LTC Properties, Inc.

Q2 2021 Analyst and Investor Call

Friday, July 30, 2021, 8:00 A.M. Pacific

CORPORATE PARTICIPANTS

Wendy Simpson – *Chief Executive Officer*

Pam Kessler – *Co-President & Chief Financial Officer*

Clint Malin – *Co-President & Chief Investment Officer*

PRESENTATION

Operator
Good day, everyone and welcome to the LTC Properties' Second Quarter Analyst and Investor Call. All participants will be in a listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star (*) key followed by zero (0). After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star (*) then one (1) on your touchtone phone. To withdraw your question, please press star (*) then two (2).

Before management begins its presentation, please note that today's comments including the question-and-answer session may include forward-looking statements, subject to risks and uncertainties that could cause actual results and events to differ materially. These risks and uncertainties are detailed in LTC's Properties filings with the Securities and Exchange Commission from time to time including the company's most recent 10-K dated December 31, 2020. 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 that this event is being recorded.

I would now like to turn the conference over to Wendy Simpson. Please go ahead.

Wendy Simpson
Thank you, operator and welcome everybody joining us today for LTC's 2021 second quarter conference call. With me on the call are Pam Kessler, Co-President and Chief Financial Officer; and Clint Malin, Co-President and Chief Investment Officer.

Not being able to quantify an impact of the delta variant on current and near future operations, what we have recently heard from our operators gives us some optimism. We are seeing occupancy gains for the first time in a long while. Vaccination rates among patients and residents throughout the industry are high, generally in the 80% range with gradual increases expected. Our buildings are beginning to stabilize with in-person tours and family visits allowed once again, notwithstanding the recent introduction of the delta variant.

The transition of our senior lifestyle portfolio is virtually complete and we are seeing a nice pickup in deal flow and activity. We are seeing a few encouraging signs throughout the industry. According to Nick's data, communities and nursing centers are doing much better clinically than they have in some time given the high rate of vaccinations among residents and patients. On average, especially with respect to SNF, occupancy is trending slowly upward.

Over the last 25 weeks, SNF have seen occupancy rise in each week except one, when census remained flat. Various government stimulus programs have helped significantly in keeping skilled nursing operators a float over the course of the pandemic. Additionally, there is about $25 billion remaining for distribution to all healthcare providers in the Provider Relief Fund.

While private pay has not been a beneficiary of adequate government relief to date, we are seeing some signs that more aid may become available soon. This is not to say unfortunately, that all of the challenges facing our industry are slowly trending downward. Labor continues to be a major challenge for operators and interest rates and inflation are something we're watching carefully.

Even so, I believe our industry is on more solid footing today than it has been over the last 18 months and I'm hopeful that some of the remaining pressures will begin to ease in the coming months. That said, however, a serious surge of the COVID delta variant across the country, especially in states with lower vaccination rates among staff could result in the need to stop admissions again temporarily delaying a full recovery but hopefully, any such surge will be addressed locally rather than by a national edict.

Second quarter rent and mortgage interest income collections were 93.6% excluding Senior Lifestyle and Senior Care, an 86.1%, excluding just Senior Lifestyle, whose transition Clint will discuss in detail. We are no longer seeing new substantial requests for rent deferrals and abatements and if new ones arise, we will review each on a case-by-case basis, keeping in mind an operator's ongoing operations, rent coverage, corporate financial health and liquidity. We expect to continue providing some amount of relief in the form of deferrals and abatements until occupancy gains become more permanent.

I'm so very pleased to be able to report that the Senior Lifestyle portfolio transition is nearly complete. The 19 of the buildings have been or shortly will be under new leases. The other four properties in the portfolio have been sold. Clint will provide more details in his comments.

With respect to Senior Care Centers, bankruptcy proceedings are continuing with the next scheduled court date on August 11th. Building on the uptick, we saw toward the end of the last quarter, deal flow continues to accelerate with several potential transactions in the pipeline that meet our investment criteria. These opportunities are mostly shorter-term and cash flow strategic with what we believe our reduced risk profiles and strong returns.

Through the first half of the year, we have actively reviewed a host of transactions passing on most either because the properties are not performing well or the asking prices don't reflect what we believe to be market value rates. We have no problem temporarily remaining on the sidelines for our more traditional long-term investments until we can find the right deal at the right price.

