

**Today's featured company is:****A Health Care REIT Built on Trust and Success**

**LTC Properties Inc.** (NYSE:LTC) is a California-based real estate investment trust that invests in seniors housing and health care properties, targeting the growing market of aging baby boomers. The company primarily invests in properties through sale-leaseback transactions, mortgage financing, and structured finance solutions. LTC's experienced management team is dedicated to generating a diversified portfolio through a disciplined investment approach.

- 219 investments across 30 states
- Strong year-over-year revenue growth of approximately 19%
- Annual dividend growth of approximately 77% since 2005
- A conservative balance sheet with significant liquidity and minimal debt maturities

[Click here to view the LTC Properties Corporate Profile.](#)

[Click here to view the LTC Properties Investor Presentation.](#)

Advisor Access spoke with **Wendy Simpson**, LTC Properties' chairman, CEO, and president.

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**Advisor Access: Please describe LTC's business and property portfolio.**



**Wendy Simpson:** LTC Properties is a REIT (real estate investment trust) that actively invests in seniors housing and health care real estate. We are highly focused on developing mutually beneficial relationships with asset operators based on trust, transparency, and shared success, while delivering strong returns to shareholders.

By design, our portfolio is well diversified by geography, operator, and property type, providing LTC with a balanced revenue stream from private pay sources and government reimbursement. We are highly committed to enhancing our portfolio through acquisition and new building, as well as through expansion, renovation, and modernization of existing properties.

We seek new operator relationships while also strategically leveraging existing operator relationships for portfolio expansion. With more than 210 assisted living, memory care, post-acute/skilled nursing, and range-of-care properties spanning thirty states, we have

grown our presence nationally, and have expanded our footprint in major metropolitan markets and their surrounding suburbs.

Our capital deployment strategies are conservative to ensure profitable portfolio growth and diversification. In 2016, we underwrote investments totaling \$142 million, bringing our total investments to \$1.2 billion over the last seven years.

**AA: What makes the senior housing market so compelling?**

**WS:** Our sector of the market is very dynamic and growing. The ongoing “graying of America,” with the 75-and-older population expected to increase almost 90% by 2030, should result in increased demand for the types of properties we own. In 2014, U.S. spending on health care was more than \$3 trillion, growing to an expected \$5 trillion over the next three years. Although recent development activity has exerted downward pressure on assisted living and memory care occupancies, the demographic trends and needs-based characteristics of our properties should help bolster long-term occupancy levels.

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***“Our capital deployment strategies are conservative to ensure profitable portfolio growth and diversification.”***

