

NON-GAAP FINANCIAL MEASURES

Quarter Ended September 30, 2020

welltower



NON-GAAP FINANCIAL MEASURES

We believe that revenues, net income and net income attributable to common stockholders ("NICS"), as defined by U.S. generally accepted accounting principles ("U.S. GAAP"), are the most appropriate earnings measurements. However, we consider Net Operating Income ("NOI"), In-Place NOI ("IPNOI"), Same Store NOI ("SSNOI"), Revenues per Occupied Room ("REVPOR"), Same Store REVPOR ("SS REVPOR"), Funds From Operations attributable to common stockholders ("FFO"), Normalized FFO, EBITDA and Adjusted EBITDA to be useful supplemental measures of our operating performance. Excluding EBITDA and Adjusted EBITDA, these supplemental measures are disclosed on our pro rata ownership basis. Pro rata amounts are derived by reducing consolidated amounts for minority partners' noncontrolling ownership interests and adding our minority ownership share of unconsolidated amounts. We do not control unconsolidated investments. While we consider pro rata disclosures useful, they may not accurately depict the legal and economic implications of our joint venture arrangements and should be used with caution.

Our supplemental reporting measures and similarly entitled financial measures are widely used by investors, equity and debt analysts and rating agencies in the valuation, comparison, rating and investment recommendations of companies. Our management uses these financial measures to facilitate internal and external comparisons to historical operating results and in making operating decisions. Additionally, these measures are utilized by the Board of Directors to evaluate management. None of the supplemental reporting measures represent net income or cash flow provided from operating activities as determined in accordance with U.S. GAAP and should not be considered as alternative measures of profitability or liquidity. Finally, the supplemental reporting measures, as defined by us, may not be comparable to similarly entitled items reported by other real estate investment trusts or other companies. Multi-period amounts may not equal the sum of the individual quarterly amounts due to rounding.

The information in this supplemental information package should be read in conjunction with our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, earnings press releases/supplements and other information filed with, or furnished to, the Securities and Exchange Commission ("SEC").



FFO and Normalized FFO

Historical cost accounting for real estate assets in accordance with U.S. GAAP implicitly assumes that the value of real estate assets diminishes predictably over time as evidenced by the provision for depreciation. However, since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered presentations of operating results for real estate companies that use historical cost accounting to be insufficient. In response, the National Association of Real Estate Investment Trusts ("NAREIT") created FFO as a supplemental measure of operating performance for REITs that excludes historical cost depreciation from net income. FFO attributable to common stockholders, as defined by NAREIT, means net income attributable to common stockholders, computed in accordance with U.S. GAAP, excluding gains (or losses) from sales of real estate and impairments of depreciable assets, plus real estate depreciation and amortization, and after adjustments for unconsolidated entities and noncontrolling interests. Normalized FFO attributable to common stockholders represents FFO adjusted for certain items detailed in the reconciliations and described in our earnings press releases for the relevant periods.

We believe that Normalized FFO attributable to common stockholders is a useful supplemental measure of operating performance because investors and equity analysts may use this measure to compare our operating performance between periods or to other REITs or other companies on a consistent basis without having to account for differences caused by unanticipated and/or incalculable items.

FFO QUARTERLY RECONCILIATIONS

(in thousands, except per share information)

	Three Months Ended				
	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020
Net income (loss) attributable to common stockholders	\$ 589,876	\$ 224,324	\$ 310,284	\$ 179,246	\$ 325,585
Depreciation and amortization	272,445	262,644	274,801	265,371	255,532
Impairments and losses (gains) on real estate dispositions, net	(552,154)	(11,966)	(234,997)	(80,712)	(460,991)
Noncontrolling interests ⁽¹⁾	31,347	(14,895)	(9,409)	(42,539)	48,559
Unconsolidated entities ⁽²⁾	10,864	16,191	15,445	14,231	16,329
NAREIT FFO attributable to common stockholders	352,378	476,298	356,124	335,597	185,014
Normalizing items:					
Loss (gain) on derivatives and financial instruments, net	1,244	(5,069)	7,651	1,434	1,395
Loss (gain) on extinguishment of debt, net	65,824	2,612	—	249	33,004
Provision for loan losses	—	—	7,072	1,422	2,857
Incremental interest expense	—	—	5,871	—	—
Other impairment	—	(8,681)	—	—	112,398
Incremental stock-based compensation expense	—	—	32,268	1,842	—
Other expenses	6,186	16,042	6,292	19,411	11,544
Normalizing items attributable to noncontrolling interests and unconsolidated entities, net	1,031	(54,851)	4,041	1,000	6,399
Normalized FFO attributable to common stockholders	\$ 426,663	\$ 426,351	\$ 419,319	\$ 360,955	\$ 352,611
Average common shares outstanding:					
Basic	405,023	405,974	410,306	417,084	417,027
Diluted	406,891	407,904	412,420	419,121	418,987
Net income (loss) attributable to common stockholders per share:					
Basic	\$ 1.46	\$ 0.55	\$ 0.76	\$ 0.43	\$ 0.78
Diluted ⁽³⁾	\$ 1.45	\$ 0.55	\$ 0.75	\$ 0.42	\$ 0.77
NAREIT FFO attributable to common stockholders per share:					
Diluted	\$ 0.87	\$ 1.17	\$ 0.86	\$ 0.80	\$ 0.44
Normalized FFO attributable to common stockholders per share:					
Diluted	\$ 1.05	\$ 1.05	\$ 1.02	\$ 0.86	\$ 0.84
NAREIT FFO Payout Ratio:					
Dividends per common share	\$ 0.87	\$ 0.87	\$ 0.87	\$ 0.61	\$ 0.61
NAREIT FFO attributable to common stockholders per diluted share	\$ 0.87	\$ 1.17	\$ 0.86	\$ 0.80	\$ 0.44
NAREIT FFO Payout Ratio	100 %	74 %	101 %	76 %	139 %
Normalized FFO Payout Ratio:					
Dividends per common share	\$ 0.87	\$ 0.87	\$ 0.87	\$ 0.61	\$ 0.61
Normalized FFO attributable to common stockholders per diluted share	\$ 1.05	\$ 1.05	\$ 1.02	\$ 0.86	\$ 0.84
Normalized FFO Payout Ratio	83 %	83 %	85 %	71 %	73 %
Other items: ⁽⁴⁾					
Net straight-line rent and above/below market rent amortization ⁽⁵⁾	\$ (24,578)	\$ (24,584)	\$ (24,930)	\$ (25,627)	\$ (18,729)
Non-cash interest expenses ⁽⁶⁾	2,454	1,282	2,823	2,275	4,339
Recurring cap-ex, tenant improvements, and lease commissions	(34,526)	(46,550)	(22,616)	(17,579)	(19,443)
Stock-based compensation ⁽⁷⁾	5,008	4,547	6,822	6,892	6,565

