

Fixed Income Update

4Q18

welltower



Forward Looking Statements

This document contains “forward-looking” statements as that term is defined in the Private Securities Litigation Reform Act of 1995. When we use words such as “may,” “will,” “intend,” “should,” “believe,” “expect,” “anticipate,” “project,” “pro forma,” “estimate” or similar expressions that do not relate solely to historical matters, we are making forward-looking statements. In particular, these forward-looking statements include, but are not limited to, those relating our company’s opportunities to acquire, develop or sell properties; our ability to close anticipated acquisitions, investments or dispositions on currently anticipated terms, or within currently anticipated timeframes; the expected performance of our operators/tenants and properties; our expected occupancy rates; our ability to declare and to make distributions to stockholders; our investment and financing opportunities and plans; our continued qualification as a real estate investment trust (“REIT”); our ability to access capital markets or other sources of funds; and our ability to meet our earnings guidance.

Forward-looking statements are not guarantees of future performance and involve risks and uncertainties that may cause our actual results to differ materially from our expectations discussed in the forward-looking statements. This may be a result of various factors, including, but not limited to: the status of the economy; the status of capital markets, including availability and cost of capital; issues facing the health care industry, including compliance with, and changes to, regulations and payment policies, responding to government investigations and punitive settlements and operators’/tenants’ difficulty in cost-effectively obtaining and maintaining adequate liability and other insurance; changes in financing terms; competition within the health care and seniors housing industries; negative developments in the operating results or financial condition of operators/tenants, including, but not limited to, their ability to pay rent and repay loans; our ability to transition or sell properties with profitable results; the failure to make new investments or acquisitions as and when anticipated; natural disasters and other acts of God affecting our properties; our ability to re-lease space at similar rates as vacancies occur; our ability to timely reinvest sale proceeds at similar rates to assets sold; operator/tenant or joint venture partner bankruptcies or insolvencies; the cooperation of joint venture partners; government regulations affecting Medicare and Medicaid reimbursement rates and operational requirements; liability or contract claims by or against operators/tenants; unanticipated difficulties and/or expenditures relating to future investments or acquisitions; environmental laws affecting our properties; changes in rules or practices governing our financial reporting; the movement of U.S. and foreign currency exchange rates; our ability to maintain its qualification as a REIT; key management personnel recruitment and retention; and other risks described in our reports filed from time to time with the Securities and Exchange Commission. Finally, we assume no obligation to update or revise any forward-looking statements, whether because of new information, future events or otherwise, or to update the reasons why actual results could differ from those projected in any forward-looking statements.

Highlights

Raised \$747 million of gross proceeds from common stock issuances since October 1, 2018, including a **\$300 million investment** by an affiliate of Qatar Investment Authority (“QIA”) and **\$195 million** of proceeds generated in January 2019 through our at-the-market (“ATM”) program and dividend reinvestment program (“DRIP”).

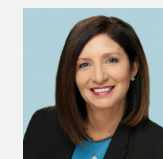
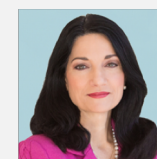
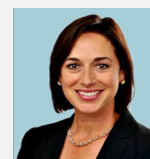
Completed **\$394 million of dispositions**, and increased the expectation for 2019 dispositions to **\$1.4 billion**.

Completed **\$559 million of acquisitions**, including **\$485 million** of outpatient medical buildings.

Announced the expected acquisition of **55 outpatient medical buildings** from CNL Healthcare Properties for **\$1.25 billion**, representing an initial cash yield of **5.7%**.

Affirmed 2019 normalized FFO guidance of **\$4.10 to \$4.25 per diluted share**.

Appointed three national health care executives to the Board of Directors; **Karen DeSalvo, MD, Johnese Spisso, MPA, & Kathryn Sullivan, MBA**



Increasing female Independent Director leadership to **40%**.

Qatar Investment Authority Investment & Partnership

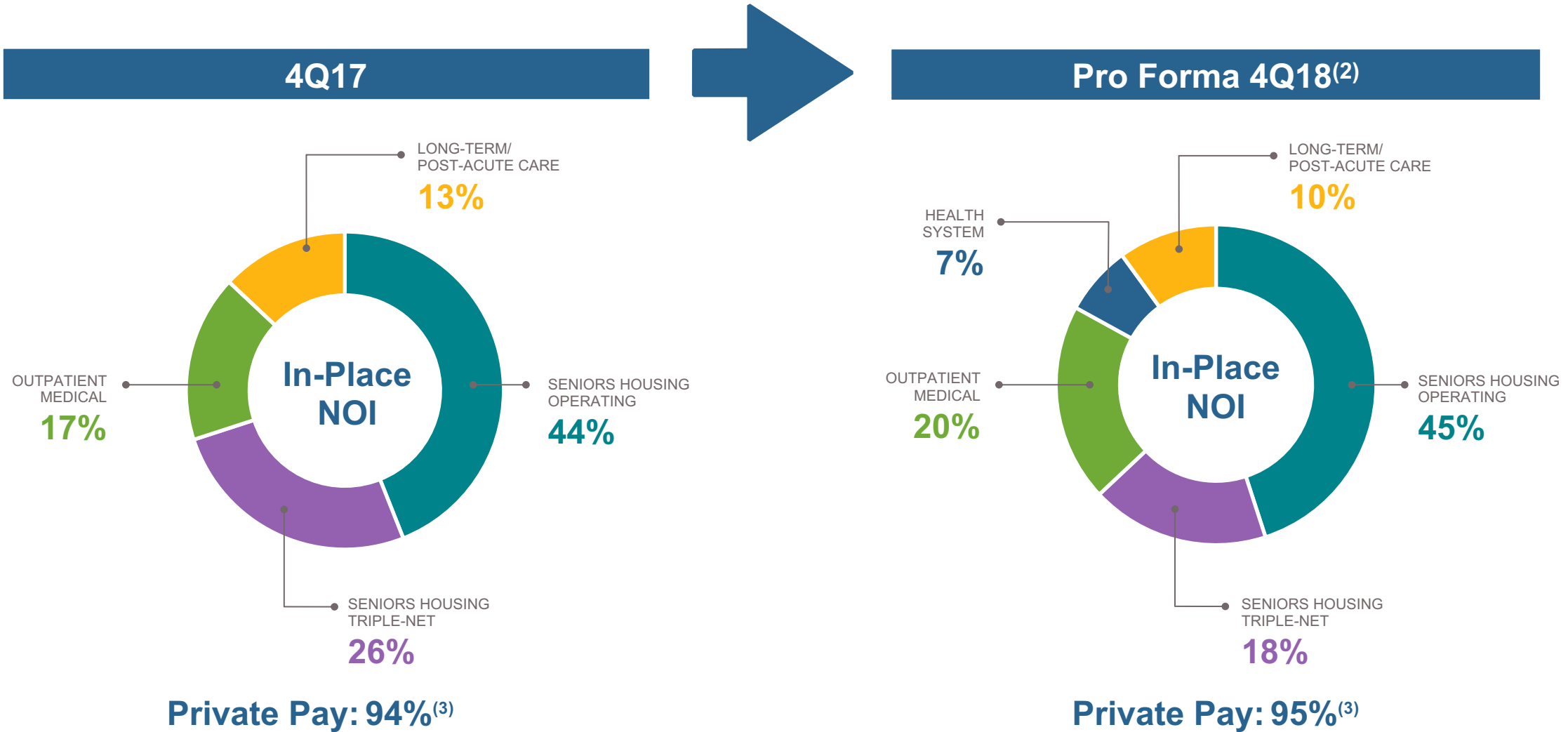
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Transaction and Relationship Overview

