



Brookdale Announces First Quarter 2019 Results

Nashville, Tenn., May 6, 2019 - Brookdale Senior Living Inc. (NYSE: BKD) ("Brookdale" or the "Company") announced results for the quarter ended March 31, 2019.

FIRST QUARTER 2019 HIGHLIGHTS

- Same community revenue per occupied unit (RevPOR) increased 3.7% on a sequential-quarter basis and 3.1% on a year-over-year basis.
- Same community Independent Living occupancy remained at 90% for a second sequential quarter and increased 150 basis points from the first quarter of 2018.
- During the quarter the Company sold six communities, terminated the lease on one community, and transitioned over 40 managed communities to new operators.

Lucinda ("Cindy") Baier, Brookdale's President and CEO, said "One of our top priorities in our turnaround strategy is improving our sales cycle. In the first quarter, we saw sequential improvement in leads, first visits, and move-ins. We are positioning Brookdale for the long-term by driving same community revenue growth. Rate increases more than offset the normal first quarter trend of lower occupancy. We continue to make progress on our real estate strategy to reposition our portfolio to win locally. In the first quarter, we transitioned 48 previously-identified communities to new owners and operators. Also, I'm pleased to announce that we complemented our senior leadership team with the hiring of three amazing new leaders who will lead Human Resources, Sales, and Hospice. I'm confident these new additions to our leadership team will hit the ground running and have a positive impact on our business."

SUMMARY OF FIRST QUARTER RESULTS

The table below presents a summary of operating results.

(\$ in millions)	1Q 2019	1Q 2018	Increase / (Decrease)	
			Amount	Percent
Resident fee and management fee revenue ⁽¹⁾	\$ 825.2	\$ 924.9	\$ (99.7)	(10.8)%
Facility operating expense ⁽¹⁾	586.1	632.3	(46.2)	(7.3)%
Net income (loss)	(42.6)	(457.2)	414.6	90.7 %
Adjusted EBITDA ⁽¹⁾⁽²⁾	\$ 116.6	\$ 147.2	\$ (30.6)	(20.8)%

Same Community Senior Housing (Independent Living (IL), Assisted Living and Memory Care (AL/MC), and CCRCs)

The table below presents a summary of same community operating results and metrics of the Company's consolidated senior housing portfolio.⁽³⁾

(\$ in millions, except RevPAR and RevPOR)	1Q 2019	1Q 2018	Year-Over-Year Increase / (Decrease)		4Q 2018	Sequential Increase / (Decrease)	
			Amount	Percent		Amount	Percent
Resident fees	\$ 653.6	\$ 643.9	\$ 9.7	1.5%	\$ 637.7	\$ 15.9	2.5%
Facility operating expense	443.8	424.9	18.9	4.4%	440.4	3.4	0.8%
RevPAR	\$ 4,148	\$ 4,084	\$ 64	1.6%	\$ 4,045	\$ 103	2.5%
Weighted average occupancy	84.0%	85.2%	(120) bps	n/a	84.9%	(90) bps	n/a
RevPOR	\$ 4,939	\$ 4,791	\$ 148	3.1%	\$ 4,765	\$ 174	3.7%

- (1) Transactions completed since the beginning of the prior year period resulted in decreases to resident fee and management fee revenue, facility operating expense, and Adjusted EBITDA of \$110.7 million, \$75.4 million, and \$22.8 million, respectively. The adoption of the new lease standard (ASC 842) and its application to residency agreements and costs related thereto effective January 1, 2019 resulted in increases to resident fee and management fee revenue and facility operating expense of \$2.8 million and \$9.2 million, respectively, and a decrease to Adjusted EBITDA of \$6.4 million.
- (2) Adjusted EBITDA is a financial measure that is not calculated in accordance with GAAP. See "Reconciliations of Non-GAAP Financial Measures" for the Company's definition of such measure, reconciliations to the most comparable GAAP financial measure, and other important information regarding the use of the Company's non-GAAP financial measures. For the first quarter of 2019, the Company modified its definition of Adjusted EBITDA to exclude transaction and organizational restructuring costs, and amounts for all periods herein reflect application of the modified definition.
- (3) The same community portfolio includes 658 communities utilizing the Company's methodology for determining same store communities. Operating results and data presented on a same community basis reflect results and data of the same store communities and, for the 2019 period, exclude the additional resident fee revenue and facility operating expense recognized as a result of application of the new lease accounting standard under ASC 842. Same community resident fee revenue and facility operating expense excludes approximately \$2.6 million and \$8.7 million, respectively, of such additional revenue and expenses.

