We are recommending a hold rating for Ventas based on current market volatility and uncertainty regarding the lasting effects of COVID-19 on demand for senior housing.

Drivers of Thesis:

Uncertainty Surrounding Senior Housing
Senior housing communities have been adversely affected by the COVID-19 pandemic. Ventas’ heavy reliance on this business segment may result in decreased revenues as occupancy rates potentially lower. However, the extent of this drop is hard to predict as given that the degree to which COVID19 has impacted senior housing has yet to be realized.

Potential for Dividend Cuts:
Funds from operations may be overstated as from our forecasted value if senior housing occupancy rates do indeed drop. This may adversely affect Ventas’ ability to distribute dividends to shareholders, potentially resulting in dividend cuts. However, we are optimistic given that Ventas did not cut their dividend during the 2008 recession while many REITs across the industry did.

Risks to Thesis:
The effects of COVID-19 may ultimately be short-lived. The overall economy, as well as the senior housing industry, may recover quickly once businesses begin to open.

If COVID-19 continues to spread it may have substantial effects on senior housing demand. Seeing as senior housing accounts for nearly half of Ventas’ NOI, it may create liquidity issues as Ventas is unable to generate sufficient FFO.

Stock Performance Highlights
52 week High $75.48
52 week Low $13.35
Beta Value 1.32
Average Daily Volume 5.046 m

Share Highlights
Market Capitalization $12.81 b
Shares Outstanding 373 m
EPS (FY 2019) $1.18
P/FFO Ratio 15.00
Dividend Yield 10.07%
Dividend Payout Ratio 207.8%

Company Performance Highlights
ROA 10.24%
ROE 14.55%
Sales $5.55 b

Financial Ratios
Current Ratio 1.36.90%
Debt to Equity 126.21%

Company Overview
Ventas is an equity REIT specializing in the healthcare sector, owning approximately 1200 properties in the United States, United Kingdom, and Canada. Their diversified portfolio of real estate consists of senior housing communities, medical office buildings, research and innovation centers, inpatient rehab facilities, health systems, and skilled nursing facilities.
Executive summary

As of April 17th 2020, we are issuing a hold recommendation for Ventas. At the peak of the market sell off Ventas’ shares dropped a dramatic 60%, we believe this was a market overreaction due to Ventas’ large senior housing holdings and COVID-19’s disproportionate effect on the elderly. Although Ventas’ financials have historically been strong, we are choosing a conservative hold recommendation due to future uncertainty.

Interest Rates

The federal funds rate is the overnight interest rate that banks charge one another to borrow money. The federal reserve determines this rate through open market operations in efforts to steer economic activity. In light of the coronavirus pandemic, the federal reserve has slashed interest rates to a near 0% to encourage spending throughout the economy.

Equity REITs are sensitive to interest rate fluctuations because they require high amounts of debt financing. A fundamental characteristic of equity REITs is the obligation to payout 90% of its taxable income as dividends. This requirement makes it difficult to fund real estate acquisitions through retained earnings, instead, equity REITs rely heavily on secondary offerings and the issuance of debt to achieve growth. Higher interest rates increase the cost of borrowing and thus negatively impact growth rates. Additionally, in a high-interest rate environment, many investors will opt for raising treasury yields as opposed to equity investments. To compensate for risk, investors will require higher yields effectively driving REIT stock prices down.

As it appears, we are in the midst of a recession and predict that interest rates will remain low (around 0%- .25%) for the next year to year and a half to encourage spending. After this period, we expect interest rates to increase slightly (.5%- .75%) to mitigate the potential for inflation to exceed the Federal Reserve’s target rate.

Inflation

Inflation is measured in a variety of ways the most common being the consumer price index (CPI) the CPI measures the average cost of consumer goods in the economy. Real estate purchases involving large amounts of debt is considered a hedge against inflation as borrowers benefit from paying lenders back with money worth less than what it was originally borrowed at.

In wake of the coronavirus pandemic, the U.S. government passed a 2 trillion-dollar stimulus package. In addition, the federal reserve began an unlimited open market purchase of governmental securities in efforts to stabilize the financial markets. This large increase in the money supply often causes worries of inflation, however, we predict that the decrease in spending throughout the economy will compensate for the increase in the money supply. As individuals are swayed towards saving rather than spending, we forecast that inflation will drop down between 1.75% to 2% down from last years 2.3%.

GDP Growth

Real GDP is the inflation-adjusted measure of the total value of goods and services produced within a country’s borders. It one of the most wildly used metrics when determining the overarching health of an economy. We forecast a sharp -3.5% decrease in real GDP for 2020 due to the closure of non-essential businesses. We assume that even as businesses reopen individuals may remain discouraged from gathering in public until a vaccine or anti-viral treatment is developed. Below is a visual representation of our real GDP growth projections for 2020.
Aging US Population

Due to the aging baby boomer generation, the growth rate of individuals aged 65+ is expected to exceed that of the overall population. As the percentage of the population aged 65+ increases we expect to see an increased demand for healthcare and subsequently healthcare real estate. This includes senior housing, LTACs, IRFs, and SNFs. An aging population may also increase occupancy rates and increase profit margins for individual property types.

Capital Markets Outlook

We believe that recent market volatility is due to uncertainty regarding the severity of the virus and the lasting economic implications, and the recovery process. We are in unprecedented times and expect volatility to consolidate as more economic data is released. The US REIT industry has been impacted to a much larger degree than the broad market as total returns YTD have fallen by -18.5% vs. -11.8% for the S&P500 for the same time period.

In the short-run, capital markets growth is highly contingent upon the impacts of the coronavirus in the United States and around the world. Because of the uncertainty of outcomes resulting from the current crisis, we project the capital markets to sustain the current level of high volatility until a vaccine or cure can be developed for COVID-19 in the next 12-18 months.

Snapshot of REIT industry

There are two main types of REITs, Equity REITs who derive their income from renting or leasing properties and mortgage REITs who buy and sell mortgages on a secondary mortgage market. Equity REITs often specialize in real estate in a specific industry or geographic location. The national association of Real Estate Investment Trusts divides equity REITs into the following categories.

1. Industrial/office
2. Retail
3. Residential
4. Diversified
5. Hotels/Resorts
6. Health Care
7. Self-Storage
8. Timber
9. Infrastructure

Since REITs are required to pay out 90% of taxable income as dividends, they typically need outside funding to expand and grow. REITs will typically borrow from banks, insurance companies, pension funds, and public investors to expand their real estate portfolios. Because of this, REIT growth is highly dependent upon borrowing rates. Low-interest rates in the market currently should allow REITs to secure funding and to refinance debt at a low rate, thus aiding in their ability to proceed with property acquisitions.
**Healthcare REITs**

Healthcare REITs have historically been viewed as a long-term financing source within the healthcare industry. These REITs typically lease their properties to healthcare providers under long-term triple net leases with rent escalators. Trends in Healthcare REIT property investments show that companies are looking to expand their ownership in medical office buildings (MOBs), assisted and independent living facilities and life science/research and innovation properties.

We anticipate senior living facilities will become more attractive over the next 10 years as the baby boomers continue to age. By 2030, more than 20% of the US population will be over the age of 65.

The above graph shows that there has been a large increase in the number of new senior housing units constructed over from 2013 to 2018. The decreased number of senior housing starts in 2018 may be explained by the idea that the senior housing market may be oversupplied. We anticipate that this excess supply will eventually be met and surpassed by an increased aging population.

Space in Medical office buildings (MOBs) is usually demanded by those who have a desire to operate their own practices. Space within an office building is generally leased as many of these medical professionals do not have the capital to purchase an entire building. On-campus medical office buildings have historically been more attractive to REITs due to the benefits associated with close proximity to referral sources. However, there is a growing trend in the preference for outpatient care, which has resulted in a strong demand for medical office space.

Bioscience companies have received more than $66 billion dollars in funding from venture capital firms from 2014-2017 and show signs of increased investment for the foreseeable future. Healthcare real estate should benefit from this surge of investment as life sciences require large amounts of lab space for office workers, research and development, and device manufacturing.

**Industry Drivers**

For many industries, traditional metrics such as earnings per share (EPS) and price to earnings (P/E) are used to evaluate the performance of a company with respect to its peers. However, these metrics are poor gauges of performance within the REIT industry. The large amounts of depreciation REITs report vastly cuts into net income, this, in turn, reduces EPS and P/E multiples.

Funds from operations (FFO) is a better gauge of performance because depreciation is added back to net income and gains on sales of depreciable property are subtracted. Thus, FFO helps to measure the actual amount of money a REIT is generating from its business activities. Adjusted funds from operations (AFFO) is another measure of the financial performance of a REIT and is often used as an alternative to FFO in predicting a firm’s ability to pay dividends in the future. AFFO may provide a better metric than FFO because it considers the maintenance costs of the real estate property over its life. AFFO is calculated by making adjustments to FFO to deduct recurring expenditures required to maintain underlying assets and by straight-lining rents.

**Peer Comparisons**

**Ventas vs Welltower (WELL):**

Ventas and Welltower are two of the largest players within the Healthcare REIT industry. Welltower’s investment strategy focuses on senior housing, post-acute care communities, and outpatient medical facilities. Welltower reported FFO per share of $4.6 and a P/FFO of 19.7x for 2019. This is slightly higher than Ventas’ $3.85 FFO per share as well as their P/FFO of 15x for 2019. This implies that Welltower is currently trading at a premium compared to Ventas.

During 2019, Welltower made significant property acquisitions totaling $4.07 billion, more than double
the $1.94 billion in acquisitions Ventas made over the same time period. For 2019, Welltower distributed a $3.48 annual dividend resulting in a dividend yield of 4.3%. Ventas whose dividend per share was $3.17 resulting in a 5.5% dividend yield. Welltower has seen a stagnant dividend per share since 2017, whereas, Ventas has been able to increase its dividend slightly each year. Dividend increases are often a signal from the management of the financial stability of the firm and suggest cash flows are improving leaving more room to pass funds from operations onto shareholders.