(1) Represents noncontrolling interests' share of net FFO adjustments.

(2) Represents Welltower's share of net FFO adjustments from unconsolidated entities.

(3) Includes adjustment to the numerator for income (loss) attributable to OP unitholders.

(4) Amounts presented net of noncontrolling interests' share and Welltower's share of unconsolidated entities.

(5) Excludes normalized other impairment.

(6) Excludes normalized incremental interest expense.

(7) Excludes certain severance related stock-based compensation recorded in other expense.

FFO YEAR-TO-DATE RECONCILIATIONS

(in thousands, except per share information)

	Nine Months Ended	
	September 30, 2019	September 30, 2020
Net income (loss) attributable to common stockholders	\$ 1,008,108	\$ 815,115
Depreciation and amortization	764,429	795,704
Impairments and losses (gains) on real estate dispositions, net	(707,942)	(776,700)
Noncontrolling interests ⁽¹⁾	(5,302)	(3,389)
Unconsolidated entities ⁽²⁾	41,489	46,005
NAREIT FFO attributable to common stockholders	1,100,782	876,735
Normalizing items:		
Loss (gain) on derivatives and financial instruments, net	670	10,480
Loss (gain) on extinguishment of debt, net	81,543	33,253
Provision for loan losses	18,690	11,351
Incremental interest expense	—	5,871
Other impairment	—	146,508
Other expenses	36,570	37,247
Normalizing items attributable to noncontrolling interests and unconsolidated entities, net	14,110	11,440
Normalized FFO attributable to common stockholders	\$ 1,252,365	\$ 1,132,885
Average common shares outstanding:		
Basic	400,441	414,822
Diluted	402,412	416,860
Net income (loss) attributable to common stockholders per share:		
Basic	\$ 2.52	\$ 1.96
Diluted ⁽³⁾	\$ 2.51	\$ 1.94
NAREIT FFO attributable to common stockholders per share:		
Diluted	\$ 2.74	\$ 2.10
Normalized FFO attributable to common stockholders per share:		
Diluted	\$ 3.11	\$ 2.72
NAREIT FFO Payout Ratio:		
Dividends per common share	\$ 2.61	\$ 2.09
NAREIT FFO attributable to common stockholders per diluted share	\$ 2.74	\$ 2.10
NAREIT FFO Payout Ratio	95 %	100 %
Normalized FFO Payout Ratio:		
Dividends per common share	\$ 2.61	\$ 2.09
Normalized FFO attributable to common stockholders per diluted share	\$ 3.11	\$ 2.72
Normalized FFO Payout Ratio	84 %	77 %
Other Items: ⁽⁴⁾		
Net straight-line rent and above/below market rent amortization ⁽⁵⁾	\$ (72,644)	\$ (69,286)
Non-cash interest expenses ⁽⁶⁾	9,744	9,437
Recurring cap-ex, tenant improvements, and lease commissions	(84,374)	(59,638)
Stock-based compensation ⁽⁷⁾	18,940	20,279

(1) Represents noncontrolling interests' share of net FFO adjustments.

(2) Represents Welltower's share of net FFO adjustments from unconsolidated entities.

(3) Includes adjustment to the numerator for income (loss) attributable to OP unitholders.

(4) Amounts presented net of noncontrolling interests' share and Welltower's share of unconsolidated entities.

(5) Excludes normalized other impairment.

(6) Excludes normalized incremental interest expense.

(7) Excludes certain severance related stock-based compensation recorded in other expense.



NOI, IPNOI, SSNOI, REVPOR AND SS REVPOR

We define NOI as total revenues, including tenant reimbursements, less property operating expenses. Property operating expenses represent costs associated with managing, maintaining and servicing tenants for our properties. These expenses include, but are not limited to, property-related payroll and benefits, property management fees paid to operators, marketing, housekeeping, food service, maintenance, utilities, property taxes and insurance. General and administrative expenses represent costs unrelated to property operations and transaction costs. These expenses include, but are not limited to, payroll and benefits, professional services, office expenses and depreciation of corporate fixed assets.

IPNOI represents NOI excluding interest income, other income and non-IPNOI and adjusted for timing of current quarter portfolio changes such as acquisitions, development conversions, segment transitions, dispositions and investments held for sale.

