S&P Global
Ratings

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Ventas Inc.

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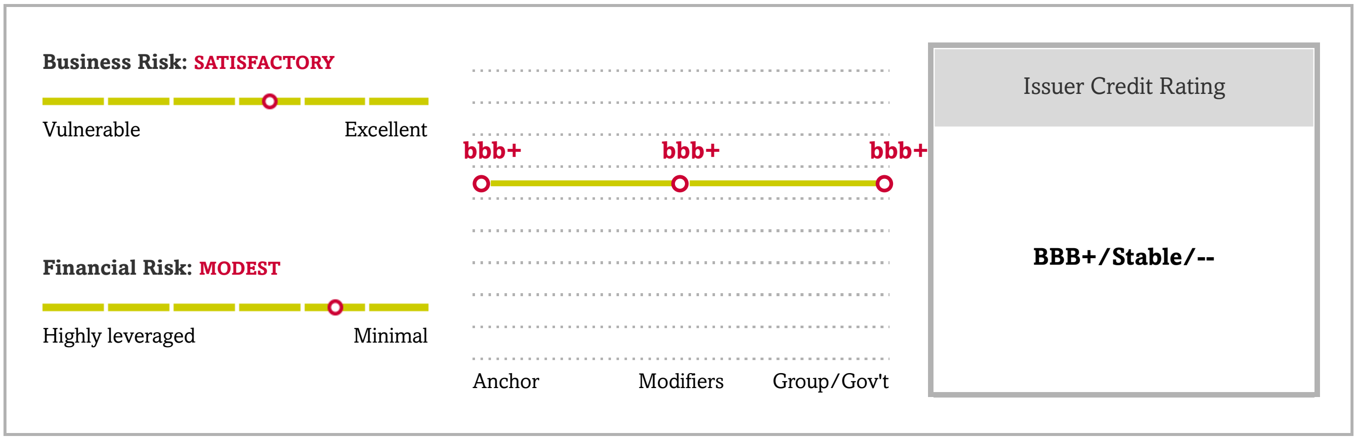


Credit Highlights

Overview

Key Strengths	Key Risks
Second largest U.S. health care REIT, with a diverse, high-quality mix of properties that principally include seniors housing, medical office, health systems, and life science.	Meaningful tenant concentration, with its top four triple-net operators representing 25% of net operating income (NOI).
Recession-resistant business model that is predominately private-pay (95% of revenue), which reduces cash flow volatility and minimizes the impact from government reimbursement rate changes.	Supply concerns in senior housing will remain a drag on NOI growth over the next 12 to 18 months as completions continue to outpace absorption.
Strong credit protection measures, with peak improvement in 2018, but expected to normalize into 2019.	Higher labor costs and weak occupancy rates have placed pressure on operators' profitability, which in turn could hamper their ability to pay Ventas rent.
Well-laddered and predominantly fixed-rate (84.8% as of Sept. 30, 2018) debt maturity profile, with a weighted average maturity of over seven years.	
Largely unencumbered portfolio of assets that improves Ventas' financial flexibility.	

Ventas Inc. continues to recycle its portfolio and increase its scale with ongoing acquisitions and dispositions, which we believe has improved its overall asset quality and further enhanced its profitability. The company has historically grown through large acquisitions that have diversified its portfolio and improved the quality of its asset base with strategic dispositions. This includes substantially exiting skilled nursing facilities (SNFs)--and its exposure to government reimbursement risk--and entering into and expanding its institutional university-based life science business, which currently accounts for 7% of company's net operating income (NOI).

S&P Global Ratings expects overall NOI growth should be positive in 2018 and 2019; however, we expect it to be negative for the senior housing operating (SHOP) portfolio, contributing to muted earnings growth. Even though there are significant industry tailwinds as growth and penetration increase in 2020, we think Ventas will continue to experience operating pressure from an excess of new supply in the senior housing segment over the next two years. In particular, we forecast that the SHOP portfolio will continue to post negative same-property NOI in the low-single digits through at least 2019.

Ventas maintains a strong balance sheet and liquidity position compared to rated health care REIT peers, highlighted by a relatively conservative financial policy. The company will likely be a net seller of assets in 2018 with approximately $1.3 billion of asset sales this year, with the majority of proceeds used to retire debt maturities. Ventas also has $2.5 billion of availability under its $3.0 billion revolving credit facility and strong access to various sources of capital. Going forward, we anticipate management will continue to be prudent capital allocators, maintaining credit protection measures around current levels.