- Qatar Investment Authority (“QIA”) is the sovereign wealth fund of the state of Qatar with over \$335 billion in assets under management (“AUM”), focused on both domestic and foreign investments.
- An affiliate of QIA invested \$300 million through Welltower’s dividend reinvestment program.
- QIA has the option to acquire an ownership interest in certain projects in our development pipeline.
- Adds another large source of private capital and potential for programmatic relationship to invest in similar assets.

Portfolio Optimization Enhances Quality of Cash Flow ⁽¹⁾



1. Based on In-Place NOI. See Supplemental Reporting Measures at the end of this presentation. Pro Forma reconciliation can also be found at the end of this presentation.
 2. Includes CNL acquisition.
 3. Based on Facility Revenue Mix.

Strong Unsecured Debt Covenant Compliance

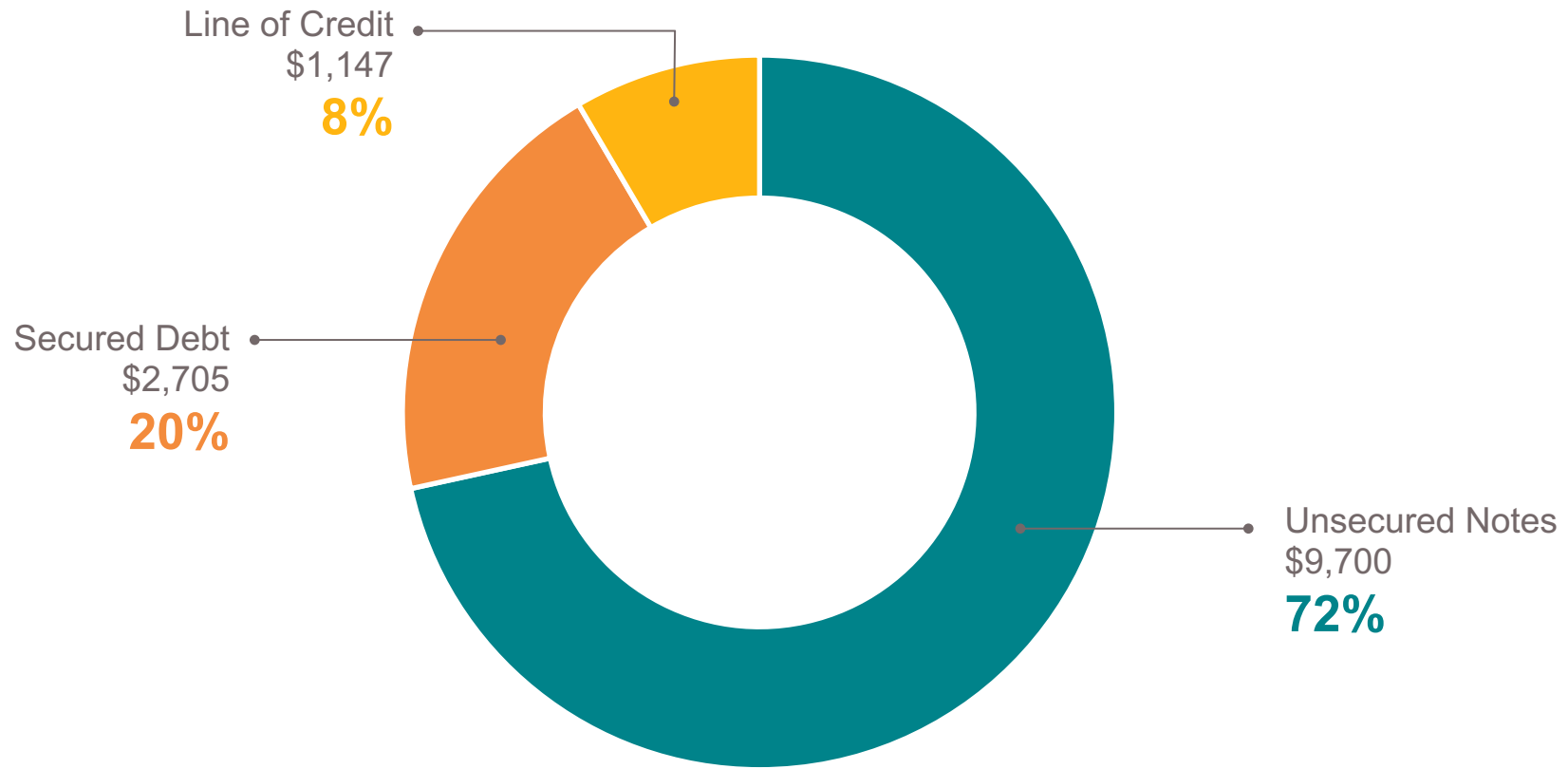
Ratio	4Q18	Unsecured Notes Covenants ⁽¹⁾	Compliance
Secured Indebtedness to Total Assets	8.2%	< 40.0%	✓
Total Indebtedness to Total Assets	43.8%	< 60.0%	✓
Unsecured Debt to Unencumbered Assets	37.3%	<66.7%	✓
Minimum Interest Coverage Ratio ⁽²⁾	4.1x	> 1.5x	✓

1. See, for example, Supplemental Indenture No. 14 dated 8/16/2018, which was filed with the SEC as an exhibit to WELL's Form 8-K filed on 8/6/2018.
 2. For the twelve months ending 12/31/2018. Please see supplemental reporting measures and reconciliations at the end of this presentation.



