FitchRatings

Corporates
Real Estate Investment Trusts
United States

Ventas, Inc.

Ratings

Rating Type	Rating	Outlook	Last Rating Action
Long-Term IDR	BBB+	Negative	Affirmed March 23, 2021

Click here for full list of ratings

Applicable Criteria

Corporate Rating Criteria (December 2020)

Sector Navigators - Addendum to the Corporate Rating Criteria (December 2020)

Parent and Subsidiary Linkage Rating Criteria (August 2020)

Corporates Notching and Recovery Ratings Criteria (October 2019)

Related Research

Fitch Ratings 2021 Outlook: U.S. Equity REITs (December 2020)

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Ventas, Inc.'s (VTR) ratings reflect Fitch Ratings' view that the long-term rental income risk profile generated from senior housing, at approximately half of NOI, remains relatively unchanged from the coronavirus pandemic. In addition, the ratings reflect VTR's diversified health care real estate portfolio, including the solidly performing medical office building and life science/research and innovation properties, which make up approximately a third of NOI; its long-term financial policies; and its above-average access to capital relative to other REITs.

The Negative Outlook reflects VTR's elevated leverage profile due to the effects of the pandemic, above Fitch's negative rating sensitivities and the issuer's financial policy.

Key Rating Drivers

Elevated Leverage through 2022: Fitch projects VTR's leverage, measured as net debt to recurring operating EBITDA, will sustain in the mid-to high 6x range through 2022, absent any offsetting actions by the issuer, above Fitch's rating sensitivity of 6.0x.

A resolution of the Negative Outlook will be based on the shape of any recovery and management's willingness to protect its credit profile. Vaccine rollouts and more effective therapy protocols will likely put a floor on further occupancy losses beyond 1Q21, and Fitch's projections assume that 1Q21 occupancy losses in the senior housing operating portfolio (SHOP) will be regained by YE 2021. Fitch assumes gradual, low-single-digit improvements to SHOP occupancy annually thereafter.

However, Fitch does not expect a restoration of portfolio EBITDA to 2019 levels until 2023–2024. In its rating case, Fitch also assumes that a 30% permanent cut in rents might be necessary to stabilize rents for around one-third of senior housing and skilled nursing facility operators in the long run, which equals a permanent rent reduction of 10% starting in 2021.

Leverage is projected to remain above 6.0x through 2022, the level that Fitch views as more consistent with a lower Issuer Default Rating (IDR) despite management's efforts to make meaningful adjustments to capital allocation to preserve the credit profile. Steps taken include $1 billion in 2020 with another $1 billion guided for 2021, reductions in capex commitments by contributing some of VTR's in-progress life science development projects to a joint venture with GIC Private Ltd., as well as a reduction in the dividend.

Long-Term Rental Income Risk Unchanged: Fitch takes a through-the-cycle approach to its ratings, and views the long-term rental income risk profile of REITs' senior housing portfolios as relatively unchanged by the pandemic, despite occupancy declines and elevated operating expenses.

Although occupancy rates declined meaningfully since 1Q20, Fitch believes that senior housing retains its place in the continuum of care in the U.S. healthcare system. Fitch believes senior housing demand will rebound to pre-pandemic levels, particularly for higher acuity, less discretionary settings. Therefore, Fitch expects an eventual restoration of operating fundamentals.

Senior housing profitability has been challenged since the onset of the pandemic, as occupancy declined and operating expenses have increased. VTR's SHOP occupancy declined 870bps in 4Q19–4Q20, driven primarily by decelerations in move-ins due to deferred demand and stable move-outs. Higher operating expenses are mostly associated with personal protective equipment, overtime hours, "hero" bonuses and hiring higher-cost agency/temp staff to fill labor shortages.

Pre-Coronavirus Headwinds: Prior to the pandemic, senior housing was the most oversupplied commercial real estate sector, as measured by deliveries as a percentage of inventory.

Deliveries outpaced the rate at which aging demographics had demanded it and, companies incentivized price competition to fill new developments. A recovery in senior housing occupancy might benefit from an aging demographic and likelihood of slower growth in industry supply. According to National Investment Center data, senior housing inventory grew in primary markets by 2.9% yoy in 4Q20, while 4Q20 senior housing construction starts fell around 57% yoy.

