

NON-GAAP FINANCIAL MEASURES

Quarter Ended March 31, 2021

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				
	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021
Net income (loss) attributable to common stockholders	\$ 310,284	\$ 179,246	\$ 325,585	\$ 163,729	\$ 71,546
Depreciation and amortization	274,801	265,371	255,532	242,733	244,426
Impairments and losses (gains) on real estate dispositions, net	(234,997)	(80,712)	(460,991)	(176,147)	(35,512)
Noncontrolling interests ⁽¹⁾	(9,409)	(42,539)	48,559	(20,579)	(12,516)
Unconsolidated entities ⁽²⁾	15,445	14,231	16,329	16,091	19,223
NAREIT FFO attributable to common stockholders	356,124	335,597	185,014	225,827	287,167
Normalizing items:					
Loss (gain) on derivatives and financial instruments, net	7,651	1,434	1,395	569	1,934
Loss (gain) on extinguishment of debt, net	—	249	33,004	13,796	(4,643)
Provision for loan losses	7,072	1,422	2,857	83,085	1,383
Incremental interest expense	5,871	—	—	—	—
Other impairment	32,268	1,842	112,398	—	49,241
Other expenses	6,292	19,411	11,544	33,088	10,994
Normalizing items attributable to noncontrolling interests and unconsolidated entities, net	4,041	1,000	6,399	(5,070)	(12,164)
Normalized FFO attributable to common stockholders	\$ 419,319	\$ 360,955	\$ 352,611	\$ 351,295	\$ 333,912
Average common shares outstanding:					
Basic	410,306	417,084	417,027	417,123	417,241
Diluted	412,420	419,121	418,987	418,753	419,079
Net income (loss) attributable to common stockholders per share:					
Basic	\$ 0.76	\$ 0.43	\$ 0.78	\$ 0.39	\$ 0.17
Diluted ⁽³⁾	\$ 0.75	\$ 0.42	\$ 0.77	\$ 0.39	\$ 0.17
NAREIT FFO attributable to common stockholders per share:					
Diluted	\$ 0.86	\$ 0.80	\$ 0.44	\$ 0.54	\$ 0.69
Normalized FFO attributable to common stockholders per share:					
Diluted	\$ 1.02	\$ 0.86	\$ 0.84	\$ 0.84	\$ 0.80
NAREIT FFO Payout Ratio:					
Dividends per common share	\$ 0.87	\$ 0.61	\$ 0.61	\$ 0.61	\$ 0.61
NAREIT FFO attributable to common stockholders per diluted share	\$ 0.86	\$ 0.80	\$ 0.44	\$ 0.54	\$ 0.69
NAREIT FFO Payout Ratio	101 %	76 %	139 %	113 %	88 %
Normalized FFO Payout Ratio:					
Dividends per common share	\$ 0.87	\$ 0.61	\$ 0.61	\$ 0.61	\$ 0.61
Normalized FFO attributable to common stockholders per diluted share	\$ 1.02	\$ 0.86	\$ 0.84	\$ 0.84	\$ 0.80
Normalized FFO Payout Ratio	85 %	71 %	73 %	73 %	76 %
Other items: ⁽⁴⁾					
Net straight-line rent and above/below market rent amortization ⁽⁵⁾	\$ (24,930)	\$ (25,627)	\$ (18,729)	\$ (21,640)	\$ (18,134)
Non-cash interest expenses ⁽⁶⁾	2,823	2,275	4,339	2,108	3,635
Recurring cap-ex, tenant improvements, and lease commissions	(22,616)	(17,579)	(19,443)	(21,634)	(11,433)
Stock-based compensation ⁽⁷⁾	6,822	6,892	6,565	1,875	5,381

(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.

Earnings Outlook Reconciliation

Outlook Reconciliations: Quarter Ending June 30, 2021

(in millions, except per share data)

	Current Outlook	
	Low	High
<u>FFO Reconciliation:</u>		
Net income attributable to common stockholders	\$ 128	\$ 149
Impairments and losses (gains) on real estate dispositions, net ^(1,2)	(75)	(75)
Depreciation and amortization ⁽¹⁾	249	249
NAREIT FFO and Normalized FFO attributable to common stockholders	\$ 302	\$ 323
Diluted per share data attributable to common stockholders:		
Net income	\$ 0.31	\$ 0.36
NAREIT FFO and Normalized FFO	\$ 0.72	\$ 0.77
Other items: ⁽¹⁾		
Net straight-line rent and above/below market rent amortization	\$ (20)	\$ (20)
Non-cash interest expenses	4	4
Recurring cap-ex, tenant improvements, and lease commissions	(24)	(24)
Stock-based compensation	5	5

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

(2) Includes estimated gains on projected dispositions.

