

Invesque Inc.

First Quarter 2020 Earnings Conference Call

Event Date/Time: May 14, 2020 — 10:00 a.m. E.T.

Length: 36 minutes

"While Cision has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. Cision will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Cision ait fait des efforts commercialement raisonnables afin de produire cette transcription, la société ne peut affirmer ou garantir qu'elle ne contient aucune erreur. Cision ne peut être tenue responsable pour toute perte de profits ou autres dommages ou responsabilité causé par ou découlant directement, indirectement, accessoirement ou spécialement de toute erreur liée à l'utilisation de ce texte ou à toute erreur qu'il contiendrait. »

CORPORATE PARTICIPANTS

Scott Higgs

Invesque Inc. — Chief Financial Officer

Scott White

Invesque Inc. — Chairman and Chief Executive Officer

Adlai Chester

Invesque Inc. — Chief Investment Officer

CONFERENCE CALL PARTICIPANTS

Mark Rothschild

Canaccord — Analyst

Troy MacLean

BMO Capital Markets — Analyst

Tal Woolley

National Bank Financial — Analyst

PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to Invesque's first quarter 2020 earnings conference call.

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

Scott Higgs — Chief Financial Officer, Invesque Inc.

Thank you, Jody (phon). Good morning, everyone, and thanks for joining the call. With me today are Scott White, our Chairman and CEO; and Adlai Chester, our CIO.

The first quarter 2020 earnings release, financial statements, and MD&A are available on our website, and a replay of this call will be available from 12:45 p.m. Eastern time today until 11:59 p.m. Eastern time on May 21st.

Before we get started, please be reminded that today's call may include forward-looking statements regarding our future operations. Such statements involve known and unknown risks and uncertainties that may cause actual results to differ materially from those expressed or implied today. We have identified such factors in our news release and other public filings.

As we discuss our performance, please bear in mind that all amounts are in US dollars.

With that, I will hand it over to Scott.

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

Good morning, everybody. Thank you, all, for joining our first quarter 2020 earnings call. I hope each of you and your family and friends are staying healthy in these truly unique times.

We had a very strong first quarter as the impact of our acquisitions and aggressive portfolio management efforts in 2019 began to flow through our results. As I noted on our last call, portfolio

management has been and will continue to be a key area of focus in 2020. Our portfolio management plans are a continuation of our strategy of building a world-class portfolio with the right operator in place for each of our communities.

As part of this portfolio management initiative, we also are focused on opportunistically divesting noncore assets to provide us financial flexibility and strengthen the quality of our portfolio.

As you saw in our press release, I am excited to announce that we have successfully closed on a series of transactions underlying our communities previously operated by Royal Senior Living. Last week, we completed the transition of four communities in South Carolina from Royal to Phoenix Senior Living, one of our preferred operating partners in the southeast. We also sold the last two assets that were part of our relationship with Royal. As a result of these transactions, we have no remaining communities in our portfolio operated by Royal.

Like the greenfield transition we announced last year, expanding our relationship with Phoenix in South Carolina assures that we have the right operator in place to maximize performance and value.

Adlai will touch on the specifics of the transaction later in the call. This was another important step in active portfolio management.

Given the rapid changes in the market environment and elevated uncertainty around COVID-19, I'll focus my comments on providing a detailed look into what we're seeing within our portfolio from an operational and financial perspective. I will also touch on the proactive measures we have taken to prepare, should the need arise, to support our operators and assure we have ample liquidity to meet our obligations.

The global COVID-19 pandemic has created a very challenging operating environment for the industry, including our operating partners. We are in close contact with all of our operating partners to understand the current and prospective impact of COVID-19 to our properties.

As of May 8th, we're very fortunate to report that only 40 of our 108 seniors housing and skilled nursing properties have been directly impacted by COVID-19 based on positive test results for either residents or staff members. The degree to which COVID-19 has impacted each facility ranges widely, including five communities which have only seen employees test positive for COVID-19.

As of May 8th, we have 560 total residents across our portfolio of approximately 11,000 beds who have tested positive for COVID-19 and are being treated and quarantined. While one case is too many, we're pleased with the ability of our operators to contain the spread of this highly contagious coronavirus.

