



TSL Interview: Siena Healthcare Finance

October 9, 2019

By Michele Ocejo

In September, Siena Lending Group, ("Siena") announced the expansion of its national commercial lending capabilities with the launch of Siena Healthcare Finance. This new division of Siena will provide a broad range of asset-based lending solutions for small to mid-sized healthcare companies and other service providers.

Siena has hired Jennifer Sheasgreen to be president of Siena Healthcare Finance. Edward Kauffman will join the division as managing director in charge of new business originations. Sheasgreen and Kauffman have worked together since 2008 and have had a successful track record of building healthcare business units from the ground up.

Here, David Grende, president and CEO of Siena Lending Group, along with Sheasgreen and Kauffman discuss the new venture.

Why did Siena decide the time was right to start a healthcare finance ABL?

Grende: Since the acquisition of Siena by Benefit Street Partners it was one of our strategic objectives to get into healthcare finance ABL, either through a purchase or organically growing a start-up with an experienced team. The timing was really more on the side of Jennifer and Ed who wanted to execute a start-up and be part of a more entrepreneurial culture. The strategic reason for wanting to get into the space was twofold; (1) Benefit Street has a large portion of their portfolio invested in the sector and has a large team, but all in leveraged cash flow and this represents an alternative product (2) healthcare represents such a large portion of the GDP that we were not participating in it.

Why are Jennifer and Ed the ideal people to lead this start-up?

Grende: We have known Jennifer and Ed for quite a long time and, in fact, referred a number of transactions to them over the years. They have excellent reputations and are subject-matter experts in the sector. In addition, they have, in the past, been the driving part of startups. When we talked and they stated they were ready to start something new, it was simple.

What was it about this startup that attracted you both to your respective roles?

Sheasgreen: First of all, Dave Grende and Steve Sanicola have an excellent reputation in the industry and so having the opportunity to partner with them and their team was a definite plus for us. The other advantage is that Benefit Street Partners, who owns Siena Lending Group, has over \$3 billion in healthcare assets. They're very active in the space and I think they encouraged Dave and the team to start a healthcare vertical. And so that appealed to us, given that they will be a nice referral source for our transactions as well.

Kauffman: In addition to that, it was exciting that they wanted to start a healthcare vertical from the ground floor up as opposed to buying a portfolio. And for Jennifer and I, we've been together since 2008, and we've been with several firms, but we have always built healthcare verticals from the ground floor up, and that to me has always been exciting. Throughout all of our roles, we have always believed strongly in being very transparent and fair to our customers.

What segments of the healthcare market will Siena be targeting?

Sheasgreen: We will be targeting any provider of goods or services to the healthcare space, but the bulk of our portfolio will likely be skilled nursing facilities, hospitals, home health, hospice, and institutional pharmacies. Other ancillary service providers will be clients as well.

The typical size for our clients would be anywhere between about \$5 million in annual revenue to \$250 million in annual revenue and will be nationwide.

Healthcare is an industry in constant flux. What are some of the current challenges and opportunities facing the sector right now?

Sheasgreen: I think the flux is what keeps healthcare exciting. There's always changing regulations and reimbursement constraints. Our product really does serve the need of bridging

the gap between billing and collections, which healthcare providers face no matter what. Given that healthcare is about 18 percent of the GDP right now, this is a really large market with a lot of consolidation and mergers and there's opportunities to lend to this space. We look at that as very positive. Our team keeps abreast of all the changes that are going on and continually monitor those changes.

Kauffman: I would add and that's why it's important to work with healthcare experts like us as opposed to non-healthcare experts and companies that are trying to do healthcare lending, because it *is* constantly changing and we see banks getting in and out of this space. The advantage of working with our team is that we understand healthcare lending.

What are some of the top goals for Siena Healthcare, both long-term and short-term?

Sheasgreen: The short-term goal for us is to rebrand our group under the Siena name. We truly look at this as a restart and a rebrand versus a complete startup. Ed and I, with our team, are excited to get back to the core of the way we do business, which is trust, relationships and providing working capital. That is our core focus and that's where we feel comfortable.

From a long-term perspective, we want to continue to broaden our relationships, create value for our parent and have us branded as the go-to healthcare lender for lower-middle markets while appropriately managing risk.

We're excited about the opportunity and look at this as an underserved market. A lot of our competition won't look at deals that are under \$5 million and we'll start lending at \$1 million. It's an advantage to grow with our clients that may start off small. For example, strong nursing home operators that may have served in management capacities previously, but that are now acquiring their own facilities; that tends to be a really good target market for us. Start small and grow.