FITCH AFFIRMS VENTAS AT 'BBB+' & RATES 2026 NOTES 'BBB+'; WITHDRAWS NHP'S RATINGS

Fitch Ratings-New York-16 July 2015: Fitch Ratings has affirmed the ratings of Ventas, Inc. (NYSE: VTR) and its subsidiaries, including the company's Issuer Default Rating (IDR), at 'BBB+'. The Rating Outlook is Stable. A full list of rating actions follows at the end of this release.

KEY RATING DRIVERS
The affirmation, 'BBB+' rating and Stable Outlook reflect Ventas' diverse portfolio of healthcare properties, demonstrated and consistent access to multiple sources of capital, adequate liquidity and a deep management team. These strengths are tempered by leverage that has increased over the past few quarters and now persists closer to 6x than 5x as measured by debt less readily available cash to recurring operating EBITDA. Other credit concerns include the potential for higher volatility in operating cash flows through the cycle given the company's RIDEA (REIT Investment Diversification and Empowerment Act) structured investments and Fitch's broader concerns surrounding healthcare REITs' rapid growth.

LEVERAGE TRENDING HIGHER ON ACQUISITIONS & SHARE PRICE WEAKNESS
Fitch expects leverage will sustain around 6x unless VTR issues equity or engages in meaningful asset sales with the former currently less likely given the decline in VTR's share price to around $64 from a 52-week high of $81.93. Fitch estimates leverage could be as high as 6.3x for 1Q15 pro forma for the Ardent and Care Capital transactions (pro forma) and closer to 6x assuming some level of asset sales. Fitch expects VTR will manage to lower leverage levels; however, there could be negative momentum on the ratings and/or Outlook should leverage sustain at / or above 6x over 12 to 24 months.

As an alternative to issuing equity, Ventas could also reduce leverage by selling assets and repaying debt. Counterintuitively, weakness in healthcare REIT share prices could incentivize Ventas and its peers to engage in more meaningful portfolio recycling than they historically have done, thereby improving portfolio quality should weaker assets be sold.

STEADY CASH FLOW GROWTH DRIVES FIXED CHARGE COVERAGE
Fitch assumes cash flow growth will remain steady through 2017 (2% triple net revenue, 3.5% same-store net operating income [SSNOI] growth for seniors housing operating assets and 3% SSNOI growth for medical office buildings) resulting in fixed-charge coverage in the low 4x range, which is strong for the rating.

Nonetheless, Fitch assumes RIDEA portfolios (including VTR's) have the potential for higher volatility through-the-cycle than other owned property types and notes that the strong 2010-2014 performance was achieved during a period of strong fundamentals.

Fitch defines fixed-charge coverage as recurring operating EBITDA less straight-line rent and recurring maintenance capital expenditures to total interest.

STRONG ACCESS TO CAPITAL & APPROPRIATE LIQUIDITY
A key driver of Ventas' ratings is its strong access to capital. Ventas has consistently demonstrated access to the public unsecured bond markets in the U.S. and Canada including a 30-year note issuance. Ventas' access to capital is supplemented by its bank lending group which provides a $2 billion unsecured revolving credit facility and $1.9 billion of term loans (assuming VTR closes the five-year $900 million term loan disclosed in the most recent filings). While equity issuance has been modest

given VTR's size ($527 million in 2014 and 1Q15 vs. the $21 billion market capitalization), VTR has used shares as a consideration for deals (i.e. the 29.5 million shares and units, or almost $1.9 billion on today's share price, issued in the ARC Healthcare (NASDAQ: HCT) transaction).

Fitch projects VTR's sources of liquidity cover its uses by 1x for the period April 1, 2015 through Dec. 31, 2016 before the term loan is finalized and 1.3x once entered into. Fitch defines sources as readily available cash, availability under the revolving credit facility and retained cash flow from operations after dividends pro forma for the sale of the Ardent OpCo and the pending dividend from Care Capital Properties and uses as debt maturities, the purchase of Ardent, maintenance capital expenditures and development expenditures.

Moreover, Ventas' dividend payout ratio enables the company to retain material amounts of operating cash flow. In 1Q15, Ventas' 72% payout ratio (cash distributions to normalized funds available for distribution) resulted in $101 million of retained cash or $404 million on an annualized basis. Fitch estimates VTR retained $325 million in 2014 and $289 million in 2013.

ADEQUATE CONTINGENT LIQUIDITY
VTR's unencumbered asset pool provides adequate contingent liquidity to its unsecured debt at 2.0x assuming a stressed 8.5% capitalization rate. On the margin, the portfolio is slightly more leverageable pro forma given the increased contribution from seniors housing, offset in part by the addition of hospitals to the unencumbered pool which have limited leveragability.

KEY ASSUMPTIONS
Fitch's key assumptions within the rating case for VTR include:
--2% triple net revenue growth, 3.5% same store NOI growth on seniors housing operating assets, and 3% same-store NOI growth in medical office buildings through 2017;
--G&A growth to maintain historical margins relative to total revenues;
--The SNF spin-off and Ardent transactions close in 3Q2015;
--$2 billion in annual acquisitions in 2016-2017 funded with 50% equity and 50% debt;
--Debt repayment with the issuance of new unsecured bonds;
--AFFO payout ratio of approximately 85%.

RATING SENSITIVITIES
The following factors may result in positive momentum on the ratings and/or Outlook:
--Fitch's expectation of leverage sustaining below 4.5x (pro forma leverage is 6.3x);
--Fitch's expectation of fixed-charge coverage sustaining above 4.0x (pro forma fixed charge coverage is 3.8x);
--Fitch's expectation of unencumbered asset coverage of unsecured debt (UA/UD) at a stressed 8.5% capitalization rate sustaining above 4.0x (pro forma UA/UD is 2.0x).

The following factors may result in negative momentum on the ratings and/or Outlook:
--Increased cash flow volatility through the cycle due to heightened RIDEA exposure and/or material increase in RIDEA exposure;
--Fitch's expectation of leverage sustaining above 6.0x;
--Fitch's expectation of fixed-charge coverage sustaining below 3.0x;
--Fitch's expectation of liquidity coverage sustaining below 1.0x.

FULL LIST OF RATING ACTIONS

Fitch has affirmed the following ratings:

Ventas, Inc.
--IDR at 'BBB+'.

Ventas Realty Limited Partnership and Ventas Capital Corporation
--Unsecured revolving credit facility at 'BBB+';
--Senior unsecured term loans at 'BBB+';
--Senior unsecured guaranteed notes at 'BBB+'.

Ventas Canada Finance Limited
--Senior unsecured guaranteed notes at 'BBB+'.

Effective July 14, 2015, Fitch has assigned a 'BBB+' rating to the $500 million 4.125% senior unsecured notes due 2026 issued by Ventas Realty Limited Partnership. The notes were priced at 99.218% implying a 192 basis point spread to the benchmark treasury.

Fitch has affirmed and withdrawn the following ratings as they are no longer relevant to the agency's coverage following the note redemption in May 2015:

Nationwide Health Properties, LLC
--IDR at 'BBB+';
--Senior unsecured notes at 'BBB+'.

The Rating Outlook is Stable.

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Applicable Criteria
Corporate Rating Methodology - Including Short-Term Ratings and Parent and Subsidiary Linkage (pub. 28 May 2014)
https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=749393
Recovery Ratings and Notching Criteria for Equity REITs (pub. 18 Nov 2014)
https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=813628
Treatment and Notching of Hybrids in Non-Financial Corporate and REIT Credit Analysis (pub. 25 Nov 2014)

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