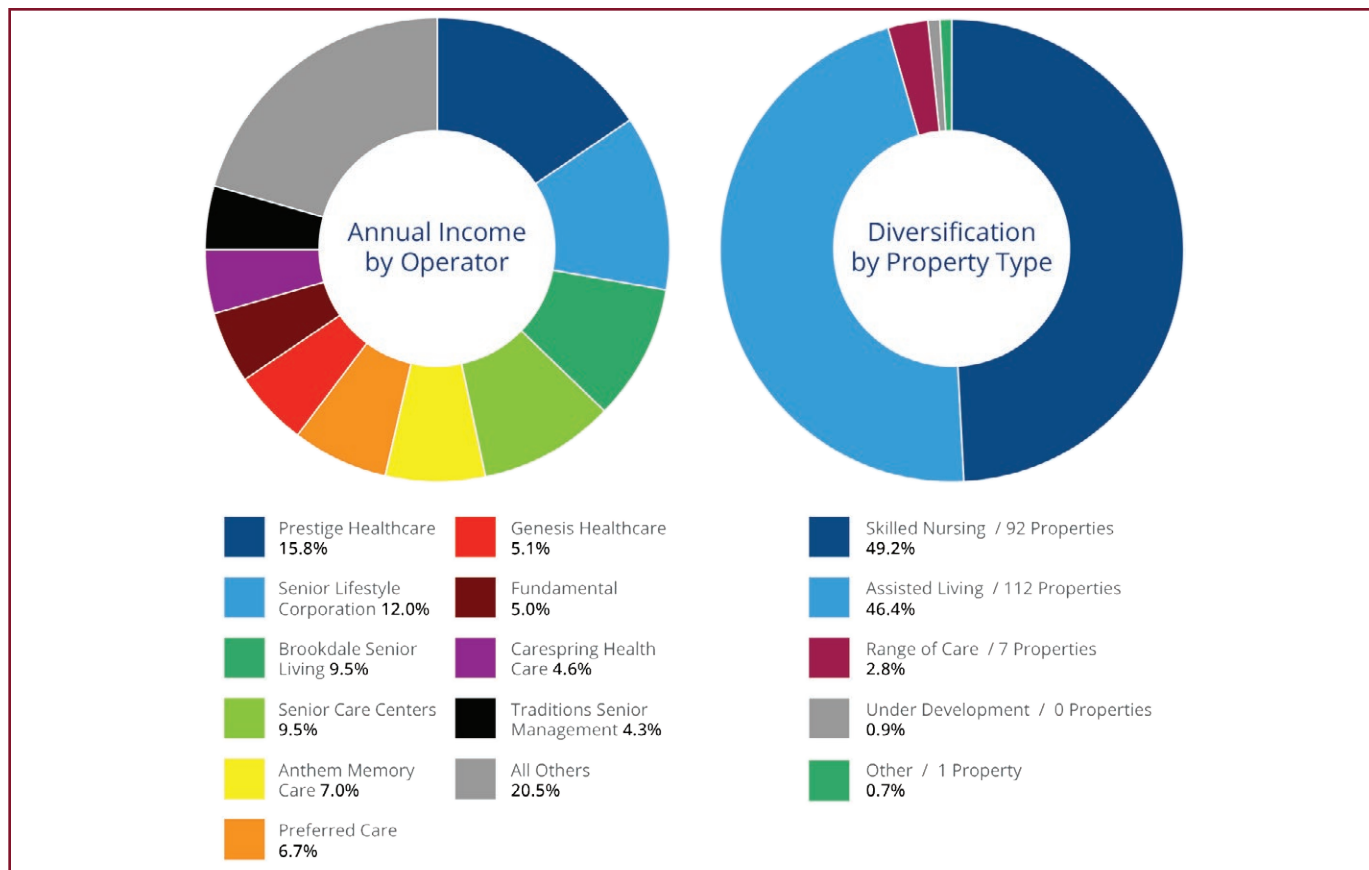
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Memory care properties, which account for nearly 10% of our portfolio investments, provide care directed to the more than five million Americans over the age of 65 who have Alzheimer’s disease. By 2025 that number is expected to increase by 40%, and triple by 2050. Studies have shown that people 65 and older who are diagnosed with Alzheimer’s live an average of four to eight years after diagnosis, with some living as long as twenty years, creating a growing need for communities that care for these patients.

What this all means is that there is a growing demand for the needs-based characteristics of the properties we own, and there should be an even greater demand for them in the future.

**AA: Can you discuss LTC’s dividend growth history?**

**WS:** Since 2005, LTC has grown its annual dividend approximately 77%, from \$1.29 per share to \$2.28 per share. Our current monthly dividend payment is \$0.19 per share, which was increased from \$0.18 per share last October.



**AA: Please describe the highlights of the company's balance sheet.**

**WS:** Our balance sheet remains conservative, with minimal debt and significant liquidity available to fund LTC's ongoing and future growth. LTC has more than \$820 million available under a variety of credit instruments, an "at-the-market" equity distribution program, and an effective shelf registration statement that allows us to raise capital through the public markets. This gives us the ability to act quickly and decisively when an opportunity for growth presents itself, and sets us apart from others in our space that may be capital-constrained. LTC's flexibility and breadth of capital deployment options should allow us to continue growing our portfolio for the long term.

The insurance industry's rating agency for debt instruments has given LTC an investment-grade rating, which has enabled us to access the institutional private placement market at historically low interest rates. In July 2016, we successfully completed our lowest-ever debt coupon offering of 3.99% for an average 10-year life.

Over the last six years, LTC's debt-to-enterprise value has averaged 18%, while our debt-to-normalized EBITDA (earnings before interest, taxes, depreciation and amortization) has averaged 3x over the same time period. We have a long-term average leverage target of 30% debt-to-enterprise value, and 5x debt-to-normalized EBITDA, and are currently well within it. In addition to our low leverage, as an added measure of our conservatism, we seek to reduce refinancing risk by carefully aligning our debt maturities with our projected free cash flow.

