

National Health Investors, Inc. NYSE:NHI

Shareholder/Analyst Call

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Call Participants

EXECUTIVES

D. Eric Mendelsohn
President & CEO

Dana Rolfson Hambly
Director of Investor Relations

John L. Spaid
Executive VP of Finance & CFO

Susan V. Sidwell
Corporate Secretary

W. Andrew Adams
Chairman of the Board

Presentation

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the National Health Investors, Inc. Annual Meeting. [Operator Instructions] I would like to hand the conference over to your speaker today, Dana Hambly. Sir, please go ahead.

Dana Rolfson Hambly *Director of Investor Relations*

Thanks, Michelle, and good afternoon, and welcome to the Annual Shareholders Meeting for National Health Investors. Due to the evolving impact of the COVID-19 pandemic following the recommendations to limit large group gatherings from each of the U.S. Centers for Disease Control and Prevention and the World Health Organization and to support the health and wellbeing of our shareholders, employees and community, this annual meeting is being held in a virtual-only format.

While we do not expect any technical difficulties today in the event we lose the audio or webcast connection, and we are unable to provide any updates, please wait 10 minutes for resolution.

Please refer to the Event Calendar in the company's Investor Relations website for any updates.

We will proceed by following the agenda currently viewable on the web portal. The meeting will be conducted in accordance with the Rules of Conduct for the meeting, which are also available in the web portal.

I'd like to introduce our Chairman, Andy Adams, to commence the meeting.

W. Andrew Adams *Chairman of the Board*

Thank you, Dana. I am Andy Adams, and good morning to all of the individuals who have an interest in NHI. I serve as Chairman of the Board presently, and it is my pleasure to call to order this 2020 Annual Meeting of Shareholders of National Health Investors.

On behalf of your Board of Directors, I welcome each of you, and I hope you are all safe and healthy. Our thoughts and prayers are with everyone who is impacted by these unprecedented times.

Please let the minutes of the meeting reflect that all of the members of the Board of Directors are with us in conference.

Also joining us today is Mike Arthur of BDO USA Limited Partnership, our independent registered public accounting firm. Mike is the audit partner for NHI and will be available to answer any questions about BDO's services to the company during the general business question-and-answer session at the conclusion of this meeting.

We will now move to the formal business of the meeting. After which, management of NHI will make a presentation. Following those presentations, we will be glad to answer questions of a general business nature that you may have about National Health Investors.

The company has allotted 10 minutes to answering questions of a general business nature, submitted by its shareholders, which may be extended or shortened at the company's discretion.

Susan Sidwell will serve as our inspector of elections for today's meeting. She will determine the presence of a quorum, receive and tabulate all votes and determine results on all matters requiring a shareholder vote.

I will now turn the meeting over to Susan Sidwell.

Susan V. Sidwell *Corporate Secretary*

Thank you, Andy. Good afternoon. Proper notice of the annual meeting was provided to shareholders of NHI on March 20, 2020. As of March 9, 2020, the record date, NHI had 44,650,002 shares of outstanding common stock. We have

approximately 38.6 million shares or 86.4% represented by shareholders in attendance and by proxies received, and I have therefore determined that a quorum is present.

Accordingly, in accordance with the notice, this annual meeting of National Health Investors, Inc. is now called to order. A list of all shareholders entitled to vote at this meeting is available to view on the web portal while the polls are open. During the meeting, shareholders can submit questions in writing through the web portal. If you have a question related to any of the proposals to be voted on at today's meeting, please note in your question the proposal to which your question relates. Questions related to these proposals will be addressed after all 4 proposals have been presented and before the polls are closed.

As set forth in the Rules of Conduct of this meeting, we ask that you limit yourself to one question.

We now move into the voting on the matters before this meeting. Motions and seconds will not be required for the proposals listed in your proxy statement and on the agenda.

I now declare the polls for this meeting to be opened.

A substantial majority of our outstanding shares have already been voted by proxy prior to the meeting. But if you still need to vote your shares or if you wish to change your vote, you may do so now by clicking on the Vote Here button on the web portal. If you have already voted your shares, no further action is needed.

The first item of business on our agenda is the election of directors. W. Andrew Adams and Robert A. McCabe Jr., both current directors, have been nominated by NHI for reelection to serve as directors for a 3-year term until the 2023 Annual Meeting of Shareholders. In addition, 2 new directors have been nominated for election. Charlotte A. Swafford has been nominated for an initial 1-year term and Robert G. Adams has been nominated for an initial 2-year term. There were no nominations submitted by shareholders in accordance with the bylaws prior to the meeting, and therefore, I declare that the nominations are closed. The affirmative vote of the holders of a majority of the votes cast at the meeting is required to approve each director nominee.

