

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2024

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 001-32641

BROOKDALE SENIOR LIVING INC.

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction
of incorporation or organization)*

20-3068069

(I.R.S. Employer Identification No.)

111 Westwood Place, Suite 400, Brentwood, Tennessee

(Address of principal executive offices)

37027

(Zip Code)

(Registrant's telephone number, including area code)

(615) 221-2250

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 Par Value Per Share	BKD	New York Stock Exchange
7.00% Tangible Equity Units	BKDT	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Non-accelerated filer ☐

Accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.
☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of May 6, 2024, 193,012,561 shares of the registrant's common stock, \$0.01 par value, were outstanding (excluding restricted stock units).

TABLE OF CONTENTS
BROOKDALE SENIOR LIVING INC.

FORM 10-Q

FOR THE QUARTER ENDED MARCH 31, 2024

	PAGE
PART I. <u>FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets -</u> <u>As of March 31, 2024 (Unaudited) and December 31, 2023</u>	<u>4</u>
<u>Condensed Consolidated Statements of Operations -</u> <u>Three months ended March 31, 2024 and 2023 (Unaudited)</u>	<u>5</u>
<u>Condensed Consolidated Statements of Equity -</u> <u>Three months ended March 31, 2024 and 2023 (Unaudited)</u>	<u>6</u>
<u>Condensed Consolidated Statements of Cash Flows -</u> <u>Three months ended March 31, 2024 and 2023 (Unaudited)</u>	<u>7</u>
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	<u>8</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>17</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>31</u>
Item 4. <u>Controls and Procedures</u>	<u>32</u>
PART II. <u>OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	<u>32</u>
Item 1A. <u>Risk Factors</u>	<u>32</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>33</u>
Item 5. <u>Other Information</u>	<u>33</u>
Item 6. <u>Exhibits</u>	<u>34</u>
Signatures	<u>35</u>

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BROOKDALE SENIOR LIVING INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except stock amounts)

	March 31, 2024	December 31, 2023
	(Unaudited)	
Assets		
Current assets		
Cash and cash equivalents	\$ 318,549	\$ 277,971
Marketable securities	—	29,755
Restricted cash	45,673	41,341
Accounts receivable, net	49,645	48,393
Prepaid expenses and other current assets, net	101,869	80,908
Total current assets	515,736	478,368
Property, plant and equipment and leasehold intangibles, net	4,293,925	4,330,629
Operating lease right-of-use assets	639,359	670,907
Restricted cash	31,444	30,356
Goodwill	27,321	27,321
Other assets, net	34,539	35,854
Total assets	\$ 5,542,324	\$ 5,573,435
Liabilities and Equity		
Current liabilities		
Current portion of long-term debt	\$ 65,681	\$ 41,463
Current portion of financing lease obligations	1,095	1,075
Current portion of operating lease obligations	196,560	192,631
Trade accounts payable	74,497	66,526
Accrued expenses	217,941	242,668
Refundable fees and deferred revenue	58,477	55,753
Total current liabilities	614,251	600,116
Long-term debt, less current portion	3,692,132	3,655,850
Financing lease obligations, less current portion	150,495	150,774
Operating lease obligations, less current portion	635,378	683,876
Deferred tax liability	5,562	5,987
Other liabilities	69,058	71,679
Total liabilities	5,166,876	5,168,282
Preferred stock, \$0.01 par value, 50,000,000 shares authorized at March 31, 2024 and December 31, 2023; no shares issued and outstanding	—	—
Common stock, \$0.01 par value, 400,000,000 shares authorized at March 31, 2024 and December 31, 2023; 203,540,086 and 198,780,826 shares issued and 193,012,561 and 188,253,301 shares outstanding, respectively	2,035	1,988
Additional paid-in-capital	4,342,191	4,342,362
Treasury stock, at cost; 10,527,525 shares at March 31, 2024 and December 31, 2023	(102,774)	(102,774)
Accumulated deficit	(3,867,478)	(3,837,912)
Total Brookdale Senior Living Inc. stockholders' equity	373,974	403,664
Noncontrolling interest	1,474	1,489
Total equity	375,448	405,153
Total liabilities and equity	\$ 5,542,324	\$ 5,573,435

See accompanying notes to condensed consolidated financial statements.

BROOKDALE SENIOR LIVING INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in thousands, except per share data)

	Three Months Ended March 31,	
	2024	2023
Resident fees	\$ 744,241	\$ 713,404
Management fees	2,618	2,577
Reimbursed costs incurred on behalf of managed communities	35,972	34,954
Other operating income	—	2,328
Total revenue and other operating income	<u>782,831</u>	<u>753,263</u>
Expense		
Facility operating expense (excluding facility depreciation and amortization of \$79,904 and \$79,317, respectively)	542,550	530,807
General and administrative expense (including non-cash stock-based compensation expense of \$3,273 and \$3,104, respectively)	45,732	48,619
Facility operating lease expense	51,496	46,127
Depreciation and amortization	86,127	84,934
Asset impairment	1,708	—
Costs incurred on behalf of managed communities	35,972	34,954
Income (loss) from operations	<u>19,246</u>	<u>7,822</u>
Interest income	4,778	5,326
Interest expense:		
Debt	(53,456)	(50,315)
Financing lease obligations	(5,061)	(6,552)
Amortization of deferred financing costs	(2,257)	(1,940)
Change in fair value of derivatives	3,087	(904)
Equity in earnings (loss) of unconsolidated ventures	—	(577)
Non-operating gain (loss) on sale of assets, net	704	—
Other non-operating income (loss)	3,338	3,149
Income (loss) before income taxes	<u>(29,621)</u>	<u>(43,991)</u>
Benefit (provision) for income taxes	40	(572)
Net income (loss)	<u>(29,581)</u>	<u>(44,563)</u>
Net (income) loss attributable to noncontrolling interest	15	14
Net income (loss) attributable to Brookdale Senior Living Inc. common stockholders	<u>\$ (29,566)</u>	<u>\$ (44,549)</u>
Basic and diluted net income (loss) per share attributable to Brookdale Senior Living Inc. common stockholders	<u>\$ (0.13)</u>	<u>\$ (0.20)</u>
Weighted average shares used in computing basic and diluted net income (loss) per share	<u>225,890</u>	<u>224,578</u>

See accompanying notes to condensed consolidated financial statements.

BROOKDALE SENIOR LIVING INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited, in thousands)

	Three Months Ended March 31,	
	2024	2023
Total equity, balance at beginning of period	\$ 405,153	\$ 584,153
Common stock:		
Balance at beginning of period	\$ 1,988	\$ 1,978
Shares issued for settlement of prepaid stock purchase contracts	35	—
Restricted stock and restricted stock units, net	18	16
Shares withheld for employee taxes	(6)	(6)
Balance at end of period	\$ 2,035	\$ 1,988
Additional paid-in-capital:		
Balance at beginning of period	\$ 4,342,362	\$ 4,332,302
Compensation expense related to restricted stock grants	3,273	3,104
Shares issued for settlement of prepaid stock purchase contracts	(35)	—
Restricted stock and restricted stock units, net	(18)	(16)
Shares withheld for employee taxes	(3,391)	(1,834)
Balance at end of period	\$ 4,342,191	\$ 4,333,556
Treasury stock:		
Balance at beginning and end of period	\$ (102,774)	\$ (102,774)
Accumulated deficit:		
Balance at beginning of period	\$ (3,837,912)	\$ (3,648,901)
Net income (loss) attributable to Brookdale Senior Living Inc. common stockholders	(29,566)	(44,549)
Balance at end of period	\$ (3,867,478)	\$ (3,693,450)
Noncontrolling interest:		
Balance at beginning of period	\$ 1,489	\$ 1,548
Net income (loss) attributable to noncontrolling interest	(15)	(14)
Balance at end of period	\$ 1,474	\$ 1,534
Total equity, balance at end of period	<u>\$ 375,448</u>	<u>\$ 540,854</u>
Common stock share activity		
Outstanding shares of common stock:		
Balance at beginning of period	188,253	187,249
Shares issued for settlement of prepaid stock purchase contracts	3,557	—
Restricted stock and restricted stock units, net	1,778	1,545
Shares withheld for employee taxes	(575)	(559)
Balance at end of period	<u>193,013</u>	<u>188,235</u>

See accompanying notes to condensed consolidated financial statements.

BROOKDALE SENIOR LIVING INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Three Months Ended March 31,	
	2024	2023
Cash Flows from Operating Activities		
Net income (loss)	\$ (29,581)	\$ (44,563)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization, net	88,384	86,874
Asset impairment	1,708	—
Equity in (earnings) loss of unconsolidated ventures	—	577
Amortization of entrance fees	—	(508)
Proceeds from deferred entrance fee revenue	—	324
Deferred income tax (benefit) provision	(425)	244
Operating lease expense adjustment	(13,089)	(10,805)
Change in fair value of derivatives	(3,087)	904
Loss (gain) on sale of assets, net	(704)	—
Non-cash stock-based compensation expense	3,273	3,104
Property and casualty insurance income	(2,626)	(3,295)
Changes in operating assets and liabilities:		
Accounts receivable, net	(1,253)	3,143
Prepaid expenses and other assets, net	1,708	(7,602)
Prepaid insurance premiums financed with notes payable	(23,319)	(19,305)
Trade accounts payable and accrued expenses	(25,109)	(1,386)
Refundable fees and deferred revenue	2,725	14,092
Operating lease assets and liabilities for lessor capital expenditure reimbursements	249	2,244
Net cash provided by (used in) operating activities	<u>(1,146)</u>	<u>24,042</u>
Cash Flows from Investing Activities		
Purchase of marketable securities	—	(49,674)
Sale and maturities of marketable securities	30,000	30,000
Capital expenditures, net of related payables	(44,399)	(49,700)
Proceeds from sale of assets, net	849	—
Property and casualty insurance proceeds	2,642	6,422
Purchase of interest rate cap instruments	(629)	(212)
Proceeds from interest rate cap instruments	4,659	1,212
Other	(68)	(67)
Net cash provided by (used in) investing activities	<u>(6,946)</u>	<u>(62,019)</u>
Cash Flows from Financing Activities		
Proceeds from debt	80,923	25,519
Repayment of debt and financing lease obligations	(20,502)	(23,322)
Payment of financing costs, net of related payables	(2,934)	(346)
Payments of employee taxes for withheld shares	(3,397)	(1,680)
Net cash provided by (used in) financing activities	<u>54,090</u>	<u>171</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	45,998	(37,806)
Cash, cash equivalents, and restricted cash at beginning of period	349,668	474,548
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 395,666</u>	<u>\$ 436,742</u>

See accompanying notes to condensed consolidated financial statements.