Summary of First Quarter Results

- **Transactions and lease standard impact:**
 - Since the beginning of the prior year period, the Company completed dispositions, through sales and lease terminations, of 118 communities (11,402 units) and acquired six communities (995 units) that were previously leased or managed.
 - The Company transitioned management arrangements on 65 net communities since the beginning of the prior year period, generally for interim management arrangements on formerly leased or owned communities and management arrangements on certain former unconsolidated ventures in which it sold its interest.
 - The Company adopted the new lease accounting standard (ASC 842) effective January 1, 2019. Adoption of the new lease standard and its application to residency agreements and costs related thereto resulted in the recognition of additional non-cash resident fees and facility operating expense for the first quarter of 2019, for a non-cash net impact of negative \$6.4 million to net income (loss) and Adjusted EBITDA. For the full year 2019, the Company expects the non-cash net impact of such adoption and its application to residency agreements and costs related thereto to be negative \$27 million to net income (loss) and Adjusted EBITDA.
 - To aid in comparability between periods, presentations in this press release of the Company's results on a same community basis and RevPAR and RevPOR exclude the impact of the adoption of the new lease accounting standard and its application to the Company's residency agreements and costs related thereto.
- **Resident fee and management fee revenue:**
 - Excluding the impact of transactions and the new lease accounting standard, resident fee and management fee revenue increased 1.4% over the prior year quarter due to a 3.1% increase in same community RevPOR primarily as the result of in-place rent increases partially offset by a 120 basis point decrease in same community occupancy.
 - First quarter 2019 consolidated RevPAR increased \$119, or 3.0%, to \$4,102 compared to the first quarter of the prior year as a result of an increase in consolidated RevPOR of \$192, or 4.1%, to \$4,909 and a decrease in consolidated occupancy of 80 basis points to 83.6% compared to the first quarter of the prior year.
- **Facility operating expense:**
 - Excluding the impact of transactions and the new lease accounting standard, facility operating expense increased \$20.0 million, or 3.6%, primarily due to an increase in labor expense attributable to wage rate increases, increased use of overtime and contract labor, and intentional above industry investment in salaries and benefits.
 - Other facility operating expense also contributed to the increase as a result of investments in marketing and advertising, property remediation, and higher insurance premiums.
- **Net income (loss):**
 - The improvement was primarily attributable to a decrease in goodwill and asset impairment expense of \$430.0 million, partially offset by a decrease in net gain on sale of assets of \$44.1 million.
 - General and administrative expense of \$56.3 million for the first quarter of 2019 represents a \$25.1 million, or 31%, decrease from the prior year quarter, primarily due to \$16.7 million less in transaction and organizational restructuring costs and \$2.1 million less in non-cash stock-based compensation expense. Excluding such costs, general and administrative expense decreased \$6.4 million, or 11.4%, on a year-over-year basis.
- **Adjusted EBITDA:** The decrease was primarily attributable to the negative impacts of transactions completed since the beginning of the prior year period and application of the new lease standard effective January 1, 2019.

Same Community Senior Housing (IL, AL/MC, and CCRCs)

- **Resident fees:**
 - The year-over-year increase was primarily attributable to the increase in RevPAR, comprised of the increase in RevPOR partially offset by the 120 basis point decrease in same community weighted average occupancy. The increase in RevPOR was primarily the result of in-place rent increases compared to the prior year quarter.
 - The sequential decrease in weighted average occupancy reflects oversupply pressures from competition that entered the market over the past several years.
- **Facility operating expense:**
 - The year-over-year increase was primarily due to a 4.1% increase in labor expense arising from wage rate increases, increased use of overtime and contract labor, and intentional above industry investment in salaries and benefits.
 - Other operating expense increased 5.1% year-over-year quarter mainly due to investments in marketing and advertising, property remediation, and higher insurance premiums.

Health Care Services

(\$ in millions)	1Q 2019	1Q 2018	Increase / (Decrease)	
			Amount	Percent
Resident fee revenue				
Home Health	\$ 84.2	\$ 85.5	\$ (1.3)	(1.5)%
Hospice	21.7	19.3	2.4	12.4 %
Outpatient Therapy	5.6	5.7	(0.1)	(1.4)%
Facility operating expense	\$ 103.4	\$ 102.2	\$ 1.2	1.1 %

- **Resident fee revenue:**
 - Home Health average daily census improved but resident fees were negatively impacted by changes in case-mix and community dispositions.
 - Hospice increase was due to an increase in average daily census.
- **Facility operating expense:**
 - The increase in facility operating expense was primarily attributable to an increase in labor costs arising from wage rate increases and the expansion of the Company's hospice services.

Management Services

(\$ in millions)	1Q 2019	1Q 2018	Increase / (Decrease)	
			Amount	Percent
Management fees	\$ 15.7	\$ 18.7	\$ (2.9)	(15.7)%

- **Management fees:** The decrease in management fees was primarily attributable to the transition of management arrangements on 65 net communities since the beginning of the prior year period, generally for interim management arrangements on formerly leased or owned communities and management arrangements on certain former unconsolidated ventures in which the Company sold its interest.