The opportunities we are currently working through include mostly structured finance transactions and span the full spectrum of care. It bears repeating that LTC has ample access to liquidity to act on these opportunities when the timing is right, but as a good financial steward we will not enter into a deal that does not produce accretive returns for LTC and our shareholders.

With respect to our dividend, I'd like to repeat what I said last quarter. It has been LTC's practice to support a dividend payout ratio of approximately 80% of FAD. As a result, of the financial support we have provided some of our operators and the significant Senior Lifestyle and Senior Care defaults, our second quarter 2021 dividend payout ratio was 98%. However, we believe our 2022 FAD will improve as we fully transition the Senior Lifestyle portfolio to more stable operators and the issues related to the Senior Care bankruptcy are resolved.

At this time, we will provide guidance for the third quarter. We expect similar NAREIT FFO results as we reported for the just completed second quarter. This guidance does not include recovery of any deferred rent or any rent payment from Senior Care.

With that, I'll turn things over to Pam.

Pam Kessler
Thank you, Wendy. Total revenue increased $9.6 million compared with last year's second quarter resulting primarily from a $9.5 million increase in rental revenue, which was due to a $17.7 million write-off in last year's second quarter related to Senior Lifestyle's straight-line rent and lease incentive balances.

Completed development projects and higher rent payments from Anthem also contributed to the increase. The increase in revenue was partially offset by reduced rent from Senior Lifestyle, net of rent received from re-leasing 11 properties in the portfolio, defaulted Senior Care lease obligations, abated and deferred rent, and a decrease in property tax revenue.

Interest income increased $113,000 from the prior year due to the funding of expansion and renovation projects offset by scheduled principal pay downs. Interest expense decreased by $686,000 due to scheduled principal paydowns on our senior unsecured notes, lower interest rates, and a lower outstanding balance under our line of credit, partially offset by lower capitalized interest in 2021.

Property tax expense decreased $311,000 compared with last year's second quarter as a result of the timing of certain operators' property tax escrow receipts and the payment of related taxes partially offset by completed development projects.

G&A was $757,000 greater than last year due to the timing of accrual for incentive compensation, salary increases and restricted stock vesting. Income from unconsolidated joint ventures increased $376,000 due to mezzanine loan fundings. During last year's second quarter, we recognized a loss on liquidation of unconsolidated joint ventures of $620,000 related to the sale of the four properties comprising our unconsolidated real estate joint venture with an affiliate of Senior Lifestyle.

During the second quarter of 2021, we recognized a net gain on sale of real estate of $5.5 million related to the sale of three properties in Wisconsin and a closed property in Nebraska all previously leased to Senior Lifestyle. We also transitioned a memory care property in Colorado, previously operated by Senior Lifestyle to an operator new to LTC. The lease has a five-year term and provides a purchase option for $5.5 million, which is exercisable after the first year of the lease.

Cash rents starting in the second year of the lease is $150,000 increasing to $300,000 in the third year and escalating 2% annually thereafter. Net income available to common shareholders for the second quarter of 2021, increased by $16.4 million primarily due to the senior lifestyle write-off in the prior year and the gain on sale of the three Wisconsin properties this year. This is partially offset by the revenue declines previously detailed.

NAREIT FFO per fully diluted share increased to $0.57 from $0.31 last year's excluding nonrecurring items related to last year's second quarter. FFO portfolio diluted share was $0.57 this quarter and $0.76 in the second quarter of 2020. The decrease was principally due to the non-payment of rent by Senior Lifestyle and Senior Care.

During the 2021, second quarter we paid $41 million under our unsecured revolving line of credit. Additionally, we maintained our $0.19 per share monthly dividend by paying our shareholders $22.4 million in common dividends during the quarter. Subsequent to the end of the second quarter, we entered into lease agreements covering the remaining properties in the Senior Lifestyle portfolio, which Clint will discuss shortly and sold a skilled nursing center in Washington for $7.7 million.

We received proceeds totaling $7.2 million and expect to recognize a gain on sale of $2.6 million. Additionally, we paid $25.2 million in regular scheduled principal payments under our senior unsecured notes and borrowed $19 million under our unsecured revolving line of credit at 1.2%.

As a result of this activity, we now have $5.7 million in cash, $515.1 million available on our line of credit, under which $84.9 million is outstanding and $200 million under our ATM program providing LTC with liquidity of nearly $721 million

It is important to note that we have no significant long-term debt maturities over the next five years. At the end of the 2021 second quarter, our credit metrics remained strong with a debt-to-annualized adjusted EBITDA for real estate of 5.3 times, an annualized adjusted fixed charge coverage ratio of 4.3 times and a debt to enterprise value of 29%.