Chart 1

3Q18 Segment NOI Mix (%)

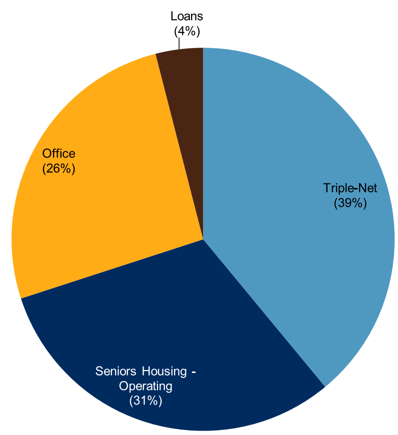
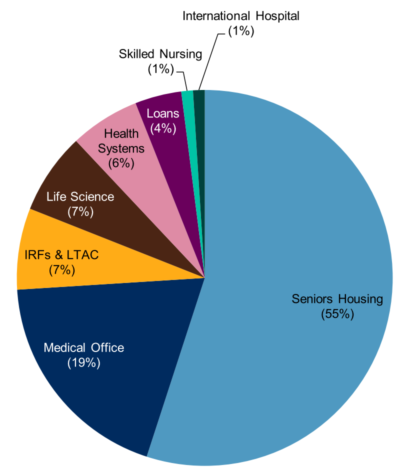


Chart 2

3Q18 Property Type NOI (%)



Outlook

S&P Global Ratings' stable outlook on Ventas Inc. incorporates our view that the company's large and diverse portfolio of good quality health care facilities will drive modest and predictable same-property NOI growth over the next two years. Ventas' revenues and cash flows benefit from long-term leases, good rent coverage, and favorable long-term industry fundamentals. While we expect Ventas will remain opportunistically acquisitive, we believe it will fund acquisitions prudently and consistent with its commitment to maintain a conservative balance sheet and stable credit metrics.

Upside scenario	Downside scenario
We could consider raising our ratings if the company pursues growth prudently and profitably and without any meaningful integration issues, while further increasing operator diversity. Ventas would also need to gain a longer track record of successfully managing its more volatile senior housing operating portfolio through a cycle that could ultimately support positive ratings momentum. We would also expect Ventas to improve or maintain credit protection measures at current levels.	While unlikely over the next two years, we would consider lowering our ratings if fixed charge coverage (FCC) declines to 3x or lower and leverage increases materially. Debt/EBITDA rising to 7x or higher or debt to undepreciated capital increasing above 50% on a sustained basis would be pressure points on the ratings from a leverage perspective. Weaker credit metrics could be the result of either large debt-financed acquisitions or underperformance in Ventas' senior housing operating portfolio (possibly caused by a prolonged delivery of supply in seniors housing) that could cause a material deterioration to cash flows.

Our Base Case Scenario

Assumptions

- Continued economic expansion in the U.S. (our economists forecast GDP growth in the high-2% area in 2018 and in the low-2% area 2019) and sustained low unemployment rates (below 4.0% in 2018 and 2019) should support favorable real estate fundamentals;
- Same-property revenue growth in the low-single digits, primarily driven by contractual rent increases over the next two years;
- Development and redevelopment funding of approximately $300 million to $400 million per year;
- Acquisitions of $500 million to $1 billion in both 2018 and 2019; and
- Asset sales of approximately $1.3 billion in 2018 and around $500 million in 2019.

Key Metrics

	3Q18A	2019E	2020E
Debt/EBITDA (x)	5.6	5.5-6.0	5.5-6.0
Fixed charge coverage(FCC)(x)	3.9	3.7-4.2	3.7-4.2
Debt/debt and undepreciated equity (%)	40.7	38-43	38-43

A–Actual; E-Expected.