Rent Reductions Likely: There is significant uncertainty in the speed of a recovery in senior housing tenant profitability. Senior housing operators have been provided with additional liquidity under government programs, including forgivable loans under the Paycheck Protection Program and CARES Act grants, which exclude purely independent living facilities. However, Fitch does not assume any incremental government relief beyond what has been committed to date.

This heightens the risk that some operators might require significant rent relief before occupancy and, consequently, underlying cash flows recover to pre-coronavirus levels. Since leases tend to be the largest form of financing and one of the largest expenses for operators, REITs are an obvious partner to provide relief if government funding runs out before underlying cash flows rebound to pre-coronavirus levels.

Tenets of 'BBB+' IDR: VTR's 'BBB+' IDR is based on the expectation that its diversified portfolio of healthcare assets would deliver durable EBITDA and FCF, enabling the issuer to maintain its financial policy of leverage at 5.0x–6.0x through-the-cycle. The 'BBB+' ratings also assume VTR has comparable access to capital with similarly rated peers and above average relative to the broader REIT universe. Constraining VTR's IDR is a large senior housing operating portfolio that Fitch expects will exhibit more volatility than a triple-net leased portfolio.

Financial Summary

($ Mil., as of Dec. 31)	2019	2020	2021F	2022F	2023F
Gross Revenue	3,873	3,778	3,430	3,523	3,664
Operating EBITDA (After Associates and Minorities)	1,922	1,721	1,516	1,630	1,737
REIT Leverage (x)	6.3	6.7	6.9	6.2	5.7
REIT Fixed-Charge Coverage (x)	4.1	3.6	3.5	4.1	4.4

F – Forecast.
Source: Fitch Ratings, Fitch Solutions.

Rating Derivation Relative to Peers

VTR's ratings reflect the issuer's diversified and high-quality portfolio of healthcare real estate and its conservative financial policies. The ratings also reflect VTR's above-average access to capital relative to both healthcare REITs and the broader REIT universe. VTR and Healthpeak Properties, Inc. (BBB+/Stable) are the highest rated healthcare REITs due to the generally comparable aforementioned factors.

Healthcare Realty Trust Incorporated also is rated 'BBB+'/Stable, with comparable portfolio quality, lower leverage and stronger contingent liquidity than the bigger REITs offsetting weaker relative access to capital. Fitch rates Physicians Realty Trust 'BBB'/Stable, given Fitch's expectation for relatively higher renewal risk at lease expiration for the issuer's single-tenant and off-campus medical office building portfolio, as well as leverage expectations in the 5.0x–6.0x range.

The three largest healthcare REITs are rated higher than smaller or more narrowly focused healthcare REITs such as Sabra Health Care REIT, Inc. (BBB–/Stable), National Health Investors, Inc. (BBB–/Stable), Omega Healthcare Investors, Inc. (BBB–/Stable) and CareTrust REIT, Inc. (BB+/Stable) due to their relative access to capital and larger exposure to skilled nursing facilities.

Fitch links and synchronizes the IDRs of a parent REIT and subsidiary operating partnership due to the entities operating as a single enterprise with strong legal and operational ties. No Country Ceiling or operating environment aspects have an impact on the rating.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Fitch's expectation of leverage, measured as net debt/recurring operating EBITDA after net distributions to noncontrolling interests, sustaining below 5.0x;
- Demonstrated market-leading capital markets access across the broader REIT universe and comparable to 'A' category corporates;
- Fitch's expectation of REIT fixed-charge coverage, measured as recurring operating EBITDA after net distributions to noncontrolling interests adjusted for straight line rents and maintenance capex relative to interest and preferred dividends, sustaining above 4.0x;
- Fitch's expectation of unencumbered asset coverage of unsecured debt (UA/UD), at a stressed 8.5% capitalization rate, sustaining above 4.0x.

Factors That Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:

- Should the effects of the coronavirus be so severe or the recovery so muted such that Fitch no longer expects a timely restoration in credit metrics;
- Increased cash flow volatility through the cycle due to REIT Investment Diversification and Empowerment Act exposure and a change in same-store NOI may be a proxy for comparable cash flow from operations;
- Fitch's expectation of leverage sustaining above 6.0x;
- Fitch's expectation of REIT fixed-charge coverage sustaining below 3.0x;
- Fitch's expectation of UA/UD sustaining below 2.0x.