Ventas vs Healthpeak Properties (PEAK):

Healthpeak Properties is a Healthcare REIT that focuses investments in senior housing, life science, and medical office space, similar to that of Ventas. Healthpeak currently has a market capitalization of $13.4 billion which is very close to Ventas’ market cap of $12.8 billion. In 2019, peak reported an FFO of $1.6 per share and a P/FFO of 19.6x implying PEAK is traded at a premium compared to other healthcare REITs. Ventas’ senior housing segment accounted for 67.8% of revenues in 2019 compared to Healthpeak whose senior housing segment comprised of 46.5% of 2019 revenues. Total revenues for Healthpeak may be less impacted by senior housing uncertainty stemming from the coronavirus pandemic compared to Ventas whose senior housing segment comprises a significantly larger portion of revenue.

In 2019, Healthpeak paid a dividend per share of $1.48 and had a dividend yield of 4.3%, whereas, Ventas paid a dividend of $3.17 per share and had a dividend yield of 5.5%. A higher dividend yield can make equities more attractive as overall returns to shareholders may be higher. Healthpeak spent over $1.60 billion on real estate acquisitions in 2019 compared to the $1.94 billion Ventas over the same period.

Company Analysis

Overview

Ventas is an equity REIT specializing in the healthcare sector, owning approximately 1200 properties in the United States, United Kingdom, and Canada. Their diversified portfolio of real estate consists of senior housing communities, medical office buildings, research and innovation centers, inpatient rehab facilities, health systems, and skilled nursing facilities.

Corporate Strategy

Ventas seek to provide value to investors by investing in a diverse portfolio of high-quality properties. Additionally, Ventas partners with leading care providers, developers, and medical institutions to provide high net operating incomes for individual properties. Ventas’ investment strategy is aimed at capturing the upside of an aging population as nearly 60% of Ventas’ real estate portfolio consists of senior housing communities.

Recent investment trends show that Ventas is focusing on improving its positioning within the research and innovation segment of the healthcare real estate industry. We project that Ventas will continue to invest heavily in the research and innovation segment while continuing to grow its established Medical Office Building and Senior housing portfolios. Ventas has also seen significant divestment out of their Skilled Nursing Facility (SNF) segment in recent years due to increased operating costs, lower reimbursement rates, lower occupancy rates and shorter lengths of stay. Because the headwinds in the SNF industry are unlikely to
improve in the future, we project that Ventas will continue to reduce their exposure to this property type.

**Key Partnerships**

**Senior living operations:**

Ventas has key partnerships with Atria, Sunrise and ESL who provided property management and accounting services for 334 senior housing communities as part of long-term lease agreements. These operators receive an annual base management fee of between 4.5%-7% of revenue of individual properties and in some cases receive additional compensation for meeting/exceeding specified performance targets. Ventas has a 34% ownership in Atria and ESL making it very likely that they will continue to renew management agreements once initial lease terms end.

**Medical Office Buildings:**

Lillibridge, a Ventas subsidiary, and PMBRES collectively manage 277 of Ventas consolidated MOBs which makes up the majority of their MOB portfolio.

**Research and Innovation:**

Ventas has recently constructed a research and innovation pipeline with Wexford Science + technology, a university-based research and innovation developer. This pipeline totals nearly 1.5 billion dollars in investment including 4 developments in Pittsburg, St Louis and Philadelphia totaling 800 million dollars. Ventas CEO Debra Cafaro has said that the companies research and innovation pipeline is the number 1 capital allocation priority for the company and expects all projects to be underway by July 2020. 15

**Government Regulations:**

Ventas' operations can be substantially impacted by changes in governmental healthcare regulations. This includes the potential for coverage expansions, provided by the Affordable Care Act through Medicaid expansion and health insurance exchanges, to be scaled back. Potential shifts towards less comprehensive health insurance coverage and an increase in consumer cost-sharing on health expenditures could substantially impact Ventas' operations and their ability to satisfy contractual obligations.

The passing of the new financial lease accounting standard (ASC-842) directly affects how operating leases are accounted for on the balance sheet. This new accounting standard may sway decision making towards ownership over leasing, because, Ventas derives a significant portion of funds from operations through leasing property to numerous healthcare operators.

**Possibility of Litigation**

We are recognizing the possibility of lawsuits filed against senior living facilities due to negligence in their handling of COVID-19. This will become increasingly apparent as more details emerge however, the first wrongful death lawsuit has been filed against Washington senior living center. 26

**Revenue Projections**

Below are our five-year revenue projections by property type. As illustrated in the graph we expect a majority of our revenue increases to stem from senior housing and assisted living facilities.
Valuation Analysis

Methods of Valuation

To arrive at our target stock price for Ventas, we utilized 3 different valuation methods including a dividend Discount Model, Relative valuation of Price/FFO as well as a Discounted Cash Flows and Economic Profit model. We analyzed the various economic, industry and company-specific trends to generate forecasts of valuation drivers and other factors that impacted our models. These factors were derived from trends that companies within the Healthcare REIT industry face as a result of current conditions in the markets.

Dividend Discount Model

The dividend discount model is a valuation method based on the premise that a company’s stock price is the present value of the sum of its future dividends. We began our analysis by first forecasting Ventas’ expected future dividends. We decided that the dividend per share would likely be stagnant in 2020 as Ventas may need to hold onto more funds in case of liquidity issues. For 2021 and after, we projected the dividend per share to increase by YOY growth in FFO then discounted them using their cost of equity, this gave us a target share price value of $39.07. We believe this to be our most accurate share price valuation metric as Ventas has demonstrated consistency in its historical dividend growth.

Relative Valuation Model

To determine a relative target price for Ventas compared to competitors within the Healthcare REIT industry we used a relative P/FFO metric. We also determined a relative P/E value, however, we felt that this price was highly overinflated due to the large stock price reduction Ventas has sustained in response to the COVID-19 pandemic. We felt that the P/FFO was a more useful metric and would display future profitability more accurately. We determined an implied relative value of $43.31 per share for 2020 P/FFO and a value of $38.34 per share for 2021 P/FFO.

Discounted Cash Flow (DCF) & Economic Profit (EP)

Discounted cash flow analysis is used to determine the intrinsic value of a company. DCF takes into account the present value of the future cash flows that a firm is projected to bring in that are discounted by the cost of capital for the firm. We projected future cash flows out 6 years to a point where we believe Ventas will sustain a consistent rate of growth. We believe that our DCF price is not the most accurate representation of our target price as market conditions have significantly increased Ventas’ beta resulting in an artificially high cost of equity that inflates Ventas’ WACC, from which cash flows are discounted.

CV Growth Rate

We determined the CV year growth rate to be 2%. We believe that Ventas is currently in the mature stage of its life cycle based on the relatively flat growth in NOI and FFO and the company trending towards focus on the quality of the assets in its portfolio instead of pure growth through acquisitions. This analysis makes us we believe that the targeted inflation rate can be used as a proxy for the firm’s growth rate after our forecasted years.
**Weighted Average Cost of Capital (WACC)**

We forecast a WACC of 6.44% for Ventas which significantly higher than past estimates. The influences behind this inflated WACC are a result of a heightened Beta (measured as the average of weekly and monthly betas over last 2, 3 and 5 yrs) as Ventas’ stock price has suffered massive declines in conjunction with COVID-19 and has seen volatility well above historical averages. This skewed beta drastically increases the cost of equity calculation for Ventas and subsequently its WACC.

**Revenue Decomposition**

Ventas usually reports revenues through their 3 main business segments, triple-net leased properties, senior living operations, and office operations. We decided that it would be beneficial to reconfigure these revenues and instead project total property revenues each year as a sum of revenues by different property types in Ventas portfolio. We believe that decomposing revenue in this way allows us more flexibility and greater accuracy in our projections.

To determine revenue by property type, we forecast the number of properties of each type as well as the average number of units/Sq. Ft./beds (based on standard reporting of property type) for each property type. From there, we were able to calculate the projected number of units/Sq. Ft./beds for each property type which was multiplied by the forecasted revenue per unit/per Sq. Ft./bed to give us a total revenue by property type.

**Senior Housing:**

After an initial decrease in senior housing properties resulting from an anticipated selloff, we projected the number of senior housing properties to grow slowly at a rate of 1% a year as Ventas will likely continue steady investment in senior housing. We forecast senior housing revenue per unit to decrease by 2% in 2020 in response to potential lower occupancy rates stemming from COVID-19 impacts on senior housing. In the years 2021 and after, we grew revenue per unit by 3% as occupancy rates improve in response to increases in demand for senior housing from the aging population.

**Medical Office Buildings:** We also grew the number of medical office buildings by 1% every year as Ventas shows consistent investment in MOBs. We forecast medical office building revenue per Sq. Ft, to grow by 2.5% every year, slightly above the Federal Reserve’s historical target inflation rate.

**Research and Innovation Properties:**

We projected an initial spike in the number of research and innovation properties held by Ventas in accordance to their pipeline with Wexford. Following 2020, we grew the number of research and innovation centers by 10% each year as Ventas’ CEO has said that this segment is the primary focus of capital allocation for the company. After an initial decrease in revenue per Sq. Ft. From 2019, we projected annual growth of 2.5%, slightly above U.S. inflationary targets.

**IRFs, LTACs and Health systems:**

For IRFs, LTACs and Health Systems, we forecast very slow growth in property numbers as these segments have remained relatively stagnant for Ventas recently. Furthermore, we chose to grow revenue per bed by 2% for these properties.

**SNFs:**

Ventas has recently trended toward divestiture out of SNFs as increased operating costs, lower reimbursement rates, lower occupancy rates and shorter lengths of stay make for less attractive investments. To account for this trend, we gradually reduced the number of SNFs in Ventas portfolio from 16 to 12 and maintained a 5% decrease in revenue per bed from 2019 number.
Sensitivity Tables

Sensitivity tables display how stock price can be impacted through changes in a variety of meaningful variables that impact the critical calculations responsible for our valuation stock prices.

Beta and Risk-free rate

The first sensitivity analysis we conducted involves beta (based on an average of weekly and monthly over a 2, 3 and 5 year period) and the risk-free rate as based on 10-year treasury yields. This test revealed that increases in both the beta value and risk-free rate decreased stock price. As the risk-free rate rises equity investments are seen as less attractive due to their higher risk profile, investors may opt for higher-yielding risk-free assets, thus driving the stock price down. As beta rises the cost of equity for a firm also rises, lowering stock price.