Base-Case Projections

We expect Ventas to post same-property NOI growth that is moderately weaker in 2018 and 2019, as new supply in senior housing pressures SHOP portfolio results. We forecast same-property NOI growth for the overall portfolio will be flat to 2% over the next two years. We believe the rent escalators in the triple-net leases will alleviate the ongoing negative comparisons that we expect the SHOP portfolio to experience. 2019 should be the final year of lagging NOI growth in the SHOP portfolio, as new construction appears to have peaked in 2018, with deliveries expected to peak in 2019. We forecast new supply will continue to come online over the next year, placing pressure on earnings; however, we expect pressure to somewhat abate as 2020 approaches.

We project debt to EBITDA to increase slightly over the next year; however, it will likely remain in line with our expectations for Ventas' long term financial policies. As of Sept. 30, 2018, adjusted debt to EBITDA was 5.6x, which we forecast will increase slightly by year end, as the timing of the loan repayment and dispositions were more heavily weighted in the first half of the year. We expect Ventas will sustain debt leverage in the high-5x area over the longer term.

Company Description

Ventas, the second largest healthcare REIT, owns approximately 1,200 health care properties throughout the United States, Canada, and the United Kingdom, with undepreciated real estate assets totaling roughly $26.2 billion as of Sept. 30, 2018. The portfolio is diversified across senior housing facilities that account for 55% of annualized NOI (split between investments structured through the REIT Investment Diversification and Empowerment Act [RIDEA; 31%] and triple-net leases [24%]), medical office buildings (MOB; 19%), inpatient rehabilitation facility and long term acute care facility (IRFs and LTACs; 7%), life science (7%), health systems (6%), and other facilities/investments (5%).

Business Risk

Ventas is one of the largest REITs, focusing on a portfolio of health care facilities, supported by favorable fundamentals, a large private-pay exposure at the facility level, and adequate coverage of its triple-net-leased properties that have modest lease rollover exposure.

As the portfolio has grown (usually through large acquisitions) so has Ventas' investment in SHOP assets, which are more management- and capital-intensive than triple-net-leased investments. Thus, the company has become modestly more vulnerable to macroeconomic trends (such as rising labor costs and supply/demand imbalances), which could result in heightened cash flow volatility. Offsetting this risk somewhat is Ventas' increased presence in higher-barrier markets through acquisitions within the senior housing portfolio that has enhanced its overall portfolio quality.

While we expect new senior housing construction to peak in 2018, there will be a delay in deliveries that could weigh on NOI growth as new supply enters certain markets in 2019 and possibly 2020. Nonetheless, we expect overall property level cash flow to be fairly predictable over the next one to two years, with low-single-digit same-property growth. We think supportive demographic trends driving need-based health care, contractual embedded rent escalators on triple-net leases, and modest lease expirations will drive this growth.

Table 1

Ventas Inc. -- Peer Comparison

Industry Sector: Real Estate Investment Trust

	Ventas Inc.	Welltower Inc.	HCP Inc.	Healthcare Trust of America Inc	Healthcare Realty Trust
Rating as of Oct. 29, 2018	BBB+/Stable/--	BBB+/Stable/--	BBB/Positive/--	BBB/Stable/--	BBB/Stable/--

Table 1

Ventas Inc. -- Peer Comparison (cont.)

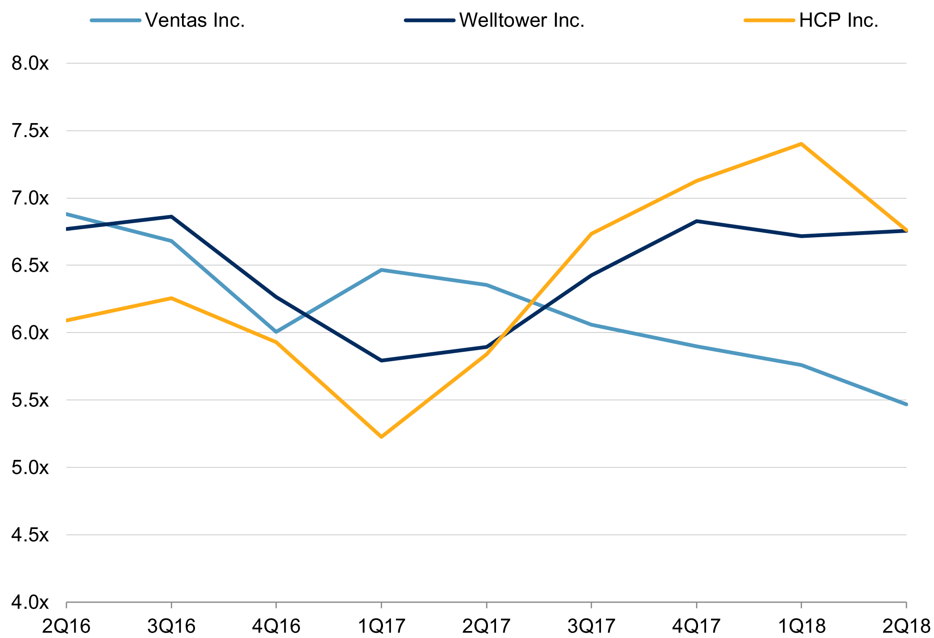
Industry Sector: Real Estate Investment Trust