Liquidity and Debt Structure

Liquidity Coverage Appropriate: Fitch views VTR's sources of liquidity (unrestricted cash, availability under its $2.75 billion revolving credit facility and retained FCF after projected acquisitions and divestitures) to be sufficient to cover debt maturities through YE 2022. VTR maintains $2.7 billion of capacity on its unsecured revolver and has a well-laddered debt maturity schedule with no year of maturities at 10% or more of total debt until 2023.

ESG Considerations

VTR has an ESG Relevance Score of '4' for Exposure to Social Impacts as an owner, operator and provider of real estate to U.S. healthcare operators affected by social and political pressures to play its part in containing healthcare costs, which has a negative impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

Liquidity and Debt Maturity Scenario with No Refinancing

($ Mil.)	2021F	2022F	2023F
Available Liquidity			
Beginning Cash Balance	434	957	188
Rating Case FCF After Acquisitions and Divestitures	1,080	380	259
Total Available Liquidity (A)	**1,513**	**1,337**	**447**
Liquidity Uses			
Debt Maturities	(557)	(1,149)	(1,634)
Total Liquidity Uses (B)	**(557)**	**(1,149)**	**(1,634)**
Liquidity Calculation			
Ending Cash Balance (A+B)	957	188	(1,187)
Revolver Availability	2,932	2,686	2,686
Ending Liquidity	**3,888**	**2,874**	**1,498**
Liquidity Score (x)	8.0	3.5	1.9

Source: Fitch Ratings, Fitch Solutions, Ventas, Inc.

Scheduled Debt Maturities

($ Mil.)	12/31/20
2021	557
2022	1,149
2023	1,634
2024	1,629
2025	1,635
Thereafter	5,379
Total	**11,983**

Note: FCF assumes continued dividend payments. Reductions in the dividend rate or conversion to a stock dividend would improve liquidity sources by approximately $700 million per year.
Source: Fitch Ratings, Fitch Solutions, Ventas, Inc.

Key Assumptions

Fitch's Key Assumptions Within Our Rating Case for the Issuer

- Operating EBITDA declines to $1.5 billion in 2021 as senior housing occupancy continues to decline through 1Q21, and slowly recovers throughout the remainder of the year; Fitch also included a coronavirus reserve within operating EBITDA that reduces senior housing triple-net leases by 10% in 2021 to account for potential rent reductions;
- Net investment volume (acquisitions and development capex net of dispositions) of negative $750 million in 2021 and close to neutral in 2022;
- Net debt repayment of around $1.3 billion in 2021;
- No equity issuances through 2022.

Financial Data

	Historical		Forecast		
($ Mil., as of Dec. 31)	2019	2020	2021	2022	2023
Summary Income Statement					
Gross Revenue	3,873	3,778	3,430	3,523	3,664
Revenue Growth (%)	3.9	(2.5)	(9.2)	2.7	4.0
Operating EBITDA (Before Income from Associates)	1,930	1,729	1,505	1,614	1,715
Operating EBITDA Margin (%)	49.8	45.8	43.9	45.8	46.8
Operating EBITDAR	1,963	1,761	1,535	1,644	1,746
Operating EBITDAR Margin (%)	50.7	46.6	44.7	46.7	47.7
Operating EBIT	885	619	479	633	778
Operating EBIT Margin (%)	22.8	16.4	14.0	18.0	21.2
Gross Interest Expense	(461)	(479)	(380)	(354)	(355)
Pretax Income (Including Associate Income/Loss)	383	345	143	289	432
Summary Balance Sheet					
Readily Available Cash and Equivalents	125	434	247	132	256
Total Debt with Equity Credit	12,246	11,983	10,716	10,221	10,087
Total Adjusted Debt with Equity Credit	12,507	12,240	10,950	10,461	10,336
Net Debt	12,121	11,549	10,470	10,089	9,831
Summary Cash Flow Statement					
Operating EBITDA	1,930	1,729	1,505	1,614	1,715
Cash Interest Paid	(420)	(430)	(380)	(354)	(355)
Cash Tax	0	0	0	0	0
Dividends Received Less Dividends Paid to Minorities (Inflow/(Out)flow)	(8)	(8)	11	16	22
Other Items Before FFO	(101)	(44)	(30)	(31)	(32)
Funds Flow from Operations	1,401	1,247	1,106	1,245	1,350
FFO Margin (%)	36.2	33.0	32.2	35.4	36.8
Change in Working Capital	27	190	0	0	0
Cash Flow from Operations (Fitch Defined)	1,428	1,437	1,106	1,245	1,350
Total Non-Operating/Nonrecurring Cash Flow	0	0			
Capex	(801)	(607)			
Capital Intensity (Capex/Revenue) (%)	20.7	16.1			
Common Dividends	(1,167)	(936)			
FCF	(540)	(106)			
Net Acquisitions and Divestitures	(570)	1,044			
Other Investing and Financing Cash Flow Items	(217)	(301)	0	0	0
Net Debt Proceeds	385	(401)	(1,267)	(495)	(134)
Net Equity Proceeds	976	70	0	0	0
Total Change in Cash	34	307	(187)	(115)	125
Leverage Ratios (x)					
Total Net Debt with Equity Credit/Operating EBITDA	6.3	6.7	6.9	6.2	5.7
Total Adjusted Debt/Operating EBITDAR	6.4	7.0	7.1	6.3	5.8
Total Adjusted Net Debt/Operating EBITDAR	6.3	6.7	6.9	6.2	5.7
Total Debt with Equity Credit/Operating EBITDA	6.4	7.0	7.1	6.3	5.8
FFO Adjusted Leverage	6.7	7.2	7.2	6.4	6.0
FFO Adjusted Net Leverage	6.7	6.9	7.1	6.3	5.8
FFO Leverage	6.7	7.1	7.2	6.4	5.9
FFO Net Leverage	6.7	6.9	7.0	6.3	5.8

