

**From:** Tazia Smith <[REDACTED]>

**To:** jeevacation@gmail.com

**Cc:** Paul Morris <[REDACTED]>, Vinit Sahni <[REDACTED]>, Nav Gupta <[REDACTED]>, [REDACTED], Vahe Stepanian <[REDACTED]>

**Subject:** Long Equity: Consider \$1mm Brookdale Senior Living on macro/micro tailwinds (~30% upside to \$42 tgt) [C]

**Date:** Tue, 20 May 2014 13:33:19 +0000

**Inline-Images:** unnamed; unnamed(1); unnamed(2)

---

Classification: Confidential

Jeffrey -

Focusing on listed/exchange traded opportunities:

**Consider buying \$1-2mm position in Brookdale Senior Living (BKD)**

Macro Trend: Baby boomers retiring and aging population

Micro: Merger tailwinds, pro-forma valuation upside and broader investor demand

Brookdale Senior Living (BKD)

Closed 5/19: \$32.06 (\$32.40 last)

\$3.8bn mkt cap (trades 1.3mm shs a day avg)

\$42 DB 12mo price target (implies ~30% upside) vs. 37.71 cons (~16%)

Catalyst: merger proxy filing expected this month (Brookdale bid to acquire Emeritus, ESC (\$1.4bn mkt cap), in late Feb for \$2.8bn in stock; est merger completion is 3Q14)

Valuation: \$42 = 12x proforma BKD+ESC 2015 CFFO/sh of \$3.40

- a. Strong Industry Fundamentals
- b. BKD's market leadership (10% pro forma market share and attractive national footprint + management team and corporate infrastructure lending itself to leverage/scale)
- c. Mid-teen's growth characteristics with organic 6-8% and accretion from the ESC acquisition adding 8-10% for the next 2-3 years (ests = +18% in 2015 and + 27% in 2016). Q1 earnings report no 5/8, BKD posted its third consecutive quarter of double digit CFFO growth
- d. Current Valuation: 9.1x pro-forma 2015 CFFO/sh and just shy of 10x on a stand alone basis (8.9x pro-forma 2015 EV/EBITDA, 11.6x stand-alone)
- e. Market Cap – pro-forma will be greater than \$5bn, expected to deliver broader investor interest

Key risks include: competition, new supply, capex requirements to upgrade Emeritus' portfolio, merger approvals, housing market, interest rate sensitivity

CFFO = cash flow from operations

<https://ger.gm.cib.intranet.db.com/ger/document/pdf/0900b8c088436c25.pdf>

## Brookdale Senior Living 12mo Price History as of 5/19/14



Used with permission of Bloomberg Finance LP



Tazia Smith

Director | Key Client Partners - US

DB Securities Inc  
Deutsche Asset & Wealth Management  
345 Park Avenue, 10154-0004 New York, NY, USA  
Tel. +1(212)454-2889  
Fax +1(646)257-3131  
Mobile [REDACTED]  
Email [REDACTED]

*Passion to Perform*

---  
This communication may contain confidential and/or privileged information. If you are not the intended recipient (or have received this communication in error) please notify the sender immediately and destroy this communication. Any unauthorized copying, disclosure or distribution of the material in this communication is strictly forbidden.

Deutsche Bank does not render legal or tax advice, and the information contained in this communication should not be regarded as such.