We expect to see this 5.3 ratio come down as we receive more rent from assets formerly operated by Senior Lifestyle and eventually we expect to be able to collect rent from assets involved in the most recent Senior Care bankruptcy.

Next I'll discuss rent deferrals and abatements. As Wendy mentioned excluding Senior Care and Senior Lifestyle, we collected 93.6% of second quarter rent and mortgage interest income. We provided $1.1 million in rent deferrals and $1.1 million in rent abatements.

As a reminder, Senior Lifestyle did not pay us rent in 2021. With the portfolio virtually fully transitioned, we are receiving contractual rent from the operators who now lease these properties. Additionally, during the second quarter Senior Care did not pay rent.

We applied the remaining $889,000 of the $2.1 million letter of credit to satisfy certain obligations owed under the master lease in the second quarter. As of June 30th, Senior Care's unaccrued outstanding rent balance was $3.1 million.

In July, we provided rent deferrals totaling $366,000 and rent abatements of $323,000. We have agreed to provide rent deferrals of up to $493,000 and abatements of up to $319,000 for each of August and September 2021.

Now I'd like to turn the call over to Clint.

Clint Malin
Thank you, Pam. As Wendy discussed, our Senior Lifestyle portfolio is now nearly fully transitioned and I'm excited to provide our final update on the transition. I'll speak in some detail about the newest transactions, but I will start with a brief recap of the transactions completed earlier this year.

In total, the Senior Lifestyle portfolio included 23 properties, 12 of which were transitioned through April of this year. Six of those communities were transferred to Randall Residence, a current LTC operator, five to Encore Senior Living, an operator new to us and one to Graceful Senior Living also new to us.

Of the remaining 11 properties, four were sold in the second quarter, three assisted living communities located in Wisconsin were sold for $35 million, which roughly approximates their combined gross book value. We used the net proceeds of approximately $33.9 million to pay down our unsecured revolving line of credit.

In total, these properties included 263 units. The fourth was a previously closed property sold for $900,000 for an alternative use. The gross book value when we acquired it in 1997 was $2.5 million and the net book value was $1.1 million. Of the remaining seven buildings in the portfolio, three have been transferred and four are awaiting licensure. Two properties are being operated by Juniper in Pennsylvania. One property in New Jersey also to be operated by Juniper should be receiving licensure any day.

Combined these communities include 168 units. Juniper has been a close partner of LTC's since 2012. The new lease has a two-year term with zero cash rent for the first three months. After that time, cash will be reset based on mutually agreed upon fair market rent.

Cash rent will be reset every three months for the first year and twice a year for the second year as cash flow in the buildings improves until we set permanent rates for the longer term. Three properties in Nebraska, with a combined 119 units, will be operated by Oxford Senior Living, an existing LTC partner since 2012 as soon as licensure is received which we also expect in short order.

The new lease follows the same pattern as I described for Juniper. One property in Wisconsin is now being operated by a regional partner new to LTC. This community includes 101 units and will be operated under a 10-year lease with three five-year renewal terms.

Cash rent under the new lease is $920,000 in the first year, $1.2 million in the second year, $1.3 million in the third year, then escalating 2% annually thereafter. I'll complete my remarks about the Senior Lifestyle portfolio by saying that among the properties that were transitioned in the January and February timeframe, especially in markets that did not have stringent lockdowns during that time, occupancy increased under new management, sometimes meaningfully.

Next, I'll provide some detail on our most recent development projects that are now operational. Weatherly Court, operated by field Senior Living in Oregon, began accepting residents last September. On June 30th, occupancy was 36% up from 24% on March 31st.

Ignite Medical Resort in Blue Springs located in Missouri began welcoming patients last October. On June 30th, occupancy rose nicely to 83% up from 64% on March 31st.

Moving next to our portfolio numbers, please remember that with the pandemic and the challenging environment it created, we don't believe coverage is a good indicator of future performance at this time and we are focused mainly on occupancy trends which I'll discuss shortly.