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				
	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021
Net income (loss)	\$ 329,380	\$ 159,216	\$ 394,978	\$ 155,278	\$ 72,192
Loss (gain) on real estate dispositions, net	(262,824)	(155,863)	(484,304)	(185,464)	(59,080)
Loss (income) from unconsolidated entities	3,692	(1,332)	5,981	(258)	(13,049)
Income tax expense (benefit)	5,442	2,233	2,003	290	3,943
Other expenses	6,292	19,411	11,544	33,088	10,994
Impairment of assets	27,827	75,151	23,313	9,317	23,568
Provision for loan losses	7,072	1,422	2,857	83,085	1,383
Loss (gain) on extinguishment of debt, net	—	249	33,004	13,796	(4,643)
Loss (gain) on derivatives and financial instruments, net	7,651	1,434	1,395	569	1,934
General and administrative expenses	35,481	34,062	31,003	27,848	29,926
Depreciation and amortization	274,801	265,371	255,532	242,733	244,426
Interest expense	142,007	126,357	124,851	121,173	123,142
Consolidated net operating income	576,821	527,711	402,157	501,455	434,736
NOI attributable to unconsolidated investments ⁽¹⁾	21,150	20,871	13,659	21,481	21,516
NOI attributable to noncontrolling interests ⁽²⁾	(38,017)	(30,369)	(28,024)	(25,950)	(20,827)
Pro rata net operating income (NOI) ⁽³⁾	\$ 559,954	\$ 518,213	\$ 387,792	\$ 496,986	\$ 435,425
Pro rata NOI:					
Seniors Housing Operating	\$ 239,457	\$ 179,544	\$ 175,378	\$ 163,574	\$ 172,060
Seniors Housing Triple-net	84,015	110,361	92,701	114,760	57,143
Outpatient Medical	135,426	127,840	118,421	116,448	109,398
Health System	42,798	42,426	42,425	42,425	42,425
Long-Term/Post-Acute Care	57,964	57,789	(42,381)	58,347	52,924
Corporate	294	253	1,248	1,432	1,475
Pro rata NOI ⁽³⁾	\$ 559,954	\$ 518,213	\$ 387,792	\$ 496,986	\$ 435,425

(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 related to DownREITs included at 100%.

CURRENT QUARTER SSNOI BY SEGMENT

(dollars in thousands at Welltower pro rata ownership)

