Invesque Inc.

Fourth Quarter Results

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to Invesque's Fourth Quarter and Year-End 2019 Earnings Conference Call.

I will now turn the call over to Scott Higgs, Chief Financial Officer. Please go ahead, Mr. Higgs.

Scott Higgs — Chief Financial Officer, Invesque Inc.

Thank you, Amy. Good morning, everyone, and thanks for joining the call. With me today are Scott White, our Chairman and CEO, Adlai Chester, our CIO, and Bryan Hickman, Senior Vice President of Investments. Scott will kick things off discussing our activity for the quarter, colour around our portfolio, and some overall industry news and trends. I will then cover our fourth quarter and year-end financial results, and Adlai will recap our portfolio performance, recently announced investments, and strategic efforts before starting the Q&A portion of the call.

The fourth quarter and year-end 2019 earnings release, financial statements, and MD&A are available on our website, and a replay of this call will be available from 12:45 p.m. Eastern Time today until 11:59 p.m. Eastern Time on March 19.

Before we get started, please be reminded that today's call may include forward-looking statements regarding our future operations. Such statements involve known and unknown risks and uncertainties that may cause actual results to differ materially from those expressed or implied today.

We have identified such factors in our news release and other public filings. As we discuss our performance, please bear in mind that all amounts are in U.S. dollars.

With that, I will hand it over to Scott.

Scott White — Chairman and Chief Executive Officer, Invesque Inc.

Good morning, everybody. Thank you all for joining our Fourth Quarter and Year-End 2019 Earnings Call.

Before we kick off the call, I want to take a quick moment to comment on the recent outbreak of Coronavirus and the proactive steps we are taking. The safety of the residents and employees in our communities and employees in our corporate office is of the utmost importance.

At Invesque, we believe that it is vital for our operators to keep their staff, residents, and family members aware of this fluid situation, and to ensure their team is informed and following CDC guidelines to reduce the possibility of infection. We are in communication with our operating partners to monitor the situation on a day-to-day basis and make sure that best practices are implemented. The health and safety of our team and our residents is our top priority.

Now, on to the fun stuff. What a successful quarter it was. Our main objectives over the last quarter of 2019 were twofold. First, to close the final tranche of the Commonwealth transaction and second to finalize the restructuring of the Greenfield portfolio.

I am proud to say that we have successfully executed on our short-term goals on both fronts. We closed on the final tranche of Commonwealth communities in December, and we have successfully transitioned the operations of all the former Greenfield communities to Commonwealth and Heritage, plus closed on the sale of the Arlington, Texas community.

Since our IPO in 2016, we have grown the portfolio over fourfold to achieve significant scale, which we believe is a prerequisite for success in the health care real estate industry. Size and diversity matter. We have focused on growth to enhance diversification by asset class, operator exposure, and geographic location. Having successfully met our goal to grow the portfolio, our near-term objectives are focused on active portfolio management. Our portfolio management plans are a continuation of our strategy of building a world-class portfolio with high quality operators. Our portfolio management efforts thus far have been focused on pairing the correct operators with our communities.

To that end, we'll continue to work with our preferred operating partners to manage communities that align with their operating footprint and expertise. The Greenfield restructuring is a prime example of our approach to aligning our communities with the operating partner best positioned to maximize performance and value. In 2020, we'll extend our portfolio management initiative to opportunistically divest non-core assets and redeploy capital with our preferred partners.

The sale of the Arlington, Texas property is a great example of monetizing a non-core asset at favourable pricing. These types of non-core dispositions will provide us flexibility and capital to put to work in core assets in an accretive manner. I could not be prouder of our team's execution on our portfolio management initiatives to-date.

As I discussed on our last call, we made a concerted effort to strengthen our portfolio by ensuring that we have as many assets as possible included in master lease structures. The master lease structure reduces credit risk in times of stress because of the cross collateralization and single rent payment obligation.

Today, over 90 percent of our contractual rent in our triple-net lease portfolio comes from assets included in master leases or single leases where we can consolidate the asset into master lease structure. This represents a significant uptake from approximately 77 percent at the end of 2017. Our percent of rent in our triple-net lease portfolio subject to master leases is at the high end of the industry relative to our publicly traded competitors.

Moving to our investment activity. Our execution remains focused on deploying capital with our preferred partners. In December, we acquired the last three communities of the previously announced Commonwealth transaction. As a reminder, the aggregate Commonwealth acquisition is comprised of 20 communities with over 1,400 private pay independent living, assisted living, and memory care units located in Virginia and Pennsylvania. The Commonwealth transaction has added a highly differentiated operating and property management company to the Invesque platform.

The ability to strengthen our existing portfolio by transitioning operators was a key strategic reason for acquiring our new management company, Commonwealth Senior Living. As we look forward to 2020, we continue to analyze opportunities where we can create efficiencies from the ownership of our vertically integrated operating company. Commonwealth is now the largest seniors housing operator in Virginia and a premier operator in the mid-Atlantic. On a pro forma basis, Commonwealth will represent our largest source of NOI at over 25 percent.