Debt Structure

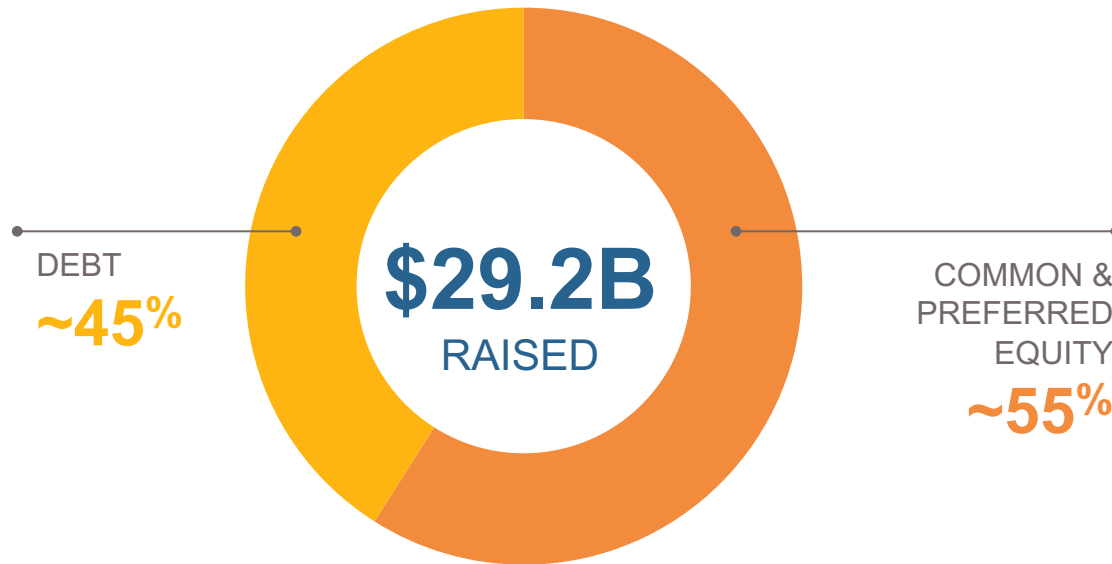
4Q18⁽¹⁾ (\$Millions)



1. Data as of 12/31/2018. Represents pro rata principal amounts due and excluding unamortized premiums/discounts or other fair value adjustments as reflected on the balance sheet.

Prudent Capital Strategy

Capital Raised Since 2010



\$3.0B
Unsecured Line of Credit

\$1.9B⁽¹⁾
Availability

1. Availability as of 12/31/2018.

Diverse and Unparalleled Access to Capital Since 2010



COMMON EQUITY

Secondary issuances and ATM proceeds totaling **\$13B**

\$2.2B in DRIP proceeds

PREFERRED STOCK

Two issues totaling **\$1B⁽¹⁾**

DOMESTIC PUBLIC DEBT

15 offerings totaling **\$9.3B** with average tenor of 11 years⁽²⁾

INTERNATIONAL PUBLIC DEBT

2 GBP issues totaling USD **\$1.7B** with average tenor of 17 years

1 CAD issuance of USD **\$226M**

CREDIT FACILITY

\$3.7B facility
\$3.0B revolver
\$0.7B in term loans
(US and Canada)

SECURED DEBT

Only **6.9%** of gross assets⁽³⁾

ASSET RECYCLING

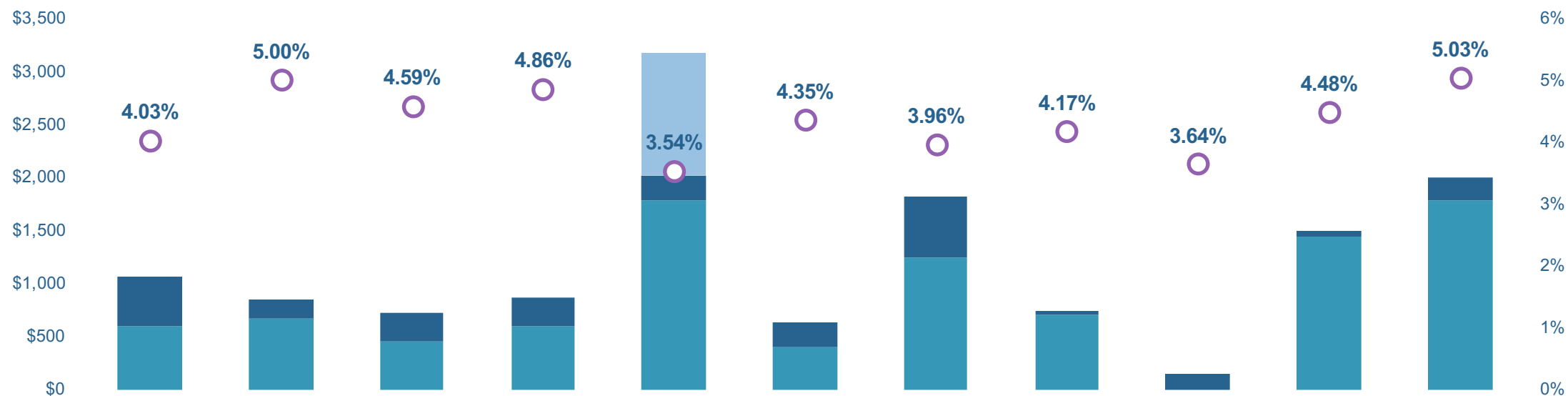
Received **\$10.1B** proceeds from strategic asset divestments since 2010 resulting in asset concentrations in high barrier gateway markets

1. Redeemed Series J on March 7, 2017 for \$288M.
2. Excludes convertibles.
3. Gross Assets represents total assets plus depreciation as of 12/31/2018.

Balanced and Manageable Debt Maturity Profile

Weighted Average Maturity of 7.6 years

■ Unsecured Debt ■ Pro Rata Secured Debt ■ Line of Credit ○ Wtd. Avg. Interest Rate



<i>in millions</i>	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Thereafter
Unsecured Debt	\$600	\$677	\$450	\$600	\$1,783	\$400	\$1,250	\$700	—	\$1,452	\$1,788
Pro Rata Secured Debt	\$466	\$169	\$278	\$268	\$244	\$241	\$569	\$44	\$160	\$51	\$216
Line of Credit	—	—	—	—	\$1,147	—	—	—	—	—	—
Total	\$1,066	\$846	\$728	\$868	\$3,174	\$641	\$1,819	\$744	\$160	\$1,503	\$2,004

Data as of 12/31/2018 in USD. Represents pro rata principal amounts due and excluding unamortized premiums/discounts or other fair value adjustments as reflected on the balance sheet.