BROOKDALE SENIOR LIVING INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Description of Business

Brookdale Senior Living Inc. together with its consolidated subsidiaries ("Brookdale" or the "Company") is an operator of 652 senior living communities throughout the United States. The Company is committed to its mission of enriching the lives of the people it serves with compassion, respect, excellence, and integrity. The Company operates and manages independent living, assisted living, memory care, and continuing care retirement communities ("CCRCs"). The Company's senior living communities and its comprehensive network help to provide seniors with care, connection, and services in an environment that feels like home. As of March 31, 2024, the Company owned 345 communities, representing a majority of the Company's community portfolio, leased 277 communities, and managed 30 communities.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for quarterly reports on Form 10-Q. In the opinion of management, these financial statements include all adjustments, which are of a normal and recurring nature, necessary to present fairly the financial position, results of operations, and cash flows of the Company for all periods presented. Certain information and footnote disclosures included in annual financial statements have been condensed or omitted. The Company believes that the disclosures included are adequate and provide a fair presentation of interim period results. Interim financial statements are not necessarily indicative of the financial position or operating results for an entire year. These interim financial statements should be read in conjunction with the audited financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC on February 21, 2024.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of Brookdale and its consolidated subsidiaries. The ownership interest of consolidated entities not wholly-owned by the Company are presented as noncontrolling interests in the accompanying unaudited condensed consolidated financial statements. Intercompany balances and transactions have been eliminated in consolidation, and net income (loss) is reduced by the portion of net income (loss) attributable to noncontrolling interests.

Use of Estimates

The preparation of the condensed consolidated financial statements and related disclosures in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Estimates are used for, but not limited to, revenue, asset impairments, self-insurance reserves, performance-based compensation, allowance for credit losses, depreciation and amortization, leasing transactions, income taxes, and other contingencies. Although these estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future, actual results may differ from the original estimates.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current financial statement presentation, with no effect on the Company's condensed consolidated financial position or results of operations.

3. Fair Value Measurements

Interest Rate Derivatives

The Company's derivative assets include interest rate cap and swap instruments that effectively manage the risk above certain interest rates for a portion of the Company's long-term variable rate debt. The Company has not designated the interest rate cap and swap instruments as hedging instruments and as such, changes in the fair value of the instruments are recognized in earnings in the period of the change. The interest rate derivative positions are valued using models developed by the respective

counterparty that use as their basis readily available observable market parameters (such as forward yield curves) and are classified within Level 2 of the valuation hierarchy. The Company considers the credit risk of its counterparties when evaluating the fair value of its derivatives.

The following table summarizes the Company's Secured Overnight Financing Rate ("SOFR") interest rate cap instruments as of March 31, 2024.

(\$ in millions)

Current notional balance	\$ 1,281.9
Weighted average fixed cap rate	4.05%
Weighted average remaining term	0.6 years
Estimated asset fair value (included in other assets, net)	\$ 11.8

As of December 31, 2023, the estimated fair value of the interest rate cap instruments was \$13.3 million.

The following table summarizes the Company's SOFR interest rate swap instrument as of March 31, 2024.

(\$ in millions)

Current notional balance	\$ 220.0
Fixed interest rate	3.00%
Remaining term	0.1 years
Estimated asset fair value (included in other assets, net)	\$ 0.9

As of December 31, 2023, the estimated fair value of the interest rate swap instrument was \$1.6 million.

Long-term debt

The Company estimates the fair value of its debt primarily using a discounted cash flow analysis based upon the Company's current borrowing rate for debt with similar maturities and collateral securing the indebtedness. The Company estimates the fair value of its convertible senior notes based on valuations provided by third-party pricing services. The Company had outstanding long-term debt with a carrying amount of approximately \$3.8 billion and \$3.7 billion as of March 31, 2024 and December 31, 2023, respectively. Fair value of the long-term debt is approximately \$3.5 billion and \$3.4 billion as of March 31, 2024 and December 31, 2023, respectively. The Company's fair value of long-term debt disclosure is classified within Level 2 of the valuation hierarchy.

4. Revenue

For the three months ended March 31, 2024 and 2023, the Company generated 93.9% and 93.6%, respectively, of its resident fee revenue from private pay customers and the remainder from government reimbursement programs and other payor sources. Refer to Note 13 for disaggregation of revenue by reportable segment.

The payment terms and conditions within the Company's revenue-generating contracts vary by contract type and payor source, although terms generally include payment to be made within 30 days. Resident fee revenue for recurring and routine monthly services is generally billed monthly in advance under the Company's independent living, assisted living, and memory care residency agreements. Resident fee revenue for standalone or certain healthcare services is generally billed monthly in arrears. Additionally, certain of the Company's revenue-generating contracts include non-refundable fees that are generally billed and collected in advance or upon move-in of a resident under the Company's independent living, assisted living, and memory care residency agreements. Amounts of revenue that are collected from residents in advance are recognized as deferred revenue until the performance obligations are satisfied.

The Company had total deferred revenue (included within refundable fees and deferred revenue and other liabilities within the condensed consolidated balance sheets) of \$51.3 million and \$48.3 million, including \$27.1 million and \$24.1 million of monthly resident fees billed and received in advance, as of March 31, 2024 and December 31, 2023, respectively. For the three months ended March 31, 2024 and 2023, the Company recognized \$35.2 million and \$36.9 million, respectively, of revenue that was included in the deferred revenue balance as of January 1, 2024 and 2023, respectively. The Company applies the

practical expedient in ASC 606-10-50-14 and does not disclose amounts for remaining performance obligations that have original expected durations of one year or less.

5. Property, Plant and Equipment and Leasehold Intangibles, Net

As of March 31, 2024 and December 31, 2023, net property, plant and equipment and leasehold intangibles, which include assets under financing leases, consisted of the following.

<i>(in thousands)</i>	March 31, 2024	December 31, 2023
Land	\$ 500,649	\$ 500,649
Buildings and improvements	5,362,393	5,348,133
Furniture and equipment	1,125,892	1,111,408
Resident in-place lease intangibles	282,411	282,411
Construction in progress	38,763	33,905
Assets under financing leases and leasehold improvements	1,086,680	1,070,900
Property, plant and equipment and leasehold intangibles	8,396,788	8,347,406
Accumulated depreciation and amortization	(4,102,863)	(4,016,777)
Property, plant and equipment and leasehold intangibles, net	<u>\$ 4,293,925</u>	<u>\$ 4,330,629</u>

Long-lived assets with definite useful lives are depreciated or amortized on a straight-line basis over their estimated useful lives (or, in certain cases, the shorter of their estimated useful lives or the lease term) and are tested for impairment whenever indicators of impairment arise. The Company recognized depreciation and amortization expense on its property, plant and equipment and leasehold intangibles of \$86.1 million and \$84.9 million for the three months ended March 31, 2024 and 2023, respectively. The Company recognized \$1.7 million for the three months ended March 31, 2024 of non-cash impairment charges in its operating results for its property, plant and equipment and leasehold intangibles assets, primarily due to property damage sustained at certain communities.

6. Debt

Long-term debt consists of the following.

<i>(in thousands)</i>	March 31, 2024	December 31, 2023
Fixed rate mortgage notes payable due 2025 through 2047; weighted average interest rate of 4.26% as of both March 31, 2024 and December 31, 2023	\$ 1,947,548	\$ 1,953,414
Variable rate mortgage notes payable due 2025 through 2030; weighted average interest rate of 7.75% and 7.74% as of March 31, 2024 and December 31, 2023, respectively	1,570,918	1,524,907
Convertible notes payable due October 2026; interest rate of 2.00% as of both March 31, 2024 and December 31, 2023	230,000	230,000
Tangible equity units senior amortizing notes due November 2025; interest rate of 10.25% as of both March 31, 2024 and December 31, 2023	15,935	17,990
Notes payable for insurance premium financing due 2024; interest rate of 7.40% as of March 31, 2024	22,592	—
Deferred financing costs, net	(29,180)	(28,998)
Total long-term debt	3,757,813	3,697,313
Current portion	65,681	41,463
Total long-term debt, less current portion	<u>\$ 3,692,132</u>	<u>\$ 3,655,850</u>

As of March 31, 2024, the long-term debt, less current portion within the Company's condensed consolidated balance sheet includes \$100.0 million of mortgage notes payable scheduled to mature in January 2025 with two one-year extension options, exercisable by the Company subject to the satisfaction of certain conditions.

As of March 31, 2024, 91.1%, or \$3.4 billion, of the Company's total debt obligations represented non-recourse property-level mortgage financings.

As of March 31, 2024, \$63.5 million of letters of credit and no cash borrowings were outstanding under the Company's \$100.0 million secured credit facility. The Company also had a separate secured letter of credit facility providing up to \$15.0 million of letters of credit as of March 31, 2024 under which \$14.5 million had been issued as of that date.

2024 Mortgage Financing

In February 2024, the Company obtained \$50.0 million of debt secured by first priority mortgages on 11 communities. The loan bears interest at a variable rate equal to SOFR plus a margin of 350 basis points. The debt matures in February 2027 with two one-year extension options, exercisable subject to certain performance criteria.

Financial Covenants

Certain of the Company's debt documents contain restrictions and financial covenants, such as those requiring the Company to maintain prescribed minimum liquidity, net worth, and stockholders' equity levels and debt service ratios, and requiring the Company not to exceed prescribed leverage ratios, in each case on a consolidated, portfolio-wide, multi-community, single-community, and/or entity basis. In addition, the Company's debt documents generally contain non-financial covenants, such as those requiring the Company to comply with Medicare or Medicaid provider requirements and maintain insurance coverage.

The Company's failure to comply with applicable covenants could constitute an event of default under the applicable debt documents. Many of the Company's debt documents contain cross-default provisions so that a default under one of these instruments could cause a default under other debt and lease documents (including documents with other lenders and lessors). Furthermore, the Company's mortgage debt is secured by its communities and, in certain cases, a guaranty by the Company and/or one or more of its subsidiaries.

As of March 31, 2024, the Company is in compliance with the financial covenants of its debt agreements.

7. Leases

As of March 31, 2024, the Company operated 277 communities under long-term leases (263 operating leases and 14 financing leases). The substantial majority of the Company's lease arrangements are structured as master leases. Under a master lease, numerous communities are leased through an indivisible lease. In certain cases, the Company guarantees the performance and lease payment obligations of its subsidiary lessees under the master leases. An event of default related to an individual property or limited number of properties within a master lease portfolio may result in a default on the entire master lease portfolio.

The leases relating to these communities are generally fixed rate leases with annual escalators that are either fixed or based upon changes in the consumer price index or the leased property revenue. The Company is responsible for all operating costs, including repairs and maintenance, property taxes, and insurance. The leases generally provide for renewal or extension options from 5 to 20 years and in some instances, purchase options.

The community leases contain other customary terms, which may include assignment and change of control restrictions, maintenance and capital expenditure obligations, termination provisions and financial covenants, such as those requiring the Company to maintain prescribed minimum liquidity, net worth, and stockholders' equity levels and lease coverage ratios, in each case on a consolidated, portfolio-wide, multi-community, single-community and/or entity basis. In addition, the Company's lease documents generally contain non-financial covenants, such as those requiring the Company to comply with Medicare or Medicaid provider requirements and maintain insurance coverage.

The Company's failure to comply with applicable covenants could constitute an event of default under the applicable lease documents. Many of the Company's debt and lease documents contain cross-default provisions so that a default under one of these instruments could cause a default under other debt and lease documents (including documents with other lenders and lessors). Certain leases contain cure provisions, which generally allow the Company to post an additional lease security deposit if the required covenant is not met. Furthermore, the Company's leases are secured by its communities and, in certain cases, a guaranty by the Company and/or one or more of its subsidiaries.

As of March 31, 2024, the Company is in compliance with the financial covenants of its long-term leases.