The Commonwealth transaction now positions Invesque as predominantly private pay health care real estate investment company with over 56 percent of our pro forma NOI coming from seniors housing, and over 40 percent of our pro forma NOI coming from our seniors housing operating portfolio. Our exposure to Symphony is now roughly 23 percent of pro forma NOI, down from 70 percent at our IPO. This portfolio mix provides us greater diversification and operational upside. It also significantly reduces the government payer source exposure across our nearly $2 billion health care real estate portfolio.

We acquired the Commonwealth portfolio at approximately $236,000 per unit, which represents a 20 percent discount to our estimate of replacement cost. This is an important metric that I want to highlight. By focusing our efforts on midsize markets, we have successfully sourced and continue to source sizable high-quality opportunities at a discount to replacement cost.

We have long believed that our basis relative to replacement cost is a critical consideration when we acquire assets. Our regional focus allows us to capitalize on the arbitrage of buying existing stabilized assets for less than it would cost to build them. We still invest in development, like you have seen us do with Ellipsis, but we would be very selective in the opportunities we choose. Adlai will touch on our proprietary relationship with Ellipsis and our recent investments with them later in the call.

Let me now comment on some important industry themes. As we noted over the last couple of quarters, we have observed a recent drop-off in new construction starts.

The fourth quarter NIC MAP data continued a favourable trend in supply for seniors housing with the number construction projects declining for the fourth consecutive quarter. More importantly, assisted living units under construction declined for the eighth consecutive quarter with new starts down 51 percent since the peak in the first quarter of 2016. In fact, assisted living starts trailed independent living starts for the first time in over 10 years. These metrics are especially relevant to Invesque because our seniors housing portfolio is more than 80 percent concentrated in assisted living and memory care units.

With that said, we have long held the belief that the gap between demand and supply is more important than just focusing on the supply side of the equation. Fourth quarter 2019 annual absorption of 2.9 percent was offset by 2.7 percent inventory growth. Absorption has now outpaced deliveries for two consecutive quarters, a first since the fourth quarter of 2015. This is an important metric and positive data point as we assess the current state of the supply and demand dynamics.

Trends continue to diverge between the primary and secondary markets, with development activity falling more quickly in the secondary markets, which is where Invesque has invested in seniors housing to-date. Excluding the top 31 markets, nearly 60 percent of the remaining top 100 markets featured assisted living construction below 3 percent of inventory.

Supply fundamentals are improving across-the-board and demand is beginning to catch up as we reach an inflection point with the 80 plus population. It is important to note that today's demographic growth of the 80 plus group is much stronger than 10 or even just 5 years ago. We continue to believe seniors housing occupancy may see its first year-over-year increase in 2021 as supply growth slows and demographic growth accelerates.

On the skilled nursing front, we are now almost six months into the 2020 Medicare SNF rate update and implementation of PDPM. While still early, our operators are telling us that the PDPM implementation has provided at least the minimum 2.4 percent payment increase that was budgeted for Medicare patients. In some cases, the improvement in reimbursement has been even more favourable. Other publicly traded owners of skilled nursing facilities, as well as operators have expressed similar takeaways from PDPM.

We remain cautiously optimistic about the ability for our sophisticated operators to thrive under the new payment model. We believe that the transitional care assets in our portfolio are uniquely positioned for success under PDPM. As the dust settles, we expect coverage ratios in our portfolio to increase over time as a result of PDPM, implementation, and further stabilization across our SNF portfolio. With that said, we note the coverages are assessed on a trailing basis, and there will be a delay in assessing the full impact.

Finally, you have often heard me talk about how proud I am of the team and the culture we've created at Invesque. I'm very proud to announce that we were recently named one of the Best Places to Work in Indiana by the Indiana Chamber of Commerce and the Best Companies Group. This is an important recognition as it provides independent verification of how special our team and our culture truly are. Building a long term, sustainable world-class company requires having an exceptional team and culture.

With another $440 million of acquisitions completed in 2019 and a streamlined stable of high-quality operating partners, I am extremely pleased with what we accomplished in 2019.

We successfully executed on several portfolio management initiatives in a very efficient manner, and we'll continue to focus on enhancing the value of our current portfolio through portfolio management initiatives. I'm excited about what we have created in four short years, but I am even more excited about the opportunity ahead.

With that said, I will pass it to Scott Higgs to talk about our fourth quarter and year-end 2019 performance, as well as recent capital markets activity.

Scott Higgs — Chief Financial Officer, Invesque Inc.

Thank you, Scott. For the quarter and year ending December 31, FFO was $0.19 and $0.85 per share respectively. AFFO was $0.18 and $0.76 per share respectively. Our effective dividend cash payout ratio when adjusted for DRIP participation was approximately 85—85 percent for the three months period. Quarter-over-quarter, the decline in AFFO was primarily driven by performance in the former Greenfield product. As is typical when an operator transitions, there were declines caused by additional costs and census deprivation during the quarter. We believe that Commonwealth and Heritage are well positioned to bring the portfolio performance back in line with historical norms, and Adlai will touch on this more later.