	Ventas Inc.	Welltower Inc.	HCP Inc.	Healthcare Trust of America Inc	Healthcare Realty Trust
	--Fiscal year ended Dec. 31, 2017--				
(Mil. $)					
Revenues	3,545.0	4,121.2	2,159.6	606.1	418.4
EBITDA	1,966.9	1,878.9	1,158.6	384.4	241.4
Funds from operations (FFO)	1,504.4	1,298.3	817.1	290.6	180.4
Net income from cont. oper.	1,356.6	522.8	414.2	63.9	23.1
Cash flow from operations	1,447.6	1,374.0	831.1	308.0	179.8
Capital expenditures	426.8	250.3	98.3	64.8	79.7
Free operating cash flow	1,020.8	1,123.7	732.8	243.2	100.0
Discretionary cash flow	182.3	(240.2)	(19.7)	30.8	(42.3)
Cash and short-term investments	81.4	243.8	55.3	100.4	6.2
Debt	11,604.6	12,827.1	8,315.7	2,938.8	1,359.5
Equity	11,090.7	14,582.1	5,594.9	3,370.2	1,789.9
Adjusted ratios					
EBITDA margin (%)	55.5	45.6	53.6	63.4	57.7
Return on capital (%)	4.7	2.9	4.0	2.6	2.9
EBITDA interest coverage (x)	4.2	3.3	3.4	4.1	3.9
FFO cash int. cov. (X)	4.8	3.4	3.5	5.9	3.7
Debt/EBITDA (x)	5.9	6.8	7.2	7.6	5.6
FFO/debt (%)	13.0	10.1	9.8	9.9	13.3
Cash flow from operations/debt (%)	12.5	10.7	10.0	10.5	13.2
Free operating cash flow/debt (%)	8.8	8.8	8.8	8.3	7.4
Discretionary cash flow/debt (%)	1.6	(1.9)	(0.2)	1.0	(3.1)
Debt/debt and undepreciated equity (%)	42.2	39.8	49.9	41.7	33.9

Ventas is one of the "Big 3" healthcare REITS, along with Welltower and HCP. Ventas' size based on undepreciated assets is significantly larger than HCP's; yet, it is slightly smaller than Welltower. Common characteristics among the three are similar credit risk profiles, with Ventas demonstrating the strongest one with the lowest leverage and highest fixed charge coverage. All three have well diversified facility mixes. Compared to Welltower, Ventas has meaningfully lower SHOP exposure and has virtually exited the skilled nursing business, while Welltower has increased its position earlier this year, with the joint venture agreement with ProMedica to acquire Quality Care. HCP has a much smaller SHOP portfolio than both Welltower and Ventas and is focused more on traditional life sciences, as opposed to Ventas' university based life science portfolio. Ventas has more hospital exposure comparatively to Welltower and HCP, which carry different risks. Healthcare Realty and Healthcare Trust of America are essentially pure play medical office buildings, with portfolios that have high quality assets; however, they are much smaller, niche players that lack diversification by facility type.

Chart 3

Peer Comparison Of Debt-To-EBITDA



Ventas' debt to EBITDA has been trending down over the past two years, as the company continues to focus on managing leverage in the high-5x area, in line with their long-term financial policy.

Financial Risk

Ventas generates strong and consistent cash flows with above-average coverage measures. Ventas' trailing-12-month debt to EBITDA improved to 5.6x at Sept. 30, 2018; however, we expect credit protection measures to slightly deteriorate over the next year, but should remain below 6x over the longer term. Debt to undepreciated capital is expected to remain in the low-40% with fixed charge coverage also sustained in the high-3x area.