LIQUIDITY

The table below presents a summary of the Company's net cash provided by (used in) operating activities and Adjusted Free Cash Flow.

(\$ in millions)	1Q 2019	1Q 2018	Increase / (Decrease)	
			Amount	
Net cash provided by (used in) operating activities	\$ (5.0)	\$ 38.0	\$ (43.0)	
Adjusted Free Cash Flow ⁽⁴⁾	\$ (47.0)	\$ (6.3)	\$ (40.7)	

⁽⁴⁾ Adjusted Free Cash Flow is a financial measure that is not calculated in accordance with GAAP. See "Reconciliations of Non-GAAP Financial Measures" for the Company's definition of such measure, reconciliations to the most comparable GAAP financial measure and other important information regarding the use of the Company's non-GAAP financial measures. For the first quarter of 2019, the Company modified its definition of Adjusted Free Cash Flow to no longer adjust net cash provided by (used in) operating activities for changes in working capital items other than changes in prepaid insurance premiums financed with

notes payable and lease liability for lease termination and modification, and amounts for all periods herein reflect application of the modified definition.

- **Net cash provided by (used in) operating activities:**
 - The decrease in net cash provided by (used in) operating activities was primarily attributable to the use of cash in the first quarter of 2019 for working capital needs resulting from lower revenue collected in advance due to quarter-end timing and an increase in accounts receivable due to hospice expansion and the centralized intake conversion.
 - The decrease in net cash provided by (used in) operating activities compared to the prior year first quarter was also attributable to the impact of disposition activity, through sales and lease terminations, since the beginning of the prior year period.
- **Adjusted Free Cash Flow:**
 - The decrease in Adjusted Free Cash Flow compared to the prior year first quarter was attributable to the Adjusted EBITDA factors noted above, as well as:
 - A \$31.6 million increase in cash used in operating activities for changes in operating assets and liabilities other than prepaid insurance premiums financed with notes payable, due to the factors described above.
 - A \$12.9 million year-over-year increase in non-development capital expenditures, net. First quarter non-development capital expenditures, net were \$54.6 million.
- **Total Liquidity:**
 - Total liquidity for the Company was \$530.0 million as of March 31, 2019, a decrease from total liquidity of \$592.5 million as of December 31, 2018. The \$62.5 million decrease was primarily attributable to the negative \$47.0 million of Adjusted Free Cash Flow, an increase in restricted cash deposits for collateral on the Company's letters of credit and insurance programs, debt payments made during the period, and cash paid for share repurchases. These decreases were partially offset by net cash proceeds from the asset sales.
 - Total liquidity as of March 31, 2019 included \$256.5 million of unrestricted cash and cash equivalents, \$83.5 million of marketable securities, and \$190.0 million of availability on the Company's secured credit facility.
- **Share Repurchases:** In the first quarter of 2019, the Company repurchased \$6 million of shares of common stock in open market transactions pursuant to the repurchase program publicly announced on November 1, 2016 (approximately 0.9 million shares at an average purchase price of \$6.43 per share). As of March 31, 2019, approximately \$75.9 million remained available under the repurchase program.

UNCONSOLIDATED VENTURES

The Company's proportionate share of Adjusted EBITDA of unconsolidated ventures declined 32.4% versus the first quarter of the prior year primarily as a result of the Company's sale of its interest in six unconsolidated ventures since the beginning of the prior year period. The Company's proportionate share of Adjusted Free Cash Flow of unconsolidated ventures declined 15.4% versus the prior year quarter primarily as a result of such dispositions.

TRANSACTION UPDATE

The closings of the various pending and expected transactions described below are, or will be, subject to the satisfaction of various closing conditions, including (where applicable) the receipt of regulatory approvals. However, there can be no assurance that the transactions will close or, if they do, when the actual closings will occur.

- **Dispositions of Owned Communities/Lease Terminations:** During the three months ended March 31, 2019, the Company completed the sale of six owned communities (485 units) for cash proceeds of \$29.5 million, net of transaction costs, and terminated the lease on one community (69 units).
- **Assets Held for Sale:** As of March 31, 2019, seven communities were classified as held for sale, resulting in \$58.3 million being recorded as assets held for sale and \$23.4 million of mortgage debt being included in the current portion of long-term debt within the condensed consolidated balance sheet with respect to such communities. This debt is expected to be repaid with the proceeds from the sales. The Company continues to market several other communities, in addition to those included in assets held for sale.
- **Management Transitions:** The Company transitioned management on 41 net communities to new operators during the first quarter of 2019, most of which were managed under interim arrangements on formerly leased communities. The Company expects terminations of additional management arrangements over the next year, including interim management arrangements on formerly leased or owned communities and management arrangements on certain former unconsolidated ventures in which it sold its interest.