As Scott noted earlier in the call, we kick-started a portfolio management initiative in 2019 to streamline our portfolio and align with our preferred partners. As we continue to focus on portfolio management in 2020, we believe this initiative will generate long term earnings growth and stability for the coming years. With the Commonwealth transition and Greenfield restructuring complete, we expect FFO and AFFO to trend higher throughout 2020 and beyond. We also expect our payout ration to trend back to our historical average.

Turning to the capital markets front. In the fourth quarter, we reauthorized our NCIB plan to repurchase up to 5 percent of common shares outstanding. We continue to look across our capital structure to create value for our shareholders. We will closely monitor market conditions and opportunistically repurchase stock when we believe it will provide the best investment opportunity for our shareholders.

With the movement in interest rates continuing to provide for very favourable debt market, we continue to focus on sourcing attractively priced new debt and refinancing existing debt at lower rates. In 2019, we lowered the effective rate on our debt by approximately 35 basis points through a combination of issuance of new debt, refinancing existing debt and utilization of financial instruments. This creates long term cash flow stability with a well laddered maturity profile. Today, our average debt maturity stands at over five years with less than 14 percent of our debt rolling in the next three years.

With that, I will pass it over to Adlai to discuss our portfolio performance and investment activity.

Adlai Chester — Chief Investment Officer, Invesque Inc.

Thanks Scott. The performance of our stabilized triple-net portfolio remained consistent with previous quarters. On a trailing 12-month basis as of September 30, our EBITDAR and EBITDARM coverage ratios were 1.2 and 1.5 times, respectively. Our trailing 12-month occupancy as of September 30 stood at 85 percent for our triple-net assets and 88 percent for our stabilized SHOP assets. For the MOB portfolio, stabilized occupancy stood at 92 percent. These metrics remained relatively consistent throughout all of 2019.

As Scott mentioned earlier in the call, we are excited to announce that we have received final licensure approval and successfully transitioned all our communities, formerly operated by Greenfield to Commonwealth and Heritage. More importantly, we executed these transitions in a smooth and expeditious manner with little to no disruption to residents and employees.

As a reminder, 10 of the communities operated by Greenfield have now been transferred to Commonwealth and will be owned, operated, and managed by Invesque affiliates. This took a great deal of time and effort in Q4 and had an impact on our earnings.

As with any transition, there were inefficiencies and costs. We expect Commonwealth will stabilize these properties and generate stronger performance later this year. We also expanded our relationship with Heritage by transitioning to them two Greenfield communities in Pennsylvania and New Jersey. The communities are in markets where Heritage successfully operates communities for Invesque. We are confident that Commonwealth and Heritage will drive performance by implementing their operational expertise and creating synergies with the Invesque communities they currently operate.

As Scott noted earlier, Commonwealth is now our largest source of NOI on a pro forma basis at over 25 percent. Heritage is our third largest source of pro forma NOI at over 8 percent.

We sold the final Greenfield operated community located in Arlington, Texas in the first quarter of 2020. As we compared alternatives for the Arlington community, we analyzed the property strategic overlap against our preferred operators. We then compared that outcome against the favourable pricing we could achieve in a sale. Ultimately, we determined the community was not a fit with our preferred operating partners and decided that sale was the best alternative. We were able to quickly identify several interested buyers and execute on an efficient sale. The sale proceeds will allow us to redeploy capital into core assets with our existing operators in an accretive fashion or potentially de-lever.

Continuing the theme of our relationship driven approach to investing, we announced this morning that we have entered into a purchase and sale agreement to acquire a 36-bed memory care community operated by Constant Care in Rogers, Arkansas for $8.2 million. The property is nearly 100 percent occupied and will be added to the existing master lease agreement. At closing, we will have eight communities with Constant Care who will represent close to 4 percent of our pro forma NOI.

Also, in the fourth quarter, we closed on a mezzanine loan investment to Ellipsis to fund the development of a 42-bed class-A, freestanding memory care building in the Grand Rapids, Michigan MSA. The property is currently under construction with a targeted completion in the second quarter of 2020. The property will be operated by Constant Care. As in past agreements with Ellipsis, we will have the right to purchase the property at fair market value after completion and rent commencement.

Our proprietary relationship with Ellipsis continues to be a huge success and further augments our approach to investing with our preferred partners. The partnership provides us exclusive access to a right of first offer to invest in all senior housing and medical office development projects that they develop. We also have the right to purchase these properties upon completion. The Ellipsis management team brings decades of experience developing health care real estate assets as well as strong relationships with senior housing operators such as Constant Care. Partnering with Ellipsis and Constant Care is a great way to continue to grow and capitalize on our development platform.

Our (inaudible) of external growth opportunities continues to be very robust. With our growth over the last several years providing us the scale and diversification we set out to achieve at our IPO, we will be very selective on future acquisitions with new relationships. We are focused on internal redevelopment opportunities and bolt-on acquisition opportunities with our existing partners. We remain disciplined in our underwriting with a focus on recycling capital, acquiring assets at a discount to replacement cost and assuring that any growth further strengthens our high-quality portfolio of health care real estate.

I'd like to thank everyone for joining the call, and we will now open the line for questions.

