rate of about $4.5 million per quarter. During the quarter, we recognized $1.8 million gain related to the sale of two skilled nursing centers in Texas that Wendy previously mentioned. Subsequent to June 30th, we sold the school for a loss of approximately $200,000. The sale closes the chapter of a legacy investment strategy and we happily no longer need to talk about why we own a school.

Turning to the balance sheet. During the quarter, we purchased three memory care communities totaling 180 units and 170-unit assisted-living memory care community for a combined purchase price of $53.6 million. These properties were added to existing master leases at initial incremental cash yields of 8%. We also originated a $12.3 million mortgage loan secured by two skilled nursing centers in Michigan, totaling 216 beds. This loan has an initial cash yield of 9.4%. Additionally, we invested $13.7 million in properties under development and capital improvement projects during the second quarter. We funded $2.8 million under existing mortgage loans and received $585,000 in principal payments and mortgage loan payoff.

During the quarter, we repaid $39 million under our line of credit to fund investments and development. Subsequent to June 30th, we repaid $41 million on the lines. And therefore, we currently have borrowings of $81 million outstanding and $519 million available under our revolver. During the quarter, we sold $37.5 million of 4.15% senior unsecured notes. These notes have periodic scheduled principal payments and a 12-year final maturity. Taking advantage of historical low interest rates, two weeks ago, we sold $40 million of 3.99% senior unsecured notes. These notes have periodic scheduled principal payments and a 15-year final maturity.

During the quarter, we received $56.2 million of net proceeds from the sale of 1,157,775 shares of common stock at our at-the-market offering program. Subsequent to June 30th, we received $7.7 million in net proceeds from the sale of 152,623 shares of common stock under our ATM program. The proceeds were used to fund our investment and development activities and to pay down debt. At the end of the quarter, LTC maintained investment-grade credit metrics with a pro forma debt-to-annualized normalized EBITDA of 4.2 times, a pro forma normalized annualized fixed charge coverage ratio of 5 times and a pro forma debt-to-enterprise value of 22.7%.

I will now turn the call over to Clint.

Clint Malin

Thank you, Pam. Good morning, everyone, and thank you for joining us today. As Wendy mentioned, we have completed $82 million of new investments and capital commitments for the year. Approximately 75% of our new investments this year have been acquisition of private pay assets. As announced in our earnings release, two development projects consisting of private-pay memory care communities recently opened. One property is operated by Anthem Memory Care and the other by Thrive Senior Living. By years end, we expect the opening of three additional senior living communities currently under construction and being funded by LTC.

Since beginning our evaluation of strategic capital recycling in 2015, we have sold five assets as of the end of July for a total net sales proceeds to LTC of $13.8 million. For the remainder of the year, we will continue to evaluate capital recycling opportunities through selective asset sales to further enhance our portfolio, but we don't expect significant sales, as Wendy mentioned in her comments. Our capital recycling initiative development program and recent acquisition activity demonstrates LTC's proactive management of the portfolio, our focus on diversifying revenues derived from private-pay assets and our strategy to continue reducing the average age of assets in LTC's portfolio.

Pro forma revenue derived from our portfolio of assisted living and memory care assets as of June 2016 annualized compared to year-end 2014 has increased 64% from $38.8 million to $63.7 million. Since December 2014, we have sold 21 properties with the weighted average effective age of 22 years, and we have acquired and developed 22 properties with the weighted average effective age of nine years.

Turning to our pipeline, we have recently determined that $90 million of our sale leaseback deal flow that was part of our first quarter investment pipeline will not materialize due to tax consequences not thoroughly evaluated by the seller in this off-market transaction for a portfolio of newer post-acute care assets. This potential transaction was sourced by Doug Korey and evolved from an initial discussion to provide mezzanine financing on a couple of properties to a much larger transaction. This is an example of off-market deals and relationship-building opportunities our mezzanine lending strategy is providing to LTC. And devoting time and resources to this transaction, we have strengthened the relationship with an operating company we have sought to partner with for a couple of years. And we believe we have better positioned LTC to be a capital partner of choice for this company in the future.

We continue to see investment opportunities and our active pipeline is at $130 million with development and acquisitions each representing approximately 50% of the pipeline. Development projects in the pipeline are with existing relationships and will be added to master leases. We continue to see a frothy market for marketed transactions consisting of stabilized private-pay assets keeping cap rates low, which makes it challenging to put into a triple net lease structure.

