May 9, 2018

# LTC Reports 2018 First Quarter Results; Sells Portfolio of Six Assisted Living Communities for $67.5 Million

WESTLAKE VILLAGE, Calif.--(BUSINESS WIRE)-- LTC Properties, Inc. (NYSE: LTC), a real estate investment trust that primarily invests in seniors housing and health care properties, today announced operating results for its first quarter ended March 31, 2018.

Net income available to common stockholders was $20.3 million, or $0.51 per diluted share, for the 2018 first quarter, compared with $21.4 million, or $0.54 per diluted share, for the same period in 2017. Funds from Operations ("FFO") was $29.7 million for the 2018 first quarter, compared with $30.8 million for the comparable 2017 period. FFO per diluted common share was $0.75 and $0.78 for the quarters ended March 31, 2018 and 2017, respectively.

The decrease in net income available to common stockholders, FFO and FFO per diluted common share was primarily due to a reduction in rental income related to properties sold in 2017 and a previously disclosed defaulted master lease that was placed on a cash basis, as well as higher interest expense resulting from an increase in net borrowings, partially offset by higher income from unconsolidated joint ventures and mezzanine loans.

During the first quarter of 2018, LTC funded $7.4 million under an existing mortgage loan for the purchase of a 112-bed skilled nursing center in Michigan. The incremental funding bears interest at 8.7%, fixed for five years, and escalating by 2.25% thereafter.

Subsequent to March 31, 2018, LTC sold a portfolio of six assisted living and memory care communities for $67.5 million. Known as the Sunrise Portfolio, the six communities, five assisted living and one memory care, span 320 units and five locations in Ohio and Pennsylvania. As a result of the transaction, LTC expects to recognize a net gain on sale of approximately $48.0 million in the second quarter. The transaction was structured to close concurrent with the April 30 lease expiration. Rental revenue under this lease for the four months ended April 30, 2018 was approximately $1.5 million.

## Conference Call Information

LTC will conduct a conference call on Thursday, May 10, 2018, at 8:00 a.m. Pacific Time (11:00 a.m. Eastern Time), to provide commentary on its performance and operating results for the quarter ended March 31, 2018. The conference call is accessible by telephone and the internet. Telephone access will be available by dialing 877-510-2862 (domestically) or

412-902-4134 (internationally). To participate in the webcast, go to LTC's website at www.LTCreit.com 15 minutes before the call to download the necessary software.

An audio replay of the conference call will be available from May 10 through May 24, 2018 and may be accessed by dialing 877-344-7529 (domestically) or 412-317-0088 (internationally) and entering conference number 10118453. Additionally, an audio archive will be available on LTC's website on the "Presentations" page of the "Investor Information" section, which is under the "Investors" tab. LTC's earnings release and supplemental information package for the current period will be available on its website on the "Press Releases" and "Presentations" pages, respectively, of the "Investor Information" section which is under the "Investors" tab.

## About LTC

LTC is a self-administered real estate investment trust that primarily invests in seniors housing and health care properties primarily through sale-leaseback transactions, mortgage financing and structured finance solutions including mezzanine lending. At March 31, 2018, LTC had 203 investments located in 29 states comprising 105 assisted living communities, 97 skilled nursing centers and a behavioral health care hospital. Assisted living communities, independent living communities, memory care communities and combinations thereof are included in the assisted living property type. For more information on LTC Properties, Inc., visit the Company's website at www.LTCreit.com, or connect with us on Twitter @LTCreit and LinkedIn.

## Forward Looking Statements

This press release includes statements that are not purely historical and are "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding the Company's expectations, beliefs, intentions or strategies regarding the future. All statements other than historical facts contained in this press release are forward looking statements. These forward looking statements involve a number of risks and uncertainties. Please see LTC's most recent Annual Report on Form 10-K, its subsequent Quarterly Reports on Form 10-Q, and its other publicly available filings with the Securities and Exchange Commission for a discussion of these and other risks and uncertainties. All forward looking statements included in this press release are based on information available to the Company on the date hereof, and LTC assumes no obligation to update such forward looking statements. Although the Company's management believes that the assumptions and expectations reflected in such forward looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. The actual results achieved by the Company may differ materially from any forward looking statements due to the risks and uncertainties of such statements.