Lease right-of-use assets are reviewed for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company did not recognize any such impairment charges for the three months ended March 31, 2024 and 2023.

A summary of operating and financing lease expense (including the respective presentation on the condensed consolidated statements of operations) and net cash outflows from leases is as follows.

	Three Months Ended March 31,	
	2024	2023
Operating Leases (in thousands)		
Facility operating expense	\$ 1,920	\$ 1,626
Facility lease expense	51,496	46,127
Operating lease expense	53,416	47,753
Operating lease expense adjustment ⁽¹⁾	13,089	10,805
Changes in operating lease assets and liabilities for lessor capital expenditure reimbursements	(249)	(2,244)
Operating net cash outflows from operating leases	<u>\$ 66,256</u>	<u>\$ 56,314</u>

(1) Represents the difference between the amount of cash operating lease payments and the amount of operating lease expense.

	Three Months Ended March 31,	
	2024	2023
Financing Leases (in thousands)		
Depreciation and amortization	\$ 2,872	\$ 6,655
Interest expense: financing lease obligations	5,061	6,552
Financing lease expense	<u>\$ 7,933</u>	<u>\$ 13,207</u>
Operating cash outflows from financing leases	\$ 5,061	\$ 6,552
Financing cash outflows from financing leases	262	5,852
Total net cash outflows from financing leases	<u>\$ 5,323</u>	<u>\$ 12,404</u>

The aggregate amounts of future minimum lease payments, including community, office, and equipment leases, recognized on the condensed consolidated balance sheet as of March 31, 2024 are as follows (in thousands).

Year Ending December 31,	Operating Leases	Financing Leases
2024 (nine months)	\$ 196,034	\$ 15,198
2025	262,030	6,850
2026	147,485	6,834
2027	149,317	6,083
2028	86,181	5,917
Thereafter	251,474	20,626
Total lease payments	<u>1,092,521</u>	<u>61,508</u>
Purchase option liability and non-cash gain on future sale of property	—	145,136
Imputed interest and variable lease payments	<u>(260,583)</u>	<u>(55,054)</u>
Total lease obligations	<u>\$ 831,938</u>	<u>\$ 151,590</u>

8. Litigation

The Company has been and is currently involved in litigation and claims incidental to the conduct of its business, which it believes are generally comparable to other companies in the senior living and healthcare industries, including, but not limited to, putative class action claims from time to time regarding staffing at the Company's communities and compliance with consumer protection laws and the Americans with Disabilities Act. Certain claims and lawsuits allege large damage amounts and may require significant costs to defend and resolve. As a result, the Company maintains general liability, professional liability, and other insurance policies in amounts and with coverage and deductibles the Company believes are appropriate, based on the nature and risks of its business, historical experience, availability, and industry standards. The Company's current

policies provide for deductibles for each claim and contain various exclusions from coverage. The Company uses its wholly-owned captive insurance company for the purpose of insuring certain portions of its risk retention under its general and professional liability insurance programs. Accordingly, the Company is, in effect, self-insured for claims that are less than the deductible amounts, for claims that exceed the funding level of the Company's wholly-owned captive insurance company, and for claims or portions of claims that are not covered by such policies and/or exceed the policy limits.

The senior living and healthcare industries are continuously subject to scrutiny by governmental regulators, which could result in reviews, audits, investigations, enforcement actions, or litigation related to regulatory compliance matters. In addition, the Company is subject to various government reviews, audits, and investigations to verify compliance with Medicare and Medicaid programs and other applicable laws and regulations. The Centers for Medicare & Medicaid Services ("CMS") has engaged third-party firms to review claims data to evaluate appropriateness of billings. In addition to identifying overpayments, audit contractors can refer suspected violations to government authorities. In addition, states' Attorneys General vigorously enforce consumer protection laws as those laws relate to the senior living industry. An adverse outcome of government scrutiny may result in citations, sanctions, other criminal or civil fines and penalties, the refund of overpayments, payment suspensions, termination of participation in Medicare and Medicaid programs, and damage to the Company's business reputation. The Company's costs to respond to and defend any such audits, reviews, and investigations may be significant.

In June 2020, the Company and several current and former executive officers were named as defendants in a putative class action lawsuit alleging violations of the federal securities laws filed in the federal court for the Middle District of Tennessee. The lawsuit asserted that the defendants made material misstatements and omissions concerning the Company's business, operational and compliance policies, compliance with applicable regulations and statutes, and staffing practices that caused the Company's stock price to be artificially inflated between August 2016 and April 2020. The district court dismissed the lawsuit and entered judgment in favor of the defendants in September 2021, and the plaintiffs did not file an appeal. Between October 2020 and June 2021, alleged stockholders of the Company filed several stockholder derivative lawsuits in the federal courts for the Middle District of Tennessee and the District of Delaware, which were subsequently transferred to the Middle District of Tennessee and consolidated into two lawsuits. In January 2024, the court dismissed one of the two derivative lawsuits. Plaintiffs have appealed the dismissal to the United States Court of Appeals for the Sixth Circuit. The other derivative lawsuit remains pending with the Middle District of Tennessee and asserts claims on behalf of the Company against certain current and former officers and directors for alleged breaches of duties owed to the Company. The complaint incorporates substantively similar allegations to the securities lawsuit previously described.

9. Stock-Based Compensation

Grants of restricted stock units and stock awards under the Company's 2014 Omnibus Incentive Plan were as follows.

<i>(in thousands, except for weighted average amounts)</i>	Restricted Stock Unit and Stock Award Grants	Weighted Average Grant Date Fair Value	Total Grant Date Fair Value
Three months ended March 31, 2024	2,224	\$ 6.36	\$ 14,148

10. Earnings Per Share

Potentially dilutive common stock equivalents for the Company include convertible senior notes, warrants, unvested restricted stock, restricted stock units, and prepaid stock purchase contracts.

On October 1, 2021, the Company issued \$230.0 million principal amount of 2.00% convertible senior notes due 2026 (the "Notes"). As of March 31, 2024, the maximum number of shares issuable upon settlement of the Notes is 38.3 million (after giving effect to additional shares that would be issuable upon conversion in connection with the occurrence of certain corporate or other events).

On July 26, 2020, the Company issued to Ventas, Inc. ("Ventas") a warrant (the "Warrant") to purchase 16.3 million shares of the Company's common stock, \$0.01 par value per share, at a price per share of \$3.00. The Warrant is exercisable at Ventas' option at any time and from time to time, in whole or in part, until December 31, 2025. The exercise price and the number of shares issuable on exercise of the Warrant are subject to certain anti-dilution adjustments, including for cash dividends, stock dividends, stock splits, reclassifications, non-cash distributions, certain repurchases of common stock, and business combination transactions.

During the three months ended December 31, 2022, the Company issued 2,875,000 of its 7.00% tangible equity units (the "Units") at a public offering price of \$50.00 per Unit for an aggregate offering of \$143.8 million. Each Unit is comprised of a prepaid stock purchase contract and a senior amortizing note with an initial principal amount of \$8.8996. Unless settled early in accordance with the terms of the instruments, under each purchase contract, the Company is obligated to deliver to the holder on November 15, 2025 a minimum of 12.9341, and a maximum of 15.1976, shares of the Company's common stock depending on the daily volume-weighted average price of its common stock for the 20 trading days preceding the settlement date. During the three months ended March 31, 2024, 275,000 of the Units were separated at the election of the holders into the two components, prepaid stock purchase contracts and senior amortizing notes, and the Company delivered 3,556,877 shares of the Company's common stock upon settlement of such prepaid stock purchase contracts. As of March 31, 2024, 2,600,000 prepaid stock purchase contracts remain outstanding, and the maximum number of shares issuable upon settlement of the Units' prepaid stock purchase contracts is 39.5 million.

Basic earnings per share ("EPS") is calculated by dividing net income (loss) by the weighted average number of shares of common stock outstanding, after giving effect to the minimum number of shares issuable upon settlement of the prepaid stock purchase contract component of the Units. The following table summarizes the computation of basic weighted average shares presented in the condensed consolidated statements of operations.

<i>(in thousands)</i>	Three Months Ended March 31,	
	2024	2023
Weighted average common shares outstanding	190,062	187,392
Weighted average minimum shares issuable under purchase contracts	35,828	37,186
Weighted average shares outstanding - basic	<u>225,890</u>	<u>224,578</u>

Diluted EPS includes the components of basic EPS and also gives effect to dilutive common stock equivalents. Diluted EPS reflects the potential dilution that could occur if securities or other instruments that are convertible into common stock were exercised or could result in the issuance of common stock. For the purposes of computing diluted EPS, weighted average shares outstanding do not include potentially dilutive securities that are anti-dilutive under the treasury stock method or if-converted method, and performance-based equity awards are included based on the attainment of the applicable performance metrics as of the end of the reporting period. The Company has the following potentially outstanding shares of common stock, which were excluded from the computation of diluted net income (loss) per share attributable to common stockholders in both periods as a result of the net loss.

<i>(in millions)</i>	As of March 31,	
	2024	2023
Convertible senior notes	38.3	38.3
Warrants	16.3	16.3
Restricted stock and restricted stock units	6.5	6.6
Incremental shares issuable under purchase contracts	5.9	6.5
Total	<u>67.0</u>	<u>67.7</u>

11. Income Taxes

The difference between the Company's effective tax rate for the three months ended March 31, 2024 and 2023 was primarily due to an increase in the tax benefit on the vesting of restricted stock units and restricted stock awards for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023.

The Company recorded an aggregate deferred federal, state, and local tax benefit of \$7.6 million for the three months ended March 31, 2024, which was partially offset by an increase to the valuation allowance of \$7.2 million. The Company recorded an aggregate deferred federal, state, and local tax benefit of \$9.4 million for the three months ended March 31, 2023, which was offset by an increase to the valuation allowance of \$9.7 million.

The Company evaluates its deferred tax assets each quarter to determine if a valuation allowance is required based on whether it is more likely than not that some portion of the deferred tax asset would not be realized. The Company's valuation allowance as of March 31, 2024 and December 31, 2023 was \$481.4 million and \$474.2 million, respectively.

The increase in the valuation allowance for both the three months ended March 31, 2024 and 2023 is the result of current operating losses during the periods and the anticipated reversal of future tax liabilities offset by future tax deductions.

The Company recorded interest charges related to its tax contingency reserve for cash tax positions for the three months ended March 31, 2024 and 2023 which are included in income tax expense or benefit for the period. As of March 31, 2024, tax returns for years 2019 through 2022 are subject to future examination by tax authorities. In addition, the net operating losses from prior years are subject to adjustment under examination.

12. Supplemental Disclosure of Cash Flow Information

	Three Months Ended March 31,	
	2024	2023
<i>(in thousands)</i>		
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ 56,271	\$ 55,110
Income taxes paid, net of (refunds)	\$ 3	\$ (1,346)
Capital expenditures, net of related payables:		
Capital expenditures - non-development, net	\$ 50,591	\$ 62,912
Capital expenditures - development, net	218	519
Capital expenditures - non-development - reimbursable from lessor	249	2,244
Trade accounts payable	(6,659)	(15,975)
Net cash paid	<u>\$ 44,399</u>	<u>\$ 49,700</u>

Restricted cash consists principally of escrow deposits for interest rate caps, real estate taxes, property insurance, capital expenditures, and debt service reserves required by certain lenders under mortgage debt agreements, deposits as security for self-insured retention risk under workers' compensation programs and property insurance programs, and regulatory reserves for certain CCRCs. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the condensed consolidated balance sheets that sums to the total of the same such amounts shown in the condensed consolidated statements of cash flows.