2019 OUTLOOK

Based on results year-to-date, the Company reiterates its full year 2019 guidance:

<i>(\$ in millions)</i>	Full Year 2019 Guidance
Adjusted EBITDA	\$400 - \$425
Adjusted Free Cash Flow	(\$100) - (\$80)
Non-Development Capital Expenditures	Approx. \$250
The Company's proportionate share of Adjusted EBITDA of unconsolidated ventures	\$30 - \$40
The Company's proportionate share of Adjusted Free Cash Flow of unconsolidated ventures	\$10 - \$20

Key Guidance Assumptions:

- Includes the impact of transactions closed prior to the date hereof and the expected impact of the Company's plans to dispose of communities, including seven communities classified as held for sale as of March 31, 2019 and several other communities being actively marketed, and expected lease and management terminations, and such expectations are based on the Company's estimates regarding the timing of the closings of such transactions.
- Except for the foregoing transactions, the Company's guidance excludes the impact of any future acquisition, disposition, financing or other transaction activity.
- Adjusted EBITDA guidance includes the estimated non-recurring, non-cash net impact of negative \$27 million resulting from the Company's adoption of the new lease accounting standard effective January 1, 2019. The lease accounting change has no impact on the Adjusted Free Cash Flow guidance.

Reconciliations of the non-GAAP financial measures included in the foregoing guidance to the most comparable GAAP financial measures are not available without unreasonable effort due to the inherent difficulty in forecasting the timing or amounts of items required to reconcile Adjusted EBITDA, Adjusted Free Cash Flow and the Company's proportionate share of Adjusted EBITDA and Adjusted Free Cash Flow of unconsolidated ventures from the Company's net income (loss), the Company's net cash provided by (used in) operating activities, and the unconsolidated ventures' net income (loss) and net cash provided by (used in) operating activities, as applicable. Variability in the timing or amounts of items required to reconcile each measure may have a significant impact on the Company's future GAAP results.

SUPPLEMENTAL INFORMATION

The Company will post on its website at www.brookdale.com/investor supplemental information relating to the Company's first quarter 2019 results, an updated investor presentation, and a copy of this earnings release. The supplemental information and a copy of this earnings release will also be furnished in a Form 8-K to be filed with the SEC.

EARNINGS CONFERENCE CALL

Brookdale's management will conduct a conference call to review the financial results of its first quarter ended March 31, 2019 on May 7, 2019 at 9:00 AM ET. The conference call can be accessed by dialing (866) 900-2996 (from within the U.S.) or (706) 643-2685 (from outside of the U.S.) ten minutes prior to the scheduled start and referencing the "Brookdale Senior Living 1Q 2019 Earnings Call."

A webcast of the conference call will be available to the public on a listen-only basis at www.brookdale.com/investor. Please allow extra time prior to the call to visit the site and download the necessary software required to listen to the internet broadcast. A replay of the webcast will be available through the website following the call.

For those who cannot listen to the live call, a replay will be available until 11:59 PM ET on May 21, 2019 by dialing (855) 859-2056 (from within the U.S.) or (404) 537-3406 (from outside of the U.S.) and referencing access code "4865808".

About Brookdale Senior Living

Brookdale Senior Living Inc. is the leading operator of senior living communities throughout the United States. The Company is committed to providing senior living solutions primarily within properties that are designed, purpose-built, and operated to provide the highest-quality service, care, and living accommodations for residents. Brookdale operates and manages independent living, assisted living, memory care, and continuing care retirement communities, with approximately 844 communities in 45 states and the ability to serve approximately 80,000 residents as of March 31, 2019. The Company also offers a range of home health, hospice, and outpatient therapy services. Brookdale's stock is traded on the New York Stock Exchange under the ticker symbol BKD.

DEFINITIONS OF RevPAR AND RevPOR

RevPAR, or average monthly senior housing resident fee revenue per available unit, is defined by the Company as resident fee revenue for the corresponding portfolio for the period (excluding Health Care Services segment revenue and entrance fee amortization, and, for the 2019 period, the additional resident fee revenue recognized as a result of the application of the new lease accounting standard under ASC 842), 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.

RevPOR, or average monthly senior housing resident fee revenue per occupied unit, is defined by the Company as resident fee revenue for the corresponding portfolio for the period (excluding Health Care Services segment revenue and entrance fee amortization, and, for the 2019 period, the additional resident fee revenue recognized as a result of the application of the new lease accounting standard under ASC 842), 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.