Q & A

Operator

At this time, ladies and gentlemen, if you would like to ask a question, please go ahead and press star, then the number one on your telephone keypad.

Your first question today comes from the line of Stephan Boire of Echelon Wealth Partners. Your line is open.

Stephan Boire — Analyst, Echelon Wealth Partners

Thank you. Good morning. I have fairly general questions. The first one is, I'd like to, while it seems like the results from recent quarters were noisy or volatile in terms of G&A, NOI margin, and even FFO, and I understand there's a period of transition from a pure triple-net REIT to an operator, but I would like to know what should investors expect one, two, or even five years down the road, specifically in terms of stability, operations, and strategy?

Scott White — Chairman and Chief Executive Officer, Invesque Inc.

Good morning, Stephan. Thanks for the question. So, look, when you're looking at what we did in 2019 and quite frankly over the last three and a half years since the IPO, we've grown as fast, maybe faster than almost any other public real estate company in North America, both U.S. and Canada, and as a result, as you said, there is some noise as you integrate portfolio after portfolio after portfolio. This is very deliberate, very strategic and part of the plan.

When you think about where we started, and we were very clear about this from the beginning, we started with a fairly concentrated portfolio, both by geography, by operator, by type of asset, and we knew, as we executed on our vision and what we set out to do, that we needed to work quickly to diversify. We needed to work quickly to grow because size does matter in this space, and that was our vision and our plan for the first, call it, three years of Invesque.

Now, as we announced during our last call, and we've reemphasized again today, it's time to actively asset manage. Once you have accumulated a portfolio that today is almost $2 billion in value of 123 buildings, you sit back and you reflect and you say, okay, as part of that you have acquired some single assets that are either no longer part of your vision or strategy or maybe never were. You acquire them as part of a portfolio, but they're a single asset with a single operator that maybe you can't grow with, or maybe they're in a market you don't have any other operations.

We also, as you highlighted, integrated in an operating company which was a big addition for us in 2019. When you take the sum of all of these pieces, we're at a point now where we focus on active asset management. We announced a few of those initiatives both in the last quarterly call and today, one of them being the replacement of operations by Commonwealth into the former Greenfield assets. That was a big strategic move for us and a big move toward portfolio management and asset management. We also announced the selective sale of some individual assets, again pruning the balance sheet.

Now, to very specifically answer your question about what can we expect three, four, five years out. I don't have a crystal ball, so I can't tell you, especially on a day like today where I am not sure I can tell you what is going to happen tomorrow, but I could tell you that real estate is a long-term asset class. We are executing on the strategy and vision that we set out to do from the beginning and nothing has changed.

We knew, and I have been clear on prior calls, and I will be clear on this call. It is very challenging to build and manage a long-term real estate asset class by managing quarter-to-quarter. It is very challenging. What I can tell you is we are stabilizing the cash flows over the long haul. What I can tell you is that we are looking for ways to enhance the strength of both the balance sheet and our underlying assets. We've done some of that. You should expect more of that in ensuing quarters.

Stephan Boire — Analyst, Echelon Wealth Partners

Okay. Thanks for the colour, but—and I guess on that, as you said, it's kind of hard, especially with what's going on in the market, especially today, but as the unit continues to trade at a significant and even larger discount today, compared to NAV, have you started to run a process to evaluate other options to sustainably close the gap between the NAV and the current unit price? And actually, in parallel to that question, does that affect your recycling program versus the NCIB?

Scott White — Chairman and Chief Executive Officer, Invesque Inc.

So, let me start with the first question in terms of assessing the gap between NAV and where the units trade at. You know, every single day, we assess the best ways to close that gap, the best way to create value for our shareholders, and today is no different. And I think today specifically, in light of what's going on in the market. But had you asked that question, which you may have, last quarter, I would have said the same thing.

We didn't grow as quickly as we did, nor did we assemble the portfolio that we are able to by sitting around and waiting for someone to call us with ideas. We didn't sit around and pontificate about the next move. We're constantly out there pounding the pavement talking to operators, talking to potential sellers of assets, talking to acquirers of assets, talking to developers, talking to sources of capital, as ways that we think about creating value for our shareholders and closing that gap. Today is no different, and last quarter was no different. So, as it relates to any specific, are we doing something today that's unique differentiated, no, it is not, particularly this week.

As it relates to your question on the NCIB and recycling of capital. Those are tools in the toolbox. We have the NCIB. We have acted on the NCIB, and we will continue to assess the market, I mean certainly on days like today, it is more intriguing now as you're probably aware around earnings and so and so forth we're often blacked out on our ability to execute on the NCIB, which does handcuff us as to when we can actually be acquiring shares. You should expect us to continue to do that. We think that we are significantly below what we believe our NAV is, and as a result there is an opportunity to create value for our shareholders by executing on that.

As it relates to recycling of capital, absolutely something that we have done and we will continue to do. We recently announced the sale of one of our assets in Arlington, Texas and we're looking at the portfolio for other opportunities to recycle capital, and we'll continue to do that.

Stephan Boire — Analyst, Echelon Wealth Partners

Just to be more specific, at these price levels, would you prioritize recycling the program in other assets or prioritize the NCIB?

