



## LETTER FROM THE CEO & CIO

### Dear Fellow Shareholders,

2020 will go down in the history books as one of the most trying years in a century and, quite possibly, in our nation's history. The devastating loss of life around the world compounded by a year of forced isolation, often away from those we love, accompanied by unimaginable economic hardship, food insecurity and waves of shuttered businesses has left the world stunned. The events of 2020 were beyond the scope of any stress test imaginable to our business and our value proposition. And while we battled another cruel surge of the virus in the winter months, we cautiously, and with great humility, saw signs of hope both for the world and, with

great conviction, for Welltower. We have not only withstood the most difficult of challenges, but have also emerged from the darkest days poised for substantial long-term growth.

#### Early Days of Swift and Decisive Action

Our primary focus throughout the pandemic has been the safety of the residents who live in our buildings and the heroic frontline workers who have overseen their care. At the outset of the pandemic, we stepped in immediately to be full and supportive partners to our operators, most notably

through sourcing and distributing scarce PPE. No expense was spared, with Welltower having borne in excess of \$90 million in COVID-related costs to date to aid in the well-being of our operators and their residents. Relationships forged in the foxhole are only strengthened, and if there is a silver lining to the past 12 months (and there are a few) the solidifying of our relationships with our key operating partners is one of them. As evidenced by our actions over the past year, our commitment to the health care real estate sector remains unwavering, and we will continue to stand shoulder-to-shoulder with our operators, allowing them to fulfill the promise made to their residents and loved ones.

Since the start of the pandemic, our team has maintained a steady hand on the wheel with an acute focus on areas within our control to both preserve and grow value for our shareholders. In addition to supporting our operators during the earliest days of the pandemic, we acted swiftly and boldly to strengthen Welltower's balance sheet. In late March, we enhanced our liquidity profile by securing a \$1.0 billion term loan, providing us with ample flexibility in the event of a prolonged market downturn. In May, our team was able to source additional capital through the sale of a portfolio of assets valued at nearly \$1.3 billion. Not only was this transaction executed during some of the most difficult days of the pandemic, but it was completed in a record 43 days with pricing at near pre-pandemic levels. Through these exceptional efforts, we

avoided the misstep of raising permanently dilutive capital at precisely the wrong time.

We continued this tactic during the second and third quarters and eventually completed the successful disposition of \$3.7 billion of assets at extraordinarily strong prices. Additionally, as difficult as it was to reduce our dividend during the second quarter, it was a prudent move during highly uncertain times which further boosted our liquidity profile, allowing us to retain an incremental \$435 million of capital on an annual basis. We expect the deployment of this capital to be immediately and substantially accretive to our cash flow growth in the coming years. Ultimately, we ended 2020 with approximately \$5.0 billion of total liquidity, an unprecedented capital cushion for the Company, positioning ourselves to shift from defense to offense.

There were two things that surprised me during these early days of the pandemic: the resilience of our team during incredibly trying circumstances, including our extended network of partners, and the liquidity of our assets. Not that we didn't have our doubts and failures, but we continued to move forward despite them with firm and confident resolve and an unwavering belief that we would get to the other side. Our team's stoicism and can-do attitude has left me humbled and in awe of them. It was in these moments of reckoning that I realized how privileged I am to work side-by-side with this incredible bench of talent.

## Deploying Capital – From a Net Seller to a Net Buyer

Starting in the second quarter, signs of distress began to emerge across the health care real estate space, including properties with sub-optimal operators, developers struggling to lease-up new projects, and foreclosed properties on banks' balance sheets. Welltower's unique positioning within the sector, with our stable of operating partners and abundant capital resources, allowed us to quickly step into many of these situations, whether it be through outright acquisitions, debt investments, or the establishment of joint venture partnerships. Perhaps of equal importance, we've been able to strike long-term development agreements with various parties, offering Welltower further opportunities to deploy capital on an accretive basis. We view these agreements—often 10-15 years in length—as “win-wins,” whereby capital constraints are lifted for our partners while Welltower secures the rights to a strong pipeline of deals, allowing both parties to share in favorable economics. Our actions through the pandemic, not just with our capital deployment, but through a demonstration of our capabilities such as predictive analytics powered by statistical and machine learning, have attracted a bevy of new operators and developers who are eager to partner with Welltower.

We are aware that our window to “acquire a dollar bill for 50 cents (or less!)” will eventually come to an end – and that as fundamentals in our sector begin to recover, so will pricing for these assets.