Equity Risk Premium and Pre-Tax Cost of Debt

After sensitivity testing the relationship between the equity risk premium and a pre-tax cost of debt, we found there to be a small relationship between the two variables. As the pretax cost of debt increases stock prices decreases. An increase in borrowing rates cuts into profits as REITs take on large amounts of debt to finance real estate investments. The equity risk premium is the excess rate of return that investors require to invest in the stock market as opposed to a risk-free asset. This variable shows a similar trend to borrowing rates as rises in equity risk premiums increase the cost of raising equity capital thus, lowering prices.

Depreciation Growth and Dividend Yield

Depreciation accounts for a large reduction in net income as REITs carry large amounts of depreciable assets on their balance sheets. As growth in depreciation rises earnings per share decreases which is why FFO per share, which adds back depreciation to net income is a more accurate metric. Dividend yield and stock prices have an inverse relationship as prices increase dividend yields decrease.


18. U.S. Real GDP Growth Rate by Year. Multpl.com


**Important Disclaimer**

This report was created by students enrolled in the Security Analysis (6F:112) class at the University of Iowa. The report was originally created to offer an internal investment recommendation for the University of Iowa Krause Fund and its advisory board. The report also provides potential employers and other interested parties an example of the students’ skills, knowledge and abilities. Members of the Krause Fund are not registered investment advisors, brokers or officially licensed financial professionals. The investment advice contained in this report does not represent an offer or solicitation to buy or sell any of the securities mentioned. Unless otherwise noted, facts and figures included in this report are from publicly available sources. This report is not a complete compilation of data, and its accuracy is not guaranteed. From time to time, the University of Iowa, its faculty, staff, students, or the Krause Fund may hold a financial interest in the companies mentioned in this report.
### Ventas

#### Income Statement

(Dollars in Millions)

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<tbody>
<tr>
<td><strong>Net income attributable to common stockholders</strong></td>
<td></td>
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<tr>
<td>Total rental Income</td>
<td>1,593.60</td>
<td>1,513.90</td>
<td>1,609.90</td>
<td>1,521.93</td>
<td>1,589.36</td>
<td>1,656.55</td>
<td>1,726.09</td>
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<td>Resident Fees and services</td>
<td>1,843.20</td>
<td>2,069.50</td>
<td>2,151.50</td>
<td>2,033.93</td>
<td>2,124.05</td>
<td>2,213.85</td>
<td>2,306.78</td>
<td>2,403.33</td>
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<td>Medical office building and other services revenue</td>
<td>13.70</td>
<td>13.40</td>
<td>11.20</td>
<td>10.59</td>
<td>11.06</td>
<td>11.52</td>
<td>12.01</td>
<td>12.51</td>
<td>13.05</td>
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<td>Total Property Revenue</td>
<td>3,450.50</td>
<td>3,596.80</td>
<td>3,772.60</td>
<td>3,568.44</td>
<td>3,724.46</td>
<td>3,881.92</td>
<td>4,044.88</td>
<td>4,214.18</td>
<td>4,394.83</td>
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<td>Income from loans and investments</td>
<td>117.61</td>
<td>124.22</td>
<td>89.20</td>
<td>110.34</td>
<td>112.55</td>
<td>114.80</td>
<td>117.10</td>
<td>119.44</td>
<td>121.83</td>
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<td>Interest and other income</td>
<td>6.03</td>
<td>24.89</td>
<td>10.98</td>
<td>11.08</td>
<td>11.18</td>
<td>11.27</td>
<td>11.37</td>
<td>11.47</td>
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<td><strong>Total revenues</strong></td>
<td>3,574.15</td>
<td>3,745.81</td>
<td>3,872.75</td>
<td>3,687.86</td>
<td>3,848.19</td>
<td>4,008.00</td>
<td>4,173.34</td>
<td>4,345.09</td>
<td>4,528.23</td>
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<td>Interest</td>
<td>(448.20)</td>
<td>(442.50)</td>
<td>(451.86)</td>
<td>(470.78)</td>
<td>(490.70)</td>
<td>(511.47)</td>
<td>(533.11)</td>
<td>(555.67)</td>
<td>(579.19)</td>
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<td>Depreciation and amortization</td>
<td>(887.95)</td>
<td>(919.64)</td>
<td>(1,045.62)</td>
<td>(1,098.63)</td>
<td>(1,154.33)</td>
<td>(1,212.86)</td>
<td>(1,274.35)</td>
<td>(1,338.90)</td>
<td>(1,406.85)</td>
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<td><strong>Total property-level operating expenses</strong></td>
<td>(1,436.07)</td>
<td>(1,889.88)</td>
<td>(1,808.21)</td>
<td>(1,484.00)</td>
<td>(1,548.51)</td>
<td>(1,612.82)</td>
<td>(1,679.35)</td>
<td>(1,748.46)</td>
<td>(1,822.16)</td>
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<td>Medical office building services costs</td>
<td>(3.39)</td>
<td>(1.42)</td>
<td>(2.32)</td>
<td>(2.38)</td>
<td>(2.42)</td>
<td>(2.47)</td>
<td>(2.52)</td>
<td>(2.57)</td>
<td>(2.62)</td>
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<tr>
<td>General, administrative and professional fees</td>
<td>(135.49)</td>
<td>(151.98)</td>
<td>(166.00)</td>
<td>(150.72)</td>
<td>(157.27)</td>
<td>(163.80)</td>
<td>(170.50)</td>
<td>(177.58)</td>
<td>(185.06)</td>
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<td>Loss / gain on extinguishment of debt, net</td>
<td>(0.75)</td>
<td>(58.25)</td>
<td>(41.90)</td>
<td>(33.64)</td>
<td>(33.64)</td>
<td>(33.64)</td>
<td>(33.64)</td>
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<tr>
<td>Merger-related expenses and deal costs</td>
<td>(10.54)</td>
<td>(30.55)</td>
<td>(15.24)</td>
<td>(20.10)</td>
<td>(20.50)</td>
<td>(20.91)</td>
<td>(21.33)</td>
<td>(21.76)</td>
<td>(22.19)</td>
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<tr>
<td>Other</td>
<td>(20.05)</td>
<td>(66.77)</td>
<td>(17.61)</td>
<td>(0.03)</td>
<td>(0.03)</td>
<td>(0.03)</td>
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<tr>
<td><strong>Total expenses</strong></td>
<td>(2,989.44)</td>
<td>(3,360.99)</td>
<td>(3,513.33)</td>
<td>(3,220.07)</td>
<td>(3,366.40)</td>
<td>(3,516.17)</td>
<td>(3,672.23)</td>
<td>(3,835.16)</td>
<td>(4,007.35)</td>
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<td>Income before unconsolidated entities</td>
<td>584.71</td>
<td>384.82</td>
<td>359.42</td>
<td>467.80</td>
<td>481.79</td>
<td>491.82</td>
<td>501.11</td>
<td>509.93</td>
<td>520.87</td>
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<tr>
<td>Loss / income from unconsolidated entities</td>
<td>(0.56)</td>
<td>(55.03)</td>
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<td>Net loss on real estate disposals</td>
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<tr>
<td>Income from continuing operations</td>
<td>643.95</td>
<td>415.99</td>
<td>439.30</td>
<td>519.82</td>
<td>533.81</td>
<td>543.85</td>
<td>553.13</td>
<td>561.95</td>
<td>572.90</td>
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<td>Discontinued operations</td>
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<td>(0.01)</td>
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<td>Gain on real estate disposals</td>
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<td></td>
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<tr>
<td><strong>Net income</strong></td>
<td>1,361.11</td>
<td>415.98</td>
<td>439.30</td>
<td>519.82</td>
<td>533.81</td>
<td>543.85</td>
<td>553.13</td>
<td>561.95</td>
<td>572.90</td>
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<td>409.47</td>
<td>433.02</td>
<td>513.41</td>
<td>527.27</td>
<td>537.18</td>
<td>546.33</td>
<td>555.02</td>
<td>565.82</td>
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<td></td>
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<tr>
<td>Basic</td>
<td>3.82</td>
<td>1.15</td>
<td>1.18</td>
<td>1.39</td>
<td>1.40</td>
<td>1.40</td>
<td>1.40</td>
<td>1.39</td>
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<td>1.81</td>
<td>1.17</td>
<td>1.20</td>
<td>1.39</td>
<td>1.40</td>
<td>1.40</td>
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<td><strong>Weighted average shares</strong></td>
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<tr>
<td>Basic</td>
<td>355.33</td>
<td>356.27</td>
<td>365.98</td>
<td>373.58</td>
<td>381.05</td>
<td>388.67</td>
<td>396.44</td>
<td>404.37</td>
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<td>Dividends Per Share</td>
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<td>3.16</td>
<td>3.17</td>
<td>3.17</td>
<td>3.24</td>
<td>3.31</td>
<td>3.37</td>
<td>3.44</td>
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</table>