As you are aware, we acquired an operating company last year. Only one of the 34 communities operated by that operator, Commonwealth Senior Living, has observed a resident testing positive for COVID-19. With that said, there are currently no active cases we're aware of among Commonwealth residents.

Commonwealth is our captive seniors housing and operating company and represents almost 25 percent of our forward NOI. Our ownership of Commonwealth provides us unique insight into the policies and procedures that sophisticated operators are putting into place.

Commonwealth has mandated quarantine periods for all new move-ins, any residents returning from an overnight stay out of the community. The quarantine period lasts until the resident can obtain a negative COVID-19 test result or up to 14 days.

Commonwealth can perform in-house testing at the majority of its communities and they are continuously testing residents returning from the hospital or skilled nursing, new move-ins, and residents and associates as appropriate who have symptoms. Access to in-house testing has helped minimize the quarantine period that is required.

In early March, Commonwealth created a COVID-19 task force that has been working diligently to monitor CDC and local health department guidelines to design policies and procedures for all team members to follow in the event of positive cases in the communities.

This task force continues to work to secure sufficient PPE for all the Commonwealth operating communities. Commonwealth's procurement efforts to date have allowed for a sufficient stockpile of PPE that will be delivered directly to any communities that have positive COVID-19 cases. Commonwealth has invested approximately \$600,000 to date of COVID-19-related expenditures, which include recognition initiatives.

Ownership of the Commonwealth platform also allows us to analyze real-time financial and census impacts that COVID-19 is having on our business.

In the first quarter, occupancy dropped by 110 basis points to approximately 79 percent on our 30-asset portfolio managed by Commonwealth. Most of this decline occurred at the end of February and throughout March as the COVID-19 pandemic began to spread across the United States. As of May 8th, occupancy has dropped another 180 basis points since the end of the first quarter to approximately 77 percent.

Commonwealth continues to follow CDC and state-recommended protocols by limiting all visits to only essential health care providers. This has led to a material slowdown in move-ins and site tours.

As of today, about 30 states have initiated some level of reopening and many others are planning for it. In all reopening scenarios, senior living communities are in the last planned phase. We continue to have active discussions with the Commonwealth team on what a phased reopening may look like, but we anticipate at least several more weeks of restrictions, given the high-risk nature of the age group we serve.

While this will continue to impact occupancy levels and elevate expenses in the near term, it is important that Commonwealth follow all the procedures, protocols, and restrictions that have allowed their communities to remain virtually COVID-free up until today.

We're very proud of the efforts of the Commonwealth team to protect the health and safety of all of our caregivers and residents. It is truly astonishing to have only one confirmed case amount almost 2,200 residents.

Combining this real-time data from Commonwealth and with data from our other operators, we acted swiftly and decisively to strengthen our liquidity position. While we have not seen any meaningful impacts to our cash flow, we believe it is imprudent (sic) [prudent] to preserve as much cash as we can, given the uncertainty in the market.

As Scott Higgs will touch on later in the call, the proactive measures we took to preserve cash include suspending the dividend from April 1st until further notice to all common shareholders, reducing our corporate workforce by over 25 percent, curtailing executive and firm-wide compensation, and deferring nonessential CapEx. These were all difficult decisions we do not take lightly, but ones that we believe are in the best long-term interests of our shareholders. I am confident that we have the appropriate liquidity and balance sheet strength to navigate the current uncertainty.

There's no doubt that the macroeconomic backdrop will create a difficult environment for us in the near term. While sentiment towards seniors' housing and skilled nursing is expected to remain

challenging in the short term, our management team has an eye towards the long-term effects the current environment may have on the industry.

There will be potential positives and negatives for the industry when we look back at COVID years from now. On the positive side, we're closely monitoring the impact of current and future governmental assistance to the industry, the impact of pent-up demand from delayed elective surgeries, the potential for a psychological shift as it relates to social isolation among seniors who had chosen to stay at home, and the potential for increased asset values for newer buildings with private rooms like those in our portfolio.