**LTC PROPERTIES, INC.**
**CONSOLIDATED STATEMENTS OF INCOME**
(*amounts in thousands, except per share amounts unaudited)*

| | Three Months Ended March 31, | |
|---|---|---|
| | 2018 | 2017 |
| Revenues: | | |
| Rental income | $ 34,505 | $ 35,035 |
| Interest income from mortgage loans | 6,816 | 6,748 |
| Interest and other income | 489 | 839 |

| | | |
|---|---|---|
| Total revenues | 41,810 | 42,622 |
| Expenses: | | |
| Interest expense | 7,829 | 7,471 |
| Depreciation and amortization | 9,444 | 9,359 |
| Provision (recovery) for doubtful accounts | 8 | (38) |
| Transaction costs | 4 | 22 |
| General and administrative expenses | 4,797 | 4,740 |
| Total expenses | 22,082 | 21,554 |
| Operating income | 19,728 | 21,068 |
| Income from unconsolidated joint ventures | 631 | 445 |
| Net income | 20,359 | 21,513 |
| Income allocated to participating securities | (88) | (97) |
| Net income available to common stockholders | $ 20,271 | $ 21,416 |
| **Earnings per common share:** | | |
| Basic | $ 0.51 | $ 0.54 |
| Diluted | $ 0.51 | $ 0.54 |
| **Weighted average shares used to calculate earnings per common share:** | | |
| Basic | 39,451 | 39,366 |
| Diluted | 39,454 | 39,612 |
| Dividends declared and paid per common share | $ 0.57 | $ 0.57 |

## Supplemental Reporting Measures

FFO, adjusted FFO (“AFFO”), and Funds Available for Distribution (“FAD”) are supplemental measures of a real estate investment trust’s (“REIT”) financial performance that are not defined by U.S. generally accepted accounting principles (“GAAP”). Investors, analysts and the Company use FFO, AFFO and FAD as supplemental measures of operating performance. The Company believes FFO, AFFO and FAD are helpful in evaluating the operating performance of a REIT. Real estate values historically rise and fall with market conditions, but cost accounting for real estate assets in accordance with GAAP assumes that the value of real estate assets diminishes predictably over time. We believe that by excluding the effect of historical cost depreciation, which may be of limited relevance in evaluating current performance, FFO, AFFO and FAD facilitate like comparisons of operating performance between periods. Additionally the Company believes that normalized FFO, normalized AFFO and normalized FAD provide useful information because they allow investors, analysts and our management to compare the Company’s operating performance on a consistent basis without having to account for differences caused by unanticipated items.

FFO, as defined by the National Association of Real Estate Investment Trusts (“NAREIT”), means net income available to common stockholders (computed in accordance with GAAP) excluding gains or losses on the sale of real estate and impairment write-downs of depreciable real estate, plus real estate depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Normalized FFO represents FFO adjusted for certain items detailed in the reconciliations. The Company’s computation of FFO may not be comparable to FFO reported by other REITs that do not define the term in accordance with the current NAREIT definition or have a different interpretation of the current NAREIT definition from that of the Company; therefore, caution should be exercised when comparing our Company’s FFO to that of other REITs.

We define AFFO as FFO excluding the effects of straight-line rent, amortization of lease inducement, effective interest income and deferred income from unconsolidated joint ventures. GAAP requires rental revenues related to non-contingent leases that contain specified rental increases over the life of the lease to be recognized evenly over the life of the lease. This method results in rental income in the early years of a lease that is higher than actual cash received, creating a straight-line rent receivable asset included in our consolidated balance sheet. At some point during the lease, depending on its terms, cash rent payments exceed the straight-line rent which results in the straight-line rent receivable asset decreasing to zero over the remainder of the lease term. Effective interest method, as required by GAAP, is a technique for calculating the actual interest rate for the term of a mortgage loan based on the initial origination value. Similar to the accounting methodology of straight-line rent, the actual interest rate is higher than the stated interest rate in the early years of the mortgage loan thus creating an effective interest receivable asset included in the interest receivable line item in our consolidated balance sheet and reduces down to zero when, at some point during the mortgage loan, the stated interest rate is higher than the actual interest rate. By excluding the non-cash portion of rental income, interest income from mortgage loans and income from unconsolidated joint ventures, investors, analysts and our management can compare AFFO between periods. Normalized AFFO represents AFFO adjusted for certain items detailed in the reconciliations.

We define FAD as AFFO excluding the effects of non-cash compensation charges, capitalized interest and non-cash interest charges. FAD is useful in analyzing the portion of cash flow that is available for distribution to stockholders. Investors, analysts and the Company utilize FAD as an indicator of common dividend potential. The FAD payout ratio, which represents annual distributions to common shareholders expressed as a percentage of FAD, facilitates the comparison of dividend coverage between REITs. Normalized FAD represents FAD adjusted for certain items detailed in the reconciliations.

While the Company uses FFO, Normalized FFO, AFFO, Normalized AFFO, FAD and Normalized FAD as supplemental performance measures of our cash flow generated by operations and cash available for distribution to stockholders, such measures are not representative of cash generated from operating activities in accordance with GAAP, and are not necessarily indicative of cash available to fund cash needs and should not be considered an alternative to net income available to common stockholders.