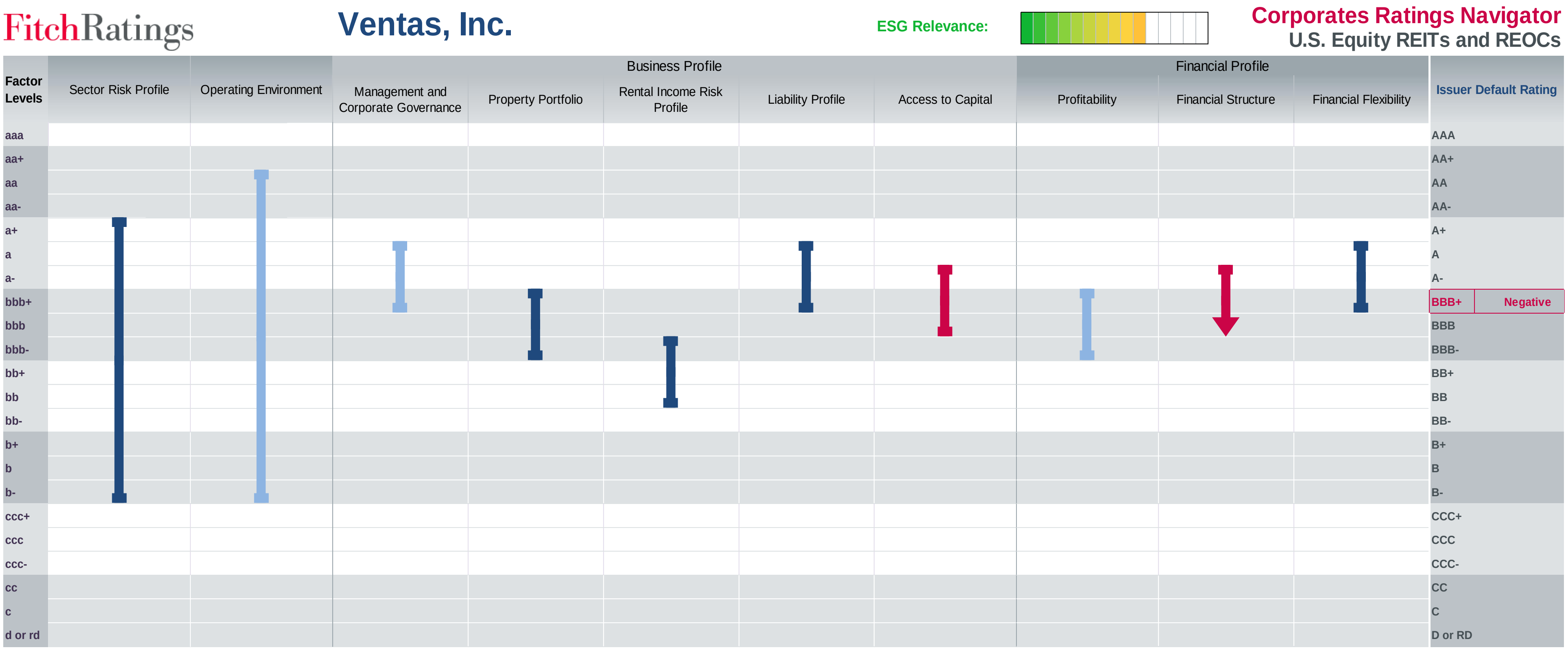
($ Mil., as of Dec. 31)	Historical 2019	2020	Forecast 2021	2022	2023
Calculations for Forecast Publication					
Capex, Dividends, Acquisitions and Other Items Before FCF	(2,538)	(499)	(27)	(865)	(1,091)
FCF After Acquisitions and Divestitures	(1,110)	938	1,080	380	259
FCF Margin (After Net Acquisitions) (%)	(28.7)	24.8	31.5	10.8	7.1
Coverage Ratios (x)					
FFO Interest Coverage	4.3	3.9	3.9	4.5	4.8
FFO Fixed-Charge Coverage	4.1	3.7	3.7	4.2	4.5
Operating EBITDAR/Interest Paid + Rents	4.3	3.8	3.8	4.3	4.6
Operating EBITDA/Interest Paid	4.6	4.0	4.0	4.6	4.9
Additional Metrics (%)					
CFO-Capex/Total Debt with Equity Credit	5.1	6.9	9.0	10.8	11.9
CFO-Capex/Total Net Debt with Equity Credit	5.2	7.2	9.3	10.9	12.2