SAFE HARBOR

Certain statements in this press release and the associated earnings conference call 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 regarding the Company's guidance and any other statements that are not historical statements of fact and those regarding the Company's 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. Although these forward looking statements are based on assumptions and expectations that the Company believes are reasonable, the Company can give no assurance that its 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 the Company's 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 and entrance fees, including downturns in the economy, national or local housing markets, consumer confidence or the equity markets and unemployment among family members; changes in reimbursement rates, methods or timing under governmental reimbursement programs including the Medicare and Medicaid programs; the impact of ongoing healthcare reform efforts; the effects of continued new senior housing construction and development, oversupply and increased competition; disruptions in the financial markets that affect the Company's ability to obtain financing or extend or refinance debt as it matures and the Company's financing costs; the risks associated with current global economic conditions and general economic factors such as inflation, the consumer price index, commodity costs, fuel and other energy costs, interest rates and tax rates; the Company's ability to generate sufficient cash flow to cover required interest and long-term lease payments and to fund its planned capital projects; the effect of the Company's indebtedness and long-term leases on its liquidity; the effect of the Company's non-compliance with any of its debt or lease agreements (including the financial covenants contained therein), including the risk of lenders or lessors declaring a cross default in the event of the Company's non-compliance with any such agreements and the risk of loss of the Company's property securing leases and indebtedness due to any resulting lease terminations and foreclosure actions; the effect of the Company's borrowing base calculations and the Company's consolidated fixed charge coverage ratio on availability under its revolving credit facility; increased competition for or a shortage of personnel, wage pressures resulting from increased competition, low unemployment levels, minimum wage increases and changes in overtime laws, and union activity; failure to maintain the security and functionality of the Company's information systems or to prevent a cybersecurity attack or breach; the Company's ability to complete pending or expected disposition 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 the Company's ability to identify and pursue any such opportunities in the future; the Company's ability to obtain additional capital on terms acceptable to it; the Company's ability to complete its capital expenditures in accordance with its plans; the Company's ability to identify and pursue development, investment and acquisition opportunities and its ability to successfully integrate acquisitions; competition for the acquisition of assets; delays in obtaining regulatory approvals; risks associated with the lifecare benefits offered to residents of certain of the Company's entrance fee CCRCs; terminations, early or otherwise, or non-renewal of management agreements; conditions of housing markets, regulatory changes and acts of nature in geographic areas where the Company is concentrated; terminations of the Company's resident agreements and vacancies in the living spaces it leases; departures of key officers and potential disruption caused by changes in management; risks related to the implementation of the Company's strategy, including initiatives undertaken to execute on its strategic priorities and their effect on the Company's results; actions of activist stockholders; market conditions and capital allocation decisions that may influence the Company's determination from time to time whether to purchase any shares under its existing share repurchase program and the Company's ability to fund any repurchases; the Company's ability to maintain consistent quality control; a decrease in the overall demand for senior housing; environmental contamination at any of the Company's communities; failure to comply with existing environmental laws; an adverse determination or resolution of complaints filed against the Company; the cost and difficulty of complying with increasing and evolving regulation; costs to respond to, and adverse determinations resulting from, government reviews, audits and investigations; unanticipated costs to comply with legislative or regulatory developments; as well as other risks detailed from time to time in the Company's filings with the Securities and Exchange Commission, including those contained in the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. 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 press release and/or associated earnings call. The Company cannot guarantee future

results, levels of activity, performance or achievements, and it expressly disclaims any obligation to release publicly any updates or revisions to any of these forward-looking statements to reflect any change in its expectations with regard thereto or change in events, conditions or circumstances on which any statement is based.

Condensed Consolidated Statements of Operations

Three Months Ended
March 31,

(in thousands, except per share data)

	2019	2018
Revenue		
Resident fees	\$ 809,479	\$ 906,266
Management fees	15,743	18,681
Reimbursed costs incurred on behalf of managed communities	216,822	262,287
Total revenue	<u>1,042,044</u>	<u>1,187,234</u>
Expense		
Facility operating expense (excluding depreciation and amortization of \$88,827 and \$103,168, respectively)	586,094	632,325
General and administrative expense (including non-cash stock-based compensation expense of \$6,356 and \$8,406, respectively)	56,311	81,435
Facility operating lease expense	68,668	80,400
Depreciation and amortization	96,888	114,255
Goodwill and asset impairment	391	430,363
Loss on facility lease termination and modification, net	209	—
Costs incurred on behalf of managed communities	216,822	262,287
Total operating expense	<u>1,025,383</u>	<u>1,601,065</u>
Income (loss) from operations	16,661	(413,831)
Interest income	3,084	2,983
Interest expense:		
Debt	(45,643)	(45,727)
Financing lease obligations	(16,743)	(22,931)
Amortization of deferred financing costs and debt discount	(831)	(3,956)
Change in fair value of derivatives	(148)	74
Debt modification and extinguishment costs	(67)	(35)
Equity in loss of unconsolidated ventures	(526)	(4,243)
Gain (loss) on sale of assets, net	(702)	43,431
Other non-operating income	2,988	2,586
Income (loss) before income taxes	<u>(41,927)</u>	<u>(441,649)</u>
Benefit (provision) for income taxes	(679)	(15,585)
Net income (loss)	<u>(42,606)</u>	<u>(457,234)</u>
Net (income) loss attributable to noncontrolling interest	11	46
Net income (loss) attributable to Brookdale Senior Living Inc. common stockholders	<u>\$ (42,595)</u>	<u>\$ (457,188)</u>
Basic and diluted net income (loss) per share attributable to Brookdale Senior Living Inc. common stockholders	<u>\$ (0.23)</u>	<u>\$ (2.45)</u>
Weighted average shares used in computing basic and diluted net income (loss) per share	<u>186,747</u>	<u>186,880</u>