	1Q20	2Q20	3Q20	4Q20	1Q21	Y/o/Y
Seniors Housing Operating						
NOI	\$ 239,457	\$ 179,544	\$ 175,378	\$ 163,574	\$ 172,060	
Non-cash NOI on same store properties	(879)	(958)	(1,015)	(349)	(822)	
NOI attributable to non-same store properties	(22,515)	(13,745)	(10,967)	(6,558)	(14,428)	
Currency and ownership adjustments ⁽¹⁾	3,693	3,843	2,464	1,576	(19)	
Normalizing adjustment for government grants ⁽²⁾	—	—	—	(11,797)	(33,770)	
Normalizing adjustment for policy change ⁽³⁾	(1,610)	—	—	—	—	
Other normalizing adjustments ⁽⁴⁾	1,721	(1,606)	(991)	(654)	—	
SSNOI ⁽⁵⁾	219,867	167,078	164,869	145,792	123,021	(44.0)%
Seniors Housing Triple-net						
NOI	84,015	110,361	92,701	114,760	57,143	
Non-cash NOI on same store properties	(4,520)	(4,100)	17,006	(3,158)	42,439	
NOI attributable to non-same store properties	6,545	(23,111)	(26,649)	(28,521)	(18,961)	
Currency and ownership adjustments ⁽¹⁾	1,302	1,854	1,175	793	11	
Normalizing adjustment for prior period allowance ⁽⁶⁾	—	—	—	—	3,185	
Normalizing adjustments for lease restructuring ⁽⁷⁾	(872)	(861)	(54)	(858)	—	
Normalizing adjustments for development fee ⁽⁸⁾	(628)	—	—	—	—	
Other normalizing adjustments ⁽⁴⁾	(282)	797	—	—	—	
SSNOI	85,560	84,940	84,179	83,016	83,817	(2.0)%
Outpatient Medical						
NOI	135,426	127,840	118,421	116,448	109,398	
Non-cash NOI on same store properties	(3,762)	(3,312)	(3,387)	(2,820)	(2,447)	
NOI attributable to non-same store properties	(20,235)	(18,727)	(11,027)	(10,702)	(8,604)	
Currency and ownership adjustments ⁽¹⁾	(17,221)	(10,669)	(10,063)	(5,706)	(1,151)	
Other normalizing adjustments ⁽⁴⁾	(94)	(655)	46	47	(156)	
SSNOI	94,114	94,477	93,990	97,267	97,040	3.1%
Health System						
NOI	42,798	42,426	42,425	42,425	42,425	
Non-cash NOI on same store properties	(6,244)	(6,200)	(5,585)	(5,278)	(5,278)	
NOI attributable to non-same store properties	(1,728)	(1,399)	(1,375)	(1,363)	(1,363)	
SSNOI	34,826	34,827	35,465	35,784	35,784	2.8%
Long-Term/Post-Acute Care						
NOI	57,964	57,789	(42,381)	58,347	52,924	
Non-cash NOI on same store properties	(1,493)	(1,653)	4,822	(1,273)	(450)	
NOI attributable to non-same store properties	(31,211)	(31,296)	62,488	(32,051)	(27,802)	
Currency and ownership adjustments ⁽¹⁾	99	149	87	49	1	
Normalizing adjustment for prior period allowance ⁽⁶⁾	—	—	—	—	169	
Normalizing adjustments for lease restructuring ⁽⁷⁾	(565)	—	—	—	—	
SSNOI	24,794	24,989	25,016	25,072	24,842	0.2%
Corporate						
NOI	294	253	1,248	1,432	1,475	
NOI attributable to non-same store properties	(294)	(253)	(1,248)	(1,432)	(1,475)	
SSNOI	—	—	—	—	—	
Total						
NOI	559,954	518,213	387,792	496,986	435,425	
Non-cash NOI on same store properties	(16,898)	(16,223)	11,841	(12,878)	33,442	
NOI attributable to non-same store properties	(69,438)	(88,531)	11,222	(80,627)	(72,633)	
Currency and ownership adjustments ⁽¹⁾	(12,127)	(4,823)	(6,337)	(3,288)	(1,158)	
Normalizing adjustments, net	(2,330)	(2,325)	(999)	(13,262)	(30,572)	
SSNOI	\$ 459,161	\$ 406,311	\$ 403,519	\$ 386,931	\$ 364,504	(20.6)%

(1) Includes adjustments to reflect consistent property ownership percentages, to translate Canadian properties at a USD/CAD rate of 1.2658 and to translate UK properties at a GBP/USD rate of 1.38.

(2) Represents normalizing adjustment related to amounts recognized related to the Health and Human Services Provider Relief Fund in the United States and similar programs in the United Kingdom and Canada.

(3) Represents normalizing adjustment to reflect the application of consistent policies for all periods presented for one Seniors Housing Operating partner.

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

(5) SHO SSNOI includes expenses that are directly attributable to the COVID-19 pandemic net of any reimbursements exclusive of those included in (2) above.

(6) Represents normalizing adjustment related to an allowance of prior period rent related to one Seniors Housing Triple-net lease and one Long-Term/Post-Acute Care lease.

(7) Represents normalizing adjustment related to lease restructuring associated with one Seniors Housing Triple-net lease and one Long-Term/Post-Acute Care lease.

(8) Represents normalizing adjustment related to a development fee associated with one Seniors Housing Triple-net operator.

