MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns P-2 short-term rating to Ventas' new commercial paper program and affirms existing ratings

17 Jan 2019

New York, January 17, 2019 -- Moody's Investors Service ("Moody's") assigned a P-2 short term rating to Ventas Realty, Limited Partnership (Ventas), a wholly owned subsidiary of Ventas Inc. Ventas announced that it has established an unsecured commercial paper (CP) note program in the U.S., which is authorized for issuance up to $1 billion at any given time. Concurrently, Moody's also affirmed all of the existing ratings of Ventas Inc. and its subsidiaries, including the REIT's Baa1 senior unsecured debt rating. The rating outlook remains stable.

The following rating was assigned:

Issuer: Ventas Realty, Limited Partnership

Gtd Senior Unsecured Commercial Paper Program at P-2

The following ratings were affirmed:

Ventas Realty, Limited Partnership - senior unsecured debt at Baa1; senior unsecured shelf at (P)Baa1

Ventas Inc. - preferred stock shelf at (P)Baa2

Ventas Canada Finance Limited - senior unsecured debt at Baa1

Nationwide Health Properties, Inc. - senior unsecured debt at Baa1

Outlook Actions:

Issuers: Ventas Realty, Limited Partnership; Ventas Inc.; Ventas Canada Finance Limited; Nationwide Health Properties, Inc.

Outlook, Remains Stable

RATINGS RATIONALE

Ventas' P-2 short-term rating reflects the healthcare REIT's strong liquidity profile, supported by its $3 billion unsecured credit facility and well-laddered debt maturity schedule. The CP notes will be issued by Ventas Realty, Limited Partnership and unconditionally guaranteed by Ventas Inc., the same structure as exists with the REIT's senior unsecured bonds and line of credit. The CP notes will be sold under customary terms in the CP note market in the U.S. and will rank pari passu with all of Ventas' other unsecured senior indebtedness.

Moody's expects Ventas will maintain strong liquidity, even as it continues to seek strategic growth. As of 3Q18, the REIT had $86 million in cash plus $2.5 billion of total capacity available on its $3 billion unsecured credit facility, which matures in April 2021 plus two six-month extension options. Moody's expects Ventas to use its new CP program as a relatively less expensive alternative to drawings on its unsecured line. Total short-term debt (revolver and CP borrowings) is expected to remain a modest component of the REIT's overall capital structure, and we expect it will maintain sufficient liquidity, primarily in the form of availability on its unsecured line, such that it could temporarily withstand losing access to both short-term and long-term debt markets.

Ventas' Baa1 senior unsecured debt rating reflects its large size and property type diversification, with a focus on private pay segments of healthcare that limits its exposure to volatile government reimbursements. Moody's also notes the REIT's demonstrated ability to grow its portfolio and cash flows, while maintaining a sound capital structure as characterized by modest leverage, strong fixed charge coverage and low secured debt levels.

Key credit challenges include earnings volatility and operational risk associated with Ventas' senior housing operating portfolio, which comprise 31% of NOI as of 3Q18. Senior housing fundamentals remain weak due to new supply and rising labor costs, challenges we expect to persist through 2019. We note, however, that the REIT is enjoying better stability and growth from its triple-net and medical office and life science portfolios.

The stable outlook assumes that Ventas continues to execute strategic, profitable growth, with associated financings having a neutral or positive impact upon its key credit metrics.

Ventas' ratings could be upgraded if the REIT were to maintain Net Debt/EBITDA below 5.0x and effective leverage (debt plus preferred stock as % of gross assets) closer to 30% on a sustained basis. Secured debt remaining below 10% of gross assets and fixed charge coverage in excess of 4.5x would also be needed. Reduction in operator/manager concentration with the top two comprising less than 20% of NOI on a combined basis would also support an upgrade.

Ventas' ratings would likely be downgraded should Net Debt/EBITDA rise above 6x or secured debt increase to the mid-to-high teens as % of gross assets. Material operating weakness translating into fixed charge coverage below 3.5x could also result in a downgrade.

Ventas Inc. [NYSE: VTR] is a healthcare REIT with a diverse portfolio of about 1,200 assets in the United States, Canada and the United Kingdom consisting of seniors housing communities, medical office buildings, university-based research and innovation centers, inpatient rehab facilities and long-term acute care facilities, health systems and skilled nursing facilities.

The principal methodology used in these ratings was REITs and Other Commercial Real Estate Firms published in September 2018. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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