



# Transaction Update

*December 23, 2022*

**welltower**

# Forward Looking Statements and Risk Factors

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# Transaction Update

## Tenant and Operations Update

- On December 22, 2022, ProMedica surrendered to Welltower its 15% interest in the 147-property skilled nursing portfolio previously owned in the Welltower/ProMedica joint venture
  - ProMedica is absolved from its lease obligations for the entire 147-property portfolio. As of December 22, 2022, Integra Health (“Integra”) has entered into a master lease for the entire portfolio and will bear financial responsibility for all assets, including assets where it has not yet acquired an ownership stake
  - Approximately 15 regional operators to enter into customary management operator transition agreements (“MOTAs”) with ProMedica to facilitate a seamless transition of operations until regulatory approvals for change of license ownership are received
  - As previously disclosed, ProMedica has provided significant operating reserves to replacement operators, supporting the continued operational turnaround of the portfolio

## Real Estate Update

- On December 23, 2022, Welltower sold to Integra a 15% interest in 54 skilled nursing assets for approximately \$73 million. The transaction represents the initial tranche of the previously disclosed 85/15 joint venture between Welltower and Integra spanning 147 skilled nursing assets formerly owned in the Welltower/ProMedica joint venture
- Sale of 15% ownership interest in the remaining 93 assets to Integra expected to occur in stages over the next 12 months with timing largely driven by regulatory processes and evaluation of strategic asset sales to third parties
  - **Integra is expected to close on its ownership interest in an additional ~1/3 of the portfolio in January 2023 with the remainder closing over the course of 2023 as licensure transfers are completed**
- As previously disclosed, Integra’s ownership stake is subordinate to that of Welltower’s; Integra’s principals will guarantee the lease while maintaining significant net worth requirements

# Transaction Update (Continued)

## Economic Impact to Welltower

- **As previously disclosed, Integra's year-one cash rent to the Welltower/Integra JV will be \$167 million**
  - Welltower will recognize 85% of the allocated rent on the 54 assets where Integra has acquired an ownership stake and 100% of the allocated rent on assets where Integra has not yet acquired an ownership stake; Welltower's pro rata share of cash rent is expected to be \$142 million after Integra completes its planned acquisition of a 15% interest in the entire 147-property portfolio
- **Welltower's ultimate pro rata share of cash rent will equate to ~\$6,800 per bed**
- **As previously disclosed, Welltower's combined cash rent increases over 4% relative to total contractual rent from prior ProMedica joint venture despite significant headwinds posed by the global pandemic and recent operational and capital markets challenges<sup>(1)</sup>**
- Following the recent transactions, the transition portfolio will represent 7% of IPNOI and ProMedica will represent 2% of IPNOI <sup>(2)</sup>
- As previously disclosed, the transaction is expected to be neutral to slightly accretive to cash flow, earnings, and leverage<sup>(3)</sup>



**ProMedica Skilled Nursing and Rehabilitation  
(Piscataway, NJ)**



**ProMedica Skilled Nursing And Rehabilitation  
(Dublin, OH)**



**ProMedica Skilled Nursing And Rehabilitation  
(Lafayette, CO)**

1. Includes \$43 million of cash rent related to the remaining 58 senior housing assets operated by ProMedica

2. Based on Welltower's 3Q22 IPNOI and year-one pro rata cash rent of \$43 million under the amended ProMedica lease; refer to Welltower's 3Q22 Supplemental Information dated November 7, 2022 for a definition and reconciliation of IPNOI