CFO – Cash flow from operations.
Source: Fitch Ratings, Fitch Solutions.

How to Interpret the Forecast Presented

The forecast presented is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

Ratings Navigator



Bar Chart Legend:			
Vertical Bars = Range of Rating Factor		Bar Arrows = Rating Factor Outlook	
Bar Colours = Relative Importance		⇧	Positive
■ (red)	Higher Importance	⇩	Negative
■ (dark blue)	Average Importance	⇳	Evolving
■ (light blue)	Lower Importance	□	Stable

FitchRatings

Ventas, Inc.

Corporates Ratings Navigator
U.S. Equity REITs and REOCs

Operating Environment

aa+	Economic Environment	aa	Very strong combination of countries where economic value is created and where assets are located.
aa	Financial Access	aa	Very strong combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
	Systemic Governance	aa	Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'aa'.
b-			
ccc+			

Management and Corporate Governance

a+	Management Strategy	bbb	Strategy may include opportunistic elements but soundly implemented.
a	Governance Structure	a	Experienced board exercising effective check and balances. Ownership can be concentrated among several shareholders.
a-	Group Structure	bbb	Some group complexity leading to somewhat less transparent accounting statements. No significant related-party transactions.
bbb+	Financial Transparency	a	High quality and timely financial reporting.
bbb			

Property Portfolio

a-	Portfolio Liquidity and Ability to Leverage Assets	bbb	Average institutional appetite (buyers/sellers/lenders) in strong markets evidencing liquidity and ability to leverage assets.
bbb+	Investment Granularity	a	Very high portfolio granularity. Top 10 assets comprise less than 15% of net operating income or value.
bbb	Geographic Strategy	bb	Portfolio thinly spread across markets or focus on one market or small exposure to other markets.
bbb-	Asset Quality		n.a.
bb+	Development Exposure	bbb	Development cost-to-complete between 2.5% and 10% of undepreciated assets. Some speculative development.

Rental Income Risk Profile

bbb	Occupancy		n.a.
bbb-	Lease Duration, Same Store NOI Volatility and Renewal Percentages	bbb	Lease duration between five–seven years with most renewed, sustained SSNOI growth and/or average volatility compared to industry average.
bb+	Tenant Concentration and Tenant Credit	b	Top 10 tenants comprise more than 50% of annual base rent revenue; elevated tenant credit risk.
bb			
bb-			

Liability Profile

a+	Debt Maturity Profile	a	Average debt tenor at least seven years. No year represents more than 15% of total debt.
a	Fixed/Floating Interest Rate Liability Profile	a	Fixed or hedged debt is more than 75% of total debt.
a-			
bbb+			
bbb			