With a weighted average debt maturity of 7.3 years and a weighted average interest rate of 3.8%, Ventas' debt maturities are well-laddered and manageable over the near term. Ventas has a predominantly fixed-rated debt structure at 84.8% as of Sept. 30, 2018. We expect floating rate debt to remain around 20% in 2018 and 2019, which is somewhat higher than its peers; however, we do not consider it to be overly aggressive.

Table 2

Ventas Inc. -- Financial Summary

Industry Sector: Real Estate Investment Trust

		--Fiscal year ended Dec. 31--				
	12 Months Ended Sept. 30, 2018	**2017**	**2016**	**2015**	**2014**	**2013**
Rating history	BBB+/Stable/--	BBB+/Stable/--	BBB+/Stable/--	BBB+/Stable/--	BBB+/Stable/--	BBB+/Stable/--
(Mil. $)						
Revenues	3,687.8	3,545.0	3,415.5	3,251.6	3,032.8	2,777.5
EBITDA	1,932.4	1,966.9	1,872.7	1,662.2	1,708.8	1,577.7
Funds from operations (FFO)	1,470.7	1,504.4	1,434.9	1,276.0	1,318.1	1,224.5
Net income from continuing operations	739.8	1,356.6	650.2	406.7	473.7	488.9
Cash flow from operations	1,374.2	1,447.6	1,378.6	1,395.4	1,268.2	1,246.3
Capital expenditures	112.7	127.7	115.1	105.8	86.5	80.8
Free operating cash flow	1,261.5	1,319.9	1,263.5	1,289.5	1,181.7	1,165.6
Discretionary cash flow	404.4	481.4	231.6	286.1	306.1	349.1
Cash and short-term investments	86.1	81.4	286.7	53.0	55.3	94.8
Debt	10,789.2	11,604.6	11,248.5	11,463.1	11,122.4	9,554.5
Equity	10,656.3	11,090.7	10,729.5	9,822.0	8,926.4	9,060.5
Adjusted ratios						
Annual revenue growth (%)	4.5	3.8	5.0	7.2	9.2	12.9
EBITDA margin (%)	52.4	55.5	54.8	51.1	56.3	56.8
Return on capital (%)	4.3	4.7	4.3	3.4	4.1	4.3
EBITDA interest coverage (x)	4.1	4.2	4.3	4.3	4.3	4.5
FFO cash int. cov. (x)	4.6	4.8	4.7	4.2	4.7	4.6
Debt/EBITDA (x)	5.6	5.9	6.0	6.9	6.5	6.1
FFO/debt (%)	13.6	13.0	12.8	11.1	11.9	12.8
Cash flow from operations/debt (%)	12.7	12.5	12.3	12.2	11.4	13.0
Free operating cash flow/debt (%)	11.7	11.4	11.2	11.2	10.6	12.2
Discretionary cash flow/debt (%)	3.7	4.1	2.1	2.5	2.8	3.7
Debt Fixed Charge coverage (x)	3.9	4.0	4.0	3.9	3.9	3.9
Debt/debt and undepreciated equity (%)	40.7	42.2	43.0	45.0	47.2	44.4

Liquidity

We view liquidity as strong, reflecting our expectation that liquidity sources will exceed uses by at least 1.5x over the next 12 months, with net sources remaining positive even with a 15% decline in EBITDA (a REIT specific threshold for strong liquidity), supported by cash on hand, availability under its revolving credit facility, and cash flow generation. We also believe the company has sufficient covenant headroom for forecasted EBITDA to decline by 15% without the company breaching covenant tests. We believe it has the likely ability to absorb high-impact, low-probability events without refinancing, a generally high standing in the credit markets, and well-established relationships with its banks.