All figures in millions of U.S. Dollar except per share items.
### Ventas

**Balance Sheet**

(Dollars in Millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
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<tbody>
<tr>
<td><strong>Total assets</strong></td>
<td>23,955</td>
<td>22,585</td>
<td>24,692</td>
<td>25,167</td>
<td>25,860</td>
<td>26,578</td>
<td>27,329</td>
<td>28,102</td>
<td>28,907</td>
</tr>
<tr>
<td>Net real estate investments</td>
<td>22,058</td>
<td>20,638</td>
<td>22,479</td>
<td>23,099</td>
<td>23,737</td>
<td>24,421</td>
<td>25,154</td>
<td>25,939</td>
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<td>Total real estate investments</td>
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<td>26,477</td>
<td>28,817</td>
<td>30,503</td>
<td>32,287</td>
<td>34,176</td>
<td>36,175</td>
<td>38,292</td>
<td>40,532</td>
</tr>
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<td>Accumulated depreciation and amortization</td>
<td>(6,617)</td>
<td>(6,383)</td>
<td>(7,088)</td>
<td>(8,187)</td>
<td>(9,341)</td>
<td>(10,554)</td>
<td>(11,828)</td>
<td>(13,167)</td>
<td>(14,574)</td>
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<td>Net real estate property</td>
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<td>20,094</td>
<td>21,729</td>
<td>22,316</td>
<td>22,946</td>
<td>23,622</td>
<td>24,347</td>
<td>25,125</td>
<td>25,958</td>
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<td>Secured loans receivable and investments, net</td>
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<td>496</td>
<td>705</td>
<td>711</td>
<td>717</td>
<td>723</td>
<td>730</td>
<td>736</td>
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<td>Investments in unconsolidated real estate entities</td>
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<td>72</td>
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<td>75</td>
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<td>78</td>
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<td>Cash and cash equivalents</td>
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<td>131</td>
<td>146</td>
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<td>98</td>
<td>117</td>
<td>121</td>
<td>93</td>
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<td>Escrow deposits and restricted cash</td>
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<td>59</td>
<td>40</td>
<td>69</td>
<td>70</td>
<td>71</td>
<td>73</td>
<td>74</td>
<td>76</td>
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<td>Goodwill</td>
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<td>1,051</td>
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<td>1,051</td>
<td>1,051</td>
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<td>Assets held for sale</td>
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<td>91</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>-</td>
</tr>
<tr>
<td>Deferred income tax assets, net</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Other assets</td>
<td>573</td>
<td>759</td>
<td>877</td>
<td>890</td>
<td>904</td>
<td>917</td>
<td>931</td>
<td>945</td>
<td>959</td>
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<tr>
<td><strong>Total liabilities and equity</strong></td>
<td>23,955</td>
<td>22,585</td>
<td>24,692</td>
<td>25,167</td>
<td>25,860</td>
<td>26,578</td>
<td>27,329</td>
<td>28,102</td>
<td>28,907</td>
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<tr>
<td><strong>Total liabilities</strong></td>
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<td>12,125</td>
<td>13,873</td>
<td>14,918</td>
<td>15,169</td>
<td>15,847</td>
<td>16,557</td>
<td>17,299</td>
<td>18,078</td>
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<td>Senior notes payable and other debt</td>
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<td>10,734</td>
<td>12,159</td>
<td>12,724</td>
<td>13,316</td>
<td>13,935</td>
<td>14,583</td>
<td>15,251</td>
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<td>100</td>
<td>111</td>
<td>85</td>
<td>88</td>
<td>92</td>
<td>96</td>
<td>100</td>
<td>104</td>
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<td>Operating lease liabilities</td>
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<td>-</td>
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<td>251</td>
<td>258</td>
<td>265</td>
<td>273</td>
<td>281</td>
<td>290</td>
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<tr>
<td>Accounts payable and other liabilities</td>
<td>1,244</td>
<td>1,086</td>
<td>1,151</td>
<td>1,045</td>
<td>1,091</td>
<td>1,136</td>
<td>1,183</td>
<td>1,232</td>
<td>1,284</td>
</tr>
<tr>
<td>Accounts payable and other liabilities</td>
<td>1,183</td>
<td>1,086</td>
<td>1,146</td>
<td>1,045</td>
<td>1,091</td>
<td>1,136</td>
<td>1,183</td>
<td>1,232</td>
<td>1,284</td>
</tr>
<tr>
<td>Liabilities related to assets held for sale</td>
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<td>5</td>
<td>-</td>
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<td>-</td>
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<tr>
<td>Deferred income taxes</td>
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<td>205</td>
<td>201</td>
<td>199</td>
<td>197</td>
<td>196</td>
<td>194</td>
<td>192</td>
<td>191</td>
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<tr>
<td>Redeemable OP unitholder and noncontrolling interests</td>
<td>158</td>
<td>188</td>
<td>274</td>
<td>207</td>
<td>211</td>
<td>215</td>
<td>219</td>
<td>224</td>
<td>228</td>
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<td><strong>Total equity</strong></td>
<td>10,932</td>
<td>10,272</td>
<td>10,545</td>
<td>10,649</td>
<td>10,691</td>
<td>10,731</td>
<td>10,772</td>
<td>10,802</td>
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<tr>
<td>Total Ventas stockholders equity</td>
<td>10,866</td>
<td>10,216</td>
<td>10,446</td>
<td>10,578</td>
<td>10,616</td>
<td>10,654</td>
<td>10,694</td>
<td>10,722</td>
<td>10,748</td>
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<td>Common stock/ capital in excess of par value</td>
<td>13,142</td>
<td>13,166</td>
<td>14,150</td>
<td>14,857</td>
<td>15,600</td>
<td>16,380</td>
<td>17,199</td>
<td>18,059</td>
<td>18,962</td>
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<tr>
<td>Retained earnings / deficit</td>
<td>(2,241)</td>
<td>(2,930)</td>
<td>(3,669)</td>
<td>(4,247)</td>
<td>(4,948)</td>
<td>(5,691)</td>
<td>(6,470)</td>
<td>(7,302)</td>
<td>(8,180)</td>
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<td>Noncontrolling interest</td>
<td>66</td>
<td>56</td>
<td>100</td>
<td>74</td>
<td>75</td>
<td>77</td>
<td>78</td>
<td>80</td>
<td>81</td>
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</table>

*All figures in millions of U.S. Dollars*
## Historical Cash Flow Statement

<table>
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<tr>
<th>Fixed Years Ending (Dec 31)</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
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<tbody>
<tr>
<td><strong>Cash Flow</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>1,442.2</td>
<td>1,363.5</td>
<td>1,347.0</td>
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<tr>
<td>Net income</td>
<td>1,241.1</td>
<td>418.6</td>
<td>429.3</td>
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<td>Adjustments to reconcile net income to net cash provided by operating activities</td>
<td>281.1</td>
<td>355.5</td>
<td>336.5</td>
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<td>Depreciation and amortization including amounts in discontinued operations</td>
<td>207.0</td>
<td>370.6</td>
<td>346.3</td>
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<td>Amortization of deferred revenue and lease incentives, net</td>
<td>-28.5</td>
<td>-34.7</td>
<td>-8.0</td>
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<td><strong>Other non-cash amortization</strong></td>
<td>10.1</td>
<td>10.3</td>
<td>23.0</td>
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<td>Stock-based compensation</td>
<td>20.5</td>
<td>30.0</td>
<td>33.9</td>
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<tr>
<td>Straightening of rental income net</td>
<td>-23.1</td>
<td>13.4</td>
<td>-50.1</td>
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<td>Loss / gain on extinguishment of debt, net</td>
<td>8.0</td>
<td>59.5</td>
<td>416.6</td>
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<td>Gain on reclassification</td>
<td>-71.7</td>
<td>-46.2</td>
<td>-59.6</td>
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<td>Income tax benefit / provision</td>
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<td>-53.0</td>
<td>55.8</td>
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<tr>
<td>Loss / income from unconsolidated entities</td>
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<td>55.0</td>
<td>2.7</td>
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<td><strong>Total other</strong></td>
<td>18.4</td>
<td>18.2</td>
<td>14.9</td>
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<tr>
<td><strong>Other excluding change in fair value of financial instruments and distributions from unconsolidated entities</strong></td>
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<td></td>
<td></td>
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<tr>
<td>Gain / (loss) on re-measurement of equity interest upon acquisition, net</td>
<td>0.2</td>
<td>58.2</td>
<td>13.3</td>
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<tr>
<td><strong>Total other excluding change in fair value of financial instruments and distributions from unconsolidated entities</strong></td>
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<td>58.2</td>
<td>13.3</td>
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<tr>
<td>Real estate impairment related to natural disasters</td>
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<td>58.2</td>
<td>13.3</td>
</tr>
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<td><strong>Total</strong></td>
<td>18.6</td>
<td>18.4</td>
<td>14.9</td>
</tr>
<tr>
<td><strong>Net cash used in / provided by investing activities</strong></td>
<td>-378.5</td>
<td>342.5</td>
<td>-1,585.3</td>
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<tr>
<td>Net investment in real estate property</td>
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<td>Purchase of private investment funds</td>
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<td>Investment in loans receivable and other</td>
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<td>-223.2</td>
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<td>Proceeds from real estate dispositions</td>
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<td>117.8</td>
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<td>Proceeds from losses realizable</td>
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<td>0.0</td>
<td>0.0</td>
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<td>Proceeds from sale of marketable securities</td>
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<td>56.2</td>
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<tr>
<td>Funds within acceptable future development expenditures</td>
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<td>56.2</td>
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<td><strong>Capital expenditures</strong></td>
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<td>-402.7</td>
<td>-556.0</td>
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<td>Development project expenditures</td>
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<td>-299.6</td>
<td>-403.5</td>
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<tr>
<td>Capital expenditures excluding development project expenditures</td>
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<td>-402.7</td>
<td>-556.0</td>
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<tr>
<td>Investment in unconsolidated entities</td>
<td>-85.8</td>
<td>10.4</td>
<td>-3.7</td>
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<td><strong>Other</strong></td>
<td>6.2</td>
<td>57.5</td>
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<td><strong>Total excluding purchase of noncontrolling interest</strong></td>
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<td>57.5</td>
<td>0.2</td>
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<td>Distributions from unconsolidated entities</td>
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<td>-36.0</td>
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<tr>
<td>Distributions from unconsolidated entities</td>
<td>-3.2</td>
<td>-47.0</td>
<td>-36.0</td>
</tr>
<tr>
<td><strong>Net cash used in / provided by financing activities</strong></td>
<td>-571.3</td>
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<td>Net change in borrowings under credit facilities</td>
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<td>321.5</td>
<td>356.0</td>
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<td>Net cash impact of CCP gain / (loss)</td>
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<td>0.0</td>
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<tr>
<td>Net change in borrowings under commercial paper program</td>
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<td>-</td>
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<tr>
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<td>Repayment of ECBs</td>
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<td>Payment of deferred financing fees</td>
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<td>-21.4</td>
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<td>Issuance of common stock, net</td>
<td>73.0</td>
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<tr>
<td>Cash distribution to common stockholders</td>
<td>-427.3</td>
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<tr>
<td>Cash distribution to redeemable OP units</td>
<td>5.7</td>
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<td>-0.7</td>
</tr>
<tr>
<td>Cash issuance or redemption of OP and Class C Units</td>
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<tr>
<td><strong>Other</strong></td>
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<td><strong>Contributions from noncontrolling interest</strong></td>
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<tr>
<td><strong>Other excluding contributions from noncontrolling interest</strong></td>
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<td>3.7</td>
<td>27.7</td>
</tr>
<tr>
<td>Proceeds from stock option exercises</td>
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</tr>
<tr>
<td>Other exercises proceeds from stock option exercises</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Distributions to noncontrolling interest</td>
<td>-11.2</td>
<td>-16.6</td>
<td>-9.7</td>
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<tr>
<td>Net increase (decrease) in cash and cash equivalents before effect of foreign currency translation on cash and cash equivalents</td>
<td>-285.7</td>
<td>-550.0</td>
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<tr>
<td>Effect of foreign currency translation on cash and cash equivalents</td>
<td>-0.3</td>
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<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>-286.0</td>
<td>-586.0</td>
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<tr>
<td>Cash, cash equivalents and restricted cash at beginning of period</td>
<td>288.7</td>
<td>188.3</td>
<td>171.5</td>
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<tr>
<td>Cash, cash equivalents and restricted cash, end of period</td>
<td>514.7</td>
<td>1,315.0</td>
<td>1,411.5</td>
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<tr>
<td>All figures in millions of U.S. dollars</td>
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<tr>
<td>----------------------------</td>
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<tr>
<td><strong>Fiscal Years Ending Dec. 31</strong></td>
<td></td>
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<tr>
<td><strong>Operating Activities:</strong></td>
<td></td>
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<tr>
<td>Net Income</td>
<td>513.4</td>
<td>527.3</td>
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<tr>
<td>Depreciation and Ammortization</td>
<td>1,098.6</td>
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<td>1,212.9</td>
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<td>Changes in Deferred Taxes</td>
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<td>13.4</td>
<td>13.6</td>
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<tr>
<td>Redeemable OP Unitholder and noncontrolling interests</td>
<td>(66.9)</td>
<td>4.1</td>
<td>4.2</td>
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<tr>
<td><strong>Changes in Operating Assets and Liabilities:</strong></td>
<td></td>
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<tr>
<td>Secured loans receivable and investments, net</td>
<td>6.1</td>
<td>6.2</td>
<td>6.3</td>
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<tr>
<td>Escrow deposits and restricted cash</td>
<td>28.9</td>
<td>1.4</td>
<td>1.4</td>
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<tr>
<td>Other Assets</td>
<td>13.2</td>
<td>13.4</td>
<td>13.6</td>
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<tr>
<td>Accrued interest</td>
<td>(26.5)</td>
<td>3.7</td>
<td>3.7</td>
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<tr>
<td>Accounts payable and other liabilities</td>
<td>(100.2)</td>
<td>45.5</td>
<td>45.3</td>
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<tr>
<td><strong>Net Cash provided by Operating Activities</strong></td>
<td>1,636.9</td>
<td>1,727.3</td>
<td>1,795.6</td>
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<tr>
<td><strong>Investing Activities:</strong></td>
<td></td>
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<tr>
<td>Investments in unconsolidated real estate entities</td>
<td>27.3</td>
<td>1.4</td>
<td>1.5</td>
</tr>
<tr>
<td>Capital Expenditures (Change in Gross PP&amp;E)</td>
<td>1,885.8</td>
<td>1,784.4</td>
<td>1,888.8</td>
</tr>
<tr>
<td><strong>Net Cash used for Investing Activities</strong></td>
<td>(1,713.1)</td>
<td>(1,785.9)</td>
<td>(1,890.3)</td>
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<tr>
<td><strong>Financing Activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in Senior Notes Payable</td>
<td>565.4</td>
<td>591.7</td>
<td>619.2</td>
</tr>
<tr>
<td>Cash Payment of Dividends</td>
<td>(1,184.2)</td>
<td>(1,235.2)</td>
<td>(1,285.4)</td>
</tr>
<tr>
<td>Change in common stock</td>
<td>707.5</td>
<td>742.9</td>
<td>780.0</td>
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<td><strong>Net Cash provided by Financing Activities</strong></td>
<td>88.6</td>
<td>99.3</td>
<td>113.8</td>
</tr>
<tr>
<td>Net Increase (decrease) in Cash</td>
<td>12.4</td>
<td>40.8</td>
<td>19.1</td>
</tr>
<tr>
<td>Cash at Beginning of Year</td>
<td>45.0</td>
<td>57.4</td>
<td>98.2</td>
</tr>
<tr>
<td>Cash at End of Year</td>
<td>57.4</td>
<td>98.2</td>
<td>117.3</td>
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</table>
# Ventas