For post-acute care assets, we have seen a significant uptick over the last three-to-four months and large portfolios hitting the market. We've been actively engaged in evaluating these portfolios. However, with a few exceptions, these assets have not met our investment criteria primarily due to asset age and quality. We continue to exercise discipline in our investment to underwriting and we will be patience in deploying capital on an appropriate risk-adjusted basis and in the long-term interest of our shareholders.

Turning to our portfolio, on a same-store basis for the trailing 12-month period ended Q1 2016, EBITDAR lease coverage for our assisted-living portfolio is 1.57 times, post-acute is 2.1 times, and range of care is 1.67 times. EBITDAR coverage after an allocated management fee of 5% of revenues

is 1.35 times for assisted living, 1.52 times for post-acute and 1.22 for range of care. We believe the 1.52 times EBITDAR lease coverage is a stabilized metric for our post-acute care portfolio.

Compared with the previous quarter, same-store occupancy remains consistent across all property types. Occupancy for the trailing 12-month period ended Q1 2016 is as follows: assisted living 86%, post-acute 79.1%, and range of care 85.3%. Income from our portfolio continues to be well diversified with approximately 53% of our underlying revenue derived from private-pay sources.

Now, I'll turn the call back to Wendy.

Wendy Simpson
Thanks, Clinton and Pam. There's not much flash in our comments today. We have opportunities we are pursuing in sale leaseback, de novo development, replacement development, mezzanine financing, Bridge-to-HUD, just about every area of interest we have discussed with you for our available capital. It seems that over the years we have had a more active second half of the year, and I look forward to that happening in 2016. However, if it doesn't, LTC will still have increased FFO year-over-year and will be in a position to do the same in 2017.

With the inclusion of our transactions involving the additional issuance of common shares and the terming out of some of our utilized bank line, our projected FFO guidance is now $3 to $3.03, slightly down from our previous $3.05 to $3.09. At the high end of the $3.03, this represents an 8.2% growth from the $2.80 we achieved in 2015. And as Clint discussed, we have opportunities to possibly improve on that. In the current guidance, we have made no assumptions for sales of additional assets this year and we are not including any assumptions of unannounced additional acquisitions, financing, or equity issuances.

Thank you for listening to our comments, and I'll now open it up for questions. Drew?

QUESTIONS AND ANSWERS

Operator
We will now begin the question-and-answer session. To ask a question, you may press star, then one on your telephone keypad. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star, then two. At this time, we will pause momentarily to assemble our roster.

The first question comes from Michael Carroll of RBC Capital Markets. Please go ahead.

Michael Carroll
Good morning. Clint or Wendy, can you guys give us some color on what drove the coverage ratios lower this quarter, specifically in the skilled-nursing facility portfolio? Is this ratio still being impacted by the two facilities that Clint highlighted last quarter?

Clint Malin
Sure, this is Clint. I'll take the question. You know the buildings that I talked about last time, the two, the one building that had the managed Medicaid implementation that building continues to improve and increase as we talked about. So, we're seeing that stabilize.

The other property continues to have the licensure pending. We continue to monitor that with our operating partner. But again, our basis in that asset is relatively low, it's $3 million, $15,000 a bed. So

that asset doesn't concern us, because whether the operator would buy it back from us or we sell it, it doesn't have any impact to rent. So we're not concerned about that.

In regard to coverage, we do have the $40 million of increased loan proceeds we made available to Prestige. That's still running through the numbers, which has some impacts on the reduced coverage. There is some rent increases on that and a few adjustments on certain number of—or a few assets. So, nothing really material in regard to why coverage had decreased from primarily with Prestige as a main driver.

Michael Carroll
Okay. Are we looking at the same property statistics on this page? It says same property portfolio statistic. So shouldn't then flow into Prestige be stripped out of there? Or is it included in one period and not the other?

Clint Malin
You're referring in the supplemental.

Michael Carroll
Yes.

Wendy Simpson
It's in both the same properties.

Clint Malin
It's in both—flow throughs.

Wendy Simpson
Yes.

Clint Malin
It's just that's been phasing in, that incremental interest has been phasing in on quarter-by-quarter basis.

Michael Carroll
Okay. And then, Clint, you mentioned that this is a stabilized ratio we should expect on the SNF side of 1.5x going forward, so we expect that should be around that level over the next several quarters?

Clint Malin
Correct, we think we have a 1.52x stabilized metric for the portfolio.