## Reconciliation of FFO, AFFO and FAD

The following table reconciles GAAP net income available to common stockholders to each of NAREIT FFO attributable to common stockholders and normalized FFO attributable to common stockholders, as well as normalized AFFO and normalized FAD *(unaudited, amounts in thousands, except per share amounts)*:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2018 | 2017 |
| GAAP net income available to common stockholders | $20,271 | $21,416 |
| Add: Depreciation and amortization | 9,444 | 9,359 |
| NAREIT FFO attributable to common stockholders | 29,715 | 30,775 |
| Less: Non-cash rental income | (2,900) | (2,340) |
| Less: Effective interest income from mortgage loans | (1,404) | (1,307) |
| Less: Deferred income from unconsolidated joint ventures | (31) | (47) |
| Adjusted FFO (AFFO) | 25,380 | 27,081 |

| | | |
|---|---|---|
| Add: Non-cash compensation charges | 1,376 | 1,259 |
| Add: Non-cash interest related to earn-out liabilities | 126 | 226 |
| Less: Capitalized interest | (259) | (170) |
| Funds available for distribution (FAD) | $26,623 | $28,396 |
| | | |
| NAREIT Basic FFO attributable to common stockholders per share | $0.75 | $0.78 |
| NAREIT Diluted FFO attributable to common stockholders per share | $0.75 | $0.78 |
| | | |
| NAREIT Diluted FFO attributable to common stockholders | $29,803 | $30,872 |
| Weighted average shares used to calculate NAREIT diluted FFO per share attributable to common stockholders | 39,603 | 39,612 |
| | | |
| Diluted AFFO | $25,468 | $27,178 |
| Weighted average shares used to calculate diluted AFFO per share | 39,603 | 39,612 |
| | | |
| Diluted FAD | $26,711 | $28,493 |
| Weighted average shares used to calculate diluted FAD per share | 39,603 | 39,612 |

**LTC PROPERTIES, INC.**
**CONSOLIDATED BALANCE SHEETS**
*(amounts in thousands, except per share)*

| | March 31, 2018 *(unaudited)* | December 31, 2017 *(audited)* |
|---|---|---|
| **ASSETS** | | |
| Investments: | | |
| Land | $ 121,496 | $ 124,041 |
| Buildings and improvements | 1,236,605 | 1,262,335 |
| Accumulated depreciation and amortization | (292,222) | (304,117) |
| Operating real estate property, net | 1,065,879 | 1,082,259 |
| Properties held-for-sale, net of accumulated depreciation: 2018—$23,223; 2017—$1,916 | 20,182 | 3,830 |
| Real property investments, net | 1,086,061 | 1,086,089 |
| Mortgage loans receivable, net of loan loss reserve: 2018—$2,351; 2017—$2,255 | 233,383 | 223,907 |
| Real estate investments, net | 1,319,444 | 1,309,996 |
| Notes receivable, net of loan loss reserve: 2018—$166; 2017—$166 | 16,402 | 16,402 |
| Investments in unconsolidated joint ventures | 30,289 | 29,898 |
| Investments, net | 1,366,135 | 1,356,296 |
| | | |
| Other assets: | | |
| Cash and cash equivalents | 3,784 | 5,213 |
| Debt issue costs related to bank borrowings | 540 | 810 |
| Interest receivable | 16,456 | 15,050 |
| Straight-line rent receivable, net of allowance for doubtful accounts: 2018—$726; 2017—$814 | 68,017 | 64,490 |
| Lease incentives | 21,321 | 21,481 |
| Prepaid expenses and other assets | 2,877 | 2,230 |
| Total assets | $ 1,479,130 | $ 1,465,570 |
| | | |
| **LIABILITIES** | | |
| Bank borrowings | $ 120,500 | $ 96,500 |
| Senior unsecured notes, net of debt issue costs: 2018—$1,079; 2017—$1,131 | 566,888 | 571,002 |
| Accrued interest | 4,114 | 5,276 |
| Accrued incentives and earn-outs | 9,041 | 8,916 |
| Accrued expenses and other liabilities | 21,724 | 25,228 |
| Total liabilities | 722,267 | 706,922 |
| | | |
| **EQUITY** | | |
| Stockholders' equity: | | |
| Common stock: $0.01 par value; 60,000 shares authorized; shares issued and outstanding: 2018—39,629; 2017—39,570 | 396 | 396 |
| Capital in excess of par value | 857,426 | 856,992 |

| | | |
|---|---|---|
| Cumulative net income | 1,121,142 | 1,100,783 |
| Cumulative distributions | (1,225,589) | (1,203,011) |
| Total LTC Properties, Inc. stockholders' equity | 753,375 | 755,160 |
| Non-controlling interests | 3,488 | 3,488 |
| Total equity | 756,863 | 758,648 |
| Total liabilities and equity | $ 1,479,130 | $ 1,465,570 |

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