On the negative side, we're closely monitoring the duration and depth of declining occupancy levels and the continued impact of elevated costs around PPE and labour.

With all that said, this time has allowed us to step back and reassess where we're going and to further streamline our operations. I truly believe Invesque will come out of this stronger as we've made some very hard decisions to strengthen our financial position.

Before I turn the call over, I want to take a moment to thank all of the staff, caregivers, medical professionals, and other service providers in not only our communities, but all around the world.

While we operate in a competitive business, we share one common goal with all our colleagues and competitors in these times, assuring the staff and residents in the facilities are in a safe, loving, and healthy environment. This would not be possible without all those who are risking their own safety to protect the most fragile and those in need. Again, we thank you all.

With that, I'll pass it to Scott Higgs.

Scott Higgs

Thank you, Scott. For the quarter ending March 31st, FFO was \$0.25 per share and AFFO was \$0.21 per share.

As Scott noted earlier in the call, we announced a series of initiatives in April to strengthen our liquidity position and preserve cash in this truly unprecedented time. While we have not yet seen dramatic impacts to our cash flow, our properties provide care for the aging demographic, which is the highest-risk age group. It is a challenging environment for our operators, and we expect COVID-19 to elevate expenses and have negative effects on occupancy in the near term.

To stay ahead of the curve and maintain flexibility, we announced the suspension of the dividend to all common shareholders as of April 1st until further notice. The suspension of the dividend to common shareholders results in approximately \$41 million of gross cash preserved on an annual basis.

To further enhance our liquidity position, we have taken immediate cost-reduction measures, including the suspension of executive team cash bonuses, personnel cutbacks, and other G&A reduction.

While the Company is complying with shelter-in-place orders, this has had the natural effect of reducing utilization of office space, travel, and other corporate-level expenses. All of these cost-cutting measures are anticipated to result in approximately 2.5 million to \$3 million of cost savings in 2020. We have also curtailed and deferred nonessential capital expenditures, which will result in an additional 2.5 million to \$3 million in cash saved.

Finally, in April, we drew down the remaining availability on our line of credit to maximize our liquidity position.

We continue to analyze additional liquidity measures, including the possible sale of noncore assets.

With the refinancing of the loan underlying the ex-Royal portfolio, we have dealt with the majority of our 2020 current obligations. The remaining current obligations contain company-controlled extension options at no cost. Assuming we exercise our extension options, we have roughly 1 percent of our total debt maturing over the next 12 months and approximately 9 percent of our total debt rolling over the next 24 months.

We continue to be out in front of and in constant communication with our lenders. With our enhanced liquidity position due to the proactive measures we took during the first five months of the year, we are confident that we are in a strong financial position to weather this difficult environment.

Given the uncertainty in the marketplace, I want to spend a few moments on our April rental revenue collection. As indicated in our press release, we collected approximately 88 percent of our rental revenue for the month of April across our portfolio.

Breaking this down a bit further, our collections in our consolidated shop portfolio was approximately 99 percent, collections in our MOB portfolio was approximately 96 percent, and collection on our triple-net portfolio was approximately 74 percent.

As of today, our May rental revenue collections remain in line with April. In terms of rent deferrals, we have granted only one operator in our portfolio a rent deferral of 25 percent for the month of May. We are also in active discussions with one of our operating partners to find a mutually beneficial solution that works for both sides.

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

Adlai Chester — Chief Investment Officer, Invesque Inc.

Thanks, Scott. As of December 31st, the performance of our stabilized portfolio remained consistent with previous quarters in terms of coverage ratios and occupancies.

As Scott mentioned earlier in the call, we are excited to announce that we have successfully closed on a series of transactions underlying our communities previously operated by Royal Senior Living. Last week, we completed the transition of four senior housing communities in South Carolina that were previously part of the Invesque Royal JV to Phoenix, one of our preferred operating partners in the southeast. These four communities were combined with the two other communities that Phoenix already operated in our portfolio into a 90/10 joint venture between Invesque and Phoenix.

Phoenix's co-investment validates the current valuation of the properties and aligns the interests of Phoenix and Invesque in the operations of the portfolio.