The second item of business is the approval of an amendment to the Articles of Incorporation of the company to increase the number of authorized shares from 60 million to 100 million. The affirmative vote of 2/3 of the shares of common stock issued and outstanding is required for the approval of the amendment to the Articles of Incorporation.

The third item of business is an advisory vote on the compensation of our named executive officers. The shareholders have been asked to approve the compensation paid to NHI's named executive officers, as disclosed in the company's proxy statement. The affirmative vote of the holders of a majority of the votes cast at the meeting is required to approve this motion.

The final item of business on our agenda is the ratification of the Audit Committee's selection of BDO USA, LLP as the company's independent registered public accounting firm for the fiscal year ended December 31, 2020. The affirmative vote of the holders of a majority of the votes cast at the meeting is required for the ratification of BDO.

At this time, we will address questions relating to any of the items of business. If you intend to vote, please do so now as the polls are about to be closed.

[Voting]

Susan V. Sidwell
Corporate Secretary

As there are no questions submitted and all shareholders have had time to submit their proxies or ballots, I now announce the polls for this meeting closed.

On the motion of the election of directors, each of Mr. Andrew Adams, Mr. McCabe, Ms. Swafford and Mr. Robert Adams, received the affirmative vote of a majority of the votes cast to elect each of them to the Board of Directors for the terms described in the proxy statement. Thus, I declare that each of Mr. Adams, Mr. McCabe, Ms. Swafford and Mr. Adams have been properly elected.

On the motion to approve the amendment to the Articles of Incorporation, the proposal received the affirmative vote of more than 2/3 of the shares of common stock issued and outstanding. Thus, I declare that the amendment to the Articles of Incorporation has been properly approved.

On the advisory vote on the approval of the compensation paid to our named executive officers, the motion received the affirmative vote of a majority of the votes cast. Thus, I declare that the motion has been properly approved.

And finally, on the motion of the ratification of the selection of BDO as our independent registered public accounting firm, the motion received the affirmative vote of a majority of the votes cast. Thus, I declare that the ratification of BDO has been properly approved.

The final vote results of the shareholder vote will be available for shareholders' review in our current report on Form 10-K -- excuse me, on Form 8-K, which will be filed with the Securities and Exchange Commission within 4 business days following this meeting.

W. Andrew Adams
Chairman of the Board

That completes our business portion of the meeting for today. Now that our formal business has been concluded, I would like to turn the meeting over to Eric Mendelsohn, our CEO; and John Spaid, our CFO, to update you on the operation of NHI.

D. Eric Mendelsohn
President & CEO

Thank you, Andy, and good afternoon to all of you who are listening. I'll be referring to the Annual Shareholders Meeting slide deck that's available on the web portal. And I'll be referring to pages as I touch on them.

Starting with Slide 4, and please take your time to review Slide 2, which is our safe harbor information as it relates to any forward-looking statements.

Now on to Slide 4. As of our fourth quarter of 2014 (sic) [2019] report, we had a well-diversified portfolio of 238 health care properties in 34 states with 36 operating partners. This year, we entered the state of Colorado for the first time.

69% of our 2019 cash revenue was in senior housing communities, including 35% in need-driven, 34% in discretionary, 27% of our revenue was related to skilled nursing operators, 3% was with medical office buildings and hospitals, and 1% are from other income, related primarily to nonmortgage note receivables.

Of the 34 states in which we operate, our top 10 states accounted for 64% of our cash revenue. Our biggest footprints are in the Southeast and the Midwest.

On to the next slide, this -- Slide 5. This slide lists our top 10 operating partners. Our top 5 operators accounted for 68% of cash revenue, and our top 10 operating partners accounted for 86% of cash revenue.

Moving to Slide 6. Overall -- and please bear in mind that these are statements concerning performance last year and are not yet impacted by the COVID virus. Overall, total portfolio coverage was 1.66x EBITDARM for the trailing 12 months ending September 30, 2019.

Our skilled nursing coverage was excellent at 2.73x and anchored by 2 of the best operators in the country, NHC and the Ensign Group.

Senior housing coverage has been challenged by 2 main issues: an increase in new supply as the industry has suffered from too much new construction; and employee retention as a tight labor market was making it more difficult for our operators to attract and retain talent.

Moving on to Slide 7. We've established a long track record of accretive acquisitions over the last decade, plus across the different asset classes. We are very comfortable doing deals with existing operators, which are represented in green in the acquisition bar chart on Page 7.

You can see that over the last 5 years that the majority of our acquisitions have been with existing partners, but we are always willing to enter into new partnerships with great operators. In 2019, we added 3 new partners with Wingate Healthcare, Cappella Living Solutions and 41 Management.

I will now turn it over to John Spaid to review some of our financials.

John L. Spaid

Executive VP of Finance & CFO

Thank you, Eric, and hello, everyone. Overall, 2019 was a good year. We had a challenging start with the restructuring of a lease with a large tenant, with experienced improvement throughout the year and posted modest growth.

On a full year basis, our net income per diluted common share was unchanged from 2018 to \$3.67, NAREIT FFO increased 2.4% to \$5.49, normalized FFO increased 0.7% to \$5.50, and adjusted FFO increased 1.2% to \$5.10.

So turning to Slide 8. Our balance sheet has always been taken care of with a conservative approach, which includes a mix of fixed rate, variable rate, secured and unsecured debt. Our average interest rate in fourth quarter 2019 was 3.54%. We are pleased also to receive investment-grade ratings from both Standard & Poor's and Fitch at the end of 2019.

Turning to Slide 9. We have had no maturities in 2020, and we have just \$60 million in maturities and convertible debt due next year, which can be settled with a mix of cash and or equity.

Moving to Slide 10. You can see in this slide again that we have taken a conservative approach to leverage in our capitalization strategy, which was reflected in our solid debt metrics.

Turning to Slide 11. Through a combination of prudent internal and external growth, mixed with our conservative approach to capital, NHI has been able to generate consistent cash flow growth over the last 5 years, with cash NOI growing at a 9.1% CAGR, adjusted EBITDA at an 8.4% CAGR and normalized FFO per share at a 4.2% CAGR and adjusted FFO per share at a 5.6% CAGR.

Looking at Slide 12. I want to say NHI continues to strive to be a good steward of your capital, and we believe this is reflected in our low overhead costs. G&A as a percent of revenue has trended below 4.5% for the last 4 years, and our metrics reflect favorably to our peers, as you can see in the second and third bar charts on this slide.

Finally, on Slide 13. This all has -- before I turn it over to Eric, I should say, this has all translated to a long-term track record of steady dividend growth. NHI has increased its dividend by 6.1% on average since 2008 and has increased the dividend by at least 5% every year since 2010.

With that now, I'll turn the call back to Eric.

D. Eric Mendelsohn

President & CEO

Thank you, John. Referring to Slide 14, we believe that integrating environmental, social and governance, or ESG, initiatives into our strategic business objectives will contribute to our long-term success. Through sustainability efforts, we seek to incentivize positive change and create value for our stakeholders. The following are some highlights from our corporate sustainability efforts.

We provide triple net lease financing for redevelopment and expansions using LED lighting, low-emission carpeting and recycled materials or solar panels.

We provide our development partners with capital to build new state-of-the-art properties with energy-efficient components and design features. All properties we purchase are subjected to strict environmental inspections, known as Phase 1 and if warranted, Phase 2.

We make constant use of new technologies such as Dropbox in order to limit our paper usage and encourage electronic file sharing.

We participate in recycling programs, and we're currently constructing a new headquarters in Murfreesboro and targeting lead goal level.

We're also very active in the community, which is the social part of ESG. We have donated over \$40,000 to external charitable organizations, much of that comes from vendors as we're able to leverage our relationship with them. We support the cure of diseases that affect our residents such as Walk to End Alzheimer's. We're a major fundraiser for that in Rutherford County. And we encourage our employees to support the local community by matching voluntary contributions up to a preset limit to local charities.

On governance, we just successfully elected Charlotte Swafford, our first woman to the Board of NHI, and I'm happy to say that our workforce is 47% female and 53% male. So for those reasons, we believe in the spirit and the pursuit of ESG principles.

With that, I'd like to turn it over to any questions from the shareholder group.

Okay. Apparently, there are no questions for management or the Board. So that concludes our 2019 Shareholder Meeting. Thank you for your attendance using this new technology and bearing with us, as we muddle through all the parts of this web portal technology. Stay healthy.

Operator

Ladies and gentlemen, this concludes today's webcast. Thank you for participating. You may now all disconnect.

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