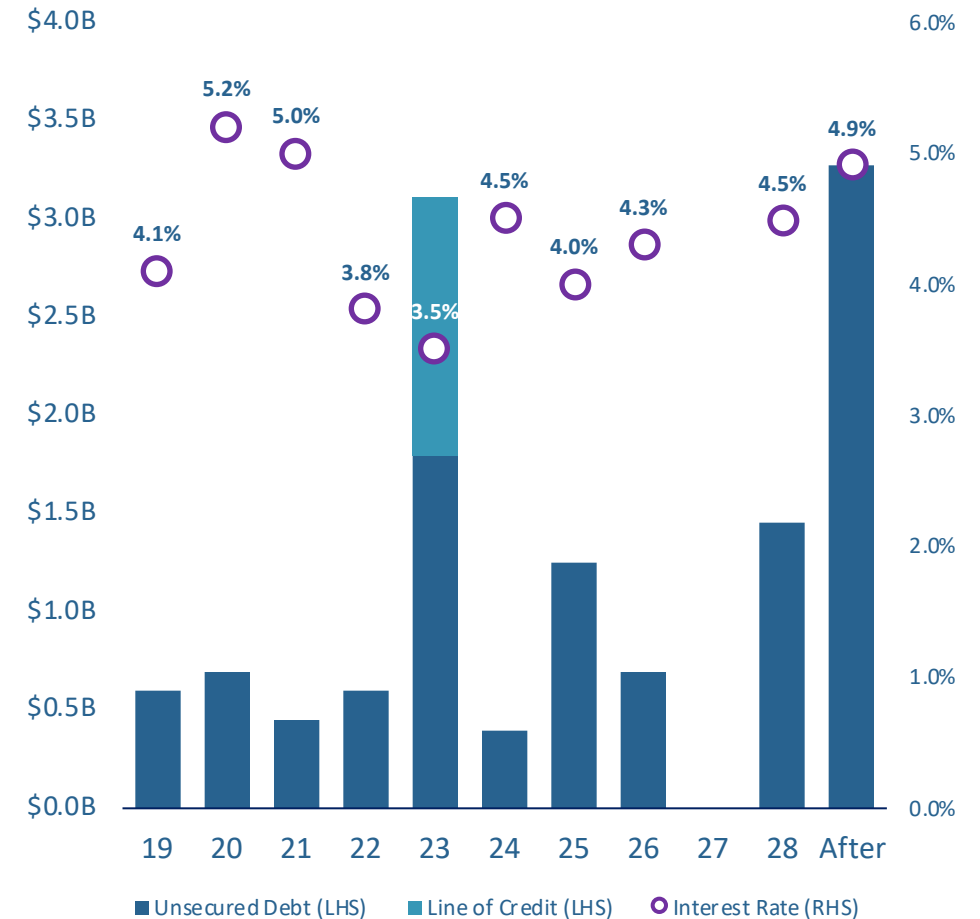
Superior Access to Unsecured Debt Capital

Balance sheet anchored by laddered debt maturities across major international currencies


WELL 10-Yr Benchmark Spread Over US 10-Yr Treasury



Unsecured Debt Maturity Profile



Diversification Across Geographies and Currencies

	Amount Outstanding	Years to Maturity	Coupon
	\$7.45B	8.0	4.6%
	£1.05B	12.7	4.7%
	C\$300M	1.8	3.4%

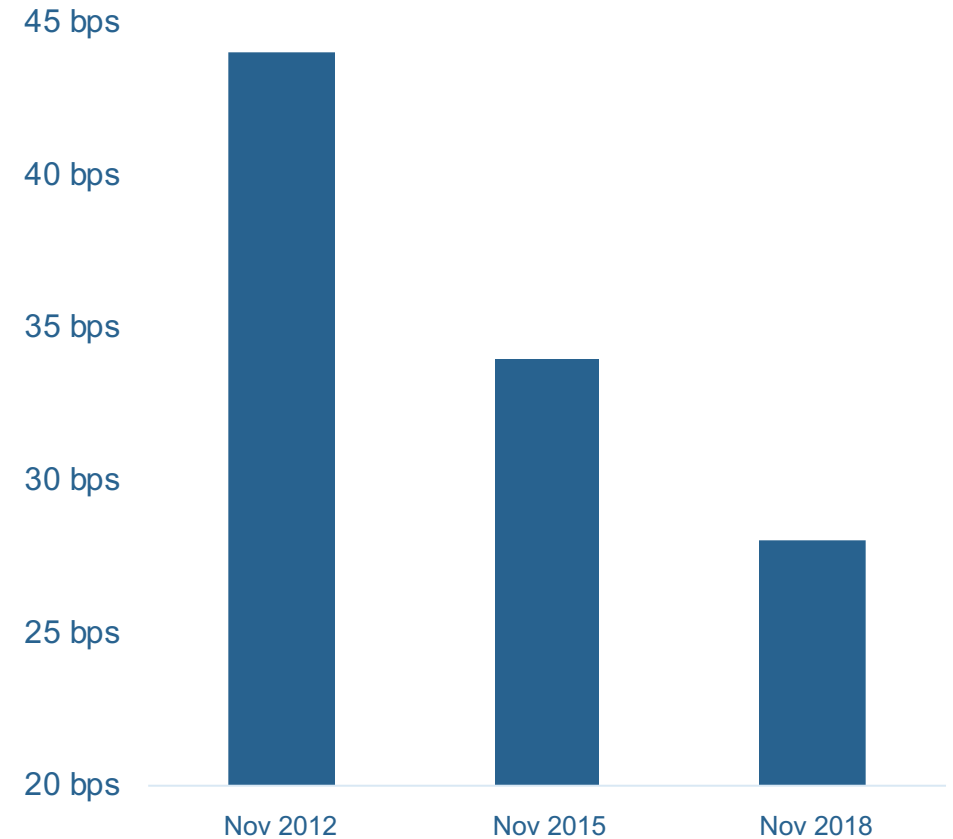
Improving Seniors Housing Asset-Backed Financing Market

Indicative Pricing Across WELL Asset Classes

Segment	Issuer	LTV	Spread bps ⁽¹⁾
US Seniors Housing	GSE	55% - 75%	116 - 130
CAD Seniors Housing ⁽²⁾	CMHC	75%	90 - 110
Skilled Nursing	HUD	75%	100 - 120