Phoenix now operates 45 communities throughout the southeast and is one of the largest providers in South Carolina with 13 communities under management. We are confident that Phoenix will drive performance by implementing their operational expertise and creating synergies with the other communities they currently operate in South Carolina.

As part of the transition, we successfully refinanced the debt on the portfolio at favourable terms. As Scott Higgs noted earlier, this refinancing was important as it addressed one of our largest maturities in 2020. I am particularly proud of our team's execution on this front, given that visitors were not allowed to the communities and we had to find new ways to conduct due diligence with our partners at Phoenix and Synovus Bank.

In addition to the transition and refinance mentioned above, Royal acquired Invesque's 65 percent ownership interest in the Eatonton, Georgia community and now fully owns and operates that asset.

The final asset in the portfolio we had with Royal, Hudson Manor, was sold to a third party earlier this week. Proceeds from the sale of the properties and minority interests will initially be used to enhance our liquidity position and then possibly to delever by paying down the balance on our credit facility.

Expanding our relationship with Phoenix further showcases our approach to streamlining of our portfolio with our stable of preferred operating partners. As we did last year with Commonwealth and Heritage, we continue to look for ways to continue to streamline the overall portfolio and enhance operations. We will continue to work with these preferred operating partners to manage communities where they can capitalize on efficiencies and economies of scale.

There will be much more to do in the coming months from a portfolio management perspective. Key areas of focus for the rest of the year will be on our medical office portfolio, our senior housing operating investments, and evaluating opportunities to repurpose buildings for different services such as converting units to memory care. We will continue to focus on enhancing the value of our current portfolio through these portfolio management initiatives.

Regarding future transaction activity, acquisition and development opportunities have substantially slowed in the market. We are not surprised by this. As Scott highlighted in his commentary to start this call, there is tremendous uncertainty about the impact of COVID-19 on the industries in which we invest. Many of the largest dealmakers have decided that it is best to monitor the changing environment and evaluate those impacts on the market in the future rather than try to structure around this uncertainty.

We intend to take a similar approach. Any transactions that we may pursue over the near term will be limited to relationships with existing operators, and we will focus on strengthening those relationships with stable communities.

I would like to thank everyone for joining this call, and we will now open the line for your questions.

Q&A

Operator

Thank you. As a reminder, to ask a question, you will need to press *, 1 on your telephone. To withdraw your question, press the # key. Please stand by while we compile the Q&A roster.

And our first question comes from the line of Mark Rothschild of Canaccord. Please go ahead. Your line is open.

Mark Rothschild — Canaccord

Thanks. And good morning, guys. Scott, in your remarks you said that you expect Invesque to come out stronger following this on the steps you're taking. Can you maybe clarify a little bit more about what you mean in regards to do you mean with regard to NOI or cash flow as far as on the recovery you expect cash flow would be even stronger? Or are you talking about just as an organization? Do you mean operationally?

Adlai Chester

Well, thanks for the question. This is Adlai. What Scott was referencing is, I think, a couple things.

Scott White

Sorry about that.

Adlai Chester

But the first one is that we cut G&A substantially. So from that standpoint, we would expect that to improve the overall earnings. We also believe that our operators are putting in places that once again

it's not necessarily going to be in the short term, but over the long term is going to enhance their ability. They also have adjusted G&A where appropriate and are coming up with different ways to market to the ultimate residents of those communities. So we do believe it'll be strong from that standpoint.

And then the last point, I think, and you referenced it, the organization as a whole and the way we've gone about business during this time and the connection we've made with the operators is enhancing those relationships.

So I do think in the short term I think it'd be naive for us to think that we are going to say an improvement in NOI coming right out of this, but we do believe over the long term that is absolutely possible.

Mark Rothschild

Okay. Great. And maybe digging a little bit into the NOI and occupancy based on numbers for the quarter, is it possible to let us know what are your current occupancy levels in the different asset classes? And maybe what are your expectations for that over the next few quarters?

Scott White

Yeah. Sorry about that. I was on mute before. So in terms of expectation over the next few quarters, I think it's really just difficult to determine, Mark, in terms of how long this is going to continue. And it's a quite an uncertainty that we're navigating around and part of what we talked about in terms of building a cash cushion because we're just not sure.