SSNOI is used to evaluate the operating performance of our properties using a consistent population which controls for changes in the composition of our portfolio. As used herein, same store is generally defined as those revenue-generating properties in the portfolio for the relevant year-over-year reporting periods. Acquisitions and development conversions are included in the same store amounts five full quarters after acquisition or being placed into service. Land parcels, loans and sub-leases, as well as any properties sold or classified as held for sale during the period, are excluded from the same store amounts. Redeveloped properties (including major refurbishments of a Seniors Housing Operating property where 20% or more of units are simultaneously taken out of commission for 30 days or more or Outpatient Medical properties undergoing a change in intended use) are excluded from the same store amounts until five full quarters post completion of the redevelopment. Properties undergoing operator transitions and/or segment transitions are also excluded from the same store amounts until five full quarters post completion of the operator transition or segment transition. In addition, properties significantly impacted by force majeure, acts of God or other extraordinary adverse events are excluded from same store amounts until five full quarters after the properties are placed back into service. SSNOI excludes non-cash NOI and includes adjustments to present consistent property ownership percentages and to translate Canadian properties and UK properties using a consistent exchange rate. Normalizers include adjustments that in management's opinion are appropriate in considering SSNOI, a supplemental, non-GAAP performance measure. None of these adjustments, which may increase or decrease SSNOI, are reflected in our financial statements prepared in accordance with U.S. GAAP. Significant normalizers (defined as any that individually exceed 0.50% of SSNOI growth per property type) are separately disclosed and explained in the relevant supplemental reporting package. We believe NOI, IPNOI and SSNOI provide investors relevant and useful information because they measure the operating performance of our properties at the property level on an unleveraged basis. We use NOI, IPNOI and SSNOI to make decisions about resource allocations and to assess the property level performance of our properties.

REVPOR represents the average revenues generated per occupied room per month at our Seniors Housing Operating properties. It is calculated as the pro rata version of resident fees and services revenues per the income statement divided by average monthly occupied room days. SS REVPOR is used to evaluate the REVPOR performance of our properties under a consistent population which eliminates changes in the composition of our portfolio. It is based on the same pool of properties used for SSNOI and includes any revenue normalizations used for SSNOI. We use REVPOR and SS REVPOR to evaluate the revenue-generating capacity and profit potential of our Seniors Housing Operating portfolio independent of fluctuating occupancy rates. They are also used in comparison against industry and competitor statistics, if known, to evaluate the quality of our Seniors Housing Operating portfolio.

NOI QUARTERLY RECONCILIATIONS

(dollars in thousands)

	Three Months Ended				
	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020
Net income (loss)	\$ 647,932	\$ 240,136	\$ 329,380	\$ 159,216	\$ 394,978
Loss (gain) on real estate dispositions, net	(570,250)	(12,064)	(262,824)	(155,863)	(484,304)
Loss (income) from unconsolidated entities	(3,262)	(57,420)	3,692	(1,332)	5,981
Income tax expense (benefit)	3,968	(4,832)	5,442	2,233	2,003
Other expenses	6,186	16,042	6,292	19,411	11,544
Impairment of assets	18,096	98	27,827	75,151	23,313
Provision for loan losses	—	—	7,072	1,422	2,857
Loss (gain) on extinguishment of debt, net	65,824	2,612	—	249	33,004
Loss (gain) on derivatives and financial instruments, net	1,244	(5,069)	7,651	1,434	1,395
General and administrative expenses	31,019	26,507	35,481	34,062	31,003
Depreciation and amortization	272,445	262,644	274,801	265,371	255,532
Interest expense	137,343	131,648	142,007	126,357	124,851
Consolidated net operating income	610,545	600,302	576,821	527,711	402,157
NOI attributable to unconsolidated investments ⁽¹⁾	21,957	22,031	21,150	20,871	13,659
NOI attributable to noncontrolling interests ⁽²⁾	(42,356)	(41,035)	(38,017)	(30,369)	(28,024)
Pro rata net operating income (NOI) ⁽³⁾	\$ 590,146	\$ 581,298	\$ 559,954	\$ 518,213	\$ 387,792
Pro rata NOI:					
Seniors Housing Operating	\$ 250,469	\$ 239,508	\$ 239,457	\$ 179,544	\$ 175,378
Seniors Housing Triple-net	113,359	115,950	84,015	110,361	92,701
Outpatient Medical	117,728	124,186	135,426	127,840	118,421
Health System	43,016	43,016	42,798	42,426	42,425
Long-Term/Post-Acute Care	64,862	58,253	57,964	57,789	(42,381)
Corporate	712	385	294	253	1,248
Pro rata NOI ⁽³⁾	\$ 590,146	\$ 581,298	\$ 559,954	\$ 518,213	\$ 387,792

(1) Represents Welltower's interests in joint ventures where Welltower is the minority partner.

(2) Represents minority partners' interests in joint ventures where Welltower is the majority partner.

(3) Represents Welltower's pro rata share of NOI. Includes amounts from investments sold or held for sale.

NOI YEAR-TO-DATE RECONCILIATIONS

(dollars in thousands)

	Nine Months Ended	
	September 30, 2019	September 30, 2020
Net income	\$ 1,090,274	\$ 883,574
Loss (gain) on real estate dispositions, net	(735,977)	(902,991)
Loss (income) from unconsolidated entities	14,986	8,341
Income tax expense (benefit)	7,789	9,678
Other expenses	36,570	37,247
Impairment of assets	28,035	126,291
Provision for loan losses	18,690	11,351
Loss (gain) on extinguishment of debt, net	81,543	33,253
Loss (gain) on derivatives and financial instruments, net	670	10,480
General and administrative expenses	100,042	100,546
Depreciation and amortization	764,429	795,704
Interest expense	423,911	393,215
Consolidated net operating income	<u>1,830,962</u>	<u>1,506,689</u>
NOI attributable to unconsolidated investments ⁽¹⁾	65,302	55,680
NOI attributable to noncontrolling interests ⁽²⁾	<u>(126,489)</u>	<u>(96,410)</u>
Pro rata net operating income (NOI) ⁽³⁾	<u>\$ 1,769,775</u>	<u>\$ 1,465,959</u>
Pro rata NOI:		
Seniors Housing Operating	\$ 783,974	\$ 594,379
Seniors Housing Triple-net	333,710	287,077
Outpatient Medical	319,144	381,687
Health System	129,048	127,649
Long-Term/Post-Acute Care	200,829	73,372
Corporate	3,070	1,795
Pro rata NOI ⁽³⁾	<u>\$ 1,769,775</u>	<u>\$ 1,465,959</u>

(1) Represents Welltower's interests in joint ventures where Welltower is the minority partner.