Scott White — Chairman and Chief Executive Officer, Invesque Inc.

It's actually really difficult to answer that. It's just like, I get the question often, if you had another dollar, would your next dollar be deployed into MOB, skilled nursing, or seniors housing? The answer is, we're very opportunistic and it is very fact specific. We look at the portfolio holistically and say how can we create long term value for our shareholders. So, if I have an opportunity to acquire an asset that is going to yield 15 percent for me, I might do that.

Now, we don't have a lot of those assets out there. We have got to do that; we have got to look at that on a risk-adjusted basis. There is no doubt that the NCIB is very compelling for us right now. We are, again as a reminder, in a blackout period where we’re not able to execute on the NCIB. But when we have the opportunity to execute on it, I would imagine that the dislocation created in the markets over the last couple of days created an interesting and compelling opportunity for us to create value for our shareholders by executing on that.

Stephan Boire — Analyst, Echelon Wealth Partners

Okay and just a final one. Do you have any feedback from your largest shareholders on the price level and any colour on that?

Scott White — Chairman and Chief Executive Officer, Invesque Inc.

Yes, so I think it will be inappropriate for me to comment on what I think our largest shareholders are thinking of doing. I would say that our largest shareholders, I am in contact regularly with our larger shareholders. We do have an interesting ownership base in that two of our shareholders make up 57 percent of our shareholder base, but that's only 57 percent. I am out talking regularly to other 40 or so some odd percent investors.

In fact, I see some of them on this call right now. So, I got to keep in mind what all of our investors want and think. With that said, I do talk to our larger shareholders, I’d say at least monthly, maybe sometimes more frequently, and we have alignment of vision and strategy in terms of what we set out to do building a highly diversified portfolio of high-quality cash generating health care oriented real estate assets. There was always a long-time horizon in mind, and I think we are executing as expected and planned.

Stephan Boire — Analyst, Echelon Wealth Partners

Okay, okay. Thank you, Scott, for all the details.

Scott White — Chairman and Chief Executive Officer, Invesque Inc.

Thanks, Stephan. Have a good day.

Operator

Your next question comes from the line of Chris Couprie of CIBC. Your line is open.

Chris Couprie — Analyst, CIBC

Morning, guys. I just kind of wanted to follow-up along the same lines of Stephan's questioning. You kind of highlighted that you've been one of the fastest-growing REIT's in North America. So, you did $0.74 of AFFO in 2018 and $0.65 in 2019. Appreciate that there's some noise in there, but if we look forward, I think you guys were expecting kind of $0.09 to $0.12 of AFFO from Greenfield and Commonwealth. Now, is that $0.09 to $0.12 over the $0.65, would you say? Or is it over the $0.74?

Scott Higgs — Chief Financial Officer, Invesque Inc.

I think what we would—we would contemplate that it's based on that acquisition in and of itself. So, we believe that acquisition is going to generate that as it integrates and it fully gets into the platform. So, in terms of how you're modeling or how you're looking at it, just specific to that portfolio and the transition is what we have been speaking to.

Scott White — Chairman and Chief Executive Officer, Invesque Inc.

And if you asked the question about $0.65 or $0.74, so on and forth, we have historically and will continue to not provide guidance on the overall portfolio. Getting back to Stephan's question, it's very difficult for us. I'll be very honest with you, in terms of as we integrate portfolios and we've grown as quickly as we have, we've made a very specific strategic decision that we will not be providing holistic guidance on the entire portfolio.

So, answering that question specific as to $0.65 or $0.74, I think we cut against what we've historically done and what we're prepared to do right now. We have, however, selectively, and this is the way Scott Higgs addressed it, while there are individual portfolios or assets where we do want to give you some idea of what we believe the net benefit or impact could be to the portfolio and that's how we've addressed that.

Hello? Hello? Can you hear us?

Chris Couprie — Analyst, CIBC

Yes. Just got cut off at the end there. Okay. I appreciate that. Then maybe just then with respect to this quarter then, in terms of the costs associated with putting Greenfield into both Commonwealth and Heritage. Any idea what that potential impact was in a dollar term?

Scott Higgs — Chief Financial Officer, Invesque Inc.

In terms of the per share metrics, I would say approximately $0.02 to $0.025.

Chris Couprie — Analyst, CIBC

$ 0.02 to $0.025 of impact?

Scott White — Chairman and Chief Executive Officer, Invesque Inc.

Yes. It was pretty meaningful. There is no doubt about it. This is part of the assessment you need to make when you change operators. There's no doubt there's slippage and there's inefficiencies associated with it. But again, having on our long-term lens, we believe that this, actually I'll take away we believe, this is in the best interest of this portfolio.

Chris Couprie — Analyst, CIBC

Okay. Fair enough. How fast you think you can recapture that inefficiency?

Scott White — Chairman and Chief Executive Officer, Invesque Inc.

I think fairly quickly. Again, I'm reluctant to give quarter-by-quarter guidance, but this isn't a long-term change. I think that there was a fair amount of inefficiency and discomfort associated with changing operators there, for lack of a better phrase. Then I think now having Commonwealth in there, they're a world-class operator.