Is it possible that this turns around over the next two, three, four months? Yeah. It's possible. At which point in time then we'd expect the pickup later in the year as it relates to occupancies, particularly as you look at parts of the portfolio. For example, let's talk about seniors housing.

So seniors housing requires generally a tour of the facility or multiple tours of the facility. And in the current environment, no one is touring. And as such, it's very difficult to maintain occupancy.

Once some of those restrictions are lifted, and it's anybody's guess as to when exactly those restrictions will be lifted, that's when you start to rebuild your lost occupancy, so to speak, as it relates to seniors housing.

As you pivot and talk specifically about skilled nursing, we bifurcate that into the two areas when you think about it. You have your longer-term residents that we haven't seen much of a decline in occupancy associated with yet. It's the short stay, those that are coming in off of elective surgeries that we really see the decline in occupancies with what's going on in the current environment. So essentially all elective surgeries have been cancelled.

With that said, over the last couple of weeks regionally some of those restrictions have been lifted and people are slowly returning. Now even though the restrictions are lifted, there's a psychological impact of how many people were running for elective surgeries in the current COVID crisis.

With all that said, elective surgeries tend not to go away. They tend to become pent-up demand. If you needed a knee replacement prior to COVID, highly likely you're still going to need it afterwards. So we actually fundamentally believe that later in the year, although it's very difficult to pick a quarter or a month, that we're going to see a reasonable increase maybe well above where we were before this started in occupancies to make up for the lost demand associated with elective surgeries.

Mark Rothschild

Okay. Great. Thank you very much.

Scott White

Thanks so much.

Operator

And our next question comes from the line of Troy MacLean of BMO Capital Markets. Please go ahead. Your line is open.

Troy MacLean — BMO Capital Markets

Good morning. Thank you very much. Just curious on the provision for losses in the loan receivables was up in the quarter for both the wholly owned and the JV portfolio. Can you give any colour on that? I was kind of curious is what drove that and was any of that related to COVID?

Scott Higgs

Troy, hey. It's Scott Higgs. Hey. Yeah. Basically how I would categorize that is it's just as we go through our risk assessment on collectability and valuation of those loans, it's an evaluation of the forward-looking environment. And certainly, the environment at the end of the Q1 was different than it was in Q4.

So I think it's an assessment of the risk associated there. And certainly, COVID played into how we evaluate the risk on the go-forward in terms of the collectability and the valuation there.

Troy MacLean

So just given the uncertainty, we can probably expect another write-down for Q2. Would that be a fair comment?

Scott Higgs

I'm not sure necessarily. I mean, I think fact and circumstances will dictate, right? But it's certainly possible. But I wouldn't say that it's a certainty.

Troy MacLean

And then just the write-down was lower in the JV portfolio, which surprised me because it was smaller than ... it's smaller than the wholly owned. So with specific to the JV, was there anything there that—or what was specific to the JV that made you want to take the (unintelligible) now?

Scott Higgs

It really relates to just the operations underlying the properties for which—or the evaporations for those facilities to which those loans relate to and the risk associated with them. So it's really not JV versus wholly owned specifically. It's property and counterparty specific.

Troy MacLean

You mentioned in your comments you had one rent deferral with one tenant and talking to another tenant. Was the negotiation with the second tenant, was that out of a rent deferral or was it a change in the rent level or like an operator loan? What was the negotiation kind of broadly speaking focused on?

Scott White

Let me try. It's Scott. So that is an ongoing discussion and one that I probably don't want to comment on yet until we come to a resolution and a conclusion. I think that's probably the best way to address that right now.

Troy MacLean

Yeah. That's fair. And then on the cost savings on the CapEx and on the cuts you made, is it fair to look at that being even over the next three quarters? Or like when do those measures come into Q2?

Scott Higgs

Yeah. Troy, it's Scott again. I think evenly over the next three quarters of the year is a fair way to model that in.

