



FOR IMMEDIATE RELEASE

**SABRA REPORTS FIRST QUARTER 2023 RESULTS**

IRVINE, CA, May 3, 2023 — Sabra Health Care REIT, Inc. (“Sabra,” the “Company” or “we”) (Nasdaq: SBRA) today announced its results of operations for the first quarter of 2023.

**FIRST QUARTER 2023 RESULTS AND RECENT EVENTS**

- Results per diluted common share for the first quarter of 2023 were as follows:
  - Net Loss: \$(0.04)
  - FFO: \$0.32
  - Normalized FFO: \$0.33
  - AFFO: \$0.33
  - Normalized AFFO: \$0.34
- EBITDARM Coverage Summary:
  - Skilled Nursing/Transitional Care: 1.63x
    - 1.55x (excluding Provider Relief Funds “PRF”) - up from 1.48x in the prior quarter
  - Senior Housing - Leased: 1.14x
  - Behavioral Health: 1.71x
  - Specialty Hospitals & Other: 6.40x
- During the first quarter of 2023, we closed on the acquisition of one senior housing managed community for \$48.0 million and one senior housing leased community for \$3.3 million with estimated stabilized cash yields of 8.0%. Additionally, we acquired an 85% interest in one Canadian senior housing managed community for \$18.9 million USD with an estimated stabilized cash yield of 8.0%.
- During the first quarter of 2023, we generated \$190.0 million of gross proceeds from the disposition of seven skilled nursing facilities (including one leased to a tenant under a sales-type lease) and two senior housing communities.
- On April 4, 2023, CMS issued a proposed rule regarding fiscal year 2024 Medicare rates for skilled nursing facilities providing an estimated net increase of 3.7% compared to fiscal year 2023. The proposed payment rates would become effective on October 1, 2023.
- Our Net Debt to Adjusted EBITDA ratio was 5.52x as of March 31, 2023. We expect leverage to decrease as our portfolio continues its operational recovery and through proceeds from any future disposition activity. We continue to be committed to maintaining a strong balance sheet without accessing the capital markets.
- On May 3, 2023, our Board of Directors declared a quarterly cash dividend of \$0.30 per share of common stock. The dividend will be paid on May 31, 2023 to common stockholders of record as of the close of business on May 16, 2023.



Commenting on the first quarter's results, Rick Matros, CEO and Chair, said, "The recovery in our portfolio continues. Occupancy in our skilled nursing and triple-net senior housing portfolios grew sequentially over the prior quarter. Labor challenges still hamper the speed of recovery, however we are seeing improved labor trends, albeit slowly. EBITDARM coverage excluding PRF in our skilled nursing portfolio improved sequentially over the prior quarter, both on a trailing twelve-month and a trailing three-month basis and was actually higher on a trailing three-month basis. We continue to expect investment activity to be light in the near term, but remain optimistic that we will return to earnings growth in 2024, irrespective of the level of our investment activity for the remainder of the year. Effective May 1, we withdrew and resigned our membership in the Enlivant Joint Venture. At the appropriate time, we expect to transition the 11 senior housing properties we own that are currently operated by Enlivant to a new operator. All in all, we anticipate a relatively quiet year, positioning us to constructively move forward as the industry continues to recover from the pandemic. We believe the continued diversification of our portfolio over the course of this year with our skilled nursing exposure at new lows, will be an additional factor in creating long-term value."

## **LIQUIDITY**

As of March 31, 2023, we had approximately \$954.0 million of liquidity, consisting of unrestricted cash and cash equivalents of \$33.5 million and available borrowings of \$920.4 million under our revolving credit facility. As of March 31, 2023, we also had \$500.0 million available under the ATM program.

## **CONFERENCE CALL AND COMPANY INFORMATION**

A conference call with a simultaneous webcast to discuss the 2023 first quarter results will be held on Thursday, May 4, 2023 at 10:00 am Pacific Time. The webcast URL is <https://events.q4inc.com/attendee/528327157>. The dial-in number for U.S. participants is (888) 880-4448. For participants outside the U.S., the dial-in number is (646) 960-0572. The conference ID number is 1382596. A digital replay of the call will be available on the Company's website at [www.sabrahealth.com](http://www.sabrahealth.com). The Company's supplemental information package for the first quarter will also be available on the Company's website in the "Investors" section.

## **ABOUT SABRA**

As of March 31, 2023, Sabra's investment portfolio included 396 real estate properties held for investment (consisting of (i) 258 Skilled Nursing/Transitional Care facilities, (ii) 47 senior housing communities ("Senior Housing - Leased"), (iii) 59 senior housing communities operated by third-party property managers pursuant to property management agreements ("Senior Housing - Managed"), (iv) 17 Behavioral Health facilities and (v) 15 Specialty Hospitals and Other facilities), 13 investments in loans receivable (consisting of two mortgage loans and 11 other loans), six preferred equity investments and three investments in unconsolidated joint ventures. As of March 31, 2023, Sabra's real estate properties held for investment included 39,264 beds/units, spread across the United States and Canada.

