



# THE MERGER, ACQUISITION & SPONSORSHIP MARKETPLACE

Presented By

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## **MOMENTUM** **2023 ANNUAL MEETING & EXPO**

Renaissance Schaumburg  
Convention Center - Schaumburg, IL





# OBJECTIVES

- Identify how to effectively incorporate mergers, acquisitions and dispositions into a comprehensive growth strategy.
- Learn about valuation and due diligence techniques important in evaluating mergers, acquisitions and dispositions.
- Discover from organizations who have engaged in a recent acquisition or disposition

# #TRENDING: SENIOR LIVING PARTNERSHIPS

**oglecountynews.com**

Pinecrest Community in process of being sold to Allure; sale set to close Nov. 30

*November 20, 2022*

**Daily Herald**

Suburban Chicago's Information Source

**Lifespace Communities welcomes GreenFields of Geneva to its family of communities**

*February 3, 2023*

 **SENIOR HOUSING NEWS**

**Non-Profit Operators Keep 'Grow or Die' Mindset Despite Construction, Labor Hurdles**

*August 17, 2022*

**The Keene Sentinel**

**Hillside Village renamed as sale to Covenant Living is finalized**

*March 27, 2022*

**SENIOR LIVING NEWS®**

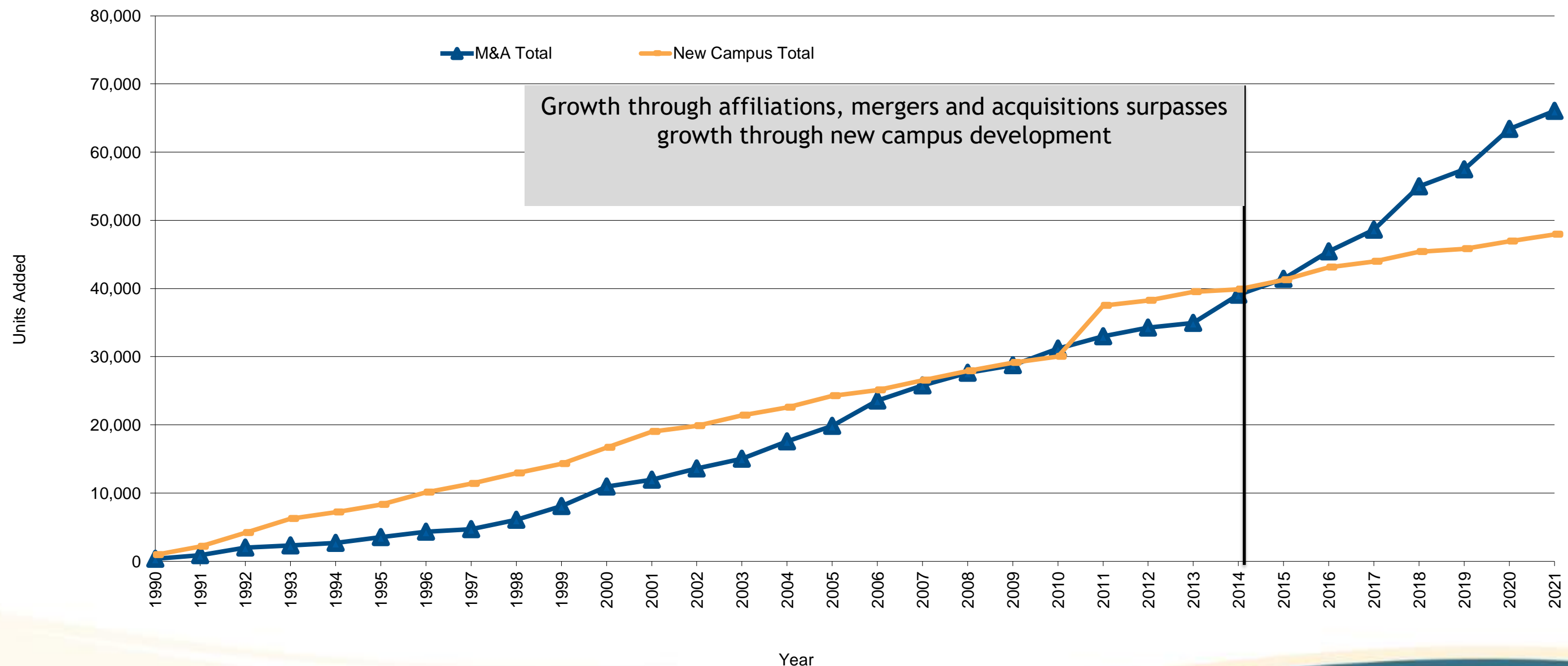
*A trusted resource for news and insights*