GSE Seniors Housing Spreads vs Multifamily

36% Compression in Seniors Housing Spreads

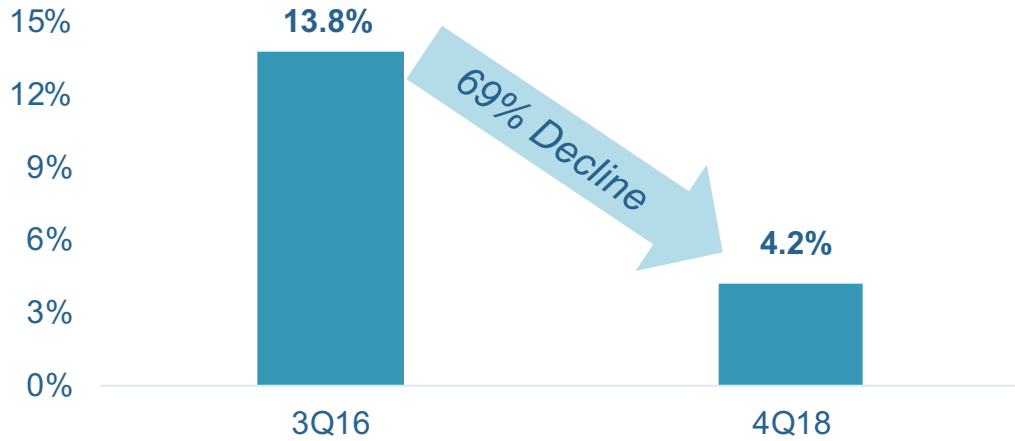


1. Spread is based on 10 Year Fixed Rate Facility. Benchmark for spreads is 10 Yr US Treasuries.

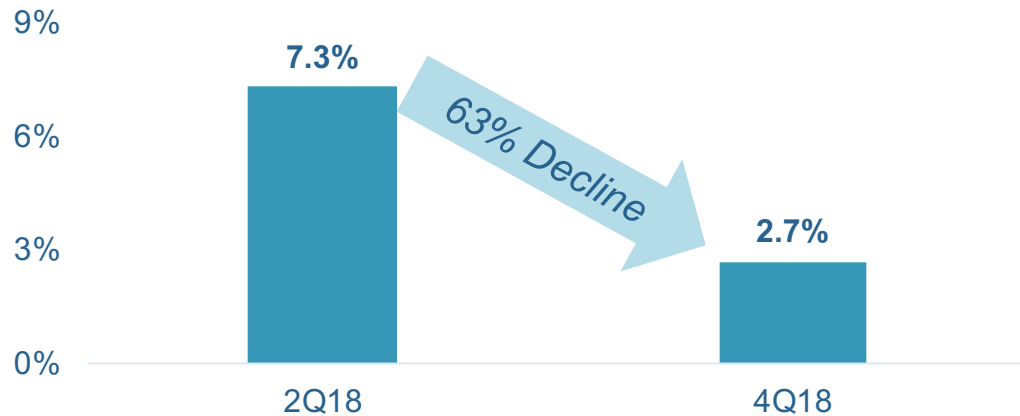
2. Benchmark for spreads is 10 Yr GoC bonds.