Michael Carroll
Okay, great. And then, what's the company's stance on the investment market today? With the improvement in the cost of capital, is LTC interested in any sizable portfolio transactions? I mean do those make more sense now given where your cost of capital is?

Wendy Simpson
Yes, they do make more sense. And we've looked at a couple. Unfortunately, the prices are still much higher than we would like to see and we'd be willing to talk about. And some of the bigger packages we've made offers—parts of the package, some pretty large parts of packages. But I don't see us doing anything major like a holiday deal or anything like that.

Michael Carroll
Okay, great. And then last question with the two development deliveries since 1Q, are you starting to look at starting a little bit more development projects going forward? Or are you trying to wind this down and you're comfortable with the current size of the pipeline?

Clint Malin
We are focused on development with our existing relationships adding it in to master leases, so we continue to work with our existing partners looking at development opportunities. In the past, we've spent a lot of time sourcing new relationships to identify development opportunities. We're not committing as much time to that endeavor. But we are through our mezzanine lending platform that Doug Korey is heading up, we are looking at providing mezzanine financing on development projects. So, we are seeing that.

Michael Carroll
Okay, great. Thank you.

Wendy Simpson
It's just not as active—it's just not as active as it was a couple of years ago. I mean—

Clint Malin
And I think that our existing operators, I mean, they're seeing—the opportunities they're presenting to us are not as frequent and as often as we had seen at one point in time.

Wendy Simpson
Right.

Michael Carroll
Okay, great. Thank you.

Wendy Simpson
Thank you, Mike.

Operator
The next question comes from Jordan Sadler of KeyBanc Capital Markets. Please go ahead.

Jeff Gaston
Hi, guys. This is Jeff Gaston on for Jordan. How are you doing this morning?

Wendy Simpson
Fine, thank you.

Jeff Gaston
Great. So I think you mentioned the pipeline earlier in the call and I apologize if I missed it, but how much is left in the entire pipeline at this point?

Clint Malin
Sort of $130 million right now at the pipeline.

Jeff Gaston
Got it. And then can you talk a little bit about your interest in continuing to use your ATM and where you're targeting your leverage?

Wendy Simpson
Our leverage is at the same target, which is 30:70 debt-to-enterprise value. We're now at 22%. We're at 22%. We use the ATM because the price was looking so nice at these levels. And you know we stopped at $80 million, which was basically what we had on the balance sheet to fund this year. So, we sort of match that $80 million to use the proceeds immediately for revenue producing and high yield assets. I don't expect we will be using the ATM in the second quarter unless we really get close to doing a deal of over $50 million. So, I don't anticipate right now that we'll use the ATM, and so last quarter was just because we had talked about matching our commitments with equity this year.

Jeff Gaston
Got it, thank you.

Wendy Simpson
You're welcome.

Jeff Gaston
And then one last quick question. I was looking your interest expense in 2Q and it ticked up pretty meaningfully versus the first quarter. And I was just curious, is there any one-time items there? Is there a change in your capitalized interest? And sort of what should we expect as the run rate going forward?

Pam Kessler
Hi, Jeff, it's Pam. No, there were no one-time items. It was primarily the result of the sale of the notes and probably the timing in that of when it was put in the model. We did sell an additional $40 million of notes that a little bit less than 4%. So that will impact interest going forward. Are you looking for—you're wanting a run rate on interest expense?

Jeff Gaston
Yes, it's just—it ticked up by almost three quarters of a million dollars. It just seems like a large impact relative to the amount of the debt that you guys issued during the quarter.

Pam Kessler
Yes. It was due to the termed out debt and we're looking at a run rate of about $6.9 million for interest.

Jeff Gaston
Perfect.

Pam Kessler
For the remainder of the year per quarter, for the remainder of the year.

Jeff Gaston
Perfect. Thanks a lot, guys. That's all for me.

Wendy Simpson
Thank you, Jeff.

Operator
The next question comes from Seth Canetto of Stifel. Please go ahead.

Seth Canetto
Hi, good morning.

Wendy Simpson
Good morning.

Seth Canetto
Can you guys talk about the disposition of those two SNFs in Texas? I know it was $6.8 million and you said it was roughly 235 beds. That just seems like a pretty, pretty low price per bed. Is that just because of the one-off issue you had with that operator, or are there other properties that they operate for you guys? Can you just give a little bit more color there?