**Clark Retirement Community Announces Planned Affiliation with BHI Senior Living**

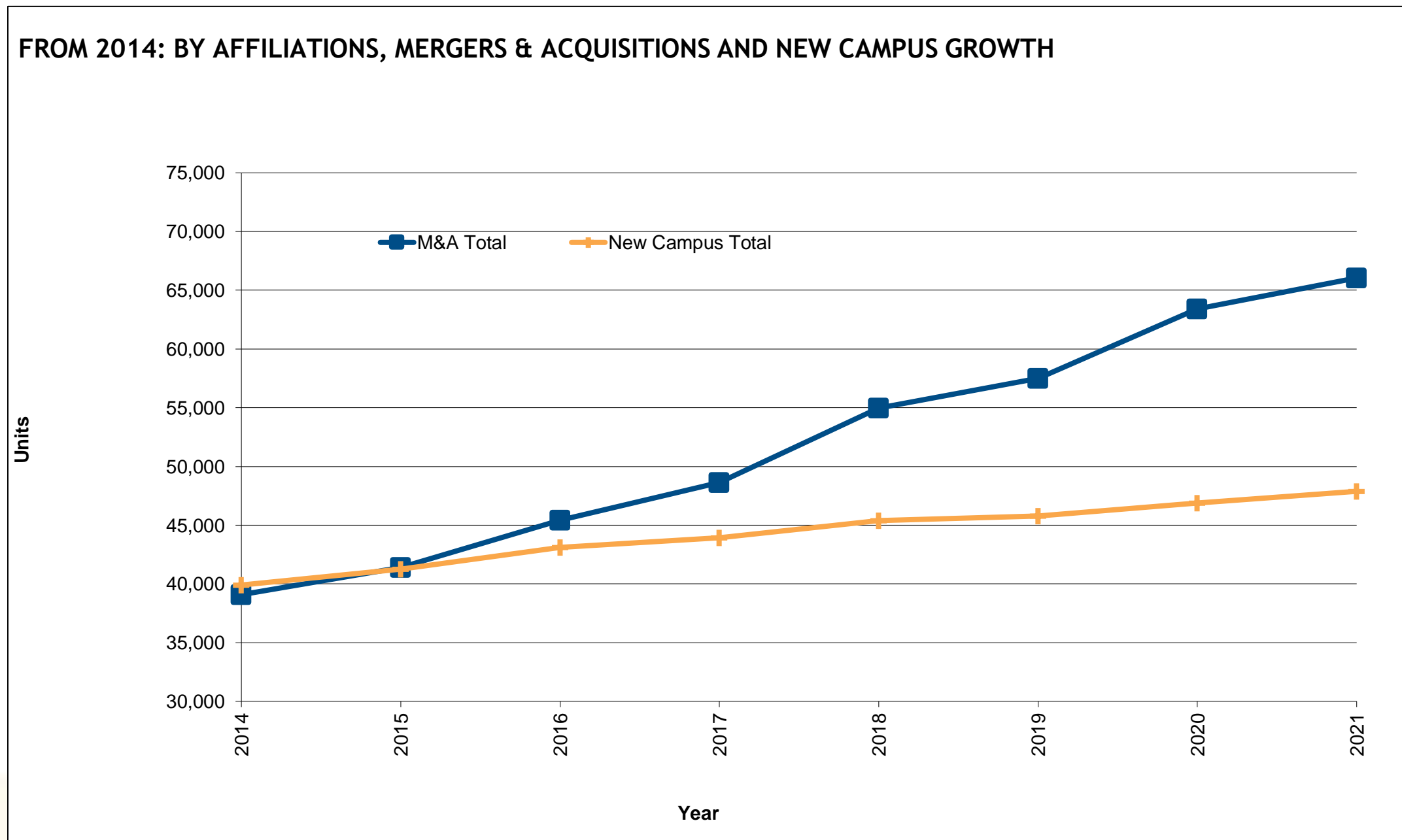
*February 1, 2022*

# 2022 LZ 200 GROWTH OF COBINED UNIT MIX

FROM 1990  
BY AFFILIATIONS, MERGERS & ACQUISITIONS AND NEW CAMPUS GROWTH



# 2022 LZ 200 GROWTH OF COMBINED UNIT MIX



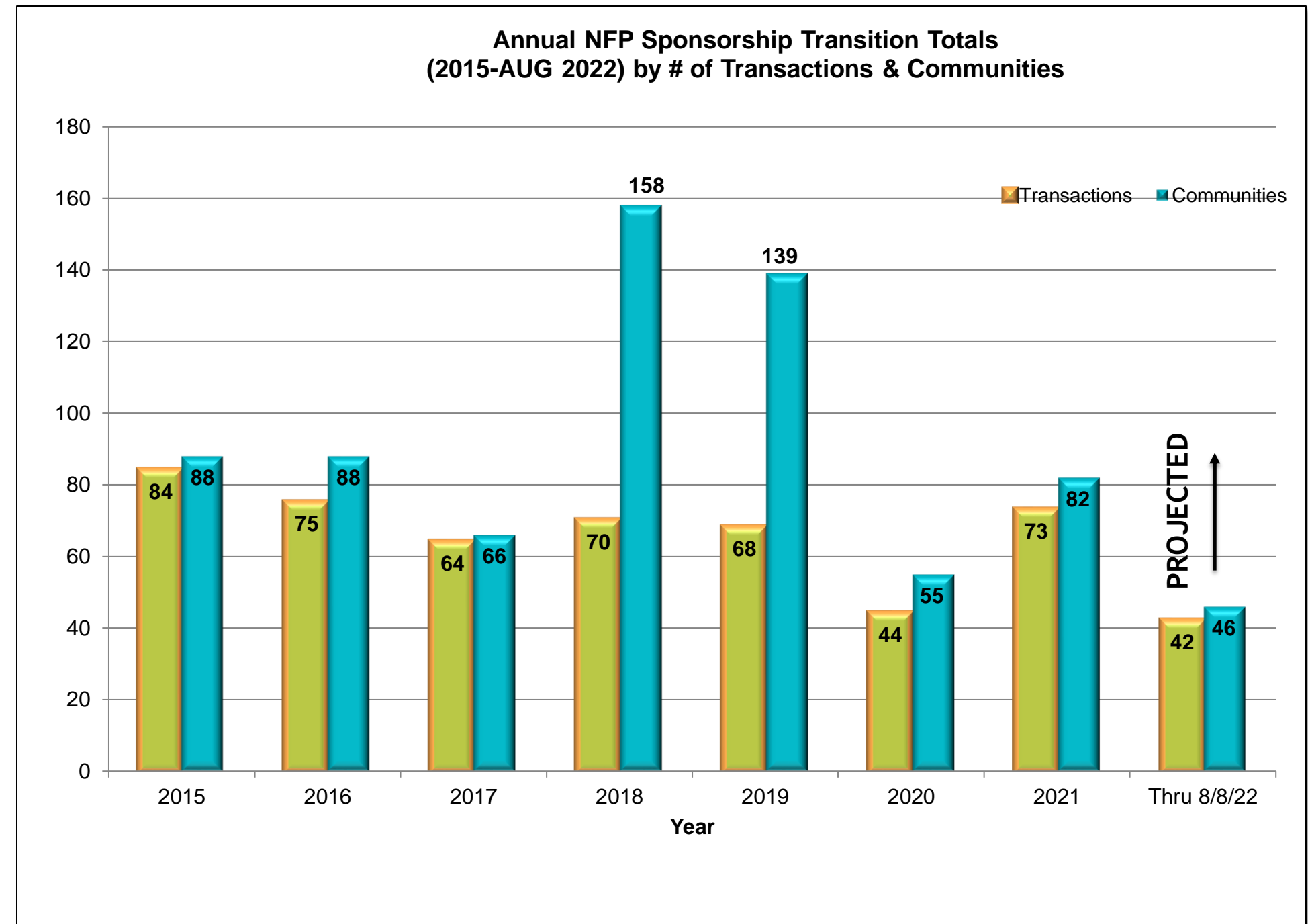
**Since 2014:**

**+29,887 units**  
Affiliations, Mergers  
& Acquisitions

**+9,543 units**  
New Campuses

# NFP SECTOR CONSOLIDATION BY YEAR

- More than 725 NFP communities have changed hands since 2015
  - 46% to the FP sector
- Increase in closures the past two years
  - Freestanding nursing
- NFP providers increasing conversations with one another to explore partnership and/or affiliation opportunities
- Opportunities for NFP to acquire FP communities
  - Family-owned
  - Assets outside of core regional presence














# SENIOR LIVING & CARE GROWTH

Growth Strategy	NFP Level of Activity	FP Level of Activity