Triple-Net Lease Portfolio – Portfolio Improvement Success

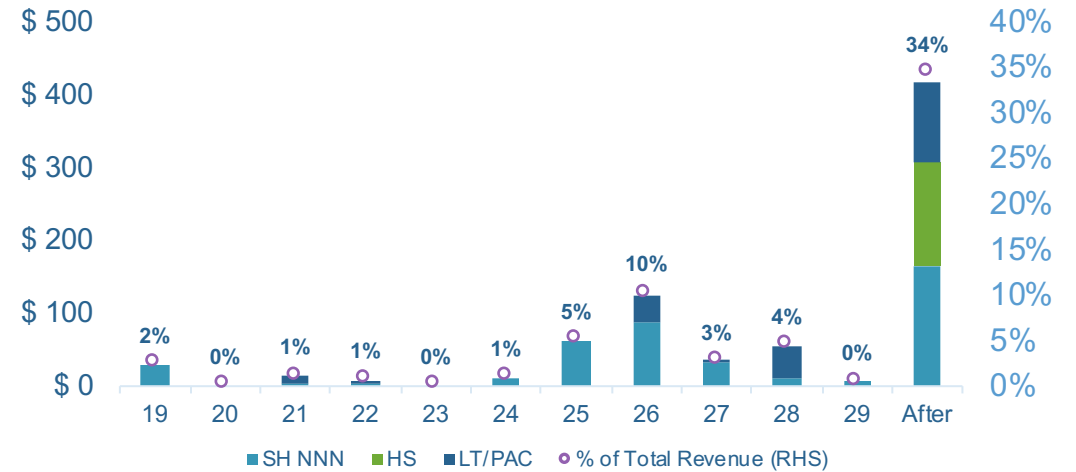
Genesis In-Place NOI Concentration⁽¹⁾



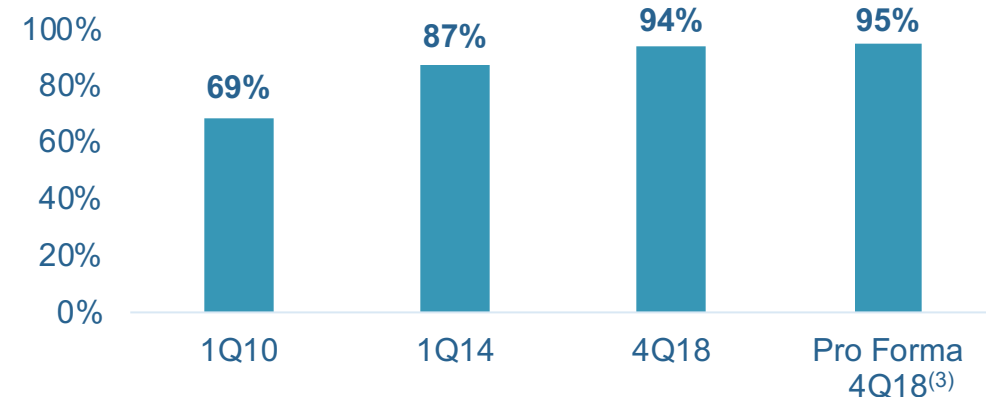
Brookdale In-Place NOI Concentration⁽¹⁾



Triple-Net Lease Maturity Timeline



Private Pay Exposure⁽²⁾



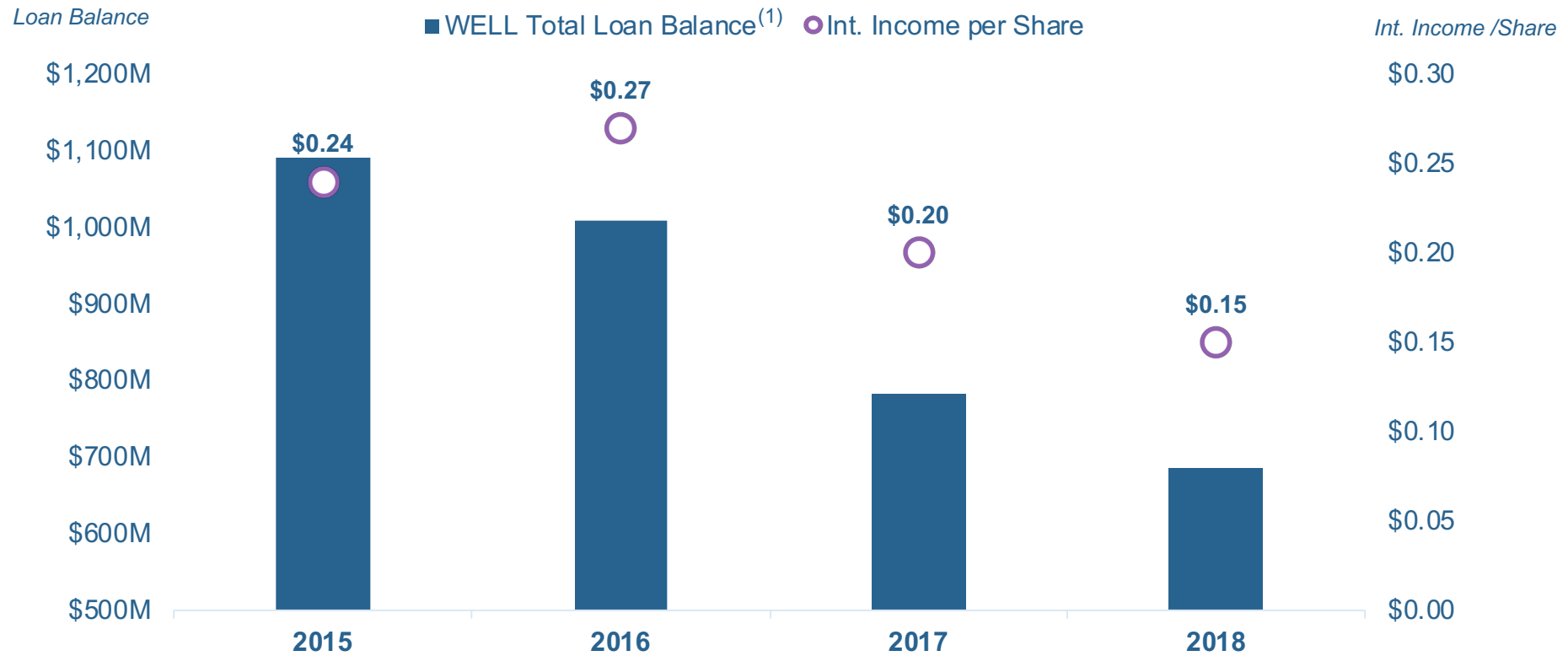
1. See the Supplemental Reporting Measures section at the end of this presentation for additional information and reconciliation of In-Place NOI to GAAP net income. In addition, both the 3Q16 and 4Q18 Genesis concentrations and 2Q18 and 4Q18 Brookdale concentrations are based on In-Place NOI as disclosed and reconciled in the respective Supplementals.

2. Based on facility revenue mix.

3. Includes estimated impact of the previously announced CNL acquisition.

Driving Higher Quality Cash Flow

Loan Income Per Share **Down 44%** from Peak



1. Includes both Real Estate and Non Real Estate Loans as of year end.

OTHER NOTABLE TRANSACTIONS AND PARTNERSHIPS

Hammes Acquisition | Strategic Health System Affiliations

Deploying Capital in Class-A Outpatient Medical Portfolio and Driving Future Growth Opportunities

Top Health System Tenants



- 25k physicians
- 51 hospitals



- 23 hospitals
- 650 outpatient facilities



- 3.2k physicians
- 1.4m patients



- 2.6k locations
- 165k associates



- 400 physicians
- 14 hospitals

Portfolio Details

- **23 properties** = 979,000 rentable sq. ft.
- **12 metro markets**
- Average age **10 years**
- **96% affiliated** with health systems
- **94% occupied**

Acquisition Details

- **150,000 sq. ft.** of land for development at UNC
- Purchase Price of **\$391M**
- **Strengthens key relationships** while introducing new health systems into the portfolio

Atrium Development | Class “A+” Health Care Anchored Mixed-Use

Development Details

Innovative off-market investment will redefine outpatient healthcare delivery

Two building, **5.5-acre multi-phase development**

Adjacent to Carolinas Medical Center campus with **286k sq. ft. of future development opportunities**

100% master-leased by **Atrium Health (Moody’s: Aa3)** for 15 years with 2% increasers

Anticipated Delivery
Q2 2020 & Q3 2020



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Atrium Health


PAPPAS PROPERTIES

Buildings to house **integrated specialty clinical practices for Atrium Health** including the Sanger Heart and Vascular Institute

CNL Acquisition | National Class “A” MOB Portfolio

Transaction Details

- National portfolio to be acquired for **\$1.25B**
- Initial cash yield is anticipated to be **5.7%**
- **Strategic expansion** of outpatient medical and health system segments supported by **high quality and strong credit-backed cash flow**
- **Development opportunity** on two acquisition sites with Cleveland Clinic and Summit Medical Group



Portfolio Highlights

- **55 medical office** building portfolio diversified across **16 states**
- 3.3 million square feet has **significant overlap and synergies** with existing WELL footprint
- Properties are **92% affiliated** with premier health systems
- **2.4%** weighted average annual rent increase

Unique Perspective

- Leveraged proprietary data science and analytics platform to **identify opportunity overlooked by market**
- Portfolio affiliated with strong hospitals and health systems with **zero exposure to “at risk” hospitals** based on WELL risk analysis
- Properties located in **high-potential markets** based on proprietary predicted gross rent and net need statistics

Optimize Portfolio Cash Flow Through Restructurings

Leveraging Welltower's deep bench of relationships with innovative operating partnerships to drive value



- Transitioning 36 Brookdale properties to Pegasus, a newly formed management group led by industry veterans Steven Vick and Chris Hollister, the senior housing industry's most well-respected turnaround specialists.



- 12 properties are allocated to 6 other WELL operators based on market, acuity, and operating model expertise.



- Brookdale paid WELL \$58M termination fee and will continue to operate properties until fully transitioned.