**Common Size Income Statement**

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Net income attributable to common stockholders</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total rental income</td>
<td>44.59%</td>
<td>40.42%</td>
<td>41.57%</td>
<td>41.27%</td>
<td>41.30%</td>
<td>41.33%</td>
<td>41.36%</td>
<td>41.39%</td>
<td>41.42%</td>
</tr>
<tr>
<td>Resident Fees and services</td>
<td>51.57%</td>
<td>55.25%</td>
<td>55.55%</td>
<td>55.15%</td>
<td>55.20%</td>
<td>55.24%</td>
<td>55.27%</td>
<td>55.31%</td>
<td>55.35%</td>
</tr>
<tr>
<td>Medical office building and other services revenue</td>
<td>0.36%</td>
<td>0.36%</td>
<td>0.29%</td>
<td>0.29%</td>
<td>0.29%</td>
<td>0.29%</td>
<td>0.29%</td>
<td>0.29%</td>
<td>0.29%</td>
</tr>
<tr>
<td>Total Property Revenue</td>
<td>96.54%</td>
<td>96.02%</td>
<td>97.41%</td>
<td>96.71%</td>
<td>96.78%</td>
<td>96.85%</td>
<td>96.92%</td>
<td>96.99%</td>
<td>97.06%</td>
</tr>
<tr>
<td>Income from loans and investments</td>
<td>3.29%</td>
<td>3.32%</td>
<td>3.30%</td>
<td>2.99%</td>
<td>2.92%</td>
<td>2.86%</td>
<td>2.81%</td>
<td>2.75%</td>
<td>2.69%</td>
</tr>
<tr>
<td>Interest and other income</td>
<td>0.17%</td>
<td>0.66%</td>
<td>0.28%</td>
<td>0.30%</td>
<td>0.29%</td>
<td>0.28%</td>
<td>0.27%</td>
<td>0.26%</td>
<td>0.26%</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
</tr>
<tr>
<td><strong>Interest</strong></td>
<td>-12.54%</td>
<td>-11.81%</td>
<td>-11.66%</td>
<td>-12.77%</td>
<td>-12.75%</td>
<td>-12.76%</td>
<td>-12.77%</td>
<td>-12.79%</td>
<td>-12.79%</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>-24.84%</td>
<td>-24.55%</td>
<td>-27.00%</td>
<td>-29.79%</td>
<td>-30.00%</td>
<td>-30.26%</td>
<td>-30.54%</td>
<td>-30.82%</td>
<td>-31.07%</td>
</tr>
<tr>
<td><strong>Total property-level operating expenses</strong></td>
<td>-41.49%</td>
<td>-45.11%</td>
<td>-46.69%</td>
<td>-40.24%</td>
<td>-40.24%</td>
<td>-40.24%</td>
<td>-40.24%</td>
<td>-40.24%</td>
<td>-40.24%</td>
</tr>
<tr>
<td>Medical office building services costs</td>
<td>-0.09%</td>
<td>-0.04%</td>
<td>-0.06%</td>
<td>-0.06%</td>
<td>-0.06%</td>
<td>-0.06%</td>
<td>-0.06%</td>
<td>-0.06%</td>
<td>-0.06%</td>
</tr>
<tr>
<td>General, administrative and professional fees</td>
<td>-3.79%</td>
<td>-4.06%</td>
<td>-4.29%</td>
<td>-4.09%</td>
<td>-4.09%</td>
<td>-4.09%</td>
<td>-4.09%</td>
<td>-4.09%</td>
<td>-4.09%</td>
</tr>
<tr>
<td>Loss / gain on extinguishment of debt, net</td>
<td>-0.02%</td>
<td>-1.56%</td>
<td>-1.08%</td>
<td>-0.91%</td>
<td>-0.87%</td>
<td>-0.84%</td>
<td>-0.81%</td>
<td>-0.77%</td>
<td>-0.74%</td>
</tr>
<tr>
<td>Merger related expenses and deal costs</td>
<td>-0.29%</td>
<td>-0.82%</td>
<td>-0.39%</td>
<td>0.55%</td>
<td>0.53%</td>
<td>0.52%</td>
<td>0.51%</td>
<td>0.50%</td>
<td>0.49%</td>
</tr>
<tr>
<td>Other</td>
<td>-0.56%</td>
<td>-1.78%</td>
<td>0.45%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>-83.64%</td>
<td>-89.73%</td>
<td>-90.72%</td>
<td>-87.32%</td>
<td>-87.48%</td>
<td>-87.73%</td>
<td>-87.99%</td>
<td>-88.26%</td>
<td>-88.50%</td>
</tr>
<tr>
<td><strong>Income before unconsolidated entities</strong></td>
<td>16.36%</td>
<td>10.27%</td>
<td>9.28%</td>
<td>12.68%</td>
<td>12.52%</td>
<td>12.27%</td>
<td>12.01%</td>
<td>11.74%</td>
<td>11.50%</td>
</tr>
<tr>
<td>Loss / income from unconsolidated entities</td>
<td>-0.02%</td>
<td>-1.47%</td>
<td>-0.06%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Net loss on real estate disposals</td>
<td>0.00%</td>
<td>1.23%</td>
<td>0.67%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Income tax benefit / expense</td>
<td>1.67%</td>
<td>1.07%</td>
<td>1.45%</td>
<td>1.41%</td>
<td>1.35%</td>
<td>1.30%</td>
<td>1.25%</td>
<td>1.20%</td>
<td>1.15%</td>
</tr>
<tr>
<td>Income from continuing operations</td>
<td>18.02%</td>
<td>11.11%</td>
<td>11.34%</td>
<td>14.10%</td>
<td>13.87%</td>
<td>13.57%</td>
<td>13.25%</td>
<td>12.93%</td>
<td>12.65%</td>
</tr>
<tr>
<td>Discontinued operations</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Gain on real estate disposals</td>
<td>20.07%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>38.06%</td>
<td>11.11%</td>
<td>11.34%</td>
<td>14.10%</td>
<td>13.87%</td>
<td>13.57%</td>
<td>13.25%</td>
<td>12.93%</td>
<td>12.65%</td>
</tr>
<tr>
<td>Net income / loss attributable to noncontrolling interest</td>
<td>-0.13%</td>
<td>-0.17%</td>
<td>-0.16%</td>
<td>-0.17%</td>
<td>-0.17%</td>
<td>-0.17%</td>
<td>-0.16%</td>
<td>-0.16%</td>
<td>-0.16%</td>
</tr>
<tr>
<td>Net income attributable to common stockholders</td>
<td>37.95%</td>
<td>10.93%</td>
<td>11.18%</td>
<td>13.92%</td>
<td>13.70%</td>
<td>13.40%</td>
<td>13.09%</td>
<td>12.77%</td>
<td>12.50%</td>
</tr>
</tbody>
</table>
## Ventas