3. Leverage and earnings accretion analysis based on an assumed 5% initial reinvestment yield

# Integra Health | Overview and Business Plan

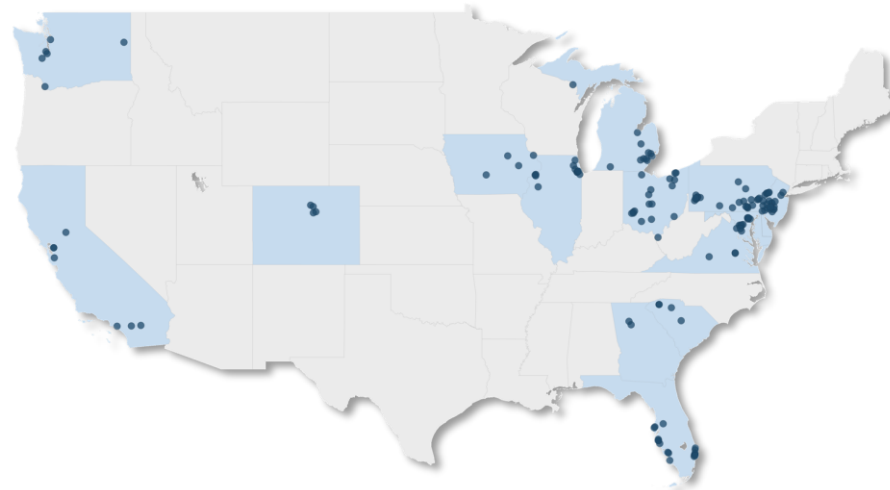
*Principals Have Proven Track Record of Successful Turnarounds, Bolstered by Extensive Regional Operator Networks*

## Integra Principals and Affiliates

- Integra's principals and affiliates have extensive experience owning skilled nursing facilities
  - Principals own skilled nursing facilities and several other healthcare operating businesses across the United States
  - Principals also specialize in healthcare services investments, many of which are complementary to broader platform's skilled nursing investments, including pharmaceutical cost management solutions and managed care plans
- Welltower has executed on multiple transactions with Integra's principals since the onset of the pandemic, including:
  - The re-tenanting and recapitalization of 35 Genesis assets in early 2021. Following the recapitalization, the properties were transitioned to leading regional operators and have witnessed a significant improvement in operating performance
  - The sale of 21 skilled nursing facilities from the Welltower/ProMedica joint venture in 2021

## Integra Health Business Plan

- **As previously described, Integra's business plan entails entering into sub-leases with approximately 15 regional operators with strong performance track records in their respective markets**
- Given the extensive skilled nursing sector experience of Integra and its affiliates, Integra has led the process of identifying leading regional operators and coordinating sub-leases
- Integra and Welltower are evaluating opportunistic asset sales following strong interest from potential buyers