IPNOI RECONCILIATION

(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 March 31, 2021							
Revenues	\$ 711,118	\$ 64,901	\$ 157,162	\$ 42,445	\$ 58,203	\$ 3,129	\$ 1,036,958
Property operating expenses	(539,058)	(7,758)	(47,764)	(20)	(5,279)	(1,654)	(601,533)
NOI⁽¹⁾	172,060	57,143	109,398	42,425	52,924	1,475	435,425
Adjust:							
Interest income	(1,125)	(6,660)	(3,538)	—	(8,256)	—	(19,579)
Other income	(1,967)	(913)	(1,936)	—	(186)	(3,129)	(8,131)
Sold / held for sale	(3,688)	(419)	(1,196)	(1,363)	(12,416)	—	(19,082)
Developments / land	1,423	—	13	—	—	—	1,436
Non In-Place NOI ⁽²⁾	(4,459)	40,813	(2,852)	(5,278)	(262)	1,654	29,616
Timing adjustments ⁽³⁾	(336)	688	78	137	—	—	567
Total adjustments	(10,152)	33,509	(9,431)	(6,504)	(21,120)	(1,475)	(15,173)
In-Place NOI	161,908	90,652	99,967	35,921	31,804	—	420,252
Annualized In-Place NOI	\$ 647,632	\$ 362,608	\$ 399,868	\$ 143,684	\$ 127,216	\$ —	\$ 1,681,008

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

(2) Primarily represents non-cash NOI.

(3) Represents timing adjustments for current quarter acquisitions, construction conversions and segment or operator transitions.

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

(dollars in thousands, except SS REVPOR and SSNOI/unit)

	United States		United Kingdom		Canada		Total	
	1Q20	1Q21	1Q20	1Q21	1Q20	1Q21	1Q20	1Q21
SHO SS REVPOR Growth								
Consolidated SHO revenues	\$ 655,185	\$ 526,248	\$ 85,524	\$ 95,184	\$ 110,419	\$ 104,970	\$ 851,128	\$ 726,402
Unconsolidated SHO revenues attributable to WELL ⁽¹⁾	23,264	22,039	—	—	21,132	21,206	44,396	43,245
SHO revenues attributable to noncontrolling interests ⁽²⁾	(41,367)	(23,702)	(7,660)	(11,705)	(24,507)	(23,122)	(73,534)	(58,529)
SHO pro rata revenues ⁽³⁾	637,082	524,585	77,864	83,479	107,044	103,054	821,990	711,118
Non-cash revenues on same store properties	(797)	(839)	—	—	—	—	(797)	(839)
Revenues attributable to non-same store properties	(66,909)	(46,933)	(13,998)	(24,379)	(3,270)	(3,362)	(84,177)	(74,674)
Currency and ownership adjustments ⁽⁴⁾	177	—	4,507	57	6,232	30	10,916	87
Normalizing adjustment for policy change ⁽⁵⁾	(1,610)	—	—	—	—	—	(1,610)	—
Other normalizing adjustments ⁽⁶⁾	63	—	—	—	—	—	63	—
SHO SS revenues ⁽⁷⁾	568,006	476,813	68,373	59,157	110,006	99,722	746,385	635,692
Avg. occupied units/month ⁽⁸⁾	28,881	24,653	2,519	2,125	12,623	11,278	44,023	38,056
SHO SS REVPOR ⁽⁹⁾	\$ 6,647	\$ 6,537	\$ 9,173	\$ 9,408	\$ 2,945	\$ 2,988	\$ 5,730	\$ 5,645
SS REVPOR YOY growth		(1.7)%		2.6 %		1.5 %		(1.5)%
SHO SSNOI Growth								
Consolidated SHO NOI	\$ 185,133	\$ 123,120	\$ 20,317	\$ 21,226	\$ 37,807	\$ 26,088	\$ 243,257	\$ 170,434
Unconsolidated SHO NOI attributable to WELL ⁽¹⁾	7,072	4,613	—	—	7,882	7,291	14,954	11,904
SHO NOI attributable to noncontrolling interests ⁽²⁾	(9,439)	(2,694)	(957)	(2,225)	(8,358)	(5,359)	(18,754)	(10,278)
SHO pro rata NOI ⁽³⁾	182,766	125,039	19,360	19,001	37,331	28,020	239,457	172,060
Non-cash NOI on same store properties	(884)	(829)	1	7	4	—	(879)	(822)
NOI attributable to non-same store properties	(19,420)	(7,861)	(2,421)	(5,881)	(674)	(686)	(22,515)	(14,428)
Currency and ownership adjustments ⁽⁴⁾	361	—	1,152	6	2,180	(25)	3,693	(19)
Normalizing adjustment for government grants ⁽¹⁰⁾	—	(31,242)	—	—	—	(2,528)	—	(33,770)
Other normalizing adjustments ⁽⁶⁾	1,721	—	—	—	—	—	1,721	—
SHO pro rata SSNOI ⁽⁷⁾	\$ 162,934	\$ 85,107	\$ 18,092	\$ 13,133	\$ 38,841	\$ 24,781	\$ 219,867	\$ 123,021
SHO SSNOI growth		(47.8)%		(27.4)%		(36.2)%		(44.0)%
SHO SSNOI/Unit								
Trailing four quarters' SSNOI ⁽⁷⁾	\$ 430,589		\$ 55,039		\$ 115,132		\$ 600,760	
Average units in service ⁽¹¹⁾	34,273		3,026		14,221		51,520	
SSNOI/unit in USD	\$ 12,564		\$ 18,189		\$ 8,096		\$ 11,661	
SSNOI/unit in local currency ⁽⁴⁾			£ 13,180		\$ 10,248			