**Common Size Balance Sheet**

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
</tr>
<tr>
<td>Net real estate investments</td>
<td>92.08%</td>
<td>91.38%</td>
<td>91.04%</td>
<td>91.78%</td>
<td>91.79%</td>
<td>91.88%</td>
<td>92.04%</td>
<td>92.30%</td>
<td>92.64%</td>
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<tr>
<td>Total real estate investments</td>
<td>109.40%</td>
<td>117.23%</td>
<td>116.71%</td>
<td>121.20%</td>
<td>124.85%</td>
<td>128.59%</td>
<td>132.37%</td>
<td>136.26%</td>
<td>140.21%</td>
</tr>
<tr>
<td>Accumulated depreciation and amortization</td>
<td>-23.45%</td>
<td>-28.25%</td>
<td>-28.71%</td>
<td>-32.53%</td>
<td>-36.12%</td>
<td>-39.71%</td>
<td>-43.28%</td>
<td>-46.85%</td>
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<td>Net real estate property</td>
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<td>88.73%</td>
<td>88.88%</td>
<td>89.09%</td>
<td>89.40%</td>
<td>89.80%</td>
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<tr>
<td>Secured loans receivable and investments, net</td>
<td>5.62%</td>
<td>2.20%</td>
<td>2.85%</td>
<td>2.82%</td>
<td>2.77%</td>
<td>2.72%</td>
<td>2.67%</td>
<td>2.62%</td>
<td>2.57%</td>
</tr>
<tr>
<td>Investments in unconsolidated real estate entities</td>
<td>0.52%</td>
<td>0.21%</td>
<td>0.18%</td>
<td>0.29%</td>
<td>0.29%</td>
<td>0.28%</td>
<td>0.28%</td>
<td>0.28%</td>
<td>0.28%</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>0.34%</td>
<td>0.58%</td>
<td>0.59%</td>
<td>0.23%</td>
<td>0.38%</td>
<td>0.44%</td>
<td>0.44%</td>
<td>0.33%</td>
<td>0.14%</td>
</tr>
<tr>
<td>Escrow deposits and restricted cash</td>
<td>0.45%</td>
<td>0.26%</td>
<td>0.16%</td>
<td>0.27%</td>
<td>0.27%</td>
<td>0.27%</td>
<td>0.27%</td>
<td>0.26%</td>
<td>0.26%</td>
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<tr>
<td>Goodwill</td>
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<td>4.26%</td>
<td>4.18%</td>
<td>4.06%</td>
<td>3.96%</td>
<td>3.85%</td>
<td>3.74%</td>
<td>3.64%</td>
</tr>
<tr>
<td>Assets held for sale</td>
<td>0.42%</td>
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<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
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<tr>
<td>Deferred income tax assets, net</td>
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<td>0.00%</td>
<td>0.19%</td>
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<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Other assets</td>
<td>2.39%</td>
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<td>3.55%</td>
<td>3.54%</td>
<td>3.49%</td>
<td>3.45%</td>
<td>3.41%</td>
<td>3.36%</td>
<td>3.32%</td>
</tr>
<tr>
<td>Total liabilities and equity</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>53.70%</td>
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<td>56.18%</td>
<td>57.89%</td>
<td>58.66%</td>
<td>59.83%</td>
<td>60.58%</td>
<td>61.56%</td>
<td>62.54%</td>
</tr>
<tr>
<td>Senior notes payable and other debt</td>
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<td>47.53%</td>
<td>49.24%</td>
<td>50.56%</td>
<td>51.49%</td>
<td>52.43%</td>
<td>53.36%</td>
<td>54.31%</td>
<td>55.25%</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>0.39%</td>
<td>0.44%</td>
<td>0.45%</td>
<td>0.34%</td>
<td>0.34%</td>
<td>0.35%</td>
<td>0.35%</td>
<td>0.35%</td>
<td>0.36%</td>
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<tr>
<td>Operating lease liabilities</td>
<td>0.00%</td>
<td>0.00%</td>
<td>1.02%</td>
<td>1.03%</td>
<td>1.03%</td>
<td>1.03%</td>
<td>1.03%</td>
<td>1.03%</td>
<td>1.04%</td>
</tr>
<tr>
<td>Accounts payable and other liabilities</td>
<td>5.19%</td>
<td>4.81%</td>
<td>4.66%</td>
<td>4.15%</td>
<td>4.22%</td>
<td>4.28%</td>
<td>4.33%</td>
<td>4.38%</td>
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<td>Liabilities related to assets held for sale</td>
<td>4.94%</td>
<td>4.81%</td>
<td>4.64%</td>
<td>4.15%</td>
<td>4.22%</td>
<td>4.28%</td>
<td>4.33%</td>
<td>4.38%</td>
<td>4.44%</td>
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<tr>
<td>Deferred income taxes</td>
<td>0.26%</td>
<td>0.00%</td>
<td>0.02%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
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</tr>
<tr>
<td>Redeemable OP unitholder and noncontrolling interests</td>
<td>1.04%</td>
<td>0.91%</td>
<td>0.81%</td>
<td>0.79%</td>
<td>0.76%</td>
<td>0.74%</td>
<td>0.71%</td>
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<td>Total equity</td>
<td>45.64%</td>
<td>45.48%</td>
<td>42.71%</td>
<td>42.31%</td>
<td>41.34%</td>
<td>40.38%</td>
<td>39.42%</td>
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<td>Total Ventas stockholders equity</td>
<td>45.36%</td>
<td>45.23%</td>
<td>42.30%</td>
<td>42.02%</td>
<td>41.05%</td>
<td>40.09%</td>
<td>39.13%</td>
<td>38.16%</td>
<td>37.18%</td>
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<td>Common stock/ capital in excess of par value</td>
<td>54.86%</td>
<td>58.29%</td>
<td>57.30%</td>
<td>59.03%</td>
<td>60.32%</td>
<td>61.63%</td>
<td>62.93%</td>
<td>64.26%</td>
<td>65.60%</td>
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<td>Accumulated other comprehensive income / loss</td>
<td>-0.15%</td>
<td>-0.9%</td>
<td>-1.14%</td>
<td>-0.14%</td>
<td>-0.13%</td>
<td>-0.13%</td>
<td>-0.13%</td>
<td>-0.12%</td>
<td>-0.12%</td>
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<tr>
<td>Retained earnings / deficit</td>
<td>-9.35%</td>
<td>-12.97%</td>
<td>-14.86%</td>
<td>-16.88%</td>
<td>-19.14%</td>
<td>-21.41%</td>
<td>-23.68%</td>
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<td>Noncontrolling interest</td>
<td>0.28%</td>
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<td>0.40%</td>
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<td>0.29%</td>
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<td>All figures in millions of U.S. Dollar.</td>
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### Vantaas
#### Value-Centric Evaluation
(Dollars in Millions)

**Fiscal Years Ending Dec 31**

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<td><strong>Operating Revenue:</strong></td>
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<td>Total revenue</td>
<td>1,555.5</td>
<td>1,611.2</td>
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<td>1,680.4</td>
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<td>1,875.9</td>
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<td>2,154.0</td>
<td>2,218.6</td>
<td>2,306.8</td>
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<td>Medical office building and other service revenue</td>
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<td>9.1</td>
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<td>12.0</td>
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<td>Income from loans and investments</td>
<td>117.4</td>
<td>130.5</td>
<td>102.0</td>
<td>110.3</td>
<td>115.2</td>
<td>148.0</td>
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<td>1,734.2</td>
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<td>1,585.3</td>
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<td>1,432.0</td>
<td>1,382.9</td>
<td>1,322.7</td>
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<td>Medical office building and other service costs</td>
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<td>4.7</td>
<td>2.4</td>
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<td>Selling, general, and administrative expenses</td>
<td>130.5</td>
<td>152.0</td>
<td>156.0</td>
<td>158.7</td>
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<td>177.6</td>
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<td>Depreciation and amortization expenses</td>
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<td>245.0</td>
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<td>972.5</td>
<td>935.0</td>
<td>956.7</td>
<td>990.4</td>
<td>1,021.0</td>
<td>1,051.0</td>
<td>1,083.0</td>
<td>1,117.2</td>
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<tr>
<td>Income tax provision</td>
<td>59.9</td>
<td>40.0</td>
<td>56.3</td>
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<td>52.6</td>
<td>52.0</td>
<td>52.0</td>
<td>52.0</td>
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<tr>
<td><strong>Net income:</strong></td>
<td>132.2</td>
<td>87.5</td>
<td>87.2</td>
<td>87.5</td>
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<td><strong>Total Adjusted EBITDA:</strong></td>
<td>56.0</td>
<td>30.5</td>
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<tr>
<td><strong>EBITDA:</strong></td>
<td>1,074.4</td>
<td>972.5</td>
<td>935.0</td>
<td>956.7</td>
<td>990.4</td>
<td>1,021.0</td>
<td>1,051.0</td>
<td>1,083.0</td>
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<tr>
<td>Income tax provision</td>
<td>59.9</td>
<td>40.0</td>
<td>56.3</td>
<td>52.0</td>
<td>52.6</td>
<td>52.0</td>
<td>52.0</td>
<td>52.0</td>
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</tr>
<tr>
<td><strong>Net Income:</strong></td>
<td>132.2</td>
<td>87.5</td>
<td>87.2</td>
<td>87.5</td>
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<td>87.2</td>
<td>87.2</td>
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<tr>
<td><strong>Invested Capital:</strong></td>
<td>945.26</td>
<td>939.90</td>
<td>970.90</td>
<td>935.1</td>
<td>938.0</td>
<td>936.8</td>
<td>939.4</td>
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<td><strong>Change in Operating Liabilities:</strong></td>
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<td>-54.90</td>
<td>-65.90</td>
<td>-56.20</td>
<td>-54.90</td>
<td>-65.90</td>
<td>-56.20</td>
<td>-54.90</td>
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<td><strong>Free Cash Flow (FCF):</strong></td>
<td>546.26</td>
<td>485.00</td>
<td>414.00</td>
<td>442.1</td>
<td>451.0</td>
<td>460.0</td>
<td>463.2</td>
<td>476.0</td>
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</table>