	March 31, 2024	December 31, 2023
<i>(in thousands)</i>		
Reconciliation of cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	\$ 318,549	\$ 277,971
Restricted cash	45,673	41,341
Long-term restricted cash	31,444	30,356
Total cash, cash equivalents, and restricted cash	<u>\$ 395,666</u>	<u>\$ 349,668</u>

13. Segment Information

The Company has three reportable segments: Independent Living; Assisted Living and Memory Care; and CCRCs. Operating segments are defined as components of an enterprise that engage in business activities from which it may earn revenues and incur expenses; for which separate financial information is available; and whose operating results are regularly reviewed by the chief operating decision maker to assess the performance of the individual segment and make decisions about resources to be allocated to the segment.

Independent Living. The Company's Independent Living segment includes owned or leased communities that are primarily designed for middle to upper income seniors who desire to live in a residential setting that feels like home, without the efforts of ownership. The majority of the Company's independent living communities consist of both independent and assisted living units in a single community, which allows residents to age-in-place by providing them with a broad continuum of senior independent and assisted living services to accommodate their changing needs.

Assisted Living and Memory Care. The Company's Assisted Living and Memory Care segment includes owned or leased communities that offer housing and 24-hour assistance with activities of daily living for the Company's residents. The

Company's assisted living and memory care communities include both freestanding, multi-story communities, as well as smaller, freestanding, single story communities. The Company also provides memory care services at freestanding memory care communities that are specially designed for residents with Alzheimer's disease and other dementias.

CCRCs. The Company's CCRCs segment includes large owned or leased communities that offer a variety of living arrangements and services to accommodate a broad spectrum of physical ability and healthcare needs. Most of the Company's CCRCs have independent living, assisted living, memory care, and skilled nursing available on one campus.

All Other. All Other includes communities operated by the Company pursuant to management agreements. Under the management agreements for these communities, the Company receives management fees as well as reimbursement of expenses it incurs on behalf of the owners.

The following tables set forth selected segment financial data.

	Three Months Ended March 31,	
	2024	2023
<i>(in thousands)</i>		
Revenue and other operating income:		
Independent Living ⁽¹⁾	\$ 148,948	\$ 140,656
Assisted Living and Memory Care ⁽¹⁾	510,872	488,804
CCRCs ⁽¹⁾	84,421	86,272
All Other	38,590	37,531
Total revenue and other operating income	<u>\$ 782,831</u>	<u>\$ 753,263</u>
Segment operating income: ⁽²⁾		
Independent Living	\$ 48,643	\$ 46,833
Assisted Living and Memory Care	137,458	124,593
CCRCs	15,590	13,499
All Other	2,618	2,577
Total segment operating income	<u>204,309</u>	<u>187,502</u>
General and administrative expense (including non-cash stock-based compensation expense)	45,732	48,619
Facility operating lease expense	51,496	46,127
Depreciation and amortization	86,127	84,934
Asset impairment	1,708	—
Income (loss) from operations	<u>\$ 19,246</u>	<u>\$ 7,822</u>

	As of	
	March 31, 2024	December 31, 2023
<i>(in thousands)</i>		
Total assets:		
Independent Living ⁽³⁾	\$ 1,192,142	\$ 1,206,021
Assisted Living and Memory Care	3,279,194	3,315,921
CCRCs	607,107	612,521
Corporate and All Other	463,881	438,972
Total assets	<u>\$ 5,542,324</u>	<u>\$ 5,573,435</u>

- (1) All revenue and other operating income is earned from external third parties in the United States.
- (2) Segment operating income is defined as segment revenues and other operating income less segment facility operating expenses (excluding facility depreciation and amortization) and costs incurred on behalf of managed communities.
- (3) The Company's total carrying amount of goodwill is included on the Independent Living segment and was \$27.3 million as of both March 31, 2024 and December 31, 2023.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Certain statements in this Quarterly Report on Form 10-Q may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to various risks and uncertainties and include all statements that are not historical statements of fact and those regarding our intent, belief or expectations. Forward-looking statements are generally identifiable by use of forward-looking terminology such as "may," "will," "should," "could," "would," "potential," "intend," "expect," "endeavor," "seek," "anticipate," "estimate," "believe," "project," "predict," "continue," "plan," "target," or other similar words or expressions, and include statements regarding our expected financial and operational results. These forward-looking statements are based on certain assumptions and expectations, and our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Although we believe that expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance that our assumptions or expectations will be attained and actual results and performance could differ materially from those projected. Factors which could have a material adverse effect on our operations and future prospects or which could cause events or circumstances to differ from the forward-looking statements include, but are not limited to, events which adversely affect the ability of seniors to afford resident fees, including downturns in the economy, housing market, consumer confidence, or the equity markets and unemployment among resident family members; changes in reimbursement rates, methods, or timing under governmental reimbursement programs including the Medicare and Medicaid programs; the effects of senior housing construction and development, lower industry occupancy, and increased competition; conditions of housing markets, regulatory changes, acts of nature, and the effects of climate change in geographic areas where we are concentrated; terminations of our resident agreements and vacancies in the living spaces we lease; failure to maintain the security and functionality of our information systems, to prevent a cybersecurity attack or breach, or to comply with applicable privacy and consumer protection laws, including HIPAA; our ability to complete our capital expenditures in accordance with our plans; our ability to identify and pursue development, investment, and acquisition opportunities and our ability to successfully integrate acquisitions; competition for the acquisition of assets; our ability to complete pending or expected disposition, acquisition, or other transactions on agreed upon terms or at all, including in respect of the satisfaction of closing conditions, the risk that regulatory approvals are not obtained or are subject to unanticipated conditions, and uncertainties as to the timing of closing, and our ability to identify and pursue any such opportunities in the future; risks related to the implementation of our strategy, including initiatives undertaken to execute on our strategic priorities and their effect on our results; the impacts of the COVID-19 pandemic, including on the nation's economy and debt and equity markets and the local economies in our markets, and on us and our business, results of operations, cash flow, revenue, expenses, liquidity, and our strategic initiatives, including plans for future growth, which will depend on many factors, some of which cannot be foreseen, including the pace and consistency of recovery from the pandemic and any resurgence or variants of the disease; limits on our ability to use net operating loss carryovers to reduce future tax payments; delays in obtaining regulatory approvals; disruptions in the financial markets or decreases in the appraised values or performance of our communities that affect our ability to obtain financing or extend or refinance debt as it matures and our financing costs; our ability to generate sufficient cash flow to cover required interest, principal, and long-term lease payments and to fund our planned capital projects; the effect of any non-compliance with any of our debt or lease agreements (including the financial or other covenants contained therein), including the risk of lenders or lessors declaring a cross default in the event of our non-compliance with any such agreements and the risk of loss of our property securing leases and indebtedness due to any resulting lease terminations and foreclosure actions; the inability to renew, restructure, or extend leases, or exercise purchase options at or prior to the end of any existing lease term; the effect of our indebtedness and long-term leases on our liquidity and our ability to operate our business; increases in market interest rates that increase the costs of our debt obligations; our ability to obtain additional capital on terms acceptable to us; departures of key officers and potential disruption caused by changes in management; increased competition for, or a shortage of, associates, wage pressures resulting from increased competition, low unemployment levels, minimum wage increases and changes in overtime laws, and union activity; environmental contamination at any of our communities; failure to comply with existing environmental laws; an adverse determination or resolution of complaints filed against us, including putative class action complaints, and the frequency and magnitude of legal actions and liability claims that may arise due to COVID-19 or our response efforts; negative publicity with respect to any lawsuits, claims, or other legal or regulatory proceedings; costs to respond to, and adverse determinations resulting from, government inquiries, reviews, audits, and investigations; the cost and difficulty of complying with increasing and evolving regulation, including new disclosure obligations; changes in, or our failure to comply with, employment-related laws and regulations; the risks associated with current global economic conditions and general economic factors on us and our business partners such as inflation, commodity costs, fuel and other energy costs, competition in the labor market, costs of salaries, wages, benefits, and insurance, interest rates, tax rates, geopolitical tensions or conflicts, and uncertainty surrounding federal elections; the impact of seasonal contagious illness or an outbreak of COVID-19 or other contagious disease in the markets in which we operate; actions of activist stockholders, including a proxy contest; as well as other risks detailed from time to time in our filings with the Securities and Exchange Commission ("SEC"), including those set forth under "Item 1A. Risk Factors" contained in our Annual Report on Form 10-K for the year ended

December 31, 2023. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements in such SEC filings. Readers are cautioned not to place undue reliance on any of these forward-looking statements, which reflect management's views as of the date of this Quarterly Report on Form 10-Q. We cannot guarantee future results, levels of activity, performance or achievements, and, except as required by law, we expressly disclaim any obligation to release publicly any updates or revisions to any forward-looking statements contained in this Quarterly Report on Form 10-Q to reflect any change in our expectations with regard thereto or change in events, conditions, or circumstances on which any statement is based.

Unless otherwise specified, references to "Brookdale," "we," "us," "our," or "the Company" in this Quarterly Report on Form 10-Q mean Brookdale Senior Living Inc. together with its consolidated subsidiaries.

Overview

We are the nation's premier operator of senior living communities, operating and managing 652 communities in 41 states as of March 31, 2024, with the ability to serve approximately 59,000 residents. We offer our residents access to a broad continuum of services across the most attractive sectors of the senior living industry. We operate and manage independent living, assisted living, memory care, and continuing care retirement communities ("CCRCs").

Our senior living communities and our comprehensive network help to provide seniors with care, connection, and services in an environment that feels like home. Our expertise in healthcare, hospitality, and real estate provides residents with opportunities to improve wellness, pursue passions, make new friends, and stay connected with loved ones. By providing residents with a range of service options as their needs change, we provide greater continuity of care, enabling seniors to age-in-place, which we believe enables them to maintain residency with us for a longer period of time. The ability of residents to age-in-place is also beneficial to our residents' families who are concerned with care decisions for their elderly relatives.

Results of Operations

As of March 31, 2024, our total operations included 652 communities with a capacity to serve approximately 59,000 residents. As of that date, we owned 345 communities (31,169 units), leased 277 communities (19,844 units), and managed 30 communities (4,579 units). The following discussion should be read in conjunction with our condensed consolidated financial statements and the related notes, which are included in "Item 1. Financial Statements" of this Quarterly Report on Form 10-Q. The results of operations for any particular period are not necessarily indicative of results for any future period.

We use the operating measures described below in connection with operating and managing our business and reporting our results of operations.