(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 page 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 1.2658 and to translate UK properties at a GBP/USD rate of 1.38.

(5) Represents normalizing adjustment to reflect the application of consistent policies for all periods presented for one Seniors Housing Operating partner.

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

(7) Represents SS SHO revenues/SSNOI at Welltower pro rata ownership. See page 8 for more information.

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

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

(10) Represents normalizing adjustment related to amounts recognized related to the Health and Human Services Provider Relief Fund in the United States and similar programs in the United Kingdom and Canada.

(11) 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 March 31, 2021			
	United States	United Kingdom	Canada	Total
Consolidated SHO revenues	\$ 526,248	\$ 95,184	\$ 104,970	\$ 726,402
Unconsolidated SHO revenues attributable to Welltower ⁽¹⁾	22,039	—	21,206	43,245
SHO revenues attributable to noncontrolling interests ⁽²⁾	(23,702)	(11,705)	(23,122)	(58,529)
Pro rata SHO revenues ⁽³⁾	524,585	83,479	103,054	711,118
SHO interest and other income	(2,429)	—	(609)	(3,038)
SHO revenues attributable to sold and held for sale properties	(2,728)	—	(416)	(3,144)
Currency and ownership adjustments ⁽⁴⁾	—	81	31	112
SHO local revenues	519,428	83,560	102,060	705,048
Average occupied units/month	27,698	2,880	11,515	42,093
REVPOR/month in USD	\$ 6,338	\$ 9,806	\$ 2,995	\$ 5,661
REVPOR/month in local currency ⁽⁴⁾		£ 7,106	\$ 3,791	

(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. See page 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 1.2658 and to translate UK properties at a GBP/USD rate of 1.38.