Condensed Consolidated Balance Sheets

<i>(in thousands)</i>	March 31, 2019	December 31, 2018
Cash and cash equivalents	\$ 256,501	\$ 398,267
Marketable securities	83,517	14,855
Restricted cash	28,811	27,683
Accounts receivable, net	138,455	133,905
Assets held for sale	58,323	93,117
Prepaid expenses and other current assets, net	185,017	106,189
Total current assets	750,624	774,016
Property, plant and equipment and leasehold intangibles, net	5,236,194	5,275,427
Operating lease right-of-use assets	1,291,428	—
Other assets, net	352,527	417,817
Total assets	\$ 7,630,773	\$ 6,467,260
Current liabilities	\$ 1,101,724	\$ 773,331
Long-term debt, less current portion	3,188,143	3,345,754
Financing lease obligations, less current portion	845,776	851,341
Operating lease obligations, less current portion	1,396,016	—
Other liabilities	181,517	478,421
Total liabilities	6,713,176	5,448,847
Total Brookdale Senior Living Inc. stockholders' equity	918,098	1,018,903
Noncontrolling interest	(501)	(490)
Total equity	917,597	1,018,413
Total liabilities and equity	\$ 7,630,773	\$ 6,467,260

Condensed Consolidated Statements of Cash Flows

<i>(in thousands)</i>	Three Months Ended March 31,	
	2019	2018
Cash Flows from Operating Activities		
Net income (loss)	\$ (42,606)	\$ (457,234)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Debt modification and extinguishment costs	67	35
Depreciation and amortization, net	97,719	118,211
Goodwill and asset impairment	391	430,363
Equity in loss of unconsolidated ventures	526	4,243
Distributions from unconsolidated ventures from cumulative share of net earnings	749	408
Amortization of deferred gain	—	(1,090)
Amortization of entrance fees	(398)	(501)
Proceeds from deferred entrance fee revenue	436	1,109
Deferred income tax benefit	170	15,037
Operating lease expense adjustment	(4,383)	(8,103)
Change in fair value of derivatives	148	(74)
(Gain) loss on sale of assets, net	702	(43,431)
Loss on facility lease termination and modification, net	209	—
Non-cash stock-based compensation expense	6,356	8,406
Non-cash interest expense on financing lease obligations	—	3,383
Non-cash management contract termination gain	(353)	(2,242)
Other	(2,495)	(156)
Changes in operating assets and liabilities:		
Accounts receivable, net	(4,550)	3,488
Prepaid expenses and other assets, net	12,358	(6,174)
Prepaid insurance premiums financed with notes payable	(18,842)	(18,633)
Trade accounts payable and accrued expenses	(41,358)	(21,370)
Refundable fees and deferred revenue	(9,855)	12,289
Net cash provided by (used in) operating activities	<u>(5,009)</u>	<u>37,964</u>
Cash Flows from Investing Activities		
Change in lease security deposits and lease acquisition deposits, net	(320)	(2,015)
Purchase of marketable securities	(68,348)	—
Sale of marketable securities	—	118,273
Capital expenditures, net of related payables	(60,055)	(66,592)
Acquisition of assets, net of related payables and cash received	—	(27,330)
Investment in unconsolidated ventures	(3,986)	(8,434)
Distributions received from unconsolidated ventures	3,178	2,037
Proceeds from sale of assets, net	29,458	75,060
Property insurance proceeds	—	156
Net cash provided by (used in) investing activities	<u>(100,073)</u>	<u>91,155</u>
Cash Flows from Financing Activities		
Proceeds from debt	25,178	30,168
Repayment of debt and financing lease obligations	(28,400)	(44,001)
Purchase of treasury stock, net of related payables	(9,956)	—
Payment of financing costs, net of related payables	(759)	(248)
Proceeds from refundable entrance fees, net of refunds	—	223
Payments of employee taxes for withheld shares	(2,997)	(2,618)
Other	298	372

Net cash provided by (used in) financing activities	<u>(16,636)</u>	<u>(16,104)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	(121,718)	113,015
Cash, cash equivalents and restricted cash at beginning of period	450,218	282,546
Cash, cash equivalents and restricted cash at end of period	<u>\$ 328,500</u>	<u>\$ 395,561</u>

