

EPR Properties

Two things—at least—differentiate the newly rebranded EPR Properties from just about any other small business in America. First, most small companies don't pull in north of \$300 million in annual revenues.

The other is that the guy running the show at most small concerns isn't exposed to the regulatory headaches of the SEC—or the on-line head knocks from anonymous critics—the way chief executive David Brain is at the helm of a public company.

"Near the end of his presidency, George W. Bush was asked about criticism in the newspapers and he said, 'I don't read the newspapers.' It's like that—we go ahead with our agenda," says Brain. "I think we're aware of what people say, but certainly we don't let that worry us. We worry about the fundamentals we control—our portfolio performance, our portfolio quality." It's hard to argue with the results: Over the past decade, the real estate investment trust has seen its annual revenues more than triple, it has regularly cracked *Ingram's* Corporate Report 100 list of the region's fastest-growing companies, and its combined share appreciation and per-share dividend continue to draw praise from financial analysts.

All of which may seem surprising for an organization that does have something in common with many other small businesses: It has just 31 people on the payroll. But like a lot of successful companies, this one sprung from vision meeting opportunity. Back in 1997, while he was working with George K. Baum Co., Brain was involved in structuring what would become Entertainment Properties Trust, EPR's forerunner.

"Theaters generally aren't investment-grade property," he says. "They're not shopping centers or multi-tenant office buildings." But at the same time, other specialized REITs were capitalizing on niche property types. Sensing a seismic shift in the habits of theater-goers, EPT launched, but ran headlong into trouble. "Tech was beginning to take over the world," Brain said. "People thought nobody would go to the theater any more, that everybody would be downloading movies on their laptops." To some extent, that happened. But so did something else: AMC Theaters in Kansas City was pioneering the use of large, multi-screen theaters that were making traditional theater venues obsolete. They were hot properties, and EPT got in on them.

Still, Brain said, prior to the bursting of the tech bubble in 2000, "our portfolio was performing, but nobody gave a crap about a 14 percent annual return on a real estate investment; they wanted 14 percent a month on technology returns, and we had a hard time attracting any investors. I really believed we were going to have to figure out a way to sell the portfolio—it was not going anywhere."

When it comes to setting a company's strategic path, "you don't wait until you're out of gas to look for a gas station."

— DAVID BRAIN, CEO, EPR PROPERTIES

With a credit line expiration looming and few resources available in the Kansas City market, Brain turned to the former Bear Stearns investment bank, which liked what it saw on fundamentals and provided the liquidity needed to wait out the tech bubble. Shortly after that, EPT took off—its stock eventually soared from \$15 a share past \$55. "We knew performance would save us in the end," Brain said. "And it did."

In the years since, the company has expanded its footprint into different property types, some successfully, some measured. Its latest venture is into ownership of charter schools, which Brain sees as an emerging market as more parents in major population centers seek alternatives to the pathologies



found in so many urban school districts.

"Going from 6 to 24 theaters won't last forever," he said, noting that the air was coming out of the megaplex market's tires. "It's like you don't wait until you're out of gas to look for a gas station. In the latter part of the last decade, we sat down and looked at what went right, and we came out with key things, defined our 5-star investment criteria, then started our efforts to invest in the next generation of properties."

Schools, urban-area skiing resorts, vineyards and wineries have popped into the portfolio, and Brain is focused on finding out which are the best and getting them into the portfolio.

"If you can find solid operators with the best properties and be ahead of the curve," Brain said, "we think it's a beautiful thing." ■

Might Mites | Though fewer than three dozen in number, EPR Properties' staff has one of the highest revenue-per-employee performance models in the nation.