They're going to get it in and move fairly quickly, I think, to return those portfolios to where they were. Because remember, when Scott Higgs tells you $0.025 of slippage, that means those portfolios weren't necessarily performing, or those assets weren't necessarily performing as they have historically done. So, to return them to just their baseline should be fairly quickly, and given the expertise and professionalism and experience that the Commonwealth team has, we feel pretty confident that it's going to actually exceed the baseline of what we have seen historically.

Chris Couprie — Analyst, CIBC

Maybe just in terms of your disclosure around your SHOP portfolio. I know you have—you kind of lumped the SHOP and JV portfolio occupancy together as of September 30, 2019. Is there any way you could provide, I mean the SHOP portfolio, I could appreciate that maybe for the JV stuff you're kind of waiting for reporting to come in from your operators, but for the SHOP – the Commonwealth platform, is there any way you could tell us what the occupancy was for that at the end of the year?

Scott Higgs — Chief Financial Officer, Invesque Inc.

What I would say is a couple of things. Well, this is Scott. So, I look at it a couple of ways. One is those additional disclosures will be coming as soon as we have sufficient data to make comparable disclosures and meaningful disclosures when we don't have a lumpy quarter of partial ownership and so on. Generally speaking, with a broad brush, the Commonwealth portfolio is in line with the other portfolio occupancies and so on.

Chris Couprie — Analyst, CIBC

So, at September, but what about at year-end? It would be about 84 percent (phon)?

Scott Higgs — Chief Financial Officer, Invesque Inc.

Generally, the same at December 31 as well.

Chris Couprie — Analyst, CIBC

Okay. Thanks. I will turn it back.

Scott White — Chairman and Chief Executive Officer, Invesque Inc.

Thank You.

Operator

Your next question comes from the line of Brad Sturges of iA Securities. Your line is open.

Brad Sturges — Analyst, iA Securities

Hi, good morning. Just to follow on that, it was a little vague into the when those disclosures would be provided. Is that sort of for 2020 reporting, we'll start to see a little bit more disclosure on the op side of the business?

Scott Higgs — Chief Financial Officer, Invesque Inc.

Yes. I think it will be in 2020, for sure.

Brad Sturges — Analyst, iA Securities

Okay, and then in terms of the G&A, what should we be thinking about in terms of run rate or how it would look like once everything kind of normalizes and the integration noise dies down? How would that look like from a percentage of gross book value or percentage of NOI?

Scott Higgs — Chief Financial Officer, Invesque Inc.

Yes, so Brad, I think, this commentary is sort of excluding the G&A from the management company because I think in terms of a run rate basis there, I think if you wanted to normalize that relative to what we've shown, I think that's a consistent run rate and but in terms of corporate level G&A, from an asset on a percentage of gross book value, it's a pretty similar rate where I think we're going to land in terms of 90 to 100 basis points is a fair run rate.

Brad Sturges — Analyst, iA Securities

Okay, and maybe just to follow-up to Stephan's commentary in a different way. Because where your stock is trading today, does that change the way you view your dividend policy in terms of perhaps rethinking about wanting to retain cash to fund growth or strengthen the balance sheet?

Scott White — Chairman and Chief Executive Officer, Invesque Inc.

So, Brad, we are trading today in no way impacts our thinking around dividend. We constantly assess dividend as part of our overall capital structure, and we constantly assess what the highest and best use is for that cash flow. There is no doubt that what's going on broadly in the market and by that, I mean the uncertainty associated with Coronavirus, certainly can, should, and will play into our ongoing and regular assessment of the dividend, but I wouldn't peg it to the stock price. I'd peg it to what is our liquidity position, what do we think the highest and best use of that cash is, and do we think that the highest and best use of that, is it shooting it back to our shareholders, preserving it for liquidity for our portfolio or redeploying in an accretive manner? We do that on an ongoing basis, and today's stock price in no way impacts or changes our assessment of that.

Brad Sturges — Analyst, iA Securities

Well, I guess on that front though you're yielding a double-digit amount at the moment. At some point, when does it not makes sense to be paying out that much cash and using it for other strategic options?

Scott White — Chairman and Chief Executive Officer, Invesque Inc.

No question, and we have been asked that question for a while now as it's traded down. Again, I think it's challenging to answer specific as to today's price and yesterday's price, but I do think it's factored and again, more holistically, why are we and the rest of the market, and I say the rest of the market broadly defined, not necessarily just our industry, trading the way it is? It's because of the perceived uncertainty and the risk associated with what's going on a macro level.

So, when we step back and we assess, well, how much of that risk is perceived versus real? Now, as you narrow the scope of the analysis and say, all right, let's look at our industry and what are the risks associated with our industry, can, should, will we make an assessment to change our dividend policy to preserve cash for risk mitigation associated with what's going on a macro level?

Absolutely. That is a consideration and something that we will monitor on an ongoing basis. My only point to you, if it wasn't clear, is that I'm not going to adjust the dividend solely where we're trading at 10 o'clock on March 12, because by 10:30 it's going to look different.