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, secured debt principal amortization and preferred dividends. 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				
	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021
Net income (loss)	\$ 329,380	\$ 159,216	\$ 394,978	\$ 155,278	\$ 72,192
Interest expense	142,007	126,357	124,851	121,173	123,142
Income tax expense (benefit)	5,442	2,233	2,003	290	3,943
Depreciation and amortization	274,801	265,371	255,532	242,733	244,426
EBITDA	751,630	553,177	777,364	519,474	443,703
Loss (income) from unconsolidated entities	3,692	(1,332)	5,981	(258)	(13,049)
Stock-based compensation ⁽¹⁾	7,083	7,290	6,565	7,380	5,576
Loss (gain) on extinguishment of debt, net	—	249	33,004	13,796	(4,643)
Loss (gain) on real estate dispositions, net	(262,824)	(155,863)	(484,304)	(185,464)	(59,080)
Impairment of assets	27,827	75,151	23,313	9,317	23,568
Provision for loan losses	7,072	1,422	2,857	83,085	1,383
Loss (gain) on derivatives and financial instruments, net	7,651	1,434	1,395	569	1,934
Other expenses ⁽¹⁾	6,031	19,013	11,544	27,583	10,799
Other impairment ⁽²⁾	32,268	1,842	112,398	—	49,241
Total adjustments	(171,200)	(50,794)	(287,247)	(43,992)	15,729
Adjusted EBITDA	\$ 580,430	\$ 502,383	\$ 490,117	\$ 475,482	\$ 459,432
Interest Coverage Ratios:					
Interest expense	\$ 142,007	\$ 126,357	\$ 124,851	\$ 121,173	\$ 123,142
Capitalized interest	4,746	4,541	3,947	4,238	4,496
Non-cash interest expense	(8,125)	(1,914)	(3,973)	(1,739)	(2,991)
Total interest	\$ 138,628	\$ 128,984	\$ 124,825	\$ 123,672	\$ 124,647
EBITDA	\$ 751,630	\$ 553,177	\$ 777,364	\$ 519,474	\$ 443,703
Interest coverage ratio	5.42 x	4.29 x	6.23 x	4.20 x	3.56 x
Adjusted EBITDA	\$ 580,430	\$ 502,383	\$ 490,117	\$ 475,482	\$ 459,432
Adjusted interest coverage ratio	4.19 x	3.89 x	3.93 x	3.84 x	3.69 x
Fixed Charge Coverage Ratios:					
Total interest	\$ 138,628	\$ 128,984	\$ 124,825	\$ 123,672	\$ 124,647
Secured debt principal amortization	15,526	15,183	15,876	16,122	15,955
Total fixed charges	\$ 154,154	\$ 144,167	\$ 140,701	\$ 139,794	\$ 140,602
EBITDA	\$ 751,630	\$ 553,177	\$ 777,364	\$ 519,474	\$ 443,703
Fixed charge coverage ratio	4.88 x	3.84 x	5.52 x	3.72 x	3.16 x
Adjusted EBITDA	\$ 580,430	\$ 502,383	\$ 490,117	\$ 475,482	\$ 459,432
Adjusted fixed charge coverage ratio	3.77 x	3.48 x	3.48 x	3.40 x	3.27 x
Net Debt Ratios:					
Total debt ⁽³⁾	\$ 14,073,418	\$ 14,543,485	\$ 13,889,030	\$ 13,905,822	\$ 14,618,713
Less: cash and cash equivalents ⁽⁴⁾	(303,423)	(1,766,819)	(2,096,571)	(1,968,765)	(2,513,156)
Net debt	\$ 13,769,995	\$ 12,776,666	\$ 11,792,459	\$ 11,937,057	\$ 12,105,557
EBITDA Annualized	\$ 3,006,520	\$ 2,212,708	\$ 3,109,456	\$ 2,077,896	\$ 1,774,812
Net debt to EBITDA ratio	4.58 x	5.77 x	3.79 x	5.74 x	6.82 x
Adjusted EBITDA Annualized	\$ 2,321,720	\$ 2,009,532	\$ 1,960,468	\$ 1,901,928	\$ 1,837,728
Net debt to Adjusted EBITDA ratio	5.93 x	6.36 x	6.02 x	6.28 x	6.59 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) Includes unamortized premiums/discounts, other fair value adjustments and financing lease liabilities. Excludes operating lease liabilities related to ASC 842 adoption.

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

EBITDA AND ADJUSTED EBITDA TRAILING TWELVE MONTHS RECONCILIATIONS

(dollars in thousands)