(2) Represents minority partners' interests in joint ventures where Welltower is the majority partner.

(3) Represents Welltower's pro rata share of NOI. Includes amounts from investments sold or held for sale.

CURRENT QUARTER SSNOI BY SEGMENT

(dollars in thousands at Welltower pro rata ownership)

	3Q19	4Q19	1Q20	2Q20	3Q20	Y/o/Y
Seniors Housing Operating						
NOI	\$ 250,469	\$ 239,508	\$ 239,457	\$ 179,544	\$ 175,378	
Non-cash NOI on same store properties	(3,880)	(850)	(866)	(976)	(1,008)	
NOI attributable to non-same store properties	(27,331)	(23,125)	(25,831)	(16,606)	(13,227)	
Currency and ownership adjustments ⁽¹⁾	1,539	822	1,280	2,103	458	
Other normalizing adjustments ⁽²⁾	(20)	(1,097)	467	(1,603)	(991)	
SSNOI ⁽³⁾	220,777	215,258	214,507	162,462	160,610	(27.3)%
Seniors Housing Triple-net						
NOI	113,359	115,950	84,015	110,361	92,701	
Non-cash NOI on same store properties	(5,459)	(4,739)	12,001	(2,889)	17,658	
NOI attributable to non-same store properties	(11,894)	(13,314)	3,128	(12,624)	(14,601)	
Currency and ownership adjustments ⁽¹⁾	1,010	171	313	977	135	
Normalizing adjustments for lease restructuring ⁽⁴⁾	(830)	(830)	(830)	(830)	—	
Other normalizing adjustments ⁽²⁾	(233)	(180)	(859)	1,652	—	
SSNOI	95,953	97,058	97,768	96,647	95,893	(0.1)%
Outpatient Medical						
NOI	117,728	124,186	135,426	127,840	118,421	
Non-cash NOI on same store properties	(1,912)	(2,298)	(1,670)	(1,135)	(1,438)	
NOI attributable to non-same store properties	(20,252)	(22,749)	(36,234)	(34,560)	(27,305)	
Currency and ownership adjustments ⁽¹⁾	(11,316)	(11,915)	(11,875)	(5,290)	(4,741)	
Other normalizing adjustments ⁽²⁾	(170)	(1,305)	(32)	(926)	(58)	
SSNOI	84,078	85,919	85,615	85,929	84,879	1.0%
Health System						
NOI	43,016	43,016	42,798	42,426	42,425	
Non-cash NOI on same store properties	(6,858)	(6,694)	(6,670)	(6,626)	(5,969)	
NOI attributable to non-same store properties	(530)	(530)	(108)	—	—	
Other normalizing adjustments ⁽²⁾	10	8	(221)	—	—	
SSNOI	35,638	35,800	35,799	35,800	36,456	2.3%
Long-Term/Post-Acute Care						
NOI	64,862	58,253	57,964	57,789	(42,381)	
Non-cash NOI on same store properties	(3,698)	(3,493)	(3,232)	(3,433)	97,762	
NOI attributable to non-same store properties	(18,629)	(11,909)	(11,349)	(11,383)	(12,315)	
Currency and ownership adjustments ⁽¹⁾	6	5	32	84	21	
Normalizing adjustments for lease restructuring ⁽⁵⁾	(565)	(565)	(565)	—	—	
Other normalizing adjustments ⁽²⁾	269	7	—	—	—	
SSNOI	42,245	42,298	42,850	43,057	43,087	2.0%
Corporate						
NOI	712	385	294	253	1,248	
NOI attributable to non-same store properties	(712)	(385)	(294)	(253)	(1,248)	
SSNOI	—	—	—	—	—	
Total						
NOI	590,146	581,298	559,954	518,213	387,792	
Non-cash NOI on same store properties	(21,807)	(18,074)	(437)	(15,059)	107,005	
NOI attributable to non-same store properties	(79,348)	(72,012)	(70,688)	(75,426)	(68,696)	
Currency and ownership adjustments ⁽¹⁾	(8,761)	(10,917)	(10,250)	(2,126)	(4,127)	
Normalizing adjustments, net	(1,539)	(3,962)	(2,040)	(1,707)	(1,049)	
SSNOI	\$ 478,691	\$ 476,333	\$ 476,539	\$ 423,895	\$ 420,925	(12.1)%

(1) Includes adjustments to reflect consistent property ownership percentages, to translate Canadian properties at a USD/CAD rate of 1.32 and to translate UK properties at a GBP/USD rate of 1.30.

(2) Represents aggregate normalizing adjustments which are individually less than 0.50% of SSNOI growth per property type.

(3) SHO SSNOI includes expenses that are directly attributable to the COVID-19 pandemic net of any reimbursements.

(4) Represents normalizing adjustment related to lease restructuring associated with one Seniors Housing Triple-net lease.

(5) Represents normalizing adjustment related to lease restructuring associated with one Long-Term/Post-Acute lease.