Clint Malin
These were the only two assets we had with that operator. I mean, they were legacy assets that we had in the portfolio. And so, again, the primary driver on that was there—they had signed up for the UPL program without our consent. So it's a function of the performance of the assets and it made sense for us to recycle the capital on those. So, it's a function of the performance of the assets.

Seth Canetto
Got it, great. And then just looking at the pipeline, I know it's $130 million. But is that more senior housing now? It seems like maybe in the beginning of the year you guys were looking at skilled-nursing and given the headwinds facing that asset class, has it shifted more towards senior housing? Is that fair to assume?

Clint Malin
The pipeline changes and ebbs and flows over time between focus on private-pay assets and skilled nursing, so every quarter that changes. Currently in the pipeline, we're looking at the pipeline of about 70% of that, about 75% of that is skilled nursing. But a portion of that is made up of development projects with some existing partners on that. So we're looking at investing in newer modernized projects on the skilled side.

But again, that's what we have in the pipeline now; obviously year-to-date majority of our investments, as I mentioned in my prepared remarks, are on the private-pay side. So it really depends on any specific time as far as what we're looking at in the portfolio. Skilled nursing, we're still interested in looking at post-acute investments. It just has to be the right opportunity for that. And as I mentioned, we've had a number of opportunities to look at large transactions, they just haven't met our criteria.

Seth Canetto
All right, great, that's it for me. Thanks a lot.

Wendy Simpson
Thank you.

Clint Malin
Thank you.

Operator
The next question comes from Karin Ford of MUFG. Please go ahead.

Karin Ford
Hi, good morning. You talked about the challenges of finding deals that meet your criteria. And obviously you did a lot of work this quarter, bringing your leverage down and building a capital base here. Have you considered changing your pricing criteria to be able to—moving basically your target cap rate down to be able to look at more higher quality properties that meet your criteria?

Wendy Simpson
No. I think we've proven that being more conservative is much more comfortable when times turn. Certainly, I don't see us changing our criteria for skilled. One of the underwriting issues that we had during the last quarter were assets who wanted to participate in the UPL program and include those revenue streams in their going-forward revenue and we weren't willing to accept that. And so, we weren't able to come up with the prices that the sellers were looking for. So I don't see us changing our criteria at all.

Karin Ford
Even with the stock price up pretty dramatically your cost of capital down?

Wendy Simpson
Yes.

Karin Ford
Okay.

Clint Malin
Karin, when you look at the—as I mentioned in my comments, when you look at private-pay assets that are being marketed, those are trading at NOI cap rates of anywhere from 6% to 6.5%. So in order to have any coverage in a triple net-lease structure, there's probably 150 basis points difference between cap rate and lease rates. So in order to acquire a marketed asset or portfolio that's trading at NOI cap rate of 6% to 6.5%, we'd have to deploy—the lease rate would have to be somewhere in the 5%s.

Karin Ford
Got it.

Clint Malin
It's challenging.

Karin Ford
Yes. Okay.

Clint Malin
But we are able to find opportunities like the deal we did last year on a relationship basis with Senior Lifestyle for a large private-pay portfolio. So there are opportunities that we are spending our time and trying to source and building relationships, but the fully marketed transactions are at a price point right now where we feel that in a triple net lease structure, it's challenging to afford coverage on those deals.

Karin Ford
Got it. And then just turning to skilled-nursing coverage, I know you mentioned your thoughts on the two properties and the Prestige hit. So is it still your view that it's not the general operating challenges facing the skilled nursing industry that's affecting your coverage, but these other things? Or, are you hearing from your operators that they're also seeing pressure on the reimbursement front as well?

Clint Malin
In some markets, some challenges here and there, but overall that has not been the primary driver on this. And again, as we've looked at our portfolio, looked at not only the Q1 performance, but information we've received from some operators subsequent to Q1, we feel that the $1.52 plus or minus range is where we think that's stabilized. The numbers, we'll see on a go-forward basis. Although we have seen some decrease over the last couple of quarters, we think now that this range is where we think on a stabilized basis the portfolio will go. So, we're not expecting any significant change on a same-store basis.

Karin Ford
Okay, thanks. And then just last one for me, you mentioned Bridge-to-HUD is one of your investment products that you're considering. How much of the pipeline today represents loans?

Clint Malin
Of loans on the pipeline?

Karin Ford
Yes.

Clint Malin
Right now, we'd have—I mean a small 1%.

Karin Ford
Okay, great. Thank you very much.

Operator
The next question comes from Paul Morgan of Canaccord. Please go ahead.