Reconciliations of Non-GAAP Financial Measures

This earnings release contains the financial measures Adjusted EBITDA and Adjusted Free Cash Flow, which are not calculated in accordance with U.S. GAAP. Presentations of these non-GAAP financial measures are intended to aid investors in better understanding the factors and trends affecting the Company's 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. Investors are cautioned that amounts presented in accordance with the Company's 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. Investors are urged to review the reconciliations included below 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 the Company defines 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 the Company's 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, gain/loss on facility lease termination and modification, operating lease expense adjustment, amortization of deferred gain, change in future service obligation, 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, the Company's assessment of options and alternatives to enhance stockholder value, and stockholder relations advisory matters, and are primarily comprised of legal, finance, consulting, professional fees and other third party costs. Organizational restructuring costs include those related to the Company's efforts to reduce general and administrative expense and its senior leadership changes, including severance and retention costs. During the first quarter of 2019, the Company modified its definition of Adjusted EBITDA to exclude transaction and organizational restructuring costs, and amounts for all periods herein reflect application of the modified definition.

The Company's proportionate share of Adjusted EBITDA of unconsolidated ventures is calculated based on its equity ownership percentage and in a manner consistent with the Company's definition of Adjusted EBITDA for its consolidated entities. The Company's investments in unconsolidated ventures are accounted for under the equity method of accounting, and the Company's proportionate share of Adjusted EBITDA of unconsolidated ventures does not represent the Company's equity in earnings or loss of unconsolidated ventures on its consolidated statement of operations.

The Company believes that presentation of Adjusted EBITDA as a performance measure is useful to investors because (i) it is one of the metrics used by the Company's management for budgeting and other planning purposes, to review the Company's 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 the Company's financing and capital structure and other items that management does not consider as part of the Company's underlying core operating performance and that management believes impact the comparability of performance between periods; and (iii) the Company believes that this measure is used by research analysts and investors to evaluate the Company's operating results and to value companies in its industry. The Company believes that presentation of its proportionate share of Adjusted EBITDA of unconsolidated ventures is useful to investors for similar reasons with respect to the unconsolidated ventures.

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

The table below reconciles the Company's Adjusted EBITDA from its net income (loss).

<i>(in thousands)</i>	Three Months Ended March 31,	
	2019	2018
Net income (loss)	\$ (42,606)	\$ (457,234)
Provision for income taxes	679	15,585
Equity in loss of unconsolidated ventures	526	4,243
Debt modification and extinguishment costs	67	35
Loss (gain) on sale of assets, net	702	(43,431)
Other non-operating income	(2,988)	(2,586)
Interest expense	63,365	72,540
Interest income	(3,084)	(2,983)
Income (loss) from operations	16,661	(413,831)
Depreciation and amortization	96,888	114,255
Goodwill and asset impairment	391	430,363
Loss on facility lease termination and modification, net	209	—
Operating lease expense adjustment	(4,383)	(8,103)
Amortization of deferred gain	—	(1,090)
Non-cash stock-based compensation expense	6,356	8,406
Transaction and organizational restructuring costs	461	17,156
Adjusted EBITDA⁽¹⁾	\$ 116,583	\$ 147,156

(1) Adoption of the new lease accounting standard effective January 1, 2019 will have a non-recurring impact on the Company's full-year 2019 Adjusted EBITDA. Adjusted EBITDA for the three months ended March 31, 2019 includes a negative net impact of approximately \$6.4 million from such adoption.

The table below reconciles the Company's proportionate share of Adjusted EBITDA of unconsolidated ventures from net income (loss) of such unconsolidated ventures. For purposes of this presentation, amounts for each line item represent the aggregate amounts of such line items for all of the Company's unconsolidated ventures.

<i>(in thousands)</i>	Three Months Ended March 31,	
	2019	2018
Net income (loss)	\$ (1,050)	\$ (22,662)
Benefit for income taxes	24	234
Debt modification and extinguishment costs	21	(17)
Gain on sale of assets, net	—	(1,045)
Other non-operating income	—	(903)
Interest expense	7,380	26,827
Interest income	(812)	(757)
Income (loss) from operations	5,563	1,677
Depreciation and amortization	16,747	67,885
Asset impairment	295	155
Operating lease expense adjustment	—	4
Adjusted EBITDA of unconsolidated ventures	\$ 22,605	\$ 69,721
Brookdale's proportionate share of Adjusted EBITDA of unconsolidated ventures	\$ 11,319	\$ 16,749

Adjusted Free Cash Flow

Adjusted Free Cash Flow is a non-GAAP liquidity measure that the Company defines 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 liability for lease termination and modification, cash paid/received for gain/loss on facility lease termination and modification, and lessor capital expenditure reimbursements under operating leases; plus: property 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 is comprised of corporate and community-level capital expenditures, including those related to maintenance, renovations, upgrades and other major building infrastructure projects for the Company's communities and is presented net of lessor reimbursements. Non-Development Capital Expenditures does not include capital expenditures for community expansions and major community redevelopment and repositioning projects, including the Company's Program Max initiative, and the development of new communities. During the first quarter of 2019, the Company modified its definition of Adjusted Free Cash Flow to no longer adjust net cash provided by (used in) operating activities for changes in working capital items other than prepaid insurance premiums financed with notes payable and lease liability for lease termination and modification, and amounts for all periods herein reflect application of the modified definition.