Q1 trailing 12-month EBITDARM and EBITDAR coverage as reported using a 5% management fee was 0.99 times and 0.8 times respectively for our assisted living portfolio. Excluding stimulus funds received by our operators, coverage was 0.85 times and 0.67 times respectively. Excluding Senior Lifestyle from our Assisted Living portfolio, as reported EBITDARM and EBITDAR coverages would increase to 1.03 times and 0.84 times respectively. Excluding both senior lifestyle and stimulus funds, EBITDARM and EBITDAR coverages would be 0.9 times and 0.71 times respectively.

For our skilled nursing portfolio, as reported EBITDARM and EBITDAR coverage was 1.94 times and 1.49 times respectively. Excluding stimulus funds coverage was 1.44 times and 1.02 times respectively. Excluding Senior care from our skilled portfolio, as reported EBITDARM and EBITDAR coverages would increase to 1.98 times and 1.5 times respectively.

Excluding both Senior Care and stimulus funds, EBITDARM and EBITDAR coverages would be 1.52 times and 1.06 times respectively.

Now for some occupancy trends, which are as of July 15. As a reminder, for our private pay portfolio, occupancy is as of that date specifically and for our skilled portfolio, occupancy is the average for the month. Because our partners have given this data to us on a voluntary and expedited basis, the information we are providing includes approximately 70% of our total private pay units and approximately 73% of our skilled nursing beds. Private pay occupancy was 74% on July 15 and June 30 and 72% on March 31. For our skilled portfolio, which excludes Senior Care, average monthly occupancy through July 15 was 69% versus 68% in both June and March.

As Wendy mentioned, our pipeline continues to expand and is more active than it has been in some time with a diverse set of opportunities, including a mix of existing operating partners and those new to LTC as well as a mix of private pay and SNFs. In total, our near-term pipeline is valued at about $130 million with additional medium to long-term opportunities totaling about another $90 million. Our bid activity remains healthy, and we are excited to see this important part of our current investment strategy gaining steam.

While sales cycles remain elongated and pricing for some properties does not accurately reflect what we believe is their true value, we are more optimistic than we have been in some time about our ability to again begin making long-term strategic investments that will position LTC for future growth. We have nurtured our balance sheet to provide us with adequate liquidity and flexibility and believe we can use this to our advantage as we seek to provide strong regional operators with creative financing solutions. We are open to any transaction that meets our underwriting criteria, but also believe that in the current environment, structured finance deals including mezzanine loans and preferred equity financing still represent the best risk/reward profile at this time.

Now, I'll turn things back to Wendy for her closing remarks.

Wendy Simpson
Thank you, Pam and Clint. We have come a long way since the start of the pandemic. It has not been an easy road, but I believe we are now coming up on an easier road. Let's face it, this business has never been a newly paved smooth super highway with an express lane, but with great pride, I can say our industry has learned many lessons through many cycles of significant challenge and we continue to provide what I believe is the world's most caring service to the nation's most vulnerable people. Each day I become more and more confident in our ability to continue to proactively participate in this vital industry. We are positioned to play offense and are seeking out opportunities to strengthen LTC now and for the future. We will accomplish this by identifying accretive ways to enhance our portfolio, diversify our investments, serve as a growth capital partner of choice, and return to a well-covered dividend for our shareholders.

Now, we'll open up the call for your questions.

QUESTIONS AND ANSWERS

Operator
We will now begin the question-and-answer session. To ask a question, you may press star (*) then one (1) on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star (*) then two (2), and at this time, we will pause momentarily to assemble the roster.

Our first question today will come from Jordan Sadler with KeyBanc Capital Markets. Please go ahead.

Jordan Sadler
Thank you and good morning. Wanted to just circle back Wendy, I think in your prepared remarks you discussed an occupancy statistic of 25 consecutive weeks of occupancy gains next one week in the skilled nursing business, and can you talk about that in the context of what you're seeing or what your operators are seeing in your portfolio? I think that was a reference to the industry. I'm just not 100% sure, and as Clint just gave the occupancy statistics, I don't feel like you guys are necessarily seeing the same thing?

Wendy Simpson
We've had a conference call with several of our skilled operators, and they are seeing a small uptick in occupancy. The market that's lagging a little is the Michigan market, and we have a lot of properties in Michigan, but Clint had drinks with the operator in Michigan the other evening, and he's not startled about the situation at all. So, we are seeing that our operators are pretty much tracking Nick, except for Michigan.