IPNOI RECONCILIATION

(dollars in thousands at Welltower pro rata ownership)

	<u>Seniors Housing Operating</u>	<u>Seniors Housing Triple-net</u>	<u>Outpatient Medical</u>	<u>Health System</u>	<u>Long-Term /Post-Acute Care</u>	<u>Corporate</u>	<u>Total</u>
Three months ended September 30, 2020							
Revenues	\$ 726,133	\$ 100,054	\$ 170,733	\$ 42,445	\$ (37,274)	\$ 2,966	\$ 1,005,057
Property operating expenses	<u>(550,755)</u>	<u>(7,353)</u>	<u>(52,312)</u>	<u>(20)</u>	<u>(5,107)</u>	<u>(1,718)</u>	<u>(617,265)</u>
NOI⁽¹⁾	175,378	92,701	118,421	42,425	(42,381)	1,248	387,792
Adjust:							
Interest income	(113)	(6,552)	(760)	—	(9,325)	—	(16,750)
Other income	(977)	(930)	(966)	—	(190)	(2,966)	(6,029)
Sold / held for sale	(5,216)	(27)	(9,039)	—	(1,082)	—	(15,364)
Developments / land	838	—	78	—	—	—	916
Non In-Place NOI ⁽²⁾	<u>(3,849)</u>	<u>17,066</u>	<u>(3,667)</u>	<u>(5,969)</u>	<u>97,815</u>	<u>1,718</u>	<u>103,114</u>
Total adjustments	<u>(9,317)</u>	<u>9,557</u>	<u>(14,354)</u>	<u>(5,969)</u>	<u>87,218</u>	<u>(1,248)</u>	<u>65,887</u>
In-Place NOI	<u>166,061</u>	<u>102,258</u>	<u>104,067</u>	<u>36,456</u>	<u>44,837</u>	<u>—</u>	<u>453,679</u>
Annualized In-Place NOI	<u>\$ 664,244</u>	<u>\$ 409,032</u>	<u>\$ 416,268</u>	<u>\$ 145,824</u>	<u>\$ 179,348</u>	<u>\$ —</u>	<u>\$ 1,814,716</u>

(1) Represents Welltower's pro rata share of NOI. See page 7 for more information.

(2) Primarily represents non-cash NOI.

RECONCILIATIONS OF SHO SS REVPOR GROWTH, SSNOI GROWTH AND SSNOI/UNIT

(dollars in thousands, except SSNOI/unit)

	United States		United Kingdom		Canada		Total	
	3Q19	3Q20	3Q19	3Q20	3Q19	3Q20	3Q19	3Q20
SHO SS REVPOR Growth								
Consolidated SHO revenues	\$ 641,395	\$ 556,042	\$ 79,834	\$ 80,935	\$ 114,267	\$ 105,088	\$ 835,496	\$ 742,065
Unconsolidated SHO revenues attributable to WELL ⁽¹⁾	21,767	21,817	—	—	21,169	20,751	42,936	42,568
SHO revenues attributable to noncontrolling interests ⁽²⁾	(40,690)	(27,738)	(6,954)	(7,498)	(25,537)	(23,264)	(73,181)	(58,500)
SHO pro rata revenues ⁽³⁾	622,472	550,121	72,880	73,437	109,899	102,575	805,251	726,133
Non-cash revenues on same store properties	(900)	(849)	(4)	—	—	—	(904)	(849)
Revenues attributable to non-same store properties	(78,946)	(62,105)	(11,133)	(11,769)	(4,367)	(2,737)	(94,446)	(76,611)
Currency and ownership adjustments ⁽⁴⁾	77	—	3,356	375	383	1,252	3,816	1,627
Other normalizing adjustments ⁽⁵⁾	790	(1,509)	13	—	—	—	803	(1,509)
SHO SS revenues ⁽⁶⁾	543,493	485,658	65,112	62,043	105,915	101,090	714,520	648,791
Avg. occupied units/month ⁽⁷⁾	27,952	25,309	2,580	2,347	12,739	12,049	43,271	39,705
SHO SS REVPOR ⁽⁸⁾	\$ 6,428	\$ 6,344	\$ 8,344	\$ 8,740	\$ 2,749	\$ 2,774	\$ 5,459	\$ 5,402
SS REVPOR YOY growth		(1.3)%		4.7 %		0.9 %		(1.0)%
SHO SSNOI Growth								
Consolidated SHO NOI	\$ 192,140	\$ 125,856	\$ 20,322	\$ 19,802	\$ 41,693	\$ 28,703	\$ 254,155	\$ 174,361
Unconsolidated SHO NOI attributable to WELL ⁽¹⁾	7,807	4,836	—	—	8,627	7,487	16,434	12,323
SHO NOI attributable to noncontrolling interests ⁽²⁾	(9,740)	(3,753)	(986)	(1,361)	(9,394)	(6,192)	(20,120)	(11,306)
SHO pro rata NOI ⁽³⁾	190,207	126,939	19,336	18,441	40,926	29,998	250,469	175,378
Non-cash NOI on same store properties	(3,881)	(1,019)	1	11	—	—	(3,880)	(1,008)
NOI attributable to non-same store properties	(23,447)	(10,421)	(2,831)	(2,567)	(1,053)	(239)	(27,331)	(13,227)
Currency and ownership adjustments ⁽⁴⁾	500	—	891	96	148	362	1,539	458
Other normalizing adjustments ⁽⁵⁾	(33)	(991)	13	—	—	—	(20)	(991)
SHO pro rata SSNOI ⁽⁶⁾	\$ 163,346	\$ 114,508	\$ 17,410	\$ 15,981	\$ 40,021	\$ 30,121	\$ 220,777	\$ 160,610
SHO SSNOI growth		(29.9)%		(8.2)%		(24.7)%		(27.3)%
SHO SSNOI/Unit								
Trailing four quarters' SSNOI ⁽⁶⁾		\$ 550,474		\$ 61,911		\$ 140,452		\$ 752,837
Average units in service ⁽⁹⁾		32,917		3,163		14,365		50,445
SSNOI/unit in USD		\$ 16,723		\$ 19,574		\$ 9,777		\$ 14,924
SSNOI/unit in local currency ⁽⁴⁾				£ 15,057		\$ 12,864		

(1) Represents Welltower's interests in joint ventures where Welltower is the minority partner.

(2) Represents minority partners' interests in joint ventures where Welltower is the majority partner.

(3) Represents SHO revenues/NOI at Welltower pro rata ownership. See pages 7 for more information.