Therefore, our team is relentlessly pursuing all opportunities, large and small, across geographies, acuity levels, and the capital stack, with the ultimate goal of identifying value wherever it may be found. Our data-driven approach to capital deployment and proprietary predictive analytics tools have allowed us to evaluate billions of dollars of opportunities over a short period of time. As Warren Buffet stated in his 2009 annual letter to shareholders, “Big opportunities come infrequently. When it's raining gold, reach for a bucket, not a thimble.” Let me be clear, however: we will remain disciplined capital allocators, with value—not volume—being the ultimate driver of our behavior.

## Drivers of Long-Term Growth

We believe that four key drivers will allow us to deliver outsized shareholder returns going forward.

First, the normalization of operating performance within our Seniors Housing Operating portfolio remains the largest source of value creation for our shareholders. The broad and rapid acceptance of the vaccines by our residents in recent months and steep declines in the number COVID-19 cases have created cautious optimism for an improved operating environment this year. While the exact inflection point is unknown, the fundamental backdrop for our business remains incredibly supportive in the coming years, with increasing demand from an aging population weighed against a supply picture which has improved markedly following a decline in new construction.

While no company is immune from its challenges, we are confident that the strong foundation created by our team will result in favorable growth going forward.

A second driver of long-term growth will be ongoing operator platform enhancement. Simply put, our operator partners are the very best in the business. Through a process which began several years ago and continued through the pandemic, we have had the opportunity to right-size and enhance these key relationships, often through the negotiation of new management contracts. As a result, we have achieved greater alignment of interests with our operators, leaving all parties poised for excellence and growth.

The advantages of local scale cannot be overstated. We have been and will continue to scale our most strategic operating partners as we expand our seniors housing footprint, thereby significantly growing and enhancing our relationships. Quality matters, and our partners are excelling in their markets, demonstrating great leadership and a disciplined and courageous approach to their businesses. We are strategically aligned with and connected to these partners and have never felt more in sync with this fantastic group of creative and forward-thinking companies.

Third, we firmly believe that our recent capital deployment efforts and current pipeline of opportunities offer Welltower the ability to deliver once-in-a-generation value creation to our shareholders. Through an investment philosophy laser-focused

on basis (pricing of assets), partnerships with the right operators, and optimal transaction structures, we have executed more partnership and pipeline deals over the last nine months than the past five years combined. Our capital deployment efforts early in the cycle have positioned us well for significant returns for years to come.

Last but not least, investment in talent will be an important driver of our long-term growth. We are seeing unprecedented interest in our platform from early career applicants to seasoned professionals. While many companies reduced their headcount over the past year, we moved aggressively to expand our exceptional employee base through the hiring of 41 new professionals in 2020. Meanwhile, our existing bench is taking on new responsibilities and reaching new heights in career professionalism, creativity, and success. We have a passionate team, motivated by doing meaningful work to create significant value for our shareholders and to make a disproportionate impact.

## Corporate Responsibility

Speaking of impact, despite the enormous disruption caused by COVID-19 around the globe, we never took our eye off our prioritized commitment to being an exemplar corporate citizen. Our investors demand it, our employees are driven by it, and it is core to our value proposition. The reflection of our success continues to be recognized by the most prestigious ESG ratings agencies as we once again were admitted to the Dow Jones Sustainability

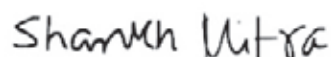
World and North American Indices, the Bloomberg Gender-Equality Index, and the S&P Global Sustainability Yearbook. Additionally, we were a recipient of the ENERGY STAR® Partner of the Year Award for Sustained Excellence and were most recently named by Barron's as one of the 10 Most Sustainable REITs. While we are proud of these accomplishments, our work here is ongoing, and our goals are ambitious. As I've said in the past, the diversity of our employee base, our leadership team and our Board continues to be a priority at Welltower. This is not only a key component of good governance, but it is a proven driver of higher returns to shareholders. This is something we should all be proud of.

## In Conclusion

In closing, I would like to impress upon each of you that despite the challenges being faced by our industry today, our confidence in our business remains strong. I would like to personally express my deep gratitude to Ken Bacon, our Independent Director and Board Chairman, and Tom DeRosa, our former CEO, and to our committed, experienced and passionate directors who have served right alongside our team providing guidance, direction and wisdom as we have navigated these most troubled waters of 2020. Looking forward, we are hopeful for brighter days ahead and believe unequivocally in the long-term value proposition of our Company. When COVID-19 is a bad and distant memory, we will remain focused on the health and wellness needs of a rapidly aging population and committed to

developing a more sustainable health care delivery infrastructure. Through courageous, decisive, and astute positioning, Welltower is prepared to do exactly that while providing attractive long-term returns to our steadfast shareholders.

Sincerely,



Shankh Mitra  
CEO and CIO, Welltower Inc.