Brad Sturges — Analyst, iA Securities

Yes. Fair enough. Thanks for the comments.

Scott White — Chairman and Chief Executive Officer, Invesque Inc.

You got it. Thanks for the questions, Brad.

Operator

Your next question comes from the line of Troy MacLean of BMO Capital Markets. Your line is open.

Troy MacLean — Analyst, BMO Capital Markets

Good morning.

Scott White — Chairman and Chief Executive Officer, Invesque Inc.

Good morning, Troy.

Troy MacLean — Analyst, BMO Capital Markets

Just curious, how has Symcare's EBITDAR coverage trended since PDPM has been implemented?

Adlai Chester — Chief Investment Officer, Invesque Inc.

Yes. This is Adlai. I'll take this one. We've seen it trend upward, and we're very optimistic of where it's headed. So, just like, I think on the last quarter, we talked not only about the PDPM, but also the increase in the Illinois Medicaid rate. Both have been positively impacting the coverage on that portfolio.

Troy MacLean — Analyst, BMO Capital Markets

So, can you give any indication how close it would be to the overall EBITDAR coverage for the portfolio?

Adlai Chester — Chief Investment Officer, Invesque Inc.

In line with it. It makes up such a big part of our triple-net, so it's in line.

Troy MacLean — Analyst, BMO Capital Markets

For your IFRS fair value, can you disclose what the values work out to on a per bed value for the SNF portfolio as well as the IL/AL portfolio?

Scott Higgs — Chief Financial Officer, Invesque Inc.

That's not something that we've historically disclosed publicly, Troy.

Troy MacLean — Analyst, BMO Capital Markets

And then I missed the first couple of minutes of the call, so I apologize if I am asking something you have gone over, but have any your properties been impacted by the Coronavirus? And then could you talk about what some of your operators are doing or Commonwealth is doing to kind of limit an outbreak at the home?

Bryan Hickman — Senior Vice President of Investments, Invesque Inc.

Absolutely. This is Bryan. On the Coronavirus front, as of yesterday when we talked with several of our operators, we have no confirmed cases in any of our communities. We also don't have any cases that are suspected of being Coronavirus and none which are being tested for potential exposure. And because we own a wide array of assets covering really the whole health care spectrum from lower acuity seniors housing to high acuity post acute skilled nursing care, our operators are approaching this differently based upon sort of the risk profile of the residents.

I mean, there is no question that Coronavirus is a very concerning and potentially deadly illness for the elderly population. The CDC suggests the mortality rate is something like 15 percent, and you heard on Tuesday, the CEO of AHCA (phon) was on CNN and described Coronavirus as a killing machine. So, we are very aware of the potential risks associated with it, but our operators have been very proactive in terms of determining the best course of action to mitigate and minimize the risk of spread in the communities.

So, they have done things like, some have gone to the extent of embracing the ASHA guidance of restricting all visitors to their communities. Others have taken not quite as severe an approach, but have still required that all visitors respond to a questionnaire regarding travel history, regarding potential symptoms. They've also been very aware of the need for supplies in the community in terms of both food and typical day-to-day needs but also personal protective equipment, i.e. hand sanitizers, masks, etc. and have gone through sort of central purchasing authority to ensure that buildings are sufficiently equipped, but also not over ordering.

Again, we talk with our operators a lot about this. It is top of mind for the entire industry, and we take it very seriously.

Troy MacLean — Analyst, BMO Capital Markets

For the SNF's specifically, is there anything in the funding from like, especially on the Medicaid, properties funded by most in Medicaid where if a property is impacted, the revenue stays high in order to keep the facility going? Or is it just, there's nothing in there?

Bryan Hickman — Senior Vice President of Investments, Invesque Inc.

Nothing has been announced on that front, Troy, because Medicaid reimbursement tends to be done on a per patient day basis. When facility occupancy deteriorates, so does the reimbursement. But again, we haven't seen, as of the current conversation, any direct impact to our communities.

Troy MacLean — Analyst, BMO Capital Markets

And then would your operator leases have any clause, like emergency clause over like something that envisioned something this big where they could lower the rent for a short period of time? Or it just it's business as usual while this goes on?

Bryan Hickman — Senior Vice President of Investments, Invesque Inc.

No. The rent is the rent is the rent, period. There are no sort of force majeure clauses that would suggest that there is a flexibility to reduce it in the event of some sort of issue. The only exception to that maybe if there were sort of a catastrophic event impacting the building, such as a fire or a flood. But generally, operators are protected by business interruption insurance, and so that should offset any kind of issue along those lines.

Troy MacLean — Analyst, BMO Capital Markets

And then in December, Bloomberg reported that Invesque is considering strategic options including hiring advisors. Can you make any comments on the accuracy of that report?

Scott White — Chairman and Chief Executive Officer, Invesque Inc.

Yes. Troy, we generally don't comment on or respond to any speculation in the media. We're constantly talking to advisors and banks. I mean I think that's part of my job and I could tell you, over the last six weeks, I've probably talked to a half a dozen banks on a regular basis, and that's not new to this year or this quarter. That's a constant assess our opportunity set, assess our ability to create value for shareholders, assess our next strategic moves. So, we are regularly in touch with advisors.