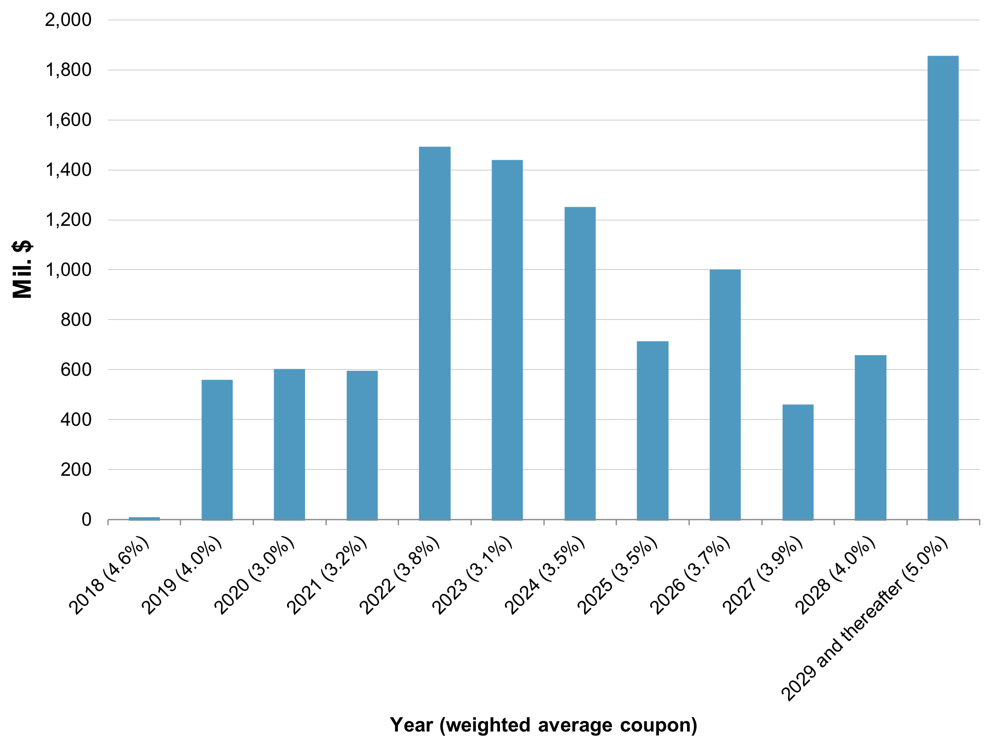
Principal liquidity sources:	Principal liquidity uses:
• \$86.1 million in unrestricted cash as of Sept. 30, 2018; • \$2.5 billion availability under the company's \$3 billion unsecured revolving credit facility that matures in April 2021 with two additional six-month options to extend the maturity date, at the company's discretion; and • Projected funds from operations (FFO) of approximately \$1.4 billion to \$1.5 billion over each of the next two years.	• Principal mortgage amortization of roughly \$20 million per year; • Maintenance capital expenditures of approximately \$100 million to \$125 million per year; • Approximately \$308 million to complete development or redevelopment projects that are either active or projects that have been committed to; and • Common dividend distributions of approximately \$1.2 billion in each of the next two years.

Other Liquidity Considerations

Ventas maintains a substantial unencumbered pool of wholly owned assets. The company's ratio of secured debt to total assets was low (4%) as of Sept. 30, 2018. This large balance allows Ventas the flexibility to add secured debt for debt refinancing purposes while having substantial cushion within its bond and facility covenants.

Chart 4

Debt Maturity Schedule



Source: Company filings

Covenant Analysis

Compliance Expectations	Requirements
Ventas was comfortably in compliance with its revolving credit facility, term loan, and senior notes covenants as of Sept. 30, 2018. We believe the company will maintain sufficient cushion over the next 12-24 months.	Senior notes: • Incurrence of debt (not to exceed 60%) was 37% as of Sept. 30, 2018. • Incurrence of secured debt (not to exceed 50%) was 4% as of Sept. 30, 2018. • Maintenance of unencumbered assets (which must be at least 150%) was 278% as of Sept. 30, 2018. • Consolidated EBITDA to interest expense (which must be at least 1.5) was 5.0 as of Sept. 30, 2018.