The Company's proportionate share of Adjusted Free Cash Flow of unconsolidated ventures is calculated based on the Company's equity ownership percentage and in a manner consistent with the Company's definition of Adjusted Free Cash Flow for its consolidated entities. The Company's investments in its unconsolidated ventures are accounted for under the equity method of accounting and, therefore, the Company's proportionate share of Adjusted Free Cash Flow of unconsolidated ventures does not represent cash available to the Company's consolidated business except to the extent it is distributed to the Company.

The Company believes 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 the Company's management for budgeting and other planning purposes, to review the Company's historic and prospective sources of operating liquidity, and to review the Company's ability to service its outstanding indebtedness, pay dividends to stockholders, engage in share repurchases, and make capital expenditures, including development capital expenditures; (ii) it is used as a metric in the Company's performance-based compensation programs; and (iii) it provides an indicator to management to determine if adjustments to current spending decisions are needed. The Company believes that presentation of its proportionate share of Adjusted Free Cash Flow of unconsolidated ventures is useful to investors for similar reasons with respect to the unconsolidated ventures and, to the extent such cash is not distributed to the Company, it generally represents cash used or to be used by the ventures for the repayment of debt, investing in expansions or acquisitions, reserve requirements, or other corporate uses by such ventures, and such uses reduce the Company's potential need to make capital contributions to the ventures of the Company's proportionate share of cash needed for such items.

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 and modification generally represent charges (gains) that may significantly affect the Company's 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. In addition, the Company's proportionate share of Adjusted Free Cash Flow of unconsolidated ventures has material limitations as a liquidity measure because it does not represent cash available directly for use by the Company's consolidated business except to the extent actually distributed to the Company, and the Company does not have control, or the Company shares control in determining, the timing and amount of distributions from the Company's unconsolidated ventures and, therefore, the Company may never receive such cash.

The table below reconciles the Company's Adjusted Free Cash Flow from its net cash provided by operating activities.

<i>(in thousands)</i>	Three Months Ended March 31,	
	2019	2018
Net cash provided by (used in) operating activities	\$ (5,009)	\$ 37,964
Net cash provided by (used in) investing activities	(100,073)	91,155
Net cash provided by (used in) financing activities	(16,636)	(16,104)
Net increase (decrease) in cash, cash equivalents and restricted cash	<u>\$ (121,718)</u>	<u>\$ 113,015</u>
Net cash provided by (used in) operating activities	\$ (5,009)	\$ 37,964
Distributions from unconsolidated ventures from cumulative share of net earnings	(749)	(408)
Changes in prepaid insurance premiums financed with notes payable	18,842	18,633
Non-development capital expenditures, net	(54,602)	(41,736)
Property insurance proceeds	—	156
Payment of financing lease obligations	(5,453)	(21,114)
Proceeds from refundable entrance fees, net of refunds	—	223
Adjusted Free Cash Flow ⁽¹⁾	<u>\$ (46,971)</u>	<u>\$ (6,282)</u>

(1) The calculation of Adjusted Free Cash Flow includes transaction costs of \$0.5 million and transaction and organizational restructuring costs of \$17.2 million for the three months ended March 31, 2019 and 2018, respectively.

The table below reconciles the Company's proportionate share of Adjusted Free Cash Flow of unconsolidated ventures from net cash provided by operating activities of such unconsolidated ventures. For purposes of this presentation, amounts for each line item represent the aggregate amounts of such line items for all of the Company's unconsolidated ventures.

<i>(in thousands)</i>	Three Months Ended March 31,	
	2019	2018
Net cash provided by operating activities	\$ 24,122	\$ 50,262
Net cash provided by (used in) investing activities	(8,011)	(14,642)
Net cash provided by (used in) financing activities	(8,788)	(23,279)
Net increase (decrease) in cash, cash equivalents and restricted cash	<u>\$ 7,323</u>	<u>\$ 12,341</u>
Net cash provided by operating activities	\$ 24,122	\$ 50,262
Non-development capital expenditures, net	(8,000)	(20,061)
Property insurance proceeds	—	901
Proceeds from refundable entrance fees, net of refunds	(5,843)	(6,712)
Adjusted Free Cash Flow of unconsolidated ventures	<u>\$ 10,279</u>	<u>\$ 24,390</u>
Brookdale's proportionate share of Adjusted Free Cash Flow of unconsolidated ventures	<u>\$ 5,384</u>	<u>\$ 6,367</u>

Contact:

Brookdale Senior Living Inc.

Investor Relations: (615) 564-8104

Kathy MacDonald kathy.macdonald@brookdale.com