- Expanding relationship with Cogir, a leading and innovative operator led by Mathieu Dugauay, to operate 12 Brookdale communities. Cogir has operated communities with a similar acuity profile at a 96% average occupancy over the past 15 years.



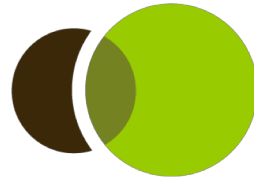
- Conversion of 27 Brandywine Living Properties to SHO improving SH NNN Coverage and driving future SHO growth through development pipeline.

Commitment to Sustainability and Governance

Recognized Leader in Environmental, Social, and Governance

Only Healthcare REIT to be Listed to the
2018 Dow Jones Sustainability World Index

MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM



ROBECOSAM
Sustainability Award
Industry Mover 2018

FORTUNE

THE **WORLD'S
MOST ADMIRABLE
COMPANIES**



Recognized Leader in Diversity & Inclusion



1ST

North American REIT *to sign the Women's Empowerment Principles and the CEO Action for Diversity & Inclusion*



TOP
15

Most Diverse Fortune 1000 Companies in Ohio⁽¹⁾



55%

Female and Minority Independent Director Leadership *on the Board of Directors*⁽²⁾



CEO ACT!ON FOR DIVERSITY & INCLUSION

1. Based on the 2018 Ohio Fortune 1000 Corporate Governance Report administered by the National Diversity Council, which evaluates racial, ethnic and gender diversity of corporate executive leadership and board membership.
2. Proportion as of 12/31/2018.

Spotlight on Welltower's Green Buildings

12

LEED-Certified Buildings

12

BREEAM-Certified Buildings

16

IREM-Certified Buildings

78

ENERGY STAR[®] Certified Buildings⁽¹⁾

2

EPC "A" Score Buildings



Sunrise of La Jolla
ENERGY STAR score of 98, signifying the property is 98% more efficient than similar buildings



Sunrise East 56th
One of few seniors housing properties to target LEED and International WELL Building certifications



The Wandsworth
Targeting BREEAM Excellent rating to be in top 10% for building sustainability



NYPHS Stamford MOB
Powered by 100% renewable electricity

1. Number of buildings with an ENERGY STAR label earned in current or prior years.

Recognized For Sustainable Business Practices



14,600 MWh
reduction
in energy
consumption⁽¹⁾

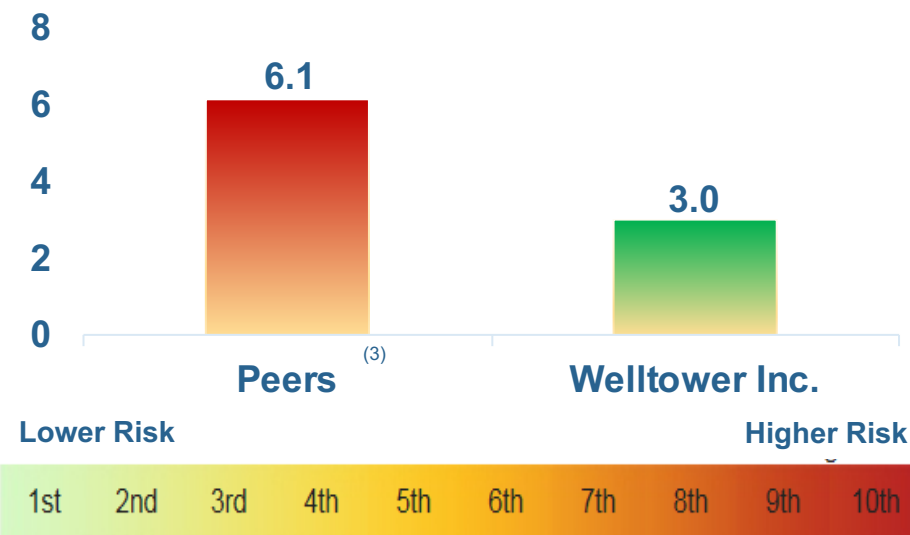


Consumed
24,721 MWh
of renewable electricity
in 2018



Avoided 8,883
metric tons of
greenhouse gas
emissions⁽¹⁾

ISS Governance Score⁽²⁾



Our Giving At Work

\$600,000

Donated in 2018

Including:



7,000 Meals
to homebound
elderly New
Yorkers through
City Meals on
Wheels



21,501 K-12
Tours to the
Toledo Museum of
Art aimed at
enhancing visual
literacy



82%
employee
participation
in the 2018
United Way
Campaign

1. Reductions in 2017 as compared to 2016 for properties where utility data was available.
 2. ISS Governance Score is a weighted average of scores assigned for (a) board structure, (b) compensation, (c) shareholder rights and (d) audit.
 3. Ventas (VTR), HCP, Crown Castle International (CCI), Equinix (EQIX), Iron Mountain (IRM), Weyerhaeuser Company (WY), American Tower Corporation (AMT), Boston Properties (BXP), Equity Residential (EQR), Prologis (PLD), Public Storage (PSA), Simon Property Group (SPG), Vornado Realty Trust (VNO), AvalonBay Communities (AVB), Alexandria Real Estate Equities (ARE).

Supplemental Financial Measures



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, the company considers 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), EBITDA and Adjusted EBITDA to be useful supplemental measures of its 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 the company's 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").



NOI and IPNOI

Net operating income (NOI) is used to evaluate the operating performance of our properties. 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 seniors housing operating and outpatient medical 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. These expenses include, but are not limited to, payroll and benefits, professional services, office expenses and depreciation of corporate fixed assets.

In-Place NOI (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.

We believe NOI and IPNOI 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 these metrics to make decisions about resource allocations and to assess the property level performance of our properties.