## **FORWARD-LOOKING STATEMENTS SAFE HARBOR**

This release contains "forward-looking" statements as defined in the Private Securities Litigation Reform Act of 1995. Any statements that do not relate to historical or current facts or matters are forward-looking statements. These statements may be identified, without limitation, by the use of "expects," "believes," "intends," "should" or comparable terms or the negative thereof. Examples of forward-looking statements include all statements regarding our expectations regarding our recent and pending investments and dispositions; our expectations regarding labor trends; our expectation that investment activity will be light in the near-term; our expected transition, at the appropriate time, of senior housing facilities operated by Enlivant to a new operator; our expectation that the continued diversification of our portfolio over the course of this year will create long-term value; our expectation that 2023 will be a relatively quiet year for our company; our expectations regarding continued recovery from the pandemic and potential earnings growth in 2024; and our other expectations regarding our future financial position, results of operations, cash flows, liquidity, business strategy, growth opportunities, potential investments and dispositions, and plans and objectives for future operations and capital raising activity.

Our actual results may differ materially from those projected or contemplated by our forward-looking statements as a result of various factors, including, among others, the following: pandemics or epidemics, including COVID-19, and the related impact on our tenants, borrowers and Senior Housing - Managed communities; increased labor costs and historically low unemployment; increases in market interest rates and inflation; operational risks with respect to our Senior Housing - Managed communities; competitive conditions in our industry; the loss of key management personnel; uninsured or underinsured losses affecting our properties; potential impairment charges and adjustments related to the accounting of our assets; the potential variability of our reported rental and related revenues as a result of Accounting Standards Update ("ASU") 2016-02, Leases, as



amended by subsequent ASUs; risks associated with our investment in our unconsolidated joint ventures; catastrophic weather and other natural or man-made disasters, the effects of climate change on our properties and a failure to implement sustainable and energy-efficient measures; increased operating costs and competition for our tenants, borrowers and Senior Housing - Managed communities; increased healthcare regulation and enforcement; our tenants' dependency on reimbursement from governmental and other third-party payor programs; the effect of our tenants, operators or borrowers declaring bankruptcy or becoming insolvent; our ability to find replacement tenants and the impact of unforeseen costs in acquiring new properties; the impact of litigation and rising insurance costs on the business of our tenants; the impact of required regulatory approvals of transfers of healthcare properties; environmental compliance costs and liabilities associated with real estate properties we own; our tenants', borrowers' or operators' failure to adhere to applicable privacy and data security laws, or a material breach of our or our tenants', borrowers' or operators' information technology; our concentration in the healthcare property sector, particularly in skilled nursing/transitional care facilities and senior housing communities, which makes our profitability more vulnerable to a downturn in a specific sector than if we were investing in multiple industries; the significant amount of and our ability to service our indebtedness; covenants in our debt agreements that may restrict our ability to pay dividends, make investments, incur additional indebtedness and refinance indebtedness on favorable terms; adverse changes in our credit ratings; our ability to make dividend distributions at expected levels; our ability to raise capital through equity and debt financings; changes and uncertainty in macroeconomic conditions and disruptions in the financial markets; risks associated with our ownership of property outside the U.S., including currency fluctuations; the relatively illiquid nature of real estate investments; our ability to maintain our status as a real estate investment trust ("REIT") under the federal tax laws; compliance with REIT requirements and certain tax and tax regulatory matters related to our status as a REIT; changes in tax laws and regulations affecting REITs; the ownership limits and takeover defenses in our governing documents and under Maryland law, which may restrict change of control or business combination opportunities; and the exclusive forum provisions in our bylaws.

Additional information concerning risks and uncertainties that could affect our business can be found in our filings with the Securities and Exchange Commission (the "SEC"), including in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022. We do not intend, and we undertake no obligation, to update any forward-looking information to reflect events or circumstances after the date of this release or to reflect the occurrence of unanticipated events, unless required by law to do so.

#### **TENANT AND BORROWER INFORMATION**

This release includes information regarding certain of our tenants that lease properties from us and our borrowers, most of which are not subject to SEC reporting requirements. The information related to our tenants and borrowers that is provided in this release has been provided by, or derived from information provided by, such tenants and borrowers. We have not independently verified this information. We have no reason to believe that such information is inaccurate in any material respect. We are providing this data for informational purposes only.

#### **NOTE REGARDING NON-GAAP FINANCIAL MEASURES**

This release includes the following financial measures defined as non-GAAP financial measures by the SEC: Adjusted EBITDA, Net Debt to Adjusted EBITDA, net operating income ("NOI"), Cash NOI, