S&P Capital IQ

CONTENTS

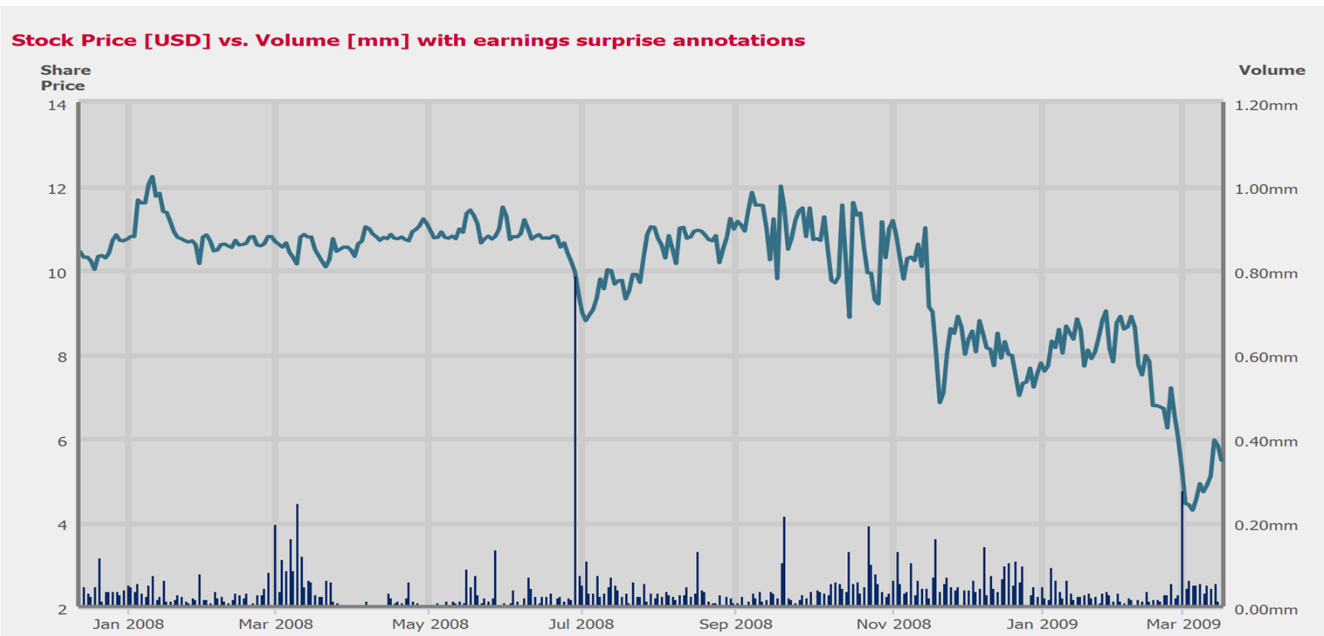
Tiptree Inc. NasdaqCM:TIPT

FQ4 2011 Earnings Call Transcripts

Wednesday, April 11, 2012 2:00 PM GMT

S&P Capital IQ Estimates

Currency: USD
Consensus as of Nov-17-2008 11:09 AM GMT



Call Participants

EXECUTIVES

Salvatore V. Riso
Former Chief Executive Officer and President

Scott Eckstein
Director of Account Services

Steven M. Sherwyn
Former Chief Financial Officer, Principal Accounting Officer and Treasurer

Presentation

Operator

Good day, ladies and gentlemen, thank you for standing by. Welcome to the Care Investment Trust Inc. Fourth Quarter 2011 Conference Call. [Operator Instructions] This conference is being recorded today, Wednesday, April 11, 2012. I would now like to turn the conference over to Scott Eckstein. Please go ahead.

Scott Eckstein
Director of Account Services

Thank you, operator. I'd like to thank everyone for joining us today. On April 5 after the close of the market, we distributed press release announcing the company's fourth quarter and full year 2011 financial results. If you have not received the press release, please visit the Investor Relations section on the company's website at www.carereit.com to obtain a copy.

During today's conference call, management will provide an overview of the results. We'll then open the call to your questions. Before we begin, please be advised that this call may involve forward-looking statements as discussed in the press release dated April 5, 2012. Risks associated with these statements can be found in the company's latest SEC filings. Additionally, we want to remind participants that the information contained in this call is current only as of the date of this call, April 11, 2012. And the company assumes no obligation to update any statements, including forward-looking statements made during this call. Listeners to any replay should understand that the passage of time by itself will diminish the quality of these statements.

Also, during today's conference call, the company may discuss Funds From Operations or FFO, or Adjusted Funds From Operations or AFFO, both of which are non-GAAP financial measures as defined by SEC Regulation G. A reconciliation of each non-GAAP financial measure and the comparable GAAP financial measure and income can be found in the company's 2011 10-K, which was filed with the SEC at the close of market on April 5, 2012 and on the company's website at www.carereit.com under the Investor Relations tab.

At this point, I'd like to turn the call over to Torey Riso, Care Investment Trust President and CEO for his opening remarks. Torey, please go ahead.

Salvatore V. Riso
Former Chief Executive Officer and President

Thank you, Scott. I'd like to welcome everyone to the fourth quarter earnings call of Care Investment Trust. I am Torey Riso, the Chief Executive Officer of Care. I'm joined here in New York by my colleague, Steve Sherwyn, Care's Chief Financial Officer; and on the telephone, by our Chairman, Michael Barnes. We're pleased to have this opportunity to speak with you once again. We made significant progress in 2011 and would like to share a few of the highlights with you.

We will also review with you our financial results for the fourth quarter and the 2011 fiscal year, which were released last Thursday, April 5. Finally, we will open the lines and answer any questions that you may have.

Care is very proud of its accomplishments during 2011 as much of what occurred sets the stage for a positive 2012. Most significant among the events that occurred during 2011 were the following: First, Care restructured, settled the litigation relating to and ultimately sold its interest in 9 medical office buildings that it had acquired in 2007. That sale generated in excess of $42 million of cash proceeds in November of 2011 and resulted in a cash balance for the company in excess of $52 million as of year end 2011.

Further, those proceeds are expected to be redeployed consistent with our strategic vision as soon as reasonably possible. Second, in May of 2011, 3 of the 4 private pay assisted living and independent living facilities comprising Care's investment in the properties operated by Senior Management Concepts, or

SMC, were sold generating in excess of $6.6 million of gross cash proceed. Third, the SMC sale I just referred to enabled Care to close in September of 2011 a $20.8 million transaction with Greenfield Senior Living, a high quality and experienced operator with properties in Virginia and Tennessee. The transaction involved the acquisition by Care and simultaneous leaseback to Greenfield of 3 private pay assisted living and memory care facilities in Virginia.

This was an important transaction for Care as it was our first acquisition since late 2008. Most important, for me, is that the transaction shows how we intend to build Care going forward. That's one relationship at a time with strong regional operators who are looking to expand and diversify their operations entering into a strategic relationship with a capital partner and that share a common vision for growing our respective platforms in the senior housing industry. Finally, Care resumed paying a quarterly dividend in 2011, which for the fiscal year totaled $0.54 per share.

Also notable are continuing conversations with potential debt and equity financing providers including private capital sources, commercial lenders and investment banks and secondly, with owners and operators of senior housing facilities relating to possible property acquisitions involving triple-net leases or IDEA- compliant joint venture structures. We will continue to work hard on both fronts during 2012.

At this point, I'd like to ask Steve Sherwyn, our CFO, to walk you through our fourth quarter results.

Steven M. Sherwyn
Former Chief Financial Officer, Principal Accounting Officer and Treasurer

Thank you, Torey. Before discussing our operating results for the quarter and the year ended December 31, 2011, I want to spend a few moments on our approach to this 10-K and future 10-Qs and 10-Ks. As you know, on March 30, we filed a notification of late filing and subsequently filed our 10-K on April 5. This delay was primarily due to the requirement to include audited financial statements and the master lessee of our Bickford portfolio, which are not currently available. For those of you who have been following Care for some time, you are aware that there was a change of control in August of 2010 with Tiptree Financial Partners becoming our majority shareholder. Prior to that time, Care was externally managed by CIT Healthcare. Subsequent to the change of control, senior management was internalized, and we entered into an advisory agreement with TREIT, an affiliate of Tiptree. Certainly, the balance of 2010 and a significant portion of 2011 can be viewed as a transition period. During this time, management focused on 3 things: Stabilizing the portfolio; streamlining our cost and decision making process; and positioning the company for future growth. We believe that we made significant progress on each of these goals in 2011.

In regard to stabilizing the portfolio, we restructured our investment in our medical office portfolio in order to better align the interest of both parties and in the process, resolved the outstanding litigation pertaining to this investment. We also restructured our remaining loan investment, which included the hiring of a new operator to manage the underlying properties. By internalizing management and entering into an advisory agreement with TREIT, it created a much more time and cost-efficient environment, which enabled us to substantially reduce our administrative cost as well as expedite the decision-making process. Finally, the revised management structure enabled us to develop our corporate strategy. This, coupled with the proceeds from the sale of 3 of our 4 SMC properties and the sale of our interest in the medical office portfolio has the company well-positioned for future growth as we had an excess of $52 million of investment proceeds at the end of 2011.

In preparing this year's 10-K, we focused on creating a document which allowed us to share our transformation story with the market. We placed a high priority on transparency. Our regulatory requirements resulted in a certain level of redundancy. We attempted to streamline the document as much as possible in order to make it easier to read. In the future, our regulatory filings will not be required to include as much historical information for the period prior to the change of control and instead can focus on the Care of today.

In looking at our operating results, a comparison to 2010 is not particularly helpful due to the onetime transaction and litigation costs that occurred during 2010, as well as the election to use push-down accounting associated with the Tiptree transaction. Accordingly, in my opinion, the more relevant discussion is the operating results for 2011, and a comparison of the third quarter of 2011 to the fourth quarter of 2011. In 2011, we had income of approximately $16.5 million or $1.63 per basic share and $1.60 per fully diluted share. The majority of our income was attributable to the approximately $15.3 million gain recognized on our sale of our interest in our medical office portfolio. That sale occurred in November of 2011. We received gross proceeds of approximately $42 million, of which approximately $1.2 million was allocable to our preferential return from cash flow from operations and a balance of approximately $40.8 million was treated as sale proceeds.

Comparatively, income for the fourth quarter was approximately $16 million, or $1.58 per share, inclusive of our medical office building sale, whereas income for the third quarter was approximately $530,000 or $0.05 per share.

FFO and AFFO for 2011, which excludes the gain from the sale of our medical office portfolio, is $0.81 and $0.71 per share, respectively, or $0.80 and $0.70 per share, respectively, on a fully diluted basis. The fourth quarter of 2011 FFO and AFFO was $0.26 and $0.23 per share, respectively, compared to FFO and AFFO of $0.14 per share in the third quarter.

The difference between the third and fourth quarter can be attributed to 3 items. First, we realized a gain of approximately $0.065 per share on our short position on the 10-year U.S. Treasury, which we entered into in anticipation of refinancing our bridge loan on the Greenfield portfolio with a 10-year fixed rate loan from Freddie Mac. Second, as discussed above, a portion of the cash proceeds from the sale of the medical office portfolio was allocable to our preferred return on cash flow from operations resulting in incremental FFO and AFFO of $0.025 per share. Finally, an addition of $0.025 per share was allocable to have any impact to the Greenfield portfolio in our financial results for the entire fourth quarter. Torey?

Salvatore V. Riso
Former Chief Executive Officer and President
Thank you, Steve. As described at the outset of this call, we're happy to say that Care has achieved many of the goals it set for itself in 2011, which we believe can be looked upon favorably as we pursue future acquisitions and debt and equity capital raising opportunity. I remain very optimistic about Care's prospects and look forward to working with the other members of the Care team to increase shareholder value. With that, I will ask the operator to open the lines for questions.

Question and Answer

Operator

[Operator Instructions] I am currently showing no questions in the queue. I will turn it back over to management.

Salvatore V. Riso
Former Chief Executive Officer and President

Thank you, Alicia. Thanks again to all who have joined the call today. We look forward to sharing more positive news with you in the future. Thank you again.

Operator
Ladies and gentlemen, this does conclude the conference call. If you would like to listen to a replay of today's conference, please dial 1 (800) 406-7325 or (303) 590-3030 and entering the access code of 4531363. Thank you for your participation. You may now disconnect.