## Select Regional Operators

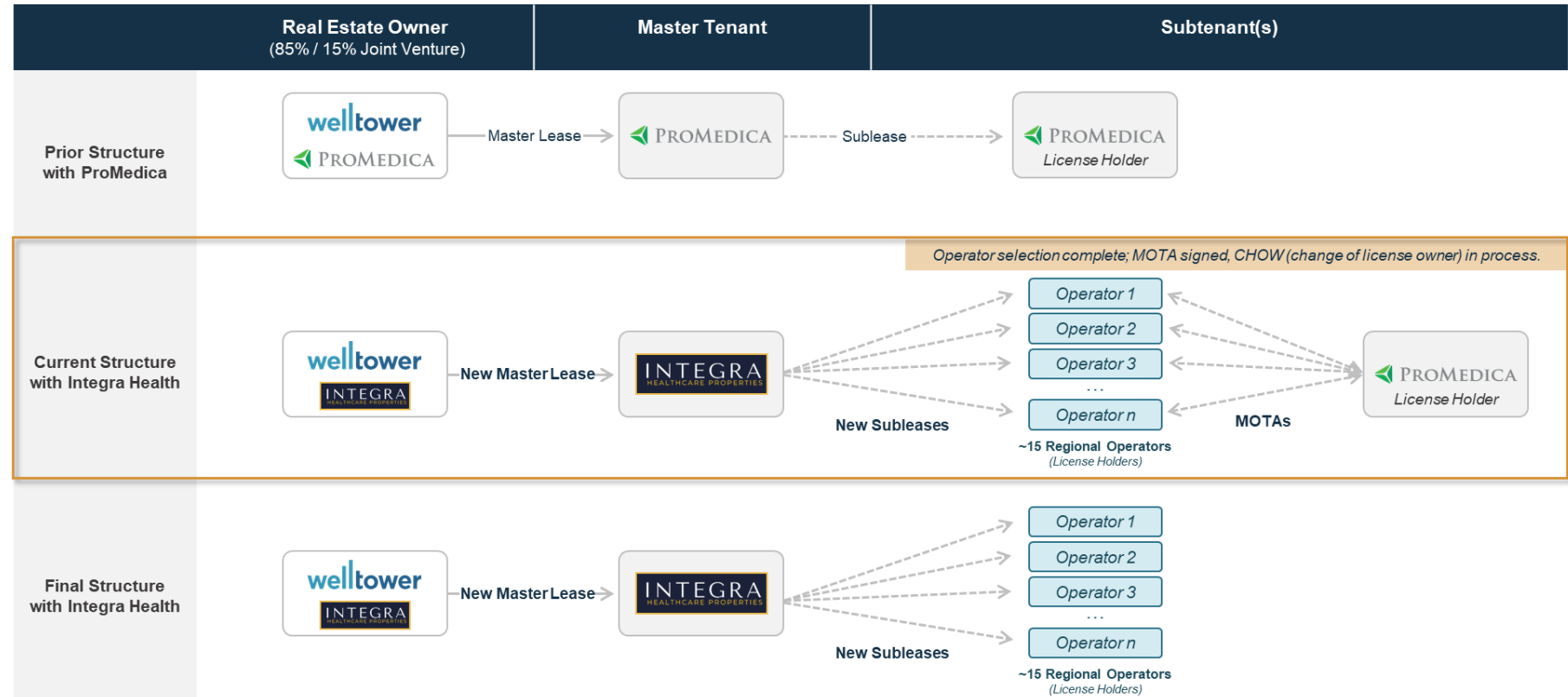
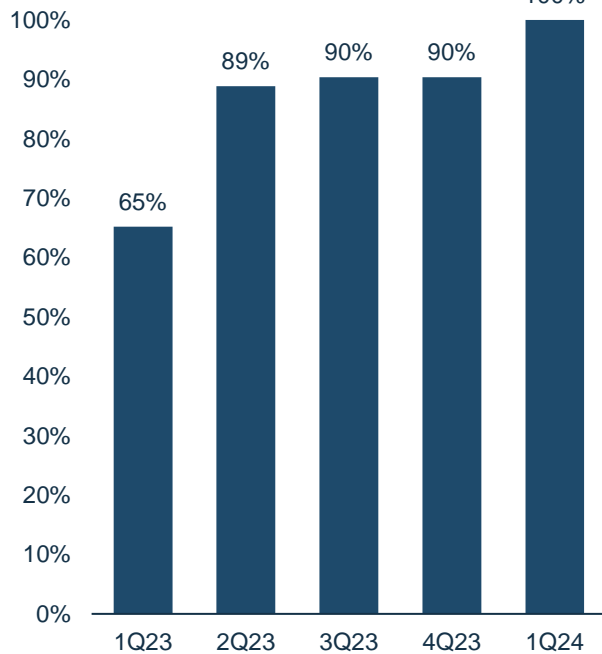


# Integra Health | Operations and Licensure Transition Overview

## Operator Transition Process

- Welltower and Integra entered into a master lease for the entire 147-property portfolio, including properties where Integra has yet to purchase its 15% interest in the real estate
  - To ensure a seamless transition of operations and care, replacement operators to apply for customary regulatory approvals for the change of ownership (“CHOW”) and enter into management operator transition agreements (“MOTAs”) with ProMedica operator entities
  - Upon successful regulatory approval, operator transitions will take full effect and applicable state regulatory authorities will issue the applicable licenses and certifications to the new operators. Approvals could take upwards of one year in certain states

**Expected Timeline for Change of Licensure Ownership**  
(Based on bed count)



# ProMedica Skilled Nursing Portfolio Performance Update

## Performance Update

- As of November 2022, **monthly revenue (ex-HHS) for the 147-property skilled nursing portfolio is ~1% above pre-COVID levels** despite occupancy being approximately 780 bps lower, indicating recent operational challenges driven largely by expense pressures
- Positively, reported EBITDARM for the 147 skilled nursing properties continues to improve **driven by a 50%+ reduction in monthly agency labor usage** relative to the peak earlier this year as well as improving occupancy trends
- ProMedica strategically moderated admission volumes earlier this year in order to reduce contract labor expense. However, with contract labor expense meaningfully declining, **occupancy has increased nearly 300 bps since the April 2022 trough**
- We expect further improvements in EBITDARM performance following the transition of operations to select regional operators through rate maximization, further staffing rationalization, and continued occupancy improvement
- Other expense reduction opportunities could include re-negotiation of pharmacy contracts, general and professional liability insurance, and reduced bad debt