Troy MacLean

And then just on the shop portfolio, how much flexibility—if occupancy were to in some of the scenarios that you talked about, if we were to see occupancy come down, how much flexibility is there to lower operating costs at the portfolio? Just kind of curious about how operating leverage look like in a declining occupancy environment.

Scott White

Yeah. Troy, it's challenging, to be very honest, especially in the current environment because while sometimes you have some levers you can pull to reduce costs and everyone is focused on that, you also have to remember that there are enhanced costs associated with the PPE and labour costs.

So I think in the short term, and it's very hard to define short term, it's sort of the same way I answered Mark's question. And I'm not trying to avoid it. I just don't have a crystal ball. But in the short term, whether it's one, three, six, nine months, it's going to be challenging to reduce expenses at the operators.

We're obviously working with them and we're trying to preserve cash flow. One of the things we talked about is curtailing nonessential CapEx as a way to preserve cash flow. But in terms of day-to-day operating expenses, I actually would expect the opposite.

Troy MacLean

And then in your comments on portfolio management you talked about converting some of your capacity to more memory care. Is that expensive to convert? Or is it more just—or just, yeah, how expensive is it to convert a bed to a memory care bed? Is there a big expense there?

Scott White

Adlai, you want to take that one?

Adlai Chester

Yeah. Sure. So actually converting the room to a memory care room is very low cost. Where you get some additional cost is where you're taking wings because with memory care, once again, you have to restrict movement throughout the building and within specific areas. But overall, I would not say it's a material cost to make that change. I think the cost actually comes in is to not allowing residents to be admitted into that area during the period of renovation.

But once again, we see a huge reason to do this in some of our communities, especially before COVID, but even through COVID. On the backside of it this is something we'll definitely be looking to do.

Troy MacLean

Thank you. I'll turn it back.

Scott Higgs

Thanks, Troy.

Scott White

Thanks, Troy.

Operator

And our next question comes from the line of Tal Woolley of National Bank Financial. Please go ahead. Your line is open.

Tal Woolley — National Bank Financial

Hi. Good morning.

Scott White

Good morning.

Adlai Chester

Morning.

Tal Woolley

Just wondering if you can speak to, given that you operate in a bunch of different States and most of us are up here in Canada—we don't have a tonne of time to monitor local news in a lot of the States—is there going to be—do you foresee any big differences in terms of how some of the States in which you operate are going to reopen? Can you just talk to sort of like are there any major differences amongst the different—in terms of the public health approach in the jurisdictions that you operate?

Scott White

Absolutely. Tal, that's a great question. I actually think that's going to be a very significant macro across the country right now. You can see it playing out in terms of where the hot beds are.

It's funny because over the years we've talked about one of things that we have focused on was diversification. And one of those metrics is geographic diversification. And I often get questions help me understand that, Scott. Geographic diversification; you own real estate. Are there really nuances and differences in geographies? And I always said to people, you just don't know if a particular region is hit with unemployment or something that might impact facilities. Never did I imagine that something like this would actually have a geographic impact on facilities.

And there are certain regions in New York and New Jersey, in particular, where, gratefully we don't own many facilities, certainly not in the New York City area. I think there's going to be a considerable delay in returning to "normal". I think areas of the country that are more rural that have had lower impacts will have reopening plans at a much faster pace. And you're starting to see that already. Right now on a daily basis there is I hate to use the word political fighting, but there's a little bit of political nuance and fighting in terms of how rapidly some states are opening.

And by opening, there's a phased approach too, right, in terms of a lot of people or a lot of governors are talking about in Phase 1, when we observe the following metrics, we will do A, B, and C. And in Phase 2, when we observe the following metrics, we will do A, B, and C. And those phases aren't consistent across regions.

Look, the other thing that we really need to be careful about and think about, and I think that the various regions and governors are thinking about this, is sort of what about that twin-peak-type effect, right? All of a sudden you open up and you allow a phased return to normalcy and then there's a spike, so to speak. What happens then?

I think you are going to see major regional differences, Tal.

Tal Woolley

Okay. And in the medical office portfolio, one of the stories that's starting to emerge here is like how much or how far like office visitations for doctors have been down during a period of this crisis. What's your sense of like the capacity to pay rent in the medical office portfolio and how that might evolve going forward?