Ratings Score Snapshot

Issuer Credit Rating

BBB+/Stable/--

Business risk: Satisfactory

- **Country risk:** Very low
- **Industry risk:** Low
- **Competitive position:** Satisfactory

Financial risk: Modest

- **Cash flow/Leverage:** Modest

Anchor: bbb+

Modifiers

- **Diversification/Portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Strong (no impact)
- **Management and governance:** Satisfactory (no impact)
- **Comparable rating analysis:** Neutral (no impact)

Stand-alone credit profile : bbb+

- **Group credit profile:** bbb+
- **Entity status within group:** Core (no impact)

Issue Ratings--Subordination Risk Analysis

Capital structure

For real estate companies, we typically rate the senior unsecured debt the same as the issuer credit rating unless the percentage of secured debt exceeds 35% of total undepreciated assets (or 40% of the fair market value of assets). The majority of Ventas' properties are unencumbered.

Analytical conclusions

The ratio of secured debt to undepreciated asset base is 4%, which is well below the threshold of 35.0%. Therefore, we rate the company's unsecured debt at 'BBB+', the same as the issuer credit rating.

Reconciliation

Table 3

Reconciliation Of Ventas Inc.'s Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. $)

	--12 months ended Sept. 30, 2018--									
Ventas Inc. reported amounts.										
	Debt	**Shareholders' equity**	**Revenues**	**EBITDA**	**Operating income**	**Interest expense**	**EBITDA**	**Cash flow from operations**	**Dividends paid**	**Capital expenditures**
Reported	10,478.5	10,452.8	3,711.8	1,901.3	993.3	443.9	1,901.3	1,373.6	857.1	210.9
Our adjustments										
Interest expense (reported)	--	--	--	--	--	--	(443.9)	--	--	--
Interest income (reported)	--	--	--	--	--	--	6.0	--	--	--
Current tax expense (reported)	--	--	--	--	--	--	3.4	--	--	--
Operating leases	242.9	--	--	27.8	17.7	17.7	10.1	10.1	--	--
Surplus cash	(86.1)	--	--	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	--	9.5	(9.5)	(9.5)	--	(9.5)
Share-based compensation expense	--	--	--	27.4	--	--	27.4	--	--	--
Non-operating income (expense)	--	--	--	--	(57.6)	--	--	--	--	--
Non-controlling Interest/Minority interest	--	203.5	--	--	--	--	--	--	--	--
Debt - Accrued interest not included in reported debt	76.9	--	--	--	--	--	--	--	--	--
Debt - Issuance cost	77.1	--	--	--	--	--	--	--	--	--
Revenues - other	--	--	(24.0)	(24.0)	(24.0)	--	(24.0)	--	--	--
D&A - Impairment charges/(reversals)	--	--	--	--	28.0	--	--	--	--	--
OCF - Discontinued Operations	--	--	--	--	--	--	--	0.0	--	--
Total adjustments	310.7	203.5	(24.0)	31.2	(36.0)	27.2	(430.6)	0.6	0.0	(9.5)
Our adjusted amounts										
	Debt	**Equity**	**Revenues**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from Operations**	**Cash flow from operations**	**Dividends paid**	**Capital expenditures**
Adjusted	10,789.2	10,656.3	3,687.8	1,932.4	957.3	471.2	1,470.7	1,374.2	857.1	201.3

Related Criteria

- Criteria - Corporates - General: Reflecting Subordination Risk In Corporate Issue Ratings, Sept. 21, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Corporates - Industrials: Key Credit Factors For The Real Estate Industry, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- When The Credit Cycle Turns: U.S. REITs Look Ready To Handle Rising Rates, Sept. 24, 2018
- REITrends: U.S. REITs' Credit Quality Withstands Rising Interest Rates, Stunted Valuations, And Lower Refinancing Requirements, Aug. 23, 2018

Business And Financial Risk Matrix

	Financial Risk Profile					
Business Risk Profile	Minimal	**Modest**	Intermediate	Significant	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	**bbb+**	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of November 14, 2018)	
Ventas Inc.	
Issuer Credit Rating	BBB+/Stable/--
Issuer Credit Ratings History	
16-Dec-2013	BBB+/Stable/--

Ratings Detail (As Of November 14, 2018) (cont.)	
26-Nov-2013	BBB/Watch Pos/--
02-Apr-2013	BBB/Positive/--
Related Entities	
Nationwide Health Properties Inc.	
Issuer Credit Rating	BBB+/Stable/--
Senior Unsecured	BBB+
Ventas Capital Corp.	
Issuer Credit Rating	BBB+/Stable/--
Ventas Realty L.P.	
Issuer Credit Rating	BBB+/Stable/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.