New community development (with nursing)	LOW	LOW
New community development (no nursing)	MODERATE	HIGH
Community expansions & reinvestment	HIGH	LOW
Affiliations, Acquisitions	HIGH	HIGH
Home & Community-Based Service Lines	MODERATE	HIGH / LOW
Ancillary Business Lines	MODERATE	LOW / HIGH



# PRIMARY DRIVERS OF NFP SENIOR LIVING CONSOLIDATION

	1990	2000	2010	2022
<b>COVID-19 ACCELERATED</b>				
 Ability to Attract & Retain Talent		✓	✓	✓
 Complexities of Healthcare		✓	✓	✓
 Financial Pressures			✓	✓
 Leadership Turnover		✓	✓	✓
 Competition	✓		✓	✓
 Board Strength				✓
 Technology Demands		✓	✓	✓
 Access to Capital	✓		✓	✓
 Reinvestment Requirements				✓
 Health System Consolidation		✓	✓	✓
 Diversify Service Lines				✓



# PRIMARY DRIVERS OF NFP SENIOR LIVING CONSOLIDATION IN 2022

	YOY Trend
 Ability to Attract & Retain Talent	↑
 Complexities of Healthcare/Skilled Nursing	↑
 Financial Pressures ( <b>Pressure from lenders</b> )	↑
 Leadership Turnover	=
 Strategic Opportunities for Growth & Enhanced Scale	↑
 Increasing Competition	=
 Access to Capital	↓
 Technology Demands	=
 Board Strength	=
 Reinvestment Requirements	=
 Health System Consolidation	=
 Diversify Service Lines	=

# AND IN OTHER NEWS...

NATIONAL CATHOLIC  
**REGISTER**

**Little Sisters of the  
Poor to Close Denver  
Nursing Home After  
105 Years**  
*August 6, 2022*

THE  
**NEW YORKER**

*August 25, 2022*

MEDICAL DISPATCH

**WHEN PRIVATE EQUITY  
TAKES OVER A  
NURSING HOME**

**northjersey.com**

**Financial challenges  
'too great'; Daughters  
of Miriam in Clifton will  
be sold**  
*April 5, 2022*

CENTRAL PENN  
**BUSINESS JOURNAL**

**Harrisburg Jewish Home  
board sells senior care facility  
to real estate investment firm**  
*January 13, 2022*

**DAILY DEMOCRAT**

**St. John's Village in  
Woodland announces  
closure**  
*February 9, 2022*

# NFP SPONSORSHIP TRANSITION POKER FACE

You've got to know when to **hold** 'em . . .