(4) Includes where appropriate adjustments to reflect consistent property ownership percentages, to translate Canadian properties at a USD/CAD rate of 1.32 and to translate UK properties at a GBP/USD rate of 1.30.

(5) Represents aggregate normalizing adjustments which are individually less than .50% of SSNOI growth.

(6) Represents SS SHO revenues/SSNOI at Welltower pro rata ownership. See page 9 for more information.

(7) Represents average occupied units for SS properties related solely to referenced country on a pro rata basis.

(8) Represents pro rata SS average revenues generated per occupied room per month.

(9) Represents average units in service for SS properties related solely to referenced country on a pro rata basis.

SENIORS HOUSING OPERATING REVPOR

(dollars in thousands, except REVPOR)

	Three months ended September 30, 2020			
	United States	United Kingdom	Canada	Total
Consolidated SHO revenues	\$ 556,042	\$ 80,935	\$ 105,088	\$ 742,065
Unconsolidated SHO revenues attributable to Welltower ⁽¹⁾	21,817	—	20,751	42,568
SHO revenues attributable to noncontrolling interests ⁽²⁾	(27,738)	(7,498)	(23,264)	(58,500)
Pro rata SHO revenues ⁽³⁾	550,121	73,437	102,575	726,133
SHO interest and other income	(1,065)	5	(30)	(1,090)
SHO revenues attributable to sold and held for sale properties	(23,206)	—	—	(23,206)
Currency and ownership adjustments ⁽⁴⁾	—	441	1,285	1,726
SHO local revenues	525,850	73,883	103,830	703,563
Average occupied units/month	27,846	2,743	12,290	42,879
REVPOR/month in USD	<u>\$ 6,243</u>	<u>\$ 8,905</u>	<u>\$ 2,793</u>	<u>\$ 5,545</u>
REVPOR/month in local currency ⁽⁴⁾		<u>£ 6,850</u>	<u>\$ 3,675</u>	

(1) Represents Welltower's interests in joint ventures where Welltower is the minority partner.

(2) Represents minority partners' interests in joint ventures where Welltower is the majority partner.

(3) Represents SHO revenues at Welltower pro rata ownership.

(4) Includes where appropriate adjustments to reflect consistent property ownership percentages, to translate Canadian properties at a USD/CAD rate of 1.32 and to translate UK properties at a GBP/USD rate of 1.30.



EBITDA AND ADJUSTED EBITDA

We measure our credit strength both in terms of leverage ratios and coverage ratios. The leverage ratios indicate how much of our balance sheet capitalization is related to long-term debt, net of cash and Internal Revenue Code (“IRC”) Section 1031 deposits. We expect to maintain capitalization ratios and coverage ratios sufficient to maintain a capital structure consistent with our current profile. The ratios are based on EBITDA and Adjusted EBITDA. EBITDA is defined as earnings (net income per income statement) before interest expense, income taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA excluding unconsolidated entities and including adjustments for stock-based compensation expense, provision for loan losses, gains/losses on extinguishment of debt, gains/losses/impairments on properties, gains/losses on derivatives and financial instruments, other expenses, additional other income and other impairment charges. We believe that EBITDA and Adjusted EBITDA, along with net income, are important supplemental measures because they provide additional information to assess and evaluate the performance of our operations. We primarily use these measures to determine our interest coverage ratio, which represents EBITDA and Adjusted EBITDA divided by total interest, and our fixed charge coverage ratio, which represents EBITDA and Adjusted EBITDA divided by fixed charges. Fixed charges include total interest and secured debt principal amortization. Our leverage ratios include net debt to Adjusted EBITDA, book capitalization, undepreciated book capitalization and market capitalization. Book capitalization represents the sum of net debt (defined as total long-term debt, excluding operating lease liabilities, less cash and cash equivalents and any IRC Section 1031 deposits), total equity and redeemable noncontrolling interests. Undepreciated book capitalization represents book capitalization adjusted for accumulated depreciation and amortization. Market capitalization represents book capitalization adjusted for the fair market value of our common stock. Our leverage ratios are defined as the proportion of net debt to total capitalization.

EBITDA AND ADJUSTED EBITDA QUARTERLY RECONCILIATIONS

(dollars in thousands)