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***"Our portfolio currently enjoys strong lease coverage, and attractive lease and mortgage terms."***

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**AA: What key takeaways would you like investors to know about LTC?**

**WS:** I've already shared a few of LTC's many advantages, including the favorable demographic trends and the broad diversity of our portfolio. Getting more granular, our portfolio currently enjoys strong lease coverage, and attractive lease and mortgage terms.

Operator leases are typically non-cancellable, have an initial term of 10 to 15 years—the weighted average remaining lease term is 9.8 years—and have an average annual rate increase of approximately 2.5%. All of LTC's leases stipulate that the lessee pay property tax, insurance, assessment, maintenance, and repair expenses, and capital expenditures, as well as expenses necessary to operate the facility. These are known in our industry as triple net leases.

In addition to external growth drivers from new investments, we have a development pipeline that should help drive future portfolio growth. In 2016 we acquired five properties, comprising 250 units and approximately 126 beds. Additionally, six development projects came online during the year, and we have three more development projects and nine expansion/renovation projects slated to begin generating rent and/or interest payments in 2017 and 2018.

LTC has developed a sound investment strategy that ensures our portfolio maintains the best mix of properties and operators. We generally invest in transactions in the \$10 to \$100 million range, and look to work with strong, regional operators with whom we can cultivate long-term relationships. Our rigorous underwriting strategy contemplates solid anticipated cash flow, a defensible market position, quality building structure, and a favorable regulatory and tax environment to ensure we are making the right strategic investments at the right time. Our new mezzanine loan platform provides LTC with a growing opportunity to reach an expanded operator base that has not typically utilized sale-leaseback financing as part of their capital structure. Since the recent launch of the platform, we have committed more than \$20 million, encompassing four different investments.

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***"LTC has developed a sound investment strategy that ensures our portfolio maintains the best mix of properties and operators."***

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While past results don't guarantee future performance, as of Dec. 31, 2016, we generated a one-year total return of 13%, a three-year total return of 52%, and a five-year total return of 95%. Over the past ten years, our 204% total return outpaced both the S&P 500 and the NAREIT Equity Index.

We are committed to long-term profitable growth, and believe LTC is in a very good position to capture that growth while maintaining strong, personal, and collaborative relationships with our operating partners.

**AA: Thank you, Wendy.**

Wendy Simpson has been LTC's CEO and president since 2007, and was appointed chairman of the board in 2013. She joined the company in 2000 as vice chairman, and has also served as treasurer, chief financial officer, and chief operating officer. Prior to joining LTC, Wendy held executive positions in public companies that owned acute care hospitals, long-term acute care hospitals, psychiatric hospitals, and home health services. She began her career in public accounting, and has more than twenty-five years' experience in health care-related businesses.

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### Analyst Commentary

***"The company's conservative operating strategy continues to offer multiple buffers against the headwinds from senior housing supply growth... LTC has been successfully sourcing development investments, particularly leveraging the growth in memory care. The projects offer premium return potential..."***

— Paul Morgan, Canaccord Genuity  
Feb. 23, 2017

***"In 4Q16, LTC purchased a parcel of land for 1.6M (\$14.5M total commitment) to develop a 66-unit memory care community in Oak Lawn, IL, with an initial cash yield of 9%. The REIT also opened a 108-unit independent living community in Wichita, KS... We anticipate additional mezz investments in 2017 and 2018, as well as existing development projects to come online in late 2017 and 2018... [the company is] terming out debt [and] maintaining [a] healthy balance sheet."***

— Chad Vanacore, Stifel  
Feb. 23, 2017

***"LTC reported 4Q16 normalized FFO [funds from operation] of \$0.78 per share, a penny above consensus and two cents above our estimate. We attribute the variance to core income... LTC has the capacity to generate premium external growth, with solid investment returns financed with significant leverage capacity on its balance sheet."***

— Karin A. Ford, MUFG Securities Americas Inc.  
Feb. 22, 2017

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### Disclosure

Investors and others should note that LTC Properties posts important financial information using the investor relations section of the LTC Properties website, <http://www.ltcreit.com/>, and Securities and Exchange Commission filings.

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### About Advisor Access

Advisor-Access LLC was designed to bring compelling investment ideas to investors in the form of in-depth interviews with company management and the latest fact sheets and corporate presentations, in a concise format: the critical pieces of information an investor needs to make an informed investment decision.

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