Know when to **fold** 'em . . .

Know when to **walk away** . . .

Know when to **run** . . .

You never count your money  
When you're sittin' at the table . . .

There'll be time enough for countin'  
**When the dealin's done.**



# WHAT IS “SPONSORSHIP TRANSITION” – A STRATEGIC PROCES

- Why called “Sponsorship?”
- Regardless of how change is structured – affiliation, acquisition, merger, joint venture – the sponsorship changes
- The term “Transition” better reflects the complex process which goes far beyond a “transaction”
- Strategic decision process results in a stronger mission for future for both organizations. Asking the question is strategic.



# NFP SPONSORSHIP TRANSITION TERMINOLOGY

## SPONSORSHIP TRANSITION

### AFFILIATION

*Not-for-Profits*

*Sponsorship*

*Provider*

*Transfer of Sponsorship*

*Affiliator / Affiliatee*

*Values & Valuation*

### ACQUISITION

*For-Profits*

*Ownership*

*Owner / Operator*

*Asset Purchase*

*Buyer / Seller*

*Valuation & Values*

“Fiduciary of (Your) Legacy”

# NFP SPONSORSHIP TRANSITION STRUCTURES

## AFFILIATION OR MERGER

- With another not-for-profit entity
- Affiliator “steps into the shoes” of the affiliatee / predecessor sponsor
- Existing liabilities become responsibility of new sponsor
- Affiliator can assume affiliatee’s capital structure
- Players: Not-for-Profit providers

## ASSET SALE / PURCHASE

- By a for-profit or not-for-profit
- Acquiring entity buys the “assets” of the selling entity
- Pre-closing liabilities remain responsibility of the seller
- Exchange of value; cash is king
- Acquiring entity provides equity for acquisition
- Players: For-Profit Owners or Not-for-Profit providers / Operators / Capital Sources



# NFP SPONSORSHIP TRANSITION PLAN TO ACT

PLAN A: PROACTIVE  
*You Choose to Act*

PLAN B: REACTIVE  
*You Need to Act*

PLAN C: REQUIRED  
*You Have to Act*

# NFP SPONSORSHIP TRANSITION PLAN A: PROACTIVE

PROACTIVE  
*You Choose to Act*

- **More Time:** From a position of relative strength
- **More Choice:** Mutual attraction; interesting & interested
- **More Leverage:** “Must Have” & “No Can Do” . . .

**DESIRED OUTCOME**



- Affiliation or merger with chosen partner; if and when ready

# NFP SPONSORSHIP TRANSITION

## PLAN B: REACTIVE

REACTIVE  
*You Need to Act*

- **Less Time:** Declining brand; growing pressures
- **Less Choice:** Swipe left; dance cards are full
- **Less Leverage:** Hat in hand . . .

**LIKELY OUTCOME**



- Affiliation or sale to best offer, if any.
- “White Knight” could emerge



# NFP SPONSORSHIP TRANSITION PLAN C: REQUIRED

REQUIRED  
*You Have to Act*

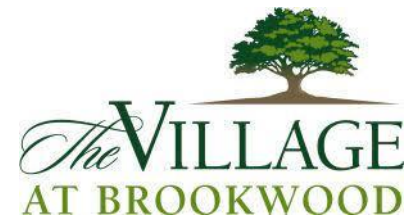
- **No Time:** Violated existing obligations; remedies
- **Few Choices:** Subject to existing obligations; professionals
- **Lost Control:** Fait Accompli; Creditors in queue . . .

**REQUIRED OUTCOME**



- Asset sale to highest bid, for-profit or not-for-profit, or best offer

# EXAMPLES OF RECENT NFP SPONSORSHIP TRANSITIONS



Announced, not final



Where Loving-Kindness Lives



# QUESTIONS & ANSWERS



# ABOUT ZIEGLER

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

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**MOMENTUM**

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