Land and Buildings Details Why National Healthcare Corp. Could Lose Big as Lease Negotiation with National Health Investors Progresses

Believes NHC faces three potential outcomes with the NHI lease renewal – all of which could lead to a significant decline in NHC earnings and likely material share price weakness

NHC may lose 19% to 38% of EBITDA with substantial downside and reputational risk if the company overplays its hand

Believes recent developments put NHI in catbird seat in renegotiation and company could see a 12% increase in annual FFO/share when rents are marked to market with potentially more upside if released to a best-in-class operator

Stamford, CT (June 17, 2025) – Today, Land & Buildings Investment Management, LLC (together with its affiliates, "Land & Buildings") issued the following statement:

"National Healthcare Corporation's (NYSE: NHC) egregiously one-sided lease with National Health Investors (NYSE: NHI) expires year-end 2026. This master lease was originally signed in 1991 and includes 28 skilled nursing facilities, five assisted living centers, and three independent living centers. NHC has enjoyed dramatically below market rents during this time while NHC profits ballooned.[1] NHI conversely received little rent growth over the decades despite the improving economics of their properties.

This cozy relationship between NHC and NHI was orchestrated by brothers Andrew Adams and Robert Adams at the expense of NHI shareholders. The Adams brothers each ran one of the companies while sitting on each other's boards and populated the boards primarily with local Murfreesboro, TN loyalists. However, we believe the days of NHC taking advantage of NHI are numbered.

Shareholders sent a clear message to the remaining NHI conflicted board members during this year's proxy contest with Land & Buildings that they are not invincible, with Robert Adams having retained his seat by a scant 1%. With Robert Adams, James Jobe and Robert McCabe up for election at the 2026 NHI annual meeting, shareholders will have the opportunity to vote against these legacy directors if the company drags its feet or attempts to sign a lease which is not in the best interest of NHI shareholders.

The path forward, in our view, includes three options for NHC – bad, worse, and disastrous:

1. **Bad** – NHC and NHI renegotiate the lease at fair market rents well before the December 2026 lease end date. We estimate the new rent, based on estimated lease coverage ratios and a recent comparable lease[2], to be 64% higher than 2024 full-year rent, or $25.7 million, reducing NHC EBITDA[3] by 19%, and increasing NHI annual FFO/share by 12%.

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[1] Company filings

[2] In October 2024, CareTrust (CTRE) announced a $500 million acquisition and lease of 31 skilled nursing facilities with 3,290 beds in 30 facilities located in Tennessee and 1 in Alabama that equated to approximately $13,678 per bed in annual rent, 64% higher than the 2024 disclosed NHI rent per bed for the NHC assets, a majority of which are also located in Tennessee.

[3] Based on full-year 2024 NHC EBITDA as estimated by Land & Buildings.

2. **Worse** – NHC plays hardball and does not reach an agreement with NHI by the end of 2026. Under the terms of the lease, the new monthly holdover rent for NHC would be 150% of current rent, and NHC would risk losing all the properties and associated EBITDA at any moment should NHI lease the portfolio to another operator.

3. **Disastrous** – NHI leases the properties to a third party. We estimate NHC may be earning as much as $50 million in annual EBITDA from the assets leased from NHI, or 38% of 2024 EBITDA. In this scenario NHC would lose all of this EBITDA, and it's possible NHI could see even more upside to earnings if the assets were leased to a best-in-class operator who could run the assets more profitably and therefore pay higher rent.

NHC needs to tread carefully as it engages with NHI. We believe NHC no longer has the upper hand given recent director retirements and weak shareholder support at this year's NHI annual meeting, as evidenced by the razor thin victory for Robert Adams. NHI is under intense pressure to maximize the value of this lease, something the NHC board and management team may fail to realize. Playing chicken or not negotiating in good faith opens NHC up to substantial potential downside.

NHC risks overplaying its hand when negotiating with NHI, potentially threatening that a transition to another operator would be costly given some onerous provisions in the current lease. However, if NHC were to go scorched earth, they would likely jeopardize the care of the elderly residents in the NHI properties which may cause state regulators to reevaluate NHC's Certificate of Need licenses or other aspects of how it operates. These actions could put at risk the properties NHC owns or operates outside of the NHI leases. Look no further than PACS Group's (NYSE: PACS) more than 75% stock decline to see what happens when you take aggressive actions that invite increased regulatory scrutiny.

NHC investors will undoubtedly be surprised by the ramifications of the NHI lease negotiation as NHC has no analyst coverage, no investor earnings calls, and minimal financial disclosures. Further, we believe NHC's shareholders do not appreciate the magnitude of the 19% to 38% downside risk to earnings as well as the potential reduction in valuation for the stock as the lease with NHI is renegotiated. For this reason, we have established a short position in NHC shares."

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Media Contact
Longacre Square Partners
Dan Zacchei / Miller Winston
dzacchei@longacresquare.com / mwinston@longacresquare.com