	Three Months Ended				
	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020
Net income (loss)	\$ 647,932	\$ 240,136	\$ 329,380	\$ 159,216	\$ 394,978
Interest expense	137,343	131,648	142,007	126,357	124,851
Income tax expense (benefit)	3,968	(4,832)	5,442	2,233	2,003
Depreciation and amortization	272,445	262,644	274,801	265,371	255,532
EBITDA	1,061,688	629,596	751,630	553,177	777,364
Loss (income) from unconsolidated entities	(3,262)	(57,420)	3,692	(1,332)	5,981
Stock-based compensation ⁽¹⁾	5,309	4,547	7,083	7,290	6,565
Loss (gain) on extinguishment of debt, net	65,824	2,612	—	249	33,004
Loss (gain) on real estate dispositions, net	(570,250)	(12,064)	(262,824)	(155,863)	(484,304)
Impairment of assets	18,096	98	27,827	75,151	23,313
Provision for loan losses	—	—	7,072	1,422	2,857
Loss (gain) on derivatives and financial instruments, net	1,244	(5,069)	7,651	1,434	1,395
Other expenses ⁽¹⁾	5,885	16,042	6,031	19,013	11,544
Other impairment ⁽²⁾	—	—	32,268	1,842	112,398
Total adjustments	(477,154)	(51,254)	(171,200)	(50,794)	(287,247)
Adjusted EBITDA	\$ 584,534	\$ 578,342	\$ 580,430	\$ 502,383	\$ 490,117
Interest Coverage Ratios:					
Interest expense	\$ 137,343	\$ 131,648	\$ 142,007	\$ 126,357	\$ 124,851
Capitalized interest	4,148	4,868	4,746	4,541	3,947
Non-cash interest expense	(1,988)	(734)	(8,125)	(1,914)	(3,973)
Total interest	\$ 139,503	\$ 135,782	\$ 138,628	\$ 128,984	\$ 124,825
EBITDA	\$ 1,061,688	\$ 629,596	\$ 751,630	\$ 553,177	\$ 777,364
Interest coverage ratio	7.61 x	4.64 x	5.42 x	4.29 x	6.23 x
Adjusted EBITDA	\$ 584,534	\$ 578,342	\$ 580,430	\$ 502,383	\$ 490,117
Adjusted interest coverage ratio	4.19 x	4.26 x	4.19 x	3.89 x	3.93 x
Fixed Charge Coverage Ratios:					
Total interest	\$ 139,503	\$ 135,782	\$ 138,628	\$ 128,984	\$ 124,825
Secured debt principal amortization	13,121	13,977	15,526	15,183	15,876
Total fixed charges	\$ 152,624	\$ 149,759	\$ 154,154	\$ 144,167	\$ 140,701
EBITDA	\$ 1,061,688	\$ 629,596	\$ 751,630	\$ 553,177	\$ 777,364
Fixed charge coverage ratio	6.96 x	4.20 x	4.88 x	3.84 x	5.52 x
Adjusted EBITDA	\$ 584,534	\$ 578,342	\$ 580,430	\$ 502,383	\$ 490,117
Adjusted fixed charge coverage ratio	3.83 x	3.86 x	3.77 x	3.48 x	3.48 x
Net Debt Ratios:					
Total debt ⁽³⁾	\$ 13,798,266	\$ 15,023,962	\$ 14,073,418	\$ 14,543,485	\$ 13,889,030
Less: cash and cash equivalents ⁽⁴⁾	(265,788)	(284,917)	(303,423)	(1,766,819)	(2,096,571)
Net debt	\$ 13,532,478	\$ 14,739,045	\$ 13,769,995	\$ 12,776,666	\$ 11,792,459
EBITDA Annualized	\$ 4,246,752	\$ 2,518,384	\$ 3,006,520	\$ 2,212,708	\$ 3,109,456
Net debt to EBITDA ratio	3.19 x	5.85 x	4.58 x	5.77 x	3.79 x
Adjusted EBITDA Annualized	\$ 2,338,136	\$ 2,313,368	\$ 2,321,720	\$ 2,009,532	\$ 1,960,468
Net debt to Adjusted EBITDA ratio	5.79 x	6.37 x	5.93 x	6.36 x	6.02 x

(1) Certain severance-related costs are included in stock-based compensation and excluded from other expenses.

(2) Amounts relate to impairments of straight-line rent receivable deemed uncollectible.

(3) Amounts include unamortized premiums/discounts, fair value adjustments and lease liabilities related to financing leases. Operating lease liabilities related to ASC 842 adoption are excluded.

(4) Includes IRC section 1031 deposits, if any.

EBITDA AND ADJUSTED EBITDA YEAR-TO-DATE RECONCILIATIONS

(dollars in thousands)

	Nine Months Ended	
	September 30, 2019	September 30, 2020
Net income	\$ 1,090,274	\$ 883,574
Interest expense	423,911	393,215
Income tax expense (benefit)	7,789	9,678
Depreciation and amortization	764,429	795,704
EBITDA	2,286,403	2,082,171
Loss (income) from unconsolidated entities	14,986	8,341
Stock-based compensation ⁽¹⁾	20,500	20,938
Loss (gain) on extinguishment of debt, net	81,543	33,253
Loss (gain) on real estate dispositions, net	(735,977)	(902,991)
Impairment of assets	28,035	126,291
Provision of loan losses	18,690	11,351
Loss / (gain) on derivatives and financial instruments, net	670	10,480
Other expenses ⁽¹⁾	35,010	36,588
Other impairment ⁽²⁾	—	146,508
Total adjustments	(536,543)	(509,241)
Adjusted EBITDA	\$ 1,749,860	\$ 1,572,930
Interest Coverage Ratios:		
Interest expense	\$ 423,911	\$ 393,215
Capitalized interest	10,404	13,234
Non-cash interest expense	(7,911)	(14,012)
Total interest	426,404	392,437
EBITDA	\$ 2,286,403	\$ 2,082,171
Interest coverage ratio	5.36 x	5.31 x
Adjusted EBITDA	\$ 1,749,860	\$ 1,572,930
Adjusted interest coverage ratio	4.10 x	4.01 x
Fixed Charge Coverage Ratios:		
Total interest	\$ 426,404	\$ 392,437
Secured debt principal amortization	40,348	46,585
Total fixed charges	466,752	439,022
EBITDA	\$ 2,286,403	\$ 2,082,171
Fixed charge coverage ratio	4.90 x	4.74 x
Adjusted EBITDA	\$ 1,749,860	\$ 1,572,930
Adjusted fixed charge coverage ratio	3.75 x	3.58 x

(1) Certain severance-related costs are included in stock-based compensation and excluded from other expenses.

(2) Amount relates to straight-line rent receivable deemed uncollectible.