### Free Cash Flow (FCF)

- **NOPLAT:**
- **Invested Capital:**

### Return on Invested Capital (ROIC)

- **NOPLAT:**
- **Beginning:**
- **Ending:**

### Economic Profit (EP)

- **Beginning:**
- **Change:**
- **NOPLAT:**
- **ROIC:**
- **x (ROIC - WACC):**
- **EP:**
### Ventas

#### Revenue Decomposition

<table>
<thead>
<tr>
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<tbody>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$3,574.15</td>
<td>$3,745.81</td>
<td>$3,872.75</td>
<td>$3,884,190.07</td>
<td>$4,007,996.28</td>
<td>$4,175,384.40</td>
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<td>$4,528,229.57</td>
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<td><strong>Senior Housing Communities</strong></td>
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<tr>
<td># of Properties</td>
<td>747</td>
<td>750</td>
<td>784</td>
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<tr>
<td>Average Units per Property</td>
<td>66,079.02</td>
<td>66,740.42</td>
<td>67,407.82</td>
<td>68,081.90</td>
<td>68,762.72</td>
<td>69,450.35</td>
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<td>Revenue per unit</td>
<td>37,151.47</td>
<td>37,894.50</td>
<td>38,652.39</td>
<td>39,425.43</td>
<td>40,213.94</td>
<td>41,018.22</td>
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<td>Total Revenue</td>
<td>$2,342,247.00</td>
<td>$2,513,400.00</td>
<td>$2,618,601.00</td>
<td>$2,400,796.21</td>
<td>$2,497,548.30</td>
<td>$2,585,586.87</td>
<td>$2,676,728.81</td>
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<td><strong>Medical Office Buildings (MOBs)</strong></td>
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<td>386</td>
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<td>Average Sq. Ft. per Property</td>
<td>19,221,033.00</td>
<td>19,740,568.00</td>
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<td>19,527,302.04</td>
<td>19,721,989.05</td>
<td>20,019,207.93</td>
<td>20,118,400.01</td>
<td>20,319,584.01</td>
<td>20,522,779.85</td>
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<td>Revenue per Sq. Ft. in Dollars</td>
<td>51,296.62</td>
<td>55,607.22</td>
<td>57,245.60</td>
<td>55,715.81</td>
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<td>Total Revenue</td>
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<td><strong>Research and Innovation centers</strong></td>
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<td>Total Units per Sq. Ft.</td>
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<td>185,536.34</td>
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<td>199,941.06</td>
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<td>Revenue per Sq. Ft.</td>
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<td>1,732.00</td>
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</tr>
<tr>
<td>Revenue per Bed</td>
<td>34,052.07</td>
<td>31,646.65</td>
<td>13,767.32</td>
<td>13,078.95</td>
<td>13,078.95</td>
<td>13,078.95</td>
<td>13,078.95</td>
<td>13,078.95</td>
<td>13,078.95</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>$64,086.00</td>
<td>$21,919.00</td>
<td>$23,845.00</td>
<td>$22,852.75</td>
<td>$22,852.75</td>
<td>$21,286.95</td>
<td>$21,286.95</td>
<td>$18,405.88</td>
<td>$16,989.56</td>
</tr>
</tbody>
</table>
# Weighted Average Cost of Capital (WACC) Estimation

## Cost of Equity:

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk-Free Rate</td>
<td>0.67%</td>
</tr>
<tr>
<td>Beta</td>
<td>1.32</td>
</tr>
<tr>
<td>Equity Risk Premium</td>
<td>6.16%</td>
</tr>
<tr>
<td><strong>Cost of Equity</strong></td>
<td><strong>8.81%</strong></td>
</tr>
</tbody>
</table>

### Assumptions:
- 10-year Treasury bond
- Avg of 2, 3, 5 yr weekly and monthly betas
- Trailing 12 month cash yield

## Cost of Debt:

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk-Free Rate</td>
<td>0.67%</td>
</tr>
<tr>
<td>Implied Default Premium</td>
<td>3.56%</td>
</tr>
<tr>
<td>Pre-Tax Cost of Debt</td>
<td>4.23%</td>
</tr>
<tr>
<td>Marginal Tax Rate</td>
<td>0.20%</td>
</tr>
<tr>
<td><strong>After-Tax Cost of Debt</strong></td>
<td><strong>4.22%</strong></td>
</tr>
</tbody>
</table>

### Assumptions:
- 10-year Treasury bond
- YTM on Ventas 2030 bonds less 10 year treasury
- YTM on Ventas 2030 bonds

## Market Value of Common Equity:

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Shares Outstanding</td>
<td>372.86</td>
</tr>
<tr>
<td>Current Stock Price</td>
<td>$31.49</td>
</tr>
<tr>
<td><strong>MV of Equity</strong></td>
<td><strong>11,741.36</strong></td>
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</table>

### MV Weights:
- 48.31%

## Market Value of Debt:

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-Term Debt</td>
<td>567.5</td>
</tr>
<tr>
<td>Current Portion of LTD</td>
<td>0</td>
</tr>
<tr>
<td>Long-Term Debt</td>
<td>11,591.30</td>
</tr>
<tr>
<td>PV of Operating Leases</td>
<td>402,624.17</td>
</tr>
<tr>
<td><strong>MV of Total Debt</strong></td>
<td><strong>12,561.42</strong></td>
</tr>
</tbody>
</table>

### MV Weights:
- 51.69%

## Market Value of the Firm
- **24,302.79**

### Estimated WACC
- **6.44%**
### Ventas

**Key Management Ratios**

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<td><strong>Liquidity Ratios:</strong></td>
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<tr>
<td>Current Ratio</td>
<td>149.56%</td>
<td>116.92%</td>
<td>136.90%</td>
<td>146.76%</td>
<td>145.76%</td>
<td>143.12%</td>
<td>139.28%</td>
<td>133.24%</td>
<td>125.57%</td>
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<tr>
<td>Interest coverage ratio</td>
<td>6.08%</td>
<td>11.09%</td>
<td>11.57%</td>
<td>5.08%</td>
<td>8.32%</td>
<td>9.55%</td>
<td>9.42%</td>
<td>6.99%</td>
<td>2.94%</td>
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<tr>
<td>Cash Ratio</td>
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</table>

| **Asset-Management Ratios:**|         |         |         |         |         |         |         |         |         |
| Asset turnover              | 14.92%  | 16.59%  | 15.68%  | 14.65%  | 14.88%  | 15.08%  | 15.27%  | 15.46%  | 15.66%  |
| Fixed Asset turnover ratio  | 0.16    | 0.18    | 0.17    | 0.16    | 0.16    | 0.16    | 0.17    | 0.17    | 0.17    |

| **Financial Leverage Ratios:**|         |         |         |         |         |         |         |         |         |
| Debt to Assets Ratio        | 0.471   | 0.475   | 0.492   | 0.506   | 0.515   | 0.524   | 0.534   | 0.543   | 0.552   |
| Debt to capital ratio       | 0.53    | 0.54    | 0.56    | 0.564   | 0.574   | 0.584   | 0.594   | 0.604   | 0.614   |
| Debt to equity ratio        | 1.15    | 1.15    | 1.26    | 1.293   | 1.348   | 1.404   | 1.464   | 1.527   | 1.593   |

| **Profitability Ratios:**   |         |         |         |         |         |         |         |         |         |
| Return on assets            | 28.81%  | 31.85%  | 30.56%  | 28.34%  | 28.80%  | 29.21%  | 29.60%  | 29.99%  | 30.41%  |
| Return on Equity            | 12.48%  | 4.01%   | 4.15%   | 4.85%   | 4.97%   | 5.04%   | 5.11%   | 5.18%   | 5.26%   |
| Gross Profit Margin         | 16.36%  | 10.27%  | 9.28%   | 12.68%  | 12.52%  | 12.27%  | 12.01%  | 11.74%  | 11.50%  |

| **Payout Policy Ratios:**   |         |         |         |         |         |         |         |         |         |
| FFO                         | 1,531.79| 1,335.62| 1,484.92| 1,618.45| 1,688.14| 1,756.70| 1,827.48| 1,900.91| 1,979.74|
| FFO Per Share               | 4.11    | 3.58    | 3.98    | 4.33    | 4.43    | 4.52    | 4.61    | 4.70    | 4.80    |
| Dividend Payout Ratio (Dividend/FFO) | 75.82% | 88.29%  | 79.60%  | 73.17%  | 73.17%  | 73.17%  | 73.17%  | 73.17%  | 73.17%  |
| Total Payout Ratio ((Divs. + Repurchases)/NI) | 0.23% | 0.77%   | 0.73%   | 0.62%   | 0.61%   | 0.62%   | 0.62%   | 0.62%   | 0.62%   |
**Ventas**

*Effects of ESOP Exercise and Share Repurchases on Common Stock Account and Number of Shares Outstanding*

| Number of Options Outstanding (shares): | 4,077,000 |
| Average Time to Maturity (years): | 5.70 |
| Expected Annual Number of Options Exercised: | 715,263 |

| Current Average Strike Price: | $ 60.49 |
| Cost of Equity: | 8.81% |
| Current Stock Price: | $31.49 |