Scott White

Yeah. So so far, we've been very fortunate. As we said, we've collected 96 percent of our medical office portfolio. We've also—part of the reason when we built this strategy and this risk mitigation associated with diversification was medical office buildings, or at least the way we own and operate them, there are hundreds of underlying tenants. So will you see pockets of certain types of doctors that are experiencing a reduction in visits, a reduction in income, and obviously an inability to pay rent? Yes, that is possible. But I don't think that will be across the board.

There's no doubt, particularly in the States, where we don't own many medical office buildings. As you'll recall, we only have a handful in the US and most of them are in Canada. But in the US there has been a sizable uptick in telemedicine and televisits. There is a question about how long term that'll be, what will it mean on the back end for better or worse, what the implications are. Even in skilled nursing and seniors housing, will telemedicine replace the doctor's visit for standard types of evaluations and care. I think it's too early to know.

What I would say in particular about our MOB portfolio, again going back to the theme I talked about before in terms of geographic diversification, I've talked over and over and over again, maybe ad nauseam over the years, about how important diversification is. Again here, MOB, we have hundreds of different doctors in multiple Canadian provinces; a couple of different US States. My guess is there won't be a macro reduction across the entire portfolio, but I do think we could experience pockets of doctors that are transforming their business to fewer office visits.

I'll tell you the one place that I think we may see a small hit, but we're talking very small now, and especially in light of our portfolio, is things like parking revenue. When you have a telemedicine visit it is possible a doctor still works out of their office, still generates revenue, and still covers the rent. But as you may recall, part of our portfolio, and we're talking very, very small, does generate some parking revenue associated with office visits. So I think there could be a short-term hit there.

Tal Woolley

Okay. And then just to be clear, like so you're anticipating having to do some other operator transitions over the course of 2020?

Scott White

I think it's hard to say. We don't have anything in particular planned right now, especially as we're in May and we're dealing with the current COVID crisis. But it's something that we've been focused on for the last year and a half or two years. And you think about our strategy and what we've done historically, it was start with a base, build it quickly so that you have a diversified portfolio, then reflect on as you've built it, you've built it in part through portfolio acquisitions. By definition, when we do a portfolio acquisition, not every facility and/or operator in that portfolio is the right long-term fit.

We made one significant change toward the end of last year, and we made another significant change that we just announced yesterday. I feel good about where we are, but we continue to monitor all of our operators and figure out who is right for us long term.

Portfolio management has been and will continue to be a major area of focus for us over 2020. But most immediately, it's really working with our operating partners to make sure that everybody is strong, safe, and that we get to "the other side".

Tal Woolley

Okay. And I guess this transition deal with Royal, most of that was probably like negotiated and set prior to the virus emerging. Is it possible to do operator transitions in this environment like for the balance of the year? Like is that something you can even feasibly do?

Scott White

Sure. Sure.

Tal Woolley

Okay.

Scott White

Look, you're right. A lot of this was done ahead of time. However, as Adlai referenced, going down the stretch, things like building visits and due diligence and things that require physical presence were challenging, but we were creative. I think it makes it more challenging, but it is still very doable.

Tal Woolley

Okay. And then just lastly, any covenants that we should be keeping our eye on right now?

Scott White

Higgs, do you want to give an update on that?

Scott Higgs

Yeah. Certainly. So through Q1, we were in really good shape. And we're just going to continue to monitor as we progress through. But as of right now, no red flags.

Tal Woolley

And are there any specific like debt-to-EBITDA covenants or anything like that that you need to be keeping an eye on?

Scott Higgs

No. I mean, I think from the primary perspective, as we disclosed in the MD&A, the ones that we monitor most closely are the leverage point and fixed charge cover.

Tal Woolley

Okay.

Scott Higgs

So those are the ones that monitor probably at the consolidated level the most closely.

Tal Woolley

Okay. Perfect. Thanks, gentlemen.

Scott Higgs

Okay. Thanks, Tal.

Scott White

Thank you.

Operator

And that is all the time we have for the Q&A session. Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.