Jordan Sadler
Okay, and then, I just -- I followed you guys on the SLC update very thorough, but I was wondering, because it's pretty granular, and I guess, you can do the work here, but could you guys summarize sort of the original rent versus maybe the pro forma rent? I am thinking the 23 properties last year were scheduled to pay $18.4 million. I think you sold four for $36 million and you've transitioned or about to transition the rest. What's the pro forma total rent from the remaining 19 properties or 18 properties for let's say the second half of 2021 or for 2022? How much do you expect to get now in total [unintelligible]?

Clint Malin
One of the challenges on that Jordan is the buildings that we're transitioning to Juniper and as well as to Oxford which as I articulated, we're ramping up rents as occupancy increases. The two properties that we have with Juniper in Pittsburgh, those two buildings were really substantial contributor under the Senior Lifestyle portfolio previously. So, to be able to get back to where we're at and those buildings will play a big part in increasing the rent, and then, once we redeploy the capital on the asset sales, so, I think as we get into next quarter or starting into the first of 2022, we'll be able to give that better comparison of where we're at, but it's still [unintelligible] right now.

Jordan Sadler
Okay, but the -- if you exclude Juniper, I mean, is there a number, if you exclude Juniper and Oxford, sort of $8 million?

Clint Malin
Well, previously Jordan we didn't allocate buildings by property. So, to be able to take that allocation it's hard to make that comparison.

Jordan Sadler
No. I think I get that. I'm just kind of curious, where you stand. I know there was actually a yield associated with the $35 million. I can follow up with you guys after, but I'm just trying to understand where you guys are ending up on sort of this overall portfolio?

Wendy Simpson
We're giving guidance for one quarter, not fourth, anything beyond one quarter.

Jordan Sadler
Yeah. No, I follow, but I'm trying to understand. I'm trying to model more than just a one quarter and I'm not looking for specific guidance. I'm just trying to see where this specific portfolio wound up, and then, in terms of the acquisition market investment opportunity, how would you characterize it, Clint? I mean, are you guys getting closer on some of these smaller deals? What is the flow starting to look like at this point?

Clint Malin
Yeah. There's a lot of activity. We're seeing a lot of deal flow. Buying assets right now, as I mentioned in the comments, the valuation on what's the – what they ask, compared to what the performance is, is a little challenging to buy into investments today for the long haul, but we're seeing a diverse set of opportunities on structured finance anywhere from Assisted Living to Independent Living, skilled nursing. So, we've been happy with the volumes that we're seeing in the number of transactions. So, I mentioned $130 million in my comments, although it is not guaranteed, but those are under lettered intent, and we're actively involved in due diligence working on those. So, we're encouraged by what we see.

Jordan Sadler
Okay. I’ll hop back in the queue. Thanks.

Clint Malin
Thank you.

Operator
And our next question will come from Connor Siversky with Berenberg. Please go ahead.

Connor Siversky
Good morning everybody. Thanks for letting me in the call. Really just one question for me, as I'm looking at the deferred abated delinquent rent. For the deferrals in particular, I think there's the term for repayments between 6 and 36 months, correct me if I have that wrong, but I'm wondering, if there's any sense of what the weighting of repayments is within that term as you kind of roll those receipts back in -- back into the cash metrics?

Pam Kessler
Hi Connor, it's Pam. I would weigh it toward the back end. I think the recovery is going to be a little elongated, and so obviously they need to get back to stabilize cash flow and stabilization to repay all of that. So, I would weigh it toward the back end if you're asking for modeling.

Wendy Simpson
And we would hope any new provider relief funds that come out, we'll clear some of that up.

Pam Kessler
Yeah.

Wendy Simpson
If they're stable now.

Pam Kessler
Right.

Wendy Simpson
That should come to us.

Pam Kessler
Yeah.

Wendy Simpson
Maybe we can get to the government to have it sent direct to us.

Pam Kessler
Yeah.

Connor Siversky
Okay. That helps, and then, just a more general question on occupancy. I mean, within your existing markets, are you seeing any discrepancies between certain markets where occupancy is coming back faster than others and whether or not that's related to say the spike of the delta infection rate or anything like that?

Clint Malin
Our buildings, it differs by market. We have seen some buildings as I mentioned in my comments on some of the Senior Lifestyle transitions, where there's been a noticeable uptick in occupancy. So, it depends by market and some markets are still a little bit flatter. We're not seeing any big deceleration in occupancy, which were really -- that's the encouraging part. We're seeing, either slowly tick up, staying flat or in some markets a substantial increase. So, the fact that they're not seeing declines is a positive.