EBITDA AND ADJUSTED EBITDA TRAILING TWELVE MONTHS RECONCILIATIONS

(dollars in thousands)

	Twelve Months Ended				
	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020
Net income	\$ 1,214,970	\$ 1,330,410	\$ 1,367,488	\$ 1,376,664	\$ 1,123,710
Interest expense	568,280	555,559	552,334	537,355	524,863
Income tax expense (benefit)	9,293	2,957	6,177	6,811	4,846
Depreciation and amortization	1,007,263	1,027,073	1,057,942	1,075,261	1,058,348
EBITDA	2,799,806	2,915,999	2,983,941	2,996,091	2,711,767
Loss (income) from unconsolidated entities	14,791	(42,434)	(47,941)	(58,322)	(49,079)
Stock-based compensation ⁽¹⁾	25,347	25,047	24,601	24,229	25,485
Loss (gain) on extinguishment of debt, net	81,596	84,155	68,436	68,685	35,865
Loss (gain) on real estate dispositions, net	(777,890)	(748,041)	(843,456)	(1,001,001)	(915,055)
Impairment of assets	104,057	28,133	55,960	121,172	126,389
Provision of loan losses	18,690	18,690	7,072	8,494	11,351
Loss (gain) on derivatives and financial instruments, net	2,296	(4,399)	5,739	5,260	5,411
Other expenses ⁽¹⁾	45,512	51,052	48,327	46,971	52,630
Other impairment ⁽²⁾	—	—	32,268	34,110	146,508
Additional other income ⁽³⁾	(4,027)	—	—	—	—
Total adjustments	(489,628)	(587,797)	(648,994)	(750,402)	(560,495)
Adjusted EBITDA	\$ 2,310,178	\$ 2,328,202	\$ 2,334,947	\$ 2,245,689	\$ 2,151,272
Interest Coverage Ratios:					
Interest expense	\$ 568,280	\$ 555,559	\$ 552,334	\$ 537,355	\$ 524,863
Capitalized interest	11,952	15,272	17,691	18,303	18,102
Non-cash interest expense	(11,218)	(8,645)	(11,599)	(12,761)	(14,746)
Total interest	569,014	562,186	558,426	542,897	528,219
EBITDA	\$ 2,799,806	\$ 2,915,999	\$ 2,983,941	\$ 2,996,091	\$ 2,711,767
Interest coverage ratio	4.92 x	5.19 x	5.34 x	5.52 x	5.13 x
Adjusted EBITDA	\$ 2,310,178	\$ 2,328,202	\$ 2,334,947	\$ 2,245,689	\$ 2,151,272
Adjusted interest coverage ratio	4.06 x	4.14 x	4.18 x	4.14 x	4.07 x
Fixed Charge Coverage Ratios:					
Total interest	\$ 569,014	\$ 562,186	\$ 558,426	\$ 542,897	\$ 528,219
Secured debt principal amortization	54,342	54,325	56,308	57,807	60,562
Preferred dividends	11,676	—	—	—	—
Total fixed charges	635,032	616,511	614,734	600,704	588,781
EBITDA	\$ 2,799,806	\$ 2,915,999	\$ 2,983,941	\$ 2,996,091	\$ 2,711,767
Fixed charge coverage ratio	4.41 x	4.73 x	4.85 x	4.99 x	4.61 x
Adjusted EBITDA	\$ 2,310,178	\$ 2,328,202	\$ 2,334,947	\$ 2,245,689	\$ 2,151,272
Adjusted fixed charge coverage ratio	3.64 x	3.78 x	3.80 x	3.74 x	3.65 x

(1) Certain severance-related costs are included in stock-based compensation and excluded from other expenses.

(2) Amounts relate to impairments of straight-line rent receivable deemed uncollectible.

(3) Normalizing items include adjustments for certain non-recurring or infrequent items.

CAPITALIZATION RATIOS QUARTERLY

(Amounts in thousands, except share price)

	As of					
	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	
Book capitalization:						
Unsecured credit facility and commercial paper ⁽¹⁾	\$ 1,334,586	\$ 1,587,597	\$ 844,985	\$ —	\$ —	
Long-term debt obligations ⁽¹⁾	12,463,680	13,436,365	13,228,433	14,543,485	13,889,030	
Cash & cash equivalents ⁽²⁾	(265,788)	(284,917)	(303,423)	(1,766,819)	(2,096,571)	
Total net debt	13,532,478	14,739,045	13,769,995	12,776,666	11,792,459	
Total equity ⁽³⁾	16,696,070	16,982,504	17,495,696	17,263,672	17,291,155	
Book capitalization	\$ 30,228,548	\$ 31,721,549	\$ 31,265,691	\$ 30,040,338	\$ 29,083,614	
Net debt to book capitalization ratio	44.8 %	46.5 %	44.0 %	42.5 %	40.5 %	
Undepreciated book capitalization:						
Total net debt	\$ 13,532,478	\$ 14,739,045	\$ 13,769,995	\$ 12,776,666	\$ 11,792,459	
Accumulated depreciation and amortization	5,769,843	5,715,459	5,910,979	6,001,177	6,002,775	
Total equity and noncontrolling interest ⁽³⁾	16,696,070	16,982,504	17,495,696	17,263,672	17,291,155	
Undepreciated book capitalization	\$ 35,998,391	\$ 37,437,008	\$ 37,176,670	\$ 36,041,515	\$ 35,086,389	
Net debt to undepreciated book capitalization ratio	37.6 %	39.4 %	37.0 %	35.4 %	33.6 %	
Market capitalization:						
Common shares outstanding	405,758	410,257	417,391	417,302	417,305	
Period end share price	\$ 90.65	\$ 81.78	\$ 45.78	\$ 51.75	\$ 55.09	
Common equity market capitalization	\$ 36,781,963	\$ 33,550,817	\$ 19,108,160	\$ 21,595,379	\$ 22,989,332	
Total net debt	13,532,478	14,739,045	13,769,995	12,776,666	11,792,459	
Noncontrolling interests ⁽³⁾	1,430,005	1,442,060	1,362,913	1,215,532	1,183,281	
Enterprise value	\$ 51,744,446	\$ 49,731,922	\$ 34,241,068	\$ 35,587,577	\$ 35,965,072	
Net debt to market capitalization ratio	26.2 %	29.6 %	40.2 %	35.9 %	32.8 %	

(1) Amounts include unamortized premiums/discounts, fair value adjustments and lease liabilities related to financing leases. Operating lease liabilities related to ASC 842 adoption are excluded.

(2) Inclusive of IRC Section 1031 deposits, if any.

(3) Includes all noncontrolling interests (redeemable and permanent) as reflected on our balance sheet.