Paul Morgan
Hi, good morning. I appreciate your comments on the pricing environment for private pay, but maybe you could talk about the skilled side and whether you're more comfortable with the risk return there. We'd seen some cap rate compression last year, especially for higher qualities post-acute type deals. But in terms of your opportunity set and the shallow pipeline, do you think that kind of the pricing makes more sense relative to your cost of capital now?

Clint Malin
I think the price does make sense. And the market has evolved during the course of 2016, the first few months of the year, we didn't see a lot of transactions on the skilled side, and most of our deal flow was on the private-pay side. And as I mentioned, three to four months ago, all of a sudden we started to see a huge uptick on large-marketed transactions.

And we think there's opportunity on the post-acute side, but we've got a partner—we're selective at who we're partnering with on those opportunities and some of the large transactions just do a deal of size. We're potentially bringing in older assets into the portfolio. We just think those larger deals haven't made sense for us. So, there are opportunities on a one-off basis on the skilled side and we think that our cost of capital can be attractive. So we'll continue to look at and hopefully execute on the skilled nursing deals.

Paul Morgan
I mean how interested are you in the Genesis asset-stripping market?

Clint Malin
I mean, larger portfolios just haven't been what we have focused our investment activity on.

Wendy Simpson
However if an operator that we have great confidence in, came to us and said there are five Genesis assets that we would like you to buy for us because we have a plan, we would look at that. But relative to just looking at a portfolio of Genesis assets, probably unlikely to do that, because there must be a reason they're for sale other than you know recapitalization. So but the fact that it's a Genesis asset, doesn't mean that we wouldn't be interested; the fact that an operator of ours is interested would get our interest.

Paul Morgan
Okay, great. And then that kind of leaves me to my last question, which is maybe you could comment on the growth objectives of your partner base right now, whether there's been kind of any shifts relative to maybe on a private-pay side due to supply concerns or on the skilled side because of bundle payments issues. I mean, are most of your operators still targeting pretty solid growth, external growth objectives or are some slowing?

Clint Malin
It depends on who the operators. The example would be Dr. Flashner, who participated on our call last quarter, and talked about his strategy and what he's seeing and the opportunities, he's trying to really focus his business model around a certain geography and growing out in that area. So, I think, Craig did a good job of articulating his growth strategy. So every operator is a little different, but I think in general that the operators in our portfolio are not looking at transformative transactions, but they're looking to incrementally grow and take advantage of opportunities in the local marketplaces where they see opportunity.

Paul Morgan
So you don't feel really—it's not that you feel any constraints because your current operator base doesn't want to grow with you. It's more just a matter of just kind of finding the right price points and the deals.

Clint Malin
Correct, correct. And then on the development side, as we mentioned, with our existing operators that has slowed down. I think there has been more development in markets in general. So I think that our partners are being more selective on the markets they're looking at pursuing.

Paul Morgan
Great, thanks.

Clint Malin
Thank you.

Operator
Again, if you have a question, please press star then one. The next question comes from Rich Anderson of Mizuho Securities. Please go ahead.

Rich Anderson
Thank you. And I'm sorry, I got on late. So if I'm repeating myself just tell me, but with regard to all the noise around Genesis and their interfacing with other REITs, were you approached at all to discuss things like covenants and the like?

Clint Malin
We have been approached about—

Rich Anderson
First of all, Clint, did this question already get asked?

Clint Malin
It did not.

Rich Anderson
Okay, good, awesome.

Wendy Simpson
We were hoping you were sick today.

Clint Malin
It did not get asked. So we have tangible net-worth requirements and they have approached us about changing that to a fixed charge coverage ratio, which they have put in place with their other landlord relationships. But our relationship with Genesis is much smaller compared to our peer group. So I think the focus—for Genesis focus and its interaction with its landlords has been with the other REITs besides us.

Rich Anderson
So it had nothing to do with just the fact that your coverage is much larger or higher, and so there was maybe not as much of an ability for them to negotiate new terms with you?

Clint Malin
I think their focus has been on their larger relationship. So, no, you're correct.

Rich Anderson
Okay, that's all I have. Thanks.

Wendy Simpson
Thank you.

Clint Malin
Thank you.

Operator
This concludes our question-and-answer session. I would like to turn the conference back over to Ms. Wendy Simpson for any closing remarks.

CONCLUSION

Wendy Simpson
No closing remarks other than thank you for participating and being on the call. We look forward to talking to you at the end of our third quarter. Have a great day.

Operator
The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.