Access to Capital

a	Sources of Capital	bbb	Some access to some of the following markets: common and preferred equity, unsecured bonds/bank debt, secured debt, and/or joint ventures.
a-	Unencumbered Asset Pool	bbb	Moderately leveragable unencumbered pool and/or limited adverse selection.
bbb+			
bbb			
bbb-			

Profitability

a-	AFFO Payout Ratio	bbb	80%
bbb+			
bbb			
bbb-			
bb+			

Financial Structure

a	Net Debt/Recurring Operating EBITDA	a	5.5x
a-	Unencumbered Assets/Net Unsecured Debt	bbb	2.0x at a stressed capitalization rate.
bbb+			
bbb			
bbb-			

Financial Flexibility

a+	Financial Discipline	bbb	Less conservative policy but generally applied consistently.
a	Liquidity Coverage	a	1.25x
a-	U.S. REIT FFO Interest Coverage	a	3.5x
bbb+			
bbb			

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

Credit-Relevant ESG Derivation

Ventas, Inc. has 1 ESG rating driver and 9 ESG potential rating drivers

- Shift in market preferences
- Sustainable building practices including Green building certificate credentials
- Portfolio's exposure to climate change-related risk including flooding
- n.a.
- Data security
- Impact of labor negotiations and employee (dis)satisfaction

Showing top 6 issues

			Overall ESG
key driver	0	issues	5
driver	1	issues	4
potential driver	9	issues	3
not a rating driver	0	issues	2
	4	issues	1

For further details on Credit-Relevant ESG scoring, see page 3.

FitchRatings **Ventas, Inc.**

Corporates Ratings Navigator
U.S. Equity REITs and REOCs

Credit-Relevant ESG Derivation

Ventas, Inc. has 1 ESG rating driver and 9 ESG potential rating drivers

- Ventas, Inc. has exposure to shifting consumer preferences which, in combination with other factors, impacts the rating.
- Ventas, Inc. has exposure to unsustainable building practices risk but this has very low impact on the rating.
- Ventas, Inc. has exposure to extreme weather events but this has very low impact on the rating.
- Ventas, Inc.
- Ventas, Inc. has exposure to stakeholder accountability risk but this has very low impact on the rating.
- Ventas, Inc. has exposure to labor relations & practices risk but this has very low impact on the rating.

Showing top 6 issues

			Overall ESG Scale
key driver	0	issues	5
driver	1	issues	4
potential driver	9	issues	3
not a rating driver	0	issues	2
	4	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	3	Sustainable building practices including Green building certificate credentials	Rental Income Risk Profile; Profitability; Financial Structure; Financial Flexibility	2
Exposure to Environmental Impacts	3	Portfolio's exposure to climate change-related risk including flooding	Property Portfolio; Profitability; Financial Structure; Financial Flexibility	1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	3	n.a.	n.a.	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Data security	Property Portfolio; Rental Income Risk Profile; Profitability; Financial Structure; Financial Flexibility	4
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Rental Income Risk Profile; Profitability; Financial Flexibility	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	4	Shift in market preferences	Property Portfolio; Rental Income Risk Profile; Profitability; Financial Structure; Financial Flexibility	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance	5
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance	4
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance	3
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance	2
				1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Peer Financial Summary

Company	Issuer Default Rating	Financial Statement Date	Gross Revenue ($ Mil.)	Operating EBITDA (After Associates and Minorities) ($ Mil.)	REIT Leverage (x)	REIT Fixed-Charge Coverage (x)
Ventas, Inc.	BBB+					
	BBB+	2020	3,778	1,721	6.7	3.6
	BBB+	2019	3,873	1,922	6.3	4.1
	BBB+	2018	3,728	1,906	5.6	4.3
Healthcare Realty Trust Incorporated	BBB+					
	BBB+	2020	500	282	5.7	4.3
	BBB+	2019	470	267	5.3	3.9
	BBB	2018	451	257	5.2	4.3
Healthpeak Properties, Inc.	BBB+					
	BBB+	2020	2,344	1,021	6.4	3.8
	BBB+	2019	1,997	1,048	6.0	3.9
	BBB	2018	1,847	1,094	5.0	3.3
National Health Investors, Inc.	BBB–					
	BBB–	2020	333	314	4.7	6.7
	BBB–	2019	318	298	4.8	4.8
	—	2018	295	282	4.6	5.6
Omega Healthcare Investors, Inc.	BBB–					
	BBB–	2020	1,037	990	5.1	4.1
	BBB–	2019	930	882	5.9	3.6
	BBB–	2018	882	846	5.4	3.4
Physicians Realty Trust	BBB					
	BBB	2020	438	293	4.9	4.7
	—	2019	422	274	6.0	3.8
	—	2018	420	277	5.5	4.0
Sabra Health Care REIT, Inc.	BBB–					
	BBB–	2020	617	472	4.9	5.0
	BBB–	2019	602	486	4.9	3.7
	BBB–	2018	635	535	5.9	3.5
CareTrust REIT, Inc.	BB+					
	—	2020	176	159	3.3	7.3

Source: Fitch Ratings, Fitch Solutions.