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</thead>
<tbody>
<tr>
<td>Average Strike Price:</td>
<td>$60.49</td>
<td>$60.49</td>
<td>$60.49</td>
<td>$60.49</td>
<td>$60.49</td>
<td>$60.49</td>
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<td>Increase in Common Stock Account:</td>
<td>43,266,268</td>
<td>43,266,268</td>
<td>43,266,268</td>
<td>43,266,268</td>
<td>43,266,268</td>
<td>43,266,268</td>
</tr>
<tr>
<td>Change in Treasury Stock</td>
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<td>0</td>
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<tr>
<td>Expected Price of Repurchased Shares:</td>
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<td>$</td>
<td>-</td>
<td>-</td>
<td>$</td>
<td>-</td>
</tr>
<tr>
<td>Number of Shares Repurchased:</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Shares Outstanding (beginning of the year)</td>
<td>372,860,000</td>
<td>373,575,263</td>
<td>374,290,526</td>
<td>375,005,789</td>
<td>375,721,053</td>
<td>376,436,316</td>
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<tr>
<td>Less: Shares Repurchased in Treasury</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Shares Outstanding (end of the year) resulting from ESOP additions</td>
<td>373,575,263</td>
<td>374,290,526</td>
<td>375,005,789</td>
<td>375,721,053</td>
<td>376,436,316</td>
<td>377,151,579</td>
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</tbody>
</table>
### Valuation of Options Granted under ESOP

- Current Stock Price: $31.49
- Risk Free Rate: 0.67%
- Current Dividend Yield: 10.07%
- Annualized St. Dev. of Stock Returns: 33.85%

<table>
<thead>
<tr>
<th>Range of Outstanding Options</th>
<th>Number of Shares</th>
<th>Average Exercise Price</th>
<th>Average Remaining Life (yrs)</th>
<th>B-S Option Price</th>
<th>Value of Options Granted</th>
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<tr>
<td>Range 1</td>
<td>4,077,000</td>
<td>60.49</td>
<td>5.70</td>
<td>$0.80</td>
<td>$3,130,431</td>
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<tr>
<td>Total</td>
<td>4,077,000</td>
<td>$60.49</td>
<td>5.70</td>
<td>$2.74</td>
<td>$3,130.4</td>
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</table>
## Ventas
### Relative Valuation Models

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<tbody>
<tr>
<td>PEAK</td>
<td>Healthpeak Properties</td>
<td>$26.22</td>
<td>$0.27</td>
<td>97.11</td>
<td>$0.30</td>
<td>87.40</td>
<td>15.1</td>
<td>14.5</td>
<td>1.52</td>
<td>1.60</td>
<td>17.25</td>
<td>16.39</td>
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<td>OHI</td>
<td>Omega Healthcare Investors</td>
<td>$31.45</td>
<td>$1.49</td>
<td>21.11</td>
<td>$1.59</td>
<td>19.78</td>
<td>10.5</td>
<td>10.0</td>
<td>2.79</td>
<td>3.00</td>
<td>11.27</td>
<td>10.48</td>
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<td>WELL</td>
<td>Welltower</td>
<td>$48.73</td>
<td>$1.59</td>
<td>30.65</td>
<td>$1.80</td>
<td>27.07</td>
<td>12.3</td>
<td>11.8</td>
<td>3.65</td>
<td>3.79</td>
<td>13.35</td>
<td>12.86</td>
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<td>SBRA</td>
<td>Sabra Health Care REIT</td>
<td>$12.18</td>
<td>$0.80</td>
<td>15.23</td>
<td>$0.79</td>
<td>15.42</td>
<td>7.3</td>
<td>7.0</td>
<td>1.60</td>
<td>1.68</td>
<td>7.61</td>
<td>7.25</td>
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<tr>
<td>NHI</td>
<td>National Health Investors</td>
<td>$53.06</td>
<td>$3.98</td>
<td>13.33</td>
<td>$4.40</td>
<td>12.06</td>
<td>9.4</td>
<td>9.2</td>
<td>5.35</td>
<td>5.53</td>
<td>9.92</td>
<td>9.59</td>
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<td>HTA</td>
<td>Healthcare Trust of America</td>
<td>$25.33</td>
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<td>101.32</td>
<td>$0.31</td>
<td>81.71</td>
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<td>14.4</td>
<td>1.40</td>
<td>1.47</td>
<td>18.09</td>
<td>17.23</td>
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<td>HR</td>
<td>HealthCare Realty Trust</td>
<td>$30.64</td>
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<td>98.84</td>
<td>18.6</td>
<td>17.8</td>
<td>1.26</td>
<td>1.33</td>
<td>24.32</td>
<td>23.04</td>
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<td>DOC</td>
<td>Physicians Realty Trust</td>
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<td>$0.30</td>
<td>50.20</td>
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<td>45.64</td>
<td>14.0</td>
<td>13.6</td>
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<td>15.53</td>
<td>14.91</td>
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<td></td>
<td>Average</td>
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<td></td>
<td>55.85</td>
<td>48.49</td>
<td>12.78</td>
<td>12.29</td>
<td>14.67</td>
<td>13.97</td>
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<thead>
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<tbody>
<tr>
<td>VTR</td>
<td>$31.49</td>
<td>1.39</td>
<td>1.40</td>
<td>22.6</td>
<td>22.5</td>
<td>8.7</td>
<td>8.5</td>
<td>3.08</td>
<td>3.12</td>
<td>10.22</td>
<td>10.09</td>
<td>3.39</td>
<td>3.12</td>
</tr>
</tbody>
</table>

### Implied Relative Value:

- **P/E (EPS20)**: $77.71
- **P/E (EPS21)**: $67.93
- **P/FFO*FFO/share (2020)**: $43.31
- **P/FFO*FFO/share (2021)**: $38.34
- **P/AFFO*AFFO/share (2020)**: $45.18
- **P/AFFO*AFFO/share (2021)**: $43.58
### Ventas

**Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models**

<table>
<thead>
<tr>
<th>Key Inputs</th>
<th></th>
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<tbody>
<tr>
<td>CV Growth of NOPLAT</td>
<td>2.00%</td>
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<tr>
<td>CV Year ROE</td>
<td>5.33%</td>
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<tr>
<td>WACC</td>
<td>6.44%</td>
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<tr>
<td>Cost of Equity</td>
<td>8.81%</td>
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</tr>
</tbody>
</table>

<table>
<thead>
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</thead>
<tbody>
<tr>
<td><strong>DCF Model:</strong></td>
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<tr>
<td>Free Cash Flow (FCF)</td>
<td>161.99</td>
<td>340.59</td>
<td>324.99</td>
<td>308.22</td>
<td>288.82</td>
<td>270.45</td>
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<tr>
<td>Continuing Value (CV)</td>
<td>182.38</td>
<td>360.83</td>
<td>345.30</td>
<td>328.54</td>
<td>309.11</td>
<td>290.75</td>
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<tr>
<td>PV of CV</td>
<td>152.19</td>
<td>300.63</td>
<td>285.30</td>
<td>270.14</td>
<td>255.41</td>
<td>241.47</td>
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<tr>
<td><strong>Value of Operating Assets</strong></td>
<td>10,025.07</td>
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<tr>
<td>Assets Held for sale</td>
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<td>Noncontrolling interests</td>
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<tr>
<td><strong>Value of Non-operating Assets</strong></td>
<td>165.18</td>
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<tr>
<td>Short-Term Debt</td>
<td>567.50</td>
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<tr>
<td>Long-Term Debt</td>
<td>11,591.30</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>PV of Operating Leases</td>
<td>402.63</td>
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</tr>
<tr>
<td>Value of Debt</td>
<td>12,561.42</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>PV of ESOP</td>
<td>3,150.43</td>
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<tr>
<td>Total Value of Non-Equity Claims</td>
<td>15,691.86</td>
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</tr>
<tr>
<td>Value of Equity</td>
<td>10,355.44</td>
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<tr>
<td>Shares Outstanding</td>
<td>972.86</td>
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<tr>
<td>Intrinsic Value of Last FYE</td>
<td>27.77</td>
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<tr>
<td><strong>Implied Price as of Today</strong></td>
<td>27.66</td>
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</tbody>
</table>

| **EP Model:**               |       |       |       |       |       |       |
| Economic Profit (EP)        | (440.65) | (505.21) | (513.00) | (523.64) | (536.90) | (550.34) |
| Continuing Value (CV)       | (418.99) | (445.98) | (435.42) | (407.97) | (592.99) | (5,889.95) |
| Total PV of EP              | (7,976.24) |   |   |   |   |   |
| Invested Capital (Last FYE) | 21,623.04 |   |   |   |   |   |
| **Value of Operating Assets** | 13,646.81 |   |   |   |   |   |
| Assets Held for sale        | 91.43 |   |   |   |   |   |
| Noncontrolling interests    | 73.75 |   |   |   |   |   |
| **Value of Non-operating Assets** | 165.18 |   |   |   |   |   |
| Short-Term Debt             | 567.50 |   |   |   |   |   |
| Long-Term Debt              | 11,591.30 |   |   |   |   |   |
| PV of Operating Leases      | 402.62 |   |   |   |   |   |
| Value of Debt               | 12,561.42 |   |   |   |   |   |
| PV of ESOP                  | 3,150.43 |   |   |   |   |   |
| Total Value of Non-Equity Claims | 15,691.86 |   |   |   |   |   |
| Value of Equity             | 13,977.18 |   |   |   |   |   |
| Shares Outstanding          | 372.86 |   |   |   |   |   |
| Intrinsic Value of Last FYE | 37.49 |   |   |   |   |   |
| **Implied Price as of Today** | 37.35 |   |   |   |   |   |
**Ventas**

*Dividend Discount Model (DDM) or Fundamental P/E Valuation Model*

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</thead>
<tbody>
<tr>
<td>FFO per share</td>
<td>$ 4.33</td>
<td>$ 4.43</td>
<td>$ 4.52</td>
<td>$ 4.61</td>
<td>$ 4.70</td>
<td>$ 4.80</td>
</tr>
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**Key Assumptions**

- CV growth of FFO: 2.00%
- CV Year ROE: 5.26%
- Cost of Equity: 8.81%

**Future Cash Flows**

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<tr>
<td>P/FFO Multiple (CV Year)</td>
<td>9.11</td>
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<tr>
<td>FFO per share (CV Year)</td>
<td>4.80</td>
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<td>Future Stock Price</td>
<td>43.71</td>
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<tr>
<td>Dividends Per Share</td>
<td>3.17</td>
<td>3.24</td>
<td>3.31</td>
<td>3.37</td>
<td>3.44</td>
<td>3.51</td>
</tr>
<tr>
<td>Discounted Cash Flows</td>
<td>2.91</td>
<td>2.74</td>
<td>2.57</td>
<td>2.41</td>
<td>2.26</td>
<td>26.34</td>
</tr>
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**Intrinsic Value as of Last FYE**

$ 39.22

**Implied Price as of Today**

$ 39.07