Troy MacLean — Analyst, BMO Capital Markets

And then just curious on your high-level thoughts for where your leverage is at. Is bringing leverage down a near term priority? Would that be on your objectives for 2020 like tops on the list? Or is that like how do you think about that?

Scott White — Chairman and Chief Executive Officer, Invesque Inc.

So, we think about that as part of the overall jigsaw puzzle, so to speak, of value creation opportunities. As I said before, when we think about the next available dollar to us, what do we think the highest and best use of that dollar is to create value. Whether it's execution on the NCIB, whether it's acquisition of an incremental asset or portfolio, whether it's de-levering, whether it's any of those or a number of other options, we weigh them relative to one another and assess what we think makes the most sense. I will tell you that we do monitor our leverage and we do talk about it, and it is a consideration. But I wouldn't go so far as to say it is the highest or top priority on our list of strategic initiatives for 2020.

Troy MacLean — Analyst, BMO Capital Markets

Thank you. I appreciate the colour. I’ll turn it back now.

Scott White — Chairman and Chief Executive Officer, Invesque Inc.

Thanks so much.

Operator

As a reminder, if you would like to ask a question please press star, one on your telephone keypad. There are no further questions in queue at this time. Oh, we do have a question from Tal Woolley with National Bank Financial. Your line is open.

Tal Woolley — Analyst, National Bank Financial

Hi, good morning.

Scott White — Chairman and Chief Executive Officer, Invesque Inc.

Good morning, Tal.

Scott Higgs — Chief Financial Officer, Invesque Inc.

Good morning, Tal.

Tal Woolley — Analyst, National Bank Financial

Just out of the 55 million shares outstanding right now, how many investors are currently on the DRIP program?

Scott Higgs — Chief Financial Officer, Invesque Inc.

It's approximately, it does vary, but 10 percent to 15 percent.

Tal Woolley — Analyst, National Bank Financial

And so, these are Magnetar or Tiptree are dripping their dividends?

Scott Higgs — Chief Financial Officer, Invesque Inc.

We can't comment on specific investors in terms of what they’re doing with their investment.

Tal Woolley — Analyst, National Bank Financial

Okay. If you are going to be considering to buy back stock, would you not look at turning off the DRIP first?

Scott White — Chairman and Chief Executive Officer, Invesque Inc.

We absolutely would. It is definitely one of the considerations. In fact, in the last question, when Troy asked about leverage and I was trying to think of all the different things we are thinking about, there was one missing, and thank you for bringing that up.

Tal Woolley — Analyst, National Bank Financial

Okay. And then just for G&A too as well, obviously with the portfolio changing and the transitions, it's going to create some variance there. What would you expect sort of the stabilized G&A spend on an annual basis to be for the portfolio as it stands now?

Scott Higgs — Chief Financial Officer, Invesque Inc.

Yes. So, I think, on a percentage of GBV basis, from a corporate G&A perspective, so again that excludes the management company of Commonwealth and the 90 to 100 basis points of GBV which is, by and large, materially in line with where we're at today for a four-year (phon) run rate basis.

Tal Woolley — Analyst, National Bank Financial

Okay. And then just my last question, just on refinancing. So, you've got about $31 million in mortgages to refinance this year. Then you've got the $15 million in Magnetar credit facilities and then also coming up you also have that Magnetar Preferred with a heavy ratchet, I think that kicks in maybe 2021. That's about $60 million (phon). Do you have plans in place to refinance those right now?

Scott Higgs — Chief Financial Officer, Invesque Inc.

We do, and frankly, on the mortgages that are due this year, half of its already done in Q1. The other half is predominantly a construction loan, a large (phon) share of a construction loan. And once that construction is completed, that will flip to a term loan. So, those are all addressed. And then with respect to the Magnetar financial estimates, yes, there are options to look for. For example, on the debt there, we do have an extension option on that debt, and we're obviously in constant communication with those guys and evaluating different alternative and options to refinance or to continue the program.

Tal Woolley — Analyst, National Bank Financial

Is there any plan to grow that JV with Magnetar going forward?

Scott White — Chairman and Chief Executive Officer, Invesque Inc.

Magnetar has and continues to be a great partner of us, and we continue to assess things broadly in terms of our portfolio and our needs for capital, and I think they're open to ideas for ways to help us. Whether or not that is through the JV or otherwise. I think it's an ongoing discussion.

Tal Woolley — Analyst, National Bank Financial

Okay. Perfect. Thanks so much, guys.

Scott White — Chairman and Chief Executive Officer, Invesque Inc.

Thanks so much. Take care

Scott Higgs — Chief Financial Officer, Invesque Inc.

Thank you.

Operator

There are no further questions in queue at this time. I'll turn the call over to our presenters.

Scott White — Chairman and Chief Executive Officer, Invesque Inc.

All right. Well, we really appreciate everyone joining us for the quarterly call and our final call for 2019 wrapping it up, and we look forward to talking to you all again in the next quarter. Take care.

Operator

This concludes today's conference call. You may now disconnect.