Fitch Adjusted Financials

($ Mil., as of Dec. 31, 2020)	Notes and Formulas	Reported Values	Sum of Adjustments	Fair Value and Other Debt Adjustments	CORP - Lease Treatment	Other Adjustments	Adjusted Values
Income Statement Summary							
Revenue		3,795	(18)			(18)	3,778
Operating EBITDAR		1,725	36		32	4	1,761
Operating EBITDAR After Associates and Minorities	(a)	1,717	36		32	4	1,753
Operating Lease Expense	(b)	0	32		32		32
Operating EBITDA	(c)	1,725	4			4	1,729
Operating EBITDA After Associates and Minorities	(d) = (a-b)	1,717	4			4	1,721
Operating EBIT	(e)	616	4			4	619
Debt and Cash Summary							
Total Debt with Equity Credit	(f)	11,983		(88)		88	11,983
Lease-Equivalent Debt	(g)	0	257		257		257
Other Off-Balance-Sheet Debt	(h)	0					0
Total Adjusted Debt with Equity Credit	(i) = (f+g+h)	11,983	257	(88)	257	88	12,240
Readily Available Cash and Equivalents	(j)	651	(217)			(0)	434
Not Readily Available Cash and Equivalents		38	217			0	255
Cash Flow Summary							
Operating EBITDA After Associates and Minorities	(d) = (a-b)	1,717	4			4	1,721
Preferred Dividends (Paid)	(k)	0					0
Interest Received	(l)	0					0
Interest (Paid)	(m)	(430)					(430)
Cash Tax (Paid)		0					0
Other Items Before FFO		(41)	(4)			(4)	(44)
Funds from Operations (FFO)	(n)	1,247	0			0	1,247
Change in Working Capital (Fitch-Defined)		190	(0)			(0)	190
Cash Flow from Operations (CFO)	(o)	1,437					1,437
Non-Operating/Nonrecurring Cash Flow		0					0
Capital (Expenditures)	(p)	(607)					(607)
Common Dividends (Paid)		(936)					(936)
Free Cash Flow (FCF)		(106)					(106)
Gross Leverage (x)							
Total Adjusted Debt/Operating EBITDAR[a]	(i/a)	7.0					7.0
FFO Adjusted Leverage	(i/(n-m-l-k+b))	7.1					7.2
FFO Leverage	(i-g)/(n-m-l-k)	7.1					7.1
Total Debt with Equity Credit/Operating EBITDA[a]	(i-g)/d	7.0					7.0
(CFO-Capex)/Total Debt with Equity Credit (%)	(o+p)/(i-g)	6.9					6.9
Net Leverage (x)							
Total Adjusted Net Debt/Operating EBITDAR[a]	(i-j)/a	6.6					6.7
FFO Adjusted Net Leverage	(i-j)/(n-m-l-k+b)	6.8					6.9
FFO Net Leverage	(i-g-j)/(n-m-l-k)	6.8					6.9
Total Net Debt with Equity Credit/Operating EBITDA[a]	(i-g-j)/d	6.6					6.7
(CFO-Capex)/Total Net Debt with Equity Credit (%)	(o+p)/(i-g-j)	7.3					7.2
Coverage (x)							
Operating EBITDA/(Interest Paid + Lease Expense)[a]	a/(-m+b)	4.0					3.8
Operating EBITDA/Interest Paid[a]	d/(-m)	4.0					4.0
FFO Fixed-Charge Coverage	(n-l-m-k+b)/(-m-k+b)	3.9					3.7
FFO Interest Coverage	(n-l-m-k)/(-m-k)	3.9					3.9

[a]EBITDA/R after dividends to associates and minorities.
Source: Fitch Ratings, Fitch Solutions, Ventas, Inc.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.