	Twelve Months Ended				
	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021
Net income	\$ 1,367,488	\$ 1,376,664	\$ 1,123,710	\$ 1,038,852	\$ 781,664
Interest expense	552,334	537,355	524,863	514,388	495,523
Income tax expense (benefit)	6,177	6,811	4,846	9,968	8,469
Depreciation and amortization	1,057,942	1,075,261	1,058,348	1,038,437	1,008,062
EBITDA	2,983,941	2,996,091	2,711,767	2,601,645	2,293,718
Loss (income) from unconsolidated entities	(47,941)	(58,322)	(49,079)	8,083	(8,658)
Stock-based compensation ⁽¹⁾	24,601	24,229	25,485	28,318	26,811
Loss (gain) on extinguishment of debt, net	68,436	68,685	35,865	47,049	42,406
Loss (gain) on real estate dispositions, net	(843,456)	(1,001,001)	(915,055)	(1,088,455)	(884,711)
Impairment of assets	55,960	121,172	126,389	135,608	131,349
Provision of loan losses	7,072	8,494	11,351	94,436	88,747
Loss (gain) on derivatives and financial instruments, net	5,739	5,260	5,411	11,049	5,332
Other expenses ⁽¹⁾	48,327	46,971	52,630	64,171	68,939
Other impairment ⁽²⁾	32,268	34,110	146,508	146,508	163,481
Total adjustments	(648,994)	(750,402)	(560,495)	(553,233)	(366,304)
Adjusted EBITDA	\$ 2,334,947	\$ 2,245,689	\$ 2,151,272	\$ 2,048,412	\$ 1,927,414
Interest Coverage Ratios:					
Interest expense	\$ 552,334	\$ 537,355	\$ 524,863	\$ 514,388	\$ 495,523
Capitalized interest	17,691	18,303	18,102	17,472	17,222
Non-cash interest expense	(11,599)	(12,761)	(14,746)	(15,751)	(10,617)
Total interest	558,426	542,897	528,219	516,109	502,128
EBITDA	\$ 2,983,941	\$ 2,996,091	\$ 2,711,767	\$ 2,601,645	\$ 2,293,718
Interest coverage ratio	5.34 x	5.52 x	5.13 x	5.04 x	4.57 x
Adjusted EBITDA	\$ 2,334,947	\$ 2,245,689	\$ 2,151,272	\$ 2,048,412	\$ 1,927,414
Adjusted interest coverage ratio	4.18 x	4.14 x	4.07 x	3.97 x	3.84 x
Fixed Charge Coverage Ratios:					
Total interest	\$ 558,426	\$ 542,897	\$ 528,219	\$ 516,109	\$ 502,128
Secured debt principal amortization	56,308	57,807	60,562	62,707	63,136
Total fixed charges	614,734	600,704	588,781	578,816	565,264
EBITDA	\$ 2,983,941	\$ 2,996,091	\$ 2,711,767	\$ 2,601,645	\$ 2,293,718
Fixed charge coverage ratio	4.85 x	4.99 x	4.61 x	4.49 x	4.06 x
Adjusted EBITDA	\$ 2,334,947	\$ 2,245,689	\$ 2,151,272	\$ 2,048,412	\$ 1,927,414
Adjusted fixed charge coverage ratio	3.80 x	3.74 x	3.65 x	3.54 x	3.41 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.

CAPITALIZATION RATIOS QUARTERLY

(Amounts in thousands, except share price)

	As of				
	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021
Book capitalization:					
Unsecured credit facility and commercial paper	\$ 844,985	\$ —	\$ —	\$ —	\$ —
Long-term debt obligations ⁽¹⁾	13,228,433	14,543,485	13,889,030	13,905,822	14,618,713
Cash & cash equivalents ⁽²⁾	(303,423)	(1,766,819)	(2,096,571)	(1,968,765)	(2,513,156)
Total net debt	13,769,995	12,776,666	11,792,459	11,937,057	12,105,557
Total equity and noncontrolling interest ⁽³⁾	17,495,696	17,263,672	17,291,155	17,225,062	17,046,932
Book capitalization	\$ 31,265,691	\$ 30,040,338	\$ 29,083,614	\$ 29,162,119	\$ 29,152,489
Net debt to book capitalization ratio	44.0 %	42.5 %	40.5 %	40.9 %	41.5 %
Undepreciated book capitalization:					
Total net debt	\$ 13,769,995	\$ 12,776,666	\$ 11,792,459	\$ 11,937,057	\$ 12,105,557
Accumulated depreciation and amortization	5,910,979	6,001,177	6,002,775	6,104,297	6,212,432
Total equity and noncontrolling interest ⁽³⁾	17,495,696	17,263,672	17,291,155	17,225,062	17,046,932
Undepreciated book capitalization	\$ 37,176,670	\$ 36,041,515	\$ 35,086,389	\$ 35,266,416	\$ 35,364,921
Net debt to undepreciated book capitalization ratio	37.0 %	35.4 %	33.6 %	33.8 %	34.2 %
Market capitalization:					
Common shares outstanding	417,391	417,302	417,305	417,401	417,520
Period end share price	\$ 45.78	\$ 51.75	\$ 55.09	\$ 64.62	\$ 71.63
Common equity market capitalization	\$ 19,108,160	\$ 21,595,379	\$ 22,989,332	\$ 26,972,453	\$ 29,906,958
Total net debt	13,769,995	12,776,666	11,792,459	11,937,057	12,105,557
Noncontrolling interests ⁽³⁾	1,362,913	1,215,532	1,183,281	1,252,343	1,248,054
Enterprise value	\$ 34,241,068	\$ 35,587,577	\$ 35,965,072	\$ 40,161,853	\$ 43,260,569
Net debt to market capitalization ratio	40.2 %	35.9 %	32.8 %	29.7 %	28.0 %

(1) Amounts include senior unsecured notes, secured debt and lease liabilities related to financing leases, as reflected on our balance sheets. Operating lease liabilities related to the 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 sheets.