Pam Kessler
And re-generation has been strong. Yes, especially recently.

Connor Siversky
Okay. That’s all from me. Thanks very much.

Operator
And once again if you would like to ask a question, please press star (*) then one (1).

Our next question will come from Michael Carroll with RBC Capital Markets. Please go ahead.

Michael Carroll
Yes, thanks. Could you guys walk us through the range of outcomes with the Senior Care Centers lease? I mean, will you guys get a decision from the bankruptcy court in the next hearing? I mean, I guess, I'm just trying to figure out, how long do we have to wait for this resolution to occur? And can you give some guidance on that would be great.

Wendy Simpson
Well, considering the fact that we're in this legal situation, it's hard for us to predict or say anything. We do have the August 11th hearing and we'll do a press release if we get anything material regarding going forward with this lease in these properties. So, I'm sorry Michael, it's just so complicated and we just can't say anything.

Michael Carroll
Okay. No, I understand. I mean, just one more on that and then I understand, if you can't talk about it yet is, can you talk a little bit about how those properties are performing right now? I mean, has there been disruption since Senior Care Centers filed for bankruptcy? Is there any guidance or commentary you can provide on that?

Wendy Simpson
Have we gotten recent financials from them?

Clint Malin
Yes. We have gotten recent financials.

Wendy Simpson
Recent financials would indicate that they're cash flow positive, but we haven't done any independent due diligence on those financials. I mean, they're giving us financials and I don't – through March?

Clint Malin
No, we have to through May.

Wendy Simpson
Through May, and they would indicate that those properties are cash flow positive, so.

Michael Carroll
Okay, and then, can you talk about how the two leases for, I think was it Juniper and Oxford with Senior Lifestyles. How does that new rank gets set? Is it going to be based on a formula, so it's a percent of EBITDAR that you're going to receive in the second quarter, or how does those kind of flow back into earnings?

Clint Malin
It's a great question, Mike. So, we structured it by design. We've had long-standing relationships both with Juniper, as well as Oxford, both dating back to 2012. So, performance had declined substantially in those buildings, so it's going to be an effort that we cooperate to work together towards those. So, we are fortunate we have a strong relationship with both operating companies, and they obviously need to be making some profit if we want to get participation as performance increases. So, it's something that we'll work through cooperatively, except we're doing it on a quarterly basis during the first year and then semi-annually in the second year.

Michael Carroll
Okay.

Wendy Simpson
Isn't our concept like cash sweep?

Clint Malin
Basically. So, it would not be for us to materially meaningfully participate as those performance improves and that was the purpose of why we designed it as such.

Wendy Simpson
Right.

Michael Carroll
Okay, and do they have renewal options at the end of the lease? The two-year lease?

Clint Malin
Right now, we don't have renewal options. But what we are working on is trying to get to a rent to put for Juniper to put them into the lease -- their existing lease long-term. I mean, these buildings are in their markets. For the Oxford buildings, these are three buildings that, we don't have any other big presence in Nebraska, so that would be properties that we probably look at selling after the building is going to be stabilized and Oxford would participate in that with us would be the optionality we have for the Nebraska buildings.

Michael Carroll
Okay, and then, can you break out how many operators LTC is deferred or abated rent to? And I know, there's been a couple of months here, but maybe you could just focus on July and August and September. It looks like the only rent that was deferred is all to the unidentified operator. Is that correct? And then, how many operators are you abating rent for right now?

Pam Kessler
It's the same small group that we've been abating for the past couple of quarters. So, there's not anything new in there. One, in the deferred group that you noted and one -- primarily one in the abated group -- there's two in the abated group, but one is the majority.

Wendy Simpson
They both had.

Pam Kessler
It was their transition portfolios. These were transition portfolios. Yes, got caught in the pandemic, not stabilized.

Michael Carroll
Okay. Great. Thank you.

Pam Kessler
You are welcome.

Operator
And this will conclude our question-and-answer session. I'd like to turn the conference back over to Wendy Simpson for any closing remarks.

CONCLUSION

Wendy Simpson
Thank you all for taking time to listen to our conference call and we look forward to reporting to you again at the end of the third quarter. Have a great weekend. Bye-bye.

Operator
The conference has now concluded. Thank you for attending today's presentation. You may now disconnect your lines at this time.