MOODY'S
INVESTORS SERVICE

Rating Action: Moody's affirms Ventas' ratings; outlook stable

24 May 2018

Approximately $8 billion of securities affected.

New York, May 24, 2018 -- Moody's Investors Service ("Moody's") affirmed all of the ratings of Ventas Inc. and its subsidiaries, including the REIT's Baa1 senior unsecured debt rating. The rating outlook remains stable.

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

RATINGS RATIONALE

Ventas' Baa1 senior unsecured debt rating reflects its large size and property type diversification, with a focus on private pay segments of the healthcare real estate market 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.

Ventas is one of the largest healthcare REITs with gross assets of $29 billion as of 1Q18. The REIT's portfolio includes senior housing assets (32% of NOI derived from senior housing operating assets and 22% from senior housing triple-net leases), medical office buildings (19%), life science buildings (7%), inpatient rehab and long-term acute care facilities (7%), U.S. health systems (6%) and other assets (7%). These property types each have very different drivers of profitability, enhancing the stability of Ventas' cash flows. Moody's notes that Ventas' senior housing operations are currently challenged with rising labor costs and increased new supply in select markets. However, the REIT is enjoying better stability and growth from its triple net and specialty office and life science portfolios. Moody's expects Ventas to focus on growing its university-based life science and medical office portfolios through development and redevelopment opportunities over the near term.

Ventas maintains ample liquidity to fund its growth strategy. The REIT maintains access to a $3 billion unsecured line of credit that had $2.2 billion available as of 1Q18, as well as a $400 million secured construction facility. Post recent refinancing activities, remaining near-term maturities are manageable with $103 million coming due in 2018 and $838 million in 2019. Ventas plans to sell $1.25 billion of assets this year (including ~$300 million in 1Q18) will further boost its liquidity. The REIT also benefits from a large and high quality unencumbered asset pool which enhances financial flexibility.

Net Debt/EBITDA was 5.7x for 1Q18, typically fluctuating between 5.5x and 6x in recent years. Moody's expects leverage will trend down this year with planned dispositions. Secured debt remains modest at 5% of gross assets as of 1Q18. Fixed charge coverage is strong at 4.3x for 1Q18, although could trend down modestly as the REIT refinances maturities with higher cost debt in upcoming years.

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 reduce and maintain Net Debt/EBITDA below 5.0x and effective leverage (debt + preferred stock as % gross assets) closer to 30%. Secured debt remaining below 10% of gross assets and fixed charge coverage in excess of 4.5x would also be needed. Reduction in operator concentration with the top two tenants/operators comprising less than 20% of revenues 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 more than 1,200 assets in the United States, Canada and the United Kingdom consisting of seniors housing communities, medical office buildings, life sciences 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 Global Rating Methodology for REITs and Other Commercial Property Firms published in July 2010. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

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