- Senior housing operating results and data presented on a **same community basis** reflect results and data of a consistent population of communities by excluding the impact of changes in the composition of our portfolio of communities. The operating results exclude natural disaster expense and related insurance recoveries. We define our same community portfolio as communities consolidated and operational for the full period in both comparison years. Consolidated communities excluded from the same community portfolio include communities acquired or disposed of since the beginning of the prior year, communities classified as assets held for sale, certain communities planned for disposition, certain communities that have undergone or are undergoing expansion, redevelopment, and repositioning projects, and certain communities that have experienced a casualty event that significantly impacts their operations. Our management uses same community operating results and data for decision making and components of executive compensation, and we believe such results and data provide useful information to investors, because it enables comparisons of revenue, expense, and other operating measures for a consistent portfolio over time without giving effect to the impacts of communities that were not consolidated and operational for the comparison periods, communities acquired or disposed during the comparison periods (or planned for disposition), and communities with results that are or likely will be impacted by completed or in-process development-related capital expenditure projects.
- **RevPAR**, or average monthly senior housing resident fee revenue per available unit, is defined as resident fee revenue for the corresponding portfolio for the period (excluding revenue for private duty services provided to seniors living outside of our communities and entrance fee amortization), divided by the weighted average number of available units in the corresponding portfolio for the period, divided by the number of months in the period. We measure RevPAR at the consolidated level, as well as at the segment level with respect to our Independent Living, Assisted Living and Memory Care, and CCRCs segments. Our management uses RevPAR for decision making and components of executive compensation, and we believe the measure provides useful information to investors, because the measure is an indicator of senior housing resident fee revenue performance that reflects the impact of both senior housing occupancy and rate.

- **RevPOR**, or average monthly senior housing resident fee revenue per occupied unit, is defined as resident fee revenue for the corresponding portfolio for the period (excluding revenue for private duty services provided to seniors living outside of our communities and entrance fee amortization), divided by the weighted average number of occupied units in the corresponding portfolio for the period, divided by the number of months in the period. We measure RevPOR at the consolidated level, as well as at the segment level with respect to our Independent Living, Assisted Living and Memory Care, and CCRCs segments. Our management uses RevPOR for decision making, and we believe the measure provides useful information to investors, because it reflects the average amount of senior housing resident fee revenue we derive from an occupied unit per month without factoring occupancy rates. RevPOR is a significant driver of our senior housing revenue performance.
- Weighted average occupancy rate reflects the percentage of units at our owned and leased communities being utilized by residents over a reporting period. We measure occupancy rates with respect to our Independent Living, Assisted Living and Memory Care, and CCRCs segments, and also measure this metric both on a consolidated senior housing and a same community basis. Our management uses weighted average occupancy, and we believe the measure provides useful information to investors, because it is a significant driver of our senior housing revenue performance.

This section includes the non-GAAP performance measure Adjusted EBITDA. See "Non-GAAP Financial Measures" below for our definition of the measure and other important information regarding such measure, including reconciliations to the most comparable measure in accordance with generally accepted accounting principles in the United States ("GAAP").

Comparison of Three Months Ended March 31, 2024 and 2023

Summary Operating Results

The following table summarizes our overall operating results for the three months ended March 31, 2024 and 2023.

(in thousands)	Three Months Ended March 31,		Increase (Decrease)	
	2024	2023	Amount	Percent
Resident fees	\$ 744,241	\$ 713,404	\$ 30,837	4.3 %
Facility operating expense	542,550	530,807	11,743	2.2 %
Net income (loss)	(29,581)	(44,563)	(14,982)	(33.6)%
Adjusted EBITDA	97,616	88,623	8,993	10.1 %

The increase in resident fees was primarily attributable to a 6.3% increase in same community RevPAR, comprised of a 4.3% increase in same community RevPOR and a 150 basis point increase in same community weighted average occupancy. The increase was partially offset by the disposition of communities since the beginning of the prior year period, which resulted in \$16.3 million less in resident fees during the three months ended March 31, 2024 compared to the prior year period.

The increase in facility operating expense was primarily attributable to a 4.3% increase in same community facility operating expense primarily resulting from broad inflationary pressure, an additional day of expense due to the leap year, and an increase in property repair expense primarily as a result of severe weather events, partially offset by a decrease in the use of premium labor, primarily contract labor. The increase was partially offset by the disposition of communities since the beginning of the prior year period, which resulted in \$13.7 million less in facility operating expense during the three months ended March 31, 2024 compared to the prior year period.

The decrease in net loss was primarily attributable to the increase in resident fees, partially offset by the increase in facility operating expense.

The increase in Adjusted EBITDA was primarily attributable to the increase in resident fees, partially offset by the increase in facility operating expense and the change in classification of \$7.4 million of lease payments for 35 communities as cash facility operating lease payments as a result of lease amendments subsequent to the prior year period.

Operating Results - Senior Housing Segments

The following table summarizes the consolidated operating results and data of our three senior housing segments (Independent Living, Assisted Living and Memory Care, and CCRCs) for the three months ended March 31, 2024 and 2023, including operating results and data on a same community basis. See management's discussion and analysis of the operating results on an individual segment basis on the following pages.

<i>(in thousands, except communities, units, occupancy, RevPAR, and RevPOR)</i>	Three Months Ended March 31,		Increase (Decrease)	
	2024	2023	Amount	Percent
Resident fees	\$ 744,241	\$ 713,404	\$ 30,837	4.3 %
Other operating income	\$ —	\$ 2,328	\$ (2,328)	(100.0)%
Facility operating expense	\$ 542,550	\$ 530,807	\$ 11,743	2.2 %
Number of communities (period end)	622	641	(19)	(3.0)%
Total average units	51,039	52,177	(1,138)	(2.2)%
RevPAR	\$ 4,854	\$ 4,551	\$ 303	6.7 %
Occupancy rate (weighted average)	77.9%	76.3%	160 bps	n/a
RevPOR	\$ 6,228	\$ 5,963	\$ 265	4.4 %

Same Community Operating Results and Data

Resident fees	\$ 729,127	\$ 685,944	\$ 43,183	6.3 %
Other operating income	\$ —	\$ 2,215	\$ (2,215)	(100.0)%
Facility operating expense	\$ 527,696	\$ 506,111	\$ 21,585	4.3 %
Number of communities	611	611	—	— %
Total average units	50,120	50,124	(4)	— %
RevPAR	\$ 4,849	\$ 4,562	\$ 287	6.3 %
Occupancy rate (weighted average)	78.0%	76.5%	150 bps	n/a
RevPOR	\$ 6,218	\$ 5,960	\$ 258	4.3 %

Independent Living Segment

The following table summarizes the operating results and data for our Independent Living segment for the three months ended March 31, 2024 and 2023. All 68 of the communities in our Independent Living segment are included within our same community portfolio.

<i>(in thousands, except communities, units, occupancy, RevPAR, and RevPOR)</i>	Three Months Ended March 31,		Increase (Decrease)	
	2024	2023	Amount	Percent
Resident fees	\$ 148,948	\$ 140,602	\$ 8,346	5.9 %
Other operating income	\$ —	\$ 54	\$ (54)	(100.0)%
Facility operating expense	\$ 100,305	\$ 93,823	\$ 6,482	6.9 %
Number of communities (period end)	68	68	—	— %
Total average units	12,564	12,571	(7)	(0.1)%
RevPAR	\$ 3,952	\$ 3,728	\$ 224	6.0 %
Occupancy rate (weighted average)	79.6%	78.6%	100 bps	n/a
RevPOR	\$ 4,963	\$ 4,741	\$ 222	4.7 %

The increase in the segment's resident fees was primarily attributable to an increase in the segment's RevPAR, comprised of a 4.7% increase in RevPOR and a 100 basis point increase in weighted average occupancy. The increase in the segment's RevPOR was primarily the result of annual in-place rate increases effective January 1, 2024. The increase in the segment's weighted average occupancy primarily reflects the impact of our execution on key initiatives to rebuild occupancy lost due to the pandemic.

The increase in the segment's facility operating expense was primarily attributable to broad inflationary pressure, an additional day of expense due to the leap year, an increase in property repair expense primarily as a result of severe weather events, and increased wireless internet access provided for residents, partially offset by a decrease in the use of premium labor. The segment's same community facility operating expense for the three months ended March 31, 2024 and 2023 excludes \$0.4 million and \$0.2 million, respectively, of natural disaster expense.

Assisted Living and Memory Care Segment

The following table summarizes the operating results and data for our Assisted Living and Memory Care segment for the three months ended March 31, 2024 and 2023, including operating results and data on a same community basis.

(in thousands, except communities, units, occupancy, RevPAR, and RevPOR)	Three Months Ended March 31,		Increase (Decrease)	
	2024	2023	Amount	Percent
Resident fees	\$ 510,872	\$ 486,777	\$ 24,095	4.9 %
Other operating income	\$ —	\$ 2,027	\$ (2,027)	(100.0)%
Facility operating expense	\$ 373,414	\$ 364,211	\$ 9,203	2.5 %
Number of communities (period end)	537	554	(17)	(3.1)%
Total average units	33,744	34,414	(670)	(1.9)%
RevPAR	\$ 5,036	\$ 4,710	\$ 326	6.9 %
Occupancy rate (weighted average)	77.5%	75.9%	160 bps	n/a
RevPOR	\$ 6,494	\$ 6,204	\$ 290	4.7 %

Same Community Operating Results and Data

Resident fees	\$ 502,495	\$ 471,659	\$ 30,836	6.5 %
Other operating income	\$ —	\$ 1,952	\$ (1,952)	(100.0)%
Facility operating expense	\$ 364,650	\$ 351,368	\$ 13,282	3.8 %
Number of communities	527	527	—	— %
Total average units	33,241	33,239	2	— %
RevPAR	\$ 5,039	\$ 4,730	\$ 309	6.5 %
Occupancy rate (weighted average)	77.5%	76.0%	150 bps	n/a
RevPOR	\$ 6,498	\$ 6,223	\$ 275	4.4 %

The increase in the segment's resident fees was primarily attributable to an increase in the segment's same community RevPAR, comprised of a 4.4% increase in same community RevPOR and a 150 basis point increase in same community weighted average occupancy. The increase in the segment's same community RevPOR was primarily the result of annual in-place rate increases effective January 1, 2024. The increase in the segment's same community weighted average occupancy primarily reflects the impact of our execution on key initiatives to rebuild occupancy lost due to the pandemic. The increase in the segment's resident fees was partially offset by the disposition of communities since the beginning of the prior year period, which resulted in \$9.5 million less in resident fees during the three months ended March 31, 2024 compared to the prior year period.

The increase in the segment's facility operating expense was primarily attributable to an increase in the segment's same community facility operating expense primarily attributable to broad inflationary pressure, an additional day of expense due to the leap year, and an increase in property repair expense primarily as a result of severe weather events, partially offset by a decrease in the use of premium labor, primarily contract labor and a decrease in credit losses. The increase in the segment's facility operating expense was partially offset by the disposition of communities since the beginning of the prior year period, which resulted in \$7.4 million less in facility operating expense during the three months ended March 31, 2024 compared to the prior year period. The segment's same community facility operating expense for the three months ended March 31, 2024 and 2023 excludes \$2.4 million and \$0.3 million, respectively, of natural disaster expense, consisting primarily of remediation of winter storm damage.

CCRCs Segment

The following table summarizes the operating results and data for our CCRCs segment for the three months ended March 31, 2024 and 2023, including operating results and data on a same community basis.