Historical In-Place NOI Reconciliations

(dollars in thousands)

	<u>4Q18</u>	<u>4Q17</u>
Net income (loss)	\$ 124,696	\$ (89,743)
Loss (gain) on real estate dispositions, net	(41,913)	(56,381)
Loss (income) from unconsolidated entities	(195)	59,449
Income tax expense (benefit)	1,504	25,663
Other expenses	10,502	60,167
Impairment of assets	76,022	99,821
Provision for loan losses	—	62,966
Loss (gain) on extinguishment of debt, net	53	371
Loss (gain) on derivatives and financial instruments, net	1,626	—
General and administrative expenses	31,101	28,365
Depreciation and amortization	242,834	238,458
Interest expense	144,369	127,217
Consolidated net operating income	\$ 590,599	\$ 556,353
NOI attributable to unconsolidated investments ⁽¹⁾	21,933	21,539
NOI attributable to noncontrolling interests ⁽²⁾	(40,341)	(29,760)
Pro rata net operating income (NOI)	\$ 572,191	\$ 548,132
Adjust:		
Interest income	\$ (13,082)	\$ (11,975)
Other income	(7,092)	(1,937)
Sold / held for sale	(12,724)	(25,601)
Developments / land	545	—
Non In-Place NOI ⁽³⁾	(21,892)	(10,278)
Timing adjustments ⁽⁴⁾	5,099	1,535
Total adjustments	<u>(49,146)</u>	<u>(48,256)</u>
In-Place NOI	<u>523,045</u>	<u>499,876</u>
Annualized In-Place NOI	<u>\$ 2,092,180</u>	<u>\$ 1,999,504</u>

	<u>4Q18</u>		<u>4Q17</u>	
In-Place NOI by country				
United States	\$ 1,743,200	83.3%	\$ 1,657,642	82.9%
Canada	174,552	8.4%	169,667	8.5%
United Kingdom	174,428	8.3%	172,195	8.6%
Total In-Place NOI	<u>\$ 2,092,180</u>	<u>100.0%</u>	<u>\$ 1,999,504</u>	<u>100.0%</u>
In-Place NOI by property type				
Seniors Housing Operating	\$ 965,408	46.1%	\$ 888,084	44.4%
Seniors Housing Triple-net	411,428	19.7%	523,112	26.2%
Outpatient Medical	366,820	17.5%	336,544	16.8%
Health System	143,200	6.8%	—	—%
Long-Term/Post-Acute Care	205,324	9.8%	251,764	12.6%
Total In-Place NOI	<u>\$ 2,092,180</u>	<u>100.0%</u>	<u>\$ 1,999,504</u>	<u>100.0%</u>

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

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

(3) Primarily represents non-cash NOI

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

Pro Forma In-Place NOI Reconciliation

(dollars in thousands)

	4Q18 Annualized In- Place NOI⁽¹⁾	% of Total	CNL Portfolio Acquisition⁽²⁾	Pro Forma Annualized In- Place NOI	% of Total
Seniors Housing Operating	\$ 965,408	46.2 %	\$ —	\$ 965,408	44.7 %
Seniors Housing Triple-Net	411,428	19.7 %	—	411,428	19.0 %
Outpatient Medical	366,820	17.5 %	71,250	438,070	20.2 %
Health System	143,200	6.8 %	—	143,200	6.6 %
Long-Term/Post-Acute	205,324	9.8 %	—	205,324	9.5 %
	<u>\$ 2,092,180</u>	<u>100.0 %</u>	<u>\$ 71,250</u>	<u>\$ 2,163,430</u>	<u>100.0 %</u>

Notes:

(1) Please refer to "Historical In-Place NOI Reconciliations" for a reconciliation of In-Place NOI to net income.

(2) Pro forma adjustment to reflect the \$1.25 billion CNL Portfolio acquisition as if the transaction occurred on October 1, 2018. See pages 28-29 of this presentation for further information on the transaction in addition to our press release dated January 2, 2019. Pro forma adjustments are based on estimates and assumptions and are preliminary in nature, and should not be assumed to be in indication of the results that would have been achieved had the transaction been completed as of the date indicated.



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 coverage ratios are based on EBITDA which stands for earnings (net income per income statement) before interest expense, income taxes, depreciation and amortization. Covenants in our senior unsecured notes contain financial ratios based on a definition of EBITDA that is specific to those agreements. Failure to satisfy these covenants could result in an event of default that could have a material adverse impact on our cost and availability of capital, which could in turn have a material adverse impact on our consolidated results of operations, liquidity and/or financial condition. Due to the materiality of these debt agreements and the financial covenants, we have defined Adjusted EBITDA to exclude unconsolidated entities and to include 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, and other expenses. 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 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.

We believe that EBITDA and Adjusted EBITDA, along with net income and cash flow provided from operating activities, are important supplemental measures because they provide additional information to assess and evaluate the performance of our operations. We primarily utilize them to measure 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.



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.

Normalizing items include adjustments for certain non-recurring or infrequent revenues/expenses that are described in our earnings press releases for the relevant period ends.

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 the operating performance of the company between periods or as compared to other REITs or other companies on a consistent basis without having to account for differences caused by unanticipated and/or incalculable items.

EBITDA and ADJUSTED EBITDA RECONCILIATIONS

(dollars in thousands)

	Twelve Months Ended December 31, 2018
Net income (loss)	\$ 829,750
Interest expense	526,592
Income tax expense (benefit)	8,674
Depreciation and amortization	950,459
Loss (income) from unconsolidated entities	641
Stock-based compensation	27,646
Provision for loan losses	—
Loss (gain) on extinguishment of debt, net	16,097
Loss/impairment (gain) on sales of properties, net	(299,996)
Loss (gain) on derivatives and financial instruments, net	(4,016)
Additional other income	(14,832)
Other expenses ⁽¹⁾	111,990
Adjusted EBITDA	<u>\$ 2,153,005</u>
Interest expense	\$ 526,592
Capitalized interest	7,905
Non-cash interest expense	(10,860)
Total interest	<u>523,637</u>
Adjusted EBITDA	<u>2,153,005</u>
Interest coverage ratio	<u>4.1x</u>

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

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Outlook Reconciliations

(in millions, except per share data)

	Prior Outlook		Current Outlook	
	Year Ended December 31, 2019		Year Ended December 31, 2019	
	Low	High	Low	High
Net income attributable to common stockholders	\$ 723	\$ 781	\$ 1,045	\$ 1,103
Impairments and losses (gains) on real estate dispositions, net ^(1,2)	(174)	(174)	(448)	(448)
Depreciation and amortization ⁽¹⁾	1,025	1,025	990	990
NAREIT FFO and Normalized FFO attributable to common stockholders	\$ 1,574	\$ 1,632	\$ 1,587	\$ 1,645
Per share data attributable to common stockholders:				
Net income	\$ 1.88	\$ 2.03	\$ 2.70	\$ 2.85
NAREIT FFO and Normalized FFO	\$ 4.10	\$ 4.25	\$ 4.10	\$ 4.25
Other Items ⁽¹⁾				
Net straight-line rent and above/below market rent amortization	\$ (73)	\$ (73)	\$ (73)	\$ (73)
Non-cash interest expenses	21	21	21	21
Recurring cap-ex, tenant improvements, and lease commissions	(124)	(124)	(124)	(124)
Stock-based compensation	26	26	26	26

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

(2) Includes estimated gains on projected dispositions.