<i>(in thousands, except communities, units, occupancy, RevPAR, and RevPOR)</i>	Three Months Ended March 31,		Increase (Decrease)	
	2024	2023	Amount	Percent
Resident fees	\$ 84,421	\$ 86,025	\$ (1,604)	(1.9)%
Other operating income	\$ —	\$ 247	\$ (247)	(100.0)%
Facility operating expense	\$ 68,831	\$ 72,773	\$ (3,942)	(5.4)%
Number of communities (period end)	17	19	(2)	(10.5)%
Total average units	4,731	5,192	(461)	(8.9)%
RevPAR	\$ 5,948	\$ 5,490	\$ 458	8.3 %
Occupancy rate (weighted average)	76.1%	73.4%	270 bps	n/a
RevPOR	\$ 7,815	\$ 7,482	\$ 333	4.5 %

Same Community Operating Results and Data

Resident fees	\$ 77,684	\$ 73,683	\$ 4,001	5.4 %
Other operating income	\$ —	\$ 209	\$ (209)	(100.0)%
Facility operating expense	\$ 63,090	\$ 61,119	\$ 1,971	3.2 %
Number of communities	16	16	—	— %
Total average units	4,315	4,314	1	— %
RevPAR	\$ 6,001	\$ 5,693	\$ 308	5.4 %
Occupancy rate (weighted average)	76.5%	74.5%	200 bps	n/a
RevPOR	\$ 7,842	\$ 7,638	\$ 204	2.7 %

The decrease in the segment's resident fees was primarily attributable to the disposition of communities since the beginning of the prior year period, which resulted in \$6.8 million less in resident fees during the three months ended March 31, 2024 compared to the prior year period. The decrease was partially offset by an increase in the segment's same community RevPAR, comprised of a 200 basis point increase in same community weighted average occupancy and a 2.7% increase in the segment's same community RevPOR. The increase in the segment's same community weighted average occupancy primarily reflects the impact of our execution on key initiatives to rebuild occupancy lost due to the pandemic. The increase in the segment's same community RevPOR was primarily the result of annual in-place rate increases effective January 1, 2024, partially offset by an occupancy mix shift to more independent living residents.

The decrease in the segment's facility operating expense was primarily attributable to the disposition of communities since the beginning of the prior year period, which resulted in \$6.3 million less in facility operating expense during the three months ended March 31, 2024 compared to the prior year period. The decrease in the segment's facility operating expense was partially offset by an increase in the segment's same community facility operating expense primarily attributable to broad inflationary pressure and an additional day of expense due to the leap year.

Operating Results - Other Income and Expense Items

The following table summarizes other income and expense items in our operating results for the three months ended March 31, 2024 and 2023.

(in thousands)	Three Months Ended March 31,		Increase (Decrease)	
	2024	2023	Amount	Percent
Management fees	\$ 2,618	\$ 2,577	\$ 41	1.6 %
Reimbursed costs incurred on behalf of managed communities	35,972	34,954	1,018	2.9 %
Costs incurred on behalf of managed communities	35,972	34,954	1,018	2.9 %
General and administrative expense	45,732	48,619	(2,887)	(5.9)%
Facility operating lease expense	51,496	46,127	5,369	11.6 %
Depreciation and amortization	86,127	84,934	1,193	1.4 %
Asset impairment	1,708	—	1,708	NM
Interest income	4,778	5,326	(548)	(10.3)%
Interest expense	57,687	59,711	(2,024)	(3.4)%
Equity in earnings (loss) of unconsolidated ventures	—	(577)	(577)	(100.0)%
Non-operating gain (loss) on sale of assets, net	704	—	704	NM
Other non-operating income (loss)	3,338	3,149	189	6.0 %
Benefit (provision) for income taxes	40	(572)	612	NM

General and Administrative Expense. The decrease in general and administrative expense was primarily attributable to a decrease in organizational restructuring costs compared to the prior year period, primarily for severance costs for our senior leadership changes during the three months ended March 31, 2023. General and administrative expense includes transaction and organizational restructuring costs of \$0.4 million and \$3.6 million for the three months ended March 31, 2024 and 2023, respectively. Transaction costs include those directly related to acquisition, disposition, financing and leasing activity, and are primarily comprised of legal, finance, consulting, professional fees, and other third-party costs. Organizational restructuring costs include those related to our efforts to reduce general and administrative expense and our senior leadership changes, including severance costs.

Facility Operating Lease Expense. The increase in facility operating lease expense was primarily due to the change in classification of lease costs from financing leases to operating leases as a result of lease amendments subsequent to the prior year period.

Depreciation and Amortization. The increase in depreciation and amortization expense was primarily due to the completion of community renovations, apartment upgrades, and other major building infrastructure projects since the beginning of the prior year period, partially offset by the change in classification of lease costs from financing leases to operating leases as a result of lease amendments subsequent to the prior year period.

Asset Impairment. During the three months ended March 31, 2024, we recorded \$1.7 million of non-cash impairment charges, primarily due to property damage sustained at certain communities.

Interest Expense. The decrease in interest expense was primarily due to an increase in the fair value of interest rate derivatives in the current period and a decrease in interest expense on financing lease obligations primarily due to the change in classification of lease costs from financing leases to operating leases as a result of lease amendments subsequent to the prior year period. These changes were partially offset by an increase in interest expense on long-term debt primarily as a result of increases in variable interest rate indices.

Benefit (Provision) for Income Taxes. The difference between our effective tax rate for the three months ended March 31, 2024 and 2023 was primarily due to an increase in the tax benefit on the vesting of restricted stock units and restricted stock awards for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023.

We recorded an aggregate deferred federal, state, and local tax benefit of \$7.6 million for the three months ended March 31, 2024, which was partially offset by an increase in the valuation allowance of \$7.2 million.

We evaluate our deferred tax assets each quarter to determine if a valuation allowance is required based on whether it is more likely than not that some portion of the deferred tax asset would not be realized. Our valuation allowance as of March 31, 2024 and December 31, 2023 was \$481.4 million and \$474.2 million, respectively.

Liquidity and Capital Resources

This section includes the non-GAAP liquidity measure Adjusted Free Cash Flow. See "Non-GAAP Financial Measures" below for our definition of the measure and other important information regarding such measure, including reconciliations to the most comparable GAAP measure.

Liquidity

The following is a summary of cash flows from operating, investing, and financing activities, as reflected in the condensed consolidated statements of cash flows, and our Adjusted Free Cash Flow.

<i>(in thousands)</i>	Three Months Ended March 31,		Increase (Decrease)	
	2024	2023	Amount	Percent
Net cash provided by (used in) operating activities	\$ (1,146)	\$ 24,042	\$ (25,188)	NM
Net cash provided by (used in) investing activities	(6,946)	(62,019)	(55,073)	(88.8)%
Net cash provided by (used in) financing activities	54,090	171	53,919	NM
Net increase (decrease) in cash, cash equivalents, and restricted cash	45,998	(37,806)	83,804	NM
Cash, cash equivalents, and restricted cash at beginning of period	349,668	474,548	(124,880)	(26.3)%
Cash, cash equivalents, and restricted cash at end of period	\$ 395,666	\$ 436,742	\$ (41,076)	(9.4)%
Adjusted Free Cash Flow	\$ (26,287)	\$ (21,239)	\$ (5,048)	(23.8)%

The change in net cash provided by (used in) operating activities was primarily attributable to an increase in incentive compensation payments, a decrease in cash received associated with government grants and credits, and an increase in facility operating expense compared to the prior year period, partially offset by increases in resident fees compared to the prior year period. Net cash used in operating activities of \$1.1 million for the three months ended March 31, 2024 primarily reflects the impact of \$45.0 million of net cash used for changes in operating assets and liabilities, including payments under our annual and long-term incentive compensation programs and annual insurance premium payments made during the period. We expect that net cash provided by (used in) changes in operating assets and liabilities may fluctuate in future periods as a result of a number of factors, including the timing of collection of resident fees and the timing of payments for employee compensation and other expenditures. Changes in operating assets and liabilities are generally neutral over an entire annual period.

The decrease in net cash used in investing activities was primarily attributable to a \$49.7 million decrease in purchases of marketable securities and a \$5.3 million decrease in cash paid for capital expenditures compared to the prior year period.

The increase in net cash provided by financing activities was primarily attributable to \$50.0 million of debt secured by first priority mortgages on 11 communities during the three months ended March 31, 2024.

The change in Adjusted Free Cash Flow was primarily attributable to the change in net cash provided by (used in) operating activities, partially offset by a \$12.3 million decrease in non-development capital expenditures, net compared to the prior year period.

Our principal sources of liquidity have historically been from:

- cash balances on hand, cash equivalents, and marketable securities;
- cash flows from operations;
- proceeds from our credit facilities;

- funds generated through unconsolidated venture arrangements;
- proceeds from mortgage financing or refinancing of various assets;
- funds raised in the debt or equity markets; and
- proceeds from the disposition of assets.

Over the longer-term, we expect to continue to fund our business through these principal sources of liquidity.

Over the near-term, we expect that our liquidity requirements will primarily arise from:

- working capital;
- operating costs such as labor costs, severance costs, general and administrative expense, and supply costs;
- debt, interest, and lease payments;
- investment in our healthcare and wellness initiatives;
- transaction consideration and related expenses;
- capital expenditures and improvements;
- cash collateral required to be posted in connection with our financial instruments and insurance programs; and
- other corporate initiatives (including information systems and other strategic projects).

In addition, we may use liquidity to the extent that we identify potential lease restructuring opportunities or exercise available lease purchase options.

We are highly leveraged and have significant debt and lease obligations. As of March 31, 2024, we had \$3.8 billion of debt outstanding at a weighted average interest rate of 5.62%. As of such date, 91.1%, or \$3.4 billion, of our total debt obligations represented non-recourse property-level mortgage financings.

As of March 31, 2024, we had \$1.0 billion of operating and financing lease obligations, and for the twelve months ending March 31, 2025, we will be required to make approximately \$278.4 million of cash lease payments in connection with our existing operating and financing leases.

Total liquidity of \$355.1 million as of March 31, 2024 included \$318.5 million of unrestricted cash and cash equivalents (excluding restricted cash of \$77.1 million) and \$36.5 million of availability on our secured credit facility. Total liquidity as of March 31, 2024 increased \$14.4 million from total liquidity of \$340.7 million as of December 31, 2023. The increase was primarily attributable to \$50.0 million of mortgage debt proceeds, partially offset by negative \$26.3 million of Adjusted Free Cash Flow and repayments of mortgage debt.

Our actual liquidity and capital funding requirements depend on numerous factors, including our operating results, our actual level of capital expenditures, general economic conditions, and the cost of capital, as well as other factors described in "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the Securities and Exchange Commission ("SEC") on February 21, 2024. Since the amount of mortgage financing available for our communities is generally dependent on their appraised values and performance, decreases in their appraised values, including due to adverse changes in real estate market conditions, or their performance, could result in available mortgage refinancing amounts that are less than the communities' maturing indebtedness. In addition, our inability to satisfy underwriting criteria for individual communities may limit our access to our historical lending sources for such communities, including Fannie Mae and Freddie Mac. As of March 31, 2024, 10% of our owned communities were unencumbered by mortgage debt.

As of March 31, 2024, our current liabilities exceeded current assets by \$98.5 million. Included in our current liabilities is \$197.7 million of the current portion of operating and financing lease obligations, for which the associated right-of-use assets are excluded from current assets on our condensed consolidated balance sheets. We currently estimate our historical principal sources of liquidity, primarily our cash flows from operations, together with cash balances on hand and cash equivalents, and proceeds from financings and refinancings of various assets will be sufficient to fund our liquidity needs for at least the next 12 months. We continue to seek opportunities to preserve and enhance our liquidity, including through increasing our RevPAR, maintaining appropriate expense discipline, continuing to refinance or exercise available extension options for maturing debt, continuing to evaluate our capital structure and the state of debt and equity markets, and monetizing non-strategic or underperforming owned assets. There is no assurance that financing will continue to be available on terms consistent with our expectations or at all, or that our efforts will be successful in monetizing certain assets or exercising extension options.

We have completed the refinancing of all of our mortgage debt maturities due in 2024. Our inability to exercise available extension options or obtain refinancing proceeds sufficient to cover 2025 and later maturing indebtedness could adversely impact our liquidity, and may cause us to seek additional alternative sources of financing, which may be less attractive or

unavailable. Shortfalls in cash flows from estimated operating results or other principal sources of liquidity may have an adverse impact on our ability to fund our planned capital expenditures or to fund investments to support our strategy. In order to continue some of these activities at historical or planned levels, we may incur additional indebtedness or lease financing to provide additional funding. There can be no assurance that any such additional financing will be available or on terms that are acceptable to us.

Funding our planned capital expenditures or investments to support our strategy may require additional capital. We expect to continue to assess our financing alternatives periodically and access the capital markets opportunistically. If our existing resources are insufficient to satisfy our liquidity requirements, we may need to sell additional equity or debt securities. Any such sale of additional equity securities will dilute the percentage ownership of our existing stockholders, and we cannot be certain that additional public or private financing will be available in amounts or on terms acceptable to us, if at all. Any newly issued equity securities may have rights, preferences, or privileges senior to those of our common stock. If we are unable to raise additional funds or obtain them on terms acceptable to us, we may have to delay or abandon our plans.

Capital Expenditures

Our capital expenditures are comprised of community-level, corporate, and development capital expenditures. Community-level capital expenditures include maintenance expenditures (including routine maintenance of communities over \$1,500 per occurrence), community renovations, unit upgrades (including unit turnovers over \$500 per unit), and other major building infrastructure projects (including replacements of major building systems). Corporate capital expenditures include those for information technology systems and equipment and the remediation or replacement of assets as a result of casualty losses. Development capital expenditures include community expansions, major community redevelopment and repositioning projects, and the development of new communities.

The following table summarizes our capital expenditures for the three months ended March 31, 2024 for our consolidated business.

(in thousands)

Community-level capital expenditures, net ⁽¹⁾	\$	40,374
Corporate capital expenditures, net		10,217
Non-development capital expenditures, net⁽²⁾		50,591
Development capital expenditures, net		218
Total capital expenditures, net	\$	50,809

(1) Reflects the amount invested, net of lessor reimbursements of \$0.2 million.

(2) Amount is included in Adjusted Free Cash Flow.

In the aggregate, we expect our full-year 2024 non-development capital expenditures, net of anticipated lessor reimbursements, to be approximately \$180.0 million. We anticipate that our 2024 capital expenditures will be funded from cash on hand, cash equivalents, cash flows from operations, reimbursements from lessors, and reimbursement from our property and casualty insurance policies.

Credit Facilities

In December 2023, we amended our revolving credit agreement with Capital One, National Association, as administrative agent and lender and the other lenders from time to time parties thereto. The amended agreement provides an expanded commitment amount of up to \$100.0 million which can be drawn in cash or as letters of credit. The credit facility matures in January 2027, and we have the option to extend the facility for two additional terms of approximately one year each subject to the satisfaction of certain conditions. Amounts drawn under the facility will bear interest at the Secured Overnight Financing Rate ("SOFR") plus an applicable margin ranging from 2.5% to 3.0% based upon the percentage of the total commitment drawn. Additionally, a quarterly commitment fee of 0.25% per annum was applicable on the unused portion of the facility as of March 31, 2024. The revolving credit facility is currently secured by first priority mortgages and negative pledges on certain of our communities. Available capacity under the facility will vary from time to time based upon certain calculations related to the appraised value and performance of the communities securing the credit facility and the variable interest rate of the credit facility.

As of March 31, 2024, \$63.5 million of letters of credit and no cash borrowings were outstanding under our \$100.0 million secured credit facility and the facility had \$36.5 million of availability. We also had a separate secured letter of credit facility providing up to \$15.0 million of letters of credit as of March 31, 2024 under which \$14.5 million had been issued as of that date.

Long-Term Leases

As of March 31, 2024, we operated 277 communities under long-term leases (263 operating leases and 14 financing leases). The substantial majority of our lease arrangements are structured as master leases. Under a master lease, numerous communities are leased through an indivisible lease. In certain cases, we guarantee the performance and lease payment obligations of our subsidiary lessees under the master leases. Due to the nature of such master leases, it is difficult to restructure the composition of our leased portfolios or economic terms of the leases without the consent of the applicable landlord. In addition, an event of default related to an individual property or limited number of properties within a master lease portfolio may result in a default on the entire master lease portfolio.

The leases relating to these communities are generally fixed rate leases with annual escalators that are either fixed or based upon changes in the consumer price index or leased property revenue. Approximately 88% of our community lease payments for the three months ended March 31, 2024 are subject to a weighted average maximum annual increase of 2.7% for community leases subject to fixed annual escalators or variable annual escalators based on the consumer price index subject to a cap. The remaining community lease payments are subject to variable annual escalators primarily based upon the change in the consumer price index. We are responsible for all operating costs, including repairs and maintenance, property taxes, and insurance. The lease terms generally provide for renewal or extension options from 5 to 20 years, and, in some instances, purchase options.

The community leases contain other customary terms, which may include assignment and change of control restrictions, maintenance and capital expenditure obligations, termination provisions, and financial covenants, such as those requiring us to maintain prescribed minimum liquidity, net worth, and stockholders' equity levels and lease coverage ratios. Our lease documents generally contain non-financial covenants, such as those requiring us to comply with Medicare or Medicaid provider requirements and maintain insurance coverage. Certain leases contain cure provisions, which generally allow us to post an additional lease security deposit if the required covenant is not met.

Certain of our master leases contain radius restrictions, which limit our ability to own, develop, or acquire new communities within a specified distance from certain existing communities covered by such agreements. These radius restrictions could negatively affect our ability to expand, develop, or acquire senior housing communities and operating companies.

For the three months ended March 31, 2024 and 2023, our cash lease payments for our operating leases were \$66.5 million and \$58.6 million, respectively, and for our financing leases were \$5.3 million and \$12.4 million, respectively. For the twelve months ending March 31, 2025, we will be required to make \$278.4 million of cash lease payments in connection with our existing operating and financing leases.

Debt and Lease Covenants

Certain of our long-term debt and lease documents contain restrictions and financial covenants, such as those requiring us to maintain prescribed minimum liquidity, net worth, and stockholders' equity levels and debt service and lease coverage ratios, and requiring us not to exceed prescribed leverage ratios, in each case on a consolidated, portfolio-wide, multi-community, single-community, and/or entity basis. Net worth is generally calculated as stockholders' equity as calculated in accordance with GAAP, and in certain circumstances, reduced by intangible assets or liabilities and/or increased by accumulated depreciation and amortization, and/or further adjusted for certain other specified adjustments. The debt service and lease coverage ratios are generally calculated as revenues less operating expenses, including an implied management fee and a reserve for capital expenditures, divided by the debt (principal and interest) or lease payment. These covenants include a requirement contained in certain of our long-term debt documents for us to maintain liquidity of at least \$130.0 million at each quarter-end determination date. As of March 31, 2024, our liquidity was \$355.1 million.

In addition, our debt and lease documents generally contain non-financial covenants, such as those requiring us to comply with Medicare or Medicaid provider requirements and maintain insurance coverage. Our failure to comply with applicable covenants could constitute an event of default under the applicable debt or lease documents. Many of our debt and lease documents contain cross-default provisions so that a default under one of these instruments could cause a default under other debt and lease documents (including documents with other lenders and lessors).

Furthermore, our mortgage debt is secured by our communities and, in certain cases, our long-term debt and leases are secured by a guaranty by us and/or one or more of our subsidiaries. Therefore, if an event of default has occurred under any of our debt or lease documents, subject to cure provisions in certain instances, the respective lender or lessor would have the right to declare all the related outstanding amounts of indebtedness or cash lease obligations immediately due and payable, to foreclose on our mortgaged communities, to terminate our leasehold interests, to foreclose on other collateral securing the indebtedness and leases, to discontinue our operation of leased communities, and/or to pursue other remedies available to such lender or lessor. Further, an event of default could trigger cross-default provisions in our other debt and lease documents (including documents with other lenders or lessors). We cannot provide assurance that we would be able to pay the debt or lease obligations if they became due upon acceleration following an event of default.

As of March 31, 2024, we are in compliance with the financial covenants of our debt agreements and long-term leases.

Non-GAAP Financial Measures

This Quarterly Report on Form 10-Q contains the financial measures Adjusted EBITDA and Adjusted Free Cash Flow, which are not calculated in accordance with GAAP. Presentations of these non-GAAP financial measures are intended to aid investors in better understanding the factors and trends affecting our performance and liquidity. However, investors should not consider these non-GAAP financial measures as a substitute for financial measures determined in accordance with GAAP, including net income (loss), income (loss) from operations, or net cash provided by (used in) operating activities. We caution investors that amounts presented in accordance with our definitions of these non-GAAP financial measures may not be comparable to similar measures disclosed by other companies because not all companies calculate non-GAAP measures in the same manner. We urge investors to review the following reconciliations of these non-GAAP financial measures from the most comparable financial measures determined in accordance with GAAP.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP performance measure that we define as net income (loss) excluding: benefit/provision for income taxes, non-operating income/expense items, and depreciation and amortization; and further adjusted to exclude income/expense associated with non-cash, non-operational, transactional, cost reduction, or organizational restructuring items that management does not consider as part of our underlying core operating performance and that management believes impact the comparability of performance between periods. For the periods presented herein, such other items include non-cash impairment charges, operating lease expense adjustment, non-cash stock-based compensation expense, and transaction and organizational restructuring costs. Transaction costs include those directly related to acquisition, disposition, financing, and leasing activity, and are primarily comprised of legal, finance, consulting, professional fees, and other third-party costs. Organizational restructuring costs include those related to our efforts to reduce general and administrative expense and our senior leadership changes, including severance.

We believe that presentation of Adjusted EBITDA as a performance measure is useful to investors because (i) it is one of the metrics used by our management for budgeting and other planning purposes, to review our historic and prospective core operating performance, and to make day-to-day operating decisions; (ii) it provides an assessment of operational factors that management can impact in the short-term, namely revenues and the controllable cost structure of the organization, by eliminating items related to our financing and capital structure and other items that management does not consider as part of our underlying core operating performance and that management believes impact the comparability of performance between periods; (iii) we believe that this measure is used by research analysts and investors to evaluate our operating results and to value companies in our industry; and (iv) we use the measure for components of executive compensation.

Adjusted EBITDA has material limitations as a performance measure, including: (i) excluded interest and income tax are necessary to operate our business under our current financing and capital structure; (ii) excluded depreciation, amortization, and impairment charges may represent the wear and tear and/or reduction in value of our communities, goodwill, and other assets and may be indicative of future needs for capital expenditures; and (iii) we may incur income/expense similar to those for which adjustments are made, such as gain/loss on sale of assets, facility operating lease termination, or debt modification and extinguishment, non-cash stock-based compensation expense, and transaction and other costs, and such income/expense may significantly affect our operating results.

The table below reconciles Adjusted EBITDA from net income (loss).

<i>(in thousands)</i>	Three Months Ended March 31,	
	2024	2023
Net income (loss)	\$ (29,581)	\$ (44,563)
Provision (benefit) for income taxes	(40)	572
Equity in (earnings) loss of unconsolidated ventures	—	577
Non-operating loss (gain) on sale of assets, net	(704)	—
Other non-operating (income) loss	(3,338)	(3,149)
Interest expense	57,687	59,711
Interest income	(4,778)	(5,326)
Income (loss) from operations	19,246	7,822
Depreciation and amortization	86,127	84,934
Asset impairment	1,708	—
Operating lease expense adjustment	(13,089)	(10,805)
Non-cash stock-based compensation expense	3,273	3,104
Transaction and organizational restructuring costs	351	3,568
Adjusted EBITDA	\$ 97,616	\$ 88,623

Adjusted Free Cash Flow

Adjusted Free Cash Flow is a non-GAAP liquidity measure that we define as net cash provided by (used in) operating activities before: distributions from unconsolidated ventures from cumulative share of net earnings, changes in prepaid insurance premiums financed with notes payable, changes in operating lease assets and liabilities for lease termination, cash paid/received for gain/loss on facility operating lease termination, and lessor capital expenditure reimbursements under operating leases; plus: property and casualty insurance proceeds and proceeds from refundable entrance fees, net of refunds; less: non-development capital expenditures and payment of financing lease obligations. Non-development capital expenditures are comprised of corporate and community-level capital expenditures, including those related to maintenance, renovations, upgrades, and other major building infrastructure projects for our communities and is presented net of lessor reimbursements. Non-development capital expenditures do not include capital expenditures for: community expansions, major community redevelopment and repositioning projects, and the development of new communities.

We believe that presentation of Adjusted Free Cash Flow as a liquidity measure is useful to investors because (i) it is one of the metrics used by our management for budgeting and other planning purposes, to review our historic and prospective sources of operating liquidity, and to review our ability to service our outstanding indebtedness, pay dividends to stockholders, engage in share repurchases, and make capital expenditures, including development capital expenditures; and (ii) it provides an indicator to management to determine if adjustments to current spending decisions are needed.

Adjusted Free Cash Flow has material limitations as a liquidity measure, including: (i) it does not represent cash available for dividends, share repurchases, or discretionary expenditures since certain non-discretionary expenditures, including mandatory debt principal payments, are not reflected in this measure; (ii) the cash portion of non-recurring charges related to gain/loss on facility lease termination generally represent charges/gains that may significantly affect our liquidity; and (iii) the impact of timing of cash expenditures, including the timing of non-development capital expenditures, limits the usefulness of the measure for short-term comparisons.

The table below reconciles Adjusted Free Cash Flow from net cash provided by (used in) operating activities.

<i>(in thousands)</i>	Three Months Ended March 31,	
	2024	2023
Net cash provided by (used in) operating activities	\$ (1,146)	\$ 24,042
Net cash provided by (used in) investing activities	(6,946)	(62,019)
Net cash provided by (used in) financing activities	54,090	171
Net increase (decrease) in cash, cash equivalents, and restricted cash	<u>\$ 45,998</u>	<u>\$ (37,806)</u>
Net cash provided by (used in) operating activities	\$ (1,146)	\$ 24,042
Changes in prepaid insurance premiums financed with notes payable	23,319	19,305
Changes in assets and liabilities for lessor capital expenditure reimbursements under operating leases	(249)	(2,244)
Non-development capital expenditures, net	(50,591)	(62,912)
Property and casualty insurance proceeds	2,642	6,422
Payment of financing lease obligations	(262)	(5,852)
Adjusted Free Cash Flow	<u>\$ (26,287)</u>	<u>\$ (21,239)</u>

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to market risks from changes in interest rates charged on our credit facilities and other variable rate indebtedness. The impact on earnings and the value of our long-term debt are subject to change as a result of movements in market rates and prices. As of March 31, 2024, 58.5%, or \$2.2 billion, of our long-term debt had a weighted average fixed interest rate of 4.10%. As of March 31, 2024, we had \$1.6 billion of long-term variable rate debt, at a weighted average interest rate of 7.75%.

In the normal course of business, we enter into certain interest rate cap and swap agreements with major financial institutions to manage our risk above certain interest rates on variable rate debt. As of March 31, 2024, our \$1.6 billion of outstanding long-term variable rate debt is indexed to SOFR plus a weighted average margin of 242 basis points. Accordingly, our annual interest expense related to long-term variable rate debt is directly affected by movements in SOFR. As of March 31, 2024, \$1.5 billion, or 94%, of our long-term variable rate debt is subject to interest rate cap or swap agreements and \$0.1 billion of our variable rate debt is not subject to any interest rate cap or swap agreements. For our SOFR interest rate cap and swap agreements as of March 31, 2024, the weighted average fixed interest rate is 3.90%, and the weighted average remaining term is 0.5 years. Many of our long-term variable rate debt instruments include provisions that obligate us to obtain additional interest rate cap agreements upon the maturity of the existing interest rate cap agreements. The costs of obtaining additional interest rate cap agreements may offset the benefits of our existing interest rate cap agreements.

The table below reflects the additional annual debt interest expense that would have resulted for the respective basis point increases in SOFR as of March 31, 2024.

Increase in Index <i>(in basis points)</i>	Annual Interest Expense Increase⁽¹⁾ <i>(in millions)</i>
100	\$ 1.5
200	2.9
500	6.4
1,000	11.5

(1) Amounts are after consideration of interest rate cap and swap agreements in place as of March 31, 2024.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, under the supervision of and with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined under Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer each concluded that, as of March 31, 2024, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There has not been any change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information contained in Note 8 to the condensed consolidated financial statements contained in Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated herein by this reference.

Item 1A. Risk Factors

There have been no material changes to the risk factors set forth in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table contains information regarding purchases of our common stock made during the quarter ended March 31, 2024 by or on behalf of the Company or any "affiliated purchaser," as defined by Rule 10b-18(a)(3) of the Exchange Act.

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (\$ in thousands) ⁽²⁾
1/1/2024 - 1/31/2024	—	\$ —	—	\$ 44,026
2/1/2024 - 2/29/2024	573,062	5.91	—	44,026
3/1/2024 - 3/31/2024	1,911	5.57	—	44,026
Total	<u>574,973</u>	<u>\$ 5.91</u>	<u>—</u>	

- (1) Consists entirely of shares withheld to satisfy tax liabilities due upon the vesting of restricted stock units. The average price paid per share for such share withholding is based on the closing price per share on the vesting date of the restricted stock units or, if such date is not a trading day, the trading day immediately prior to such vesting date.
- (2) In 2016, our Board of Directors approved a share repurchase program that authorizes us to purchase up to \$100.0 million in the aggregate of our common stock. The share repurchase program is intended to be implemented through purchases made from time to time using a variety of methods, which may include open market purchases, privately negotiated transactions or block trades, or by any combination of such methods, in accordance with applicable insider trading and other securities laws and regulations. The size, scope and timing of any purchases will be based on business, market and other conditions and factors, including price, regulatory and contractual requirements, and capital availability. The repurchase program does not obligate us to acquire any particular amount of common stock and the program may be suspended, modified or discontinued at any time at our discretion without prior notice. Shares of stock repurchased under the program will be held as treasury shares. As of March 31, 2024, \$44.0 million remained available under the repurchase program.

Item 5. Other Information

Insider Adoption or Termination of Trading Arrangements

During the fiscal quarter ended March 31, 2024, none of our directors or officers adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

Exhibit No.	Description
3.1	<u>Amended and Restated Certificate of Incorporation of the Company, as amended (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed on November 5, 2019 (File No. 001-32641)).</u>
3.2	<u>Amended and Restated Bylaws of the Company dated October 29, 2019 (incorporated by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K filed on October 29, 2019 (File No. 001-32641)).</u>
4.1	<u>Form of Certificate for common stock (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 (Amendment No. 3) filed on November 7, 2005 (File No. 333-127372)).</u>
4.2	<u>Description of the Company's securities (incorporated by reference to Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q filed on May 9, 2023 (File No. 001-32641)).</u>
4.3	<u>Indenture, dated as of October 1, 2021, by and among the Company and American Stock Transfer & Trust Company, LLC, as trustee, governing the 2.00% Convertible Senior Notes due 2026 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on October 1, 2021 (File No. 001-32641)).</u>
4.4	<u>Form of 2.00% Convertible Senior Notes due 2026 (included in Exhibit 4.3).</u>
4.5	<u>Indenture, dated as of November 21, 2022, between the Company and American Stock Transfer & Trust Company, LLC, as trustee (incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed on November 22, 2022 (File No. 001-32641)).</u>
4.6	<u>First Supplemental Indenture, dated as of November 21, 2022, between the Company and American Stock Transfer & Trust Company, LLC, as trustee (incorporated by reference to Exhibit 4.5 to the Company's Current Report on Form 8-K filed on November 22, 2022 (File No. 001-32641)).</u>
4.7	<u>Form of 10.25% Senior Amortizing Notes due 2025 (included in Exhibit 4.6).</u>
4.8	<u>Purchase Contract Agreement dated as of November 21, 2022, between the Company and American Stock Transfer & Trust Company, LLC, as purchase contract agent, as attorney-in-fact for holders of the purchase contracts referred to therein and as trustee under the indenture referred to therein (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on November 22, 2022 (File No. 001-32641)).</u>
4.9	<u>Form of 7.00% Tangible Equity Units (included in Exhibit 4.8).</u>
4.10	<u>Form of Purchase Contracts (included in Exhibit 4.8).</u>
10.1	<u>Restricted Stock Unit Agreement under the Amended and Restated Brookdale Senior Living Inc. 2014 Omnibus Incentive Plan (the "Omnibus Incentive Plan") dated as of February 15, 2024, by and between the Company and Lucinda M. Baier.</u>
10.2	<u>Form of Restricted Stock Unit Agreement under the Omnibus Incentive Plan (2024 Time-Based Form for Executive Officers other than CEO).</u>
10.3	<u>Performance-Based Restricted Stock Unit Agreement under the Omnibus Incentive Plan dated as of February 15, 2024, by and between the Company and Lucinda M. Baier.†</u>
10.4	<u>Form of Restricted Stock Unit Agreement under the Omnibus Incentive Plan (2024 Performance-Based Form for Executive Officers other than CEO).†</u>
31.1	<u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2	<u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32	<u>Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, formatted in Inline XBRL (included in Exhibit 101).

† Portions of this exhibit have been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BROOKDALE SENIOR LIVING INC.

(Registrant)

By: /s/ Dawn L. Kussow

Name: Dawn L. Kussow

Title: Executive Vice President and Chief
Financial Officer
(Authorized Officer and Principal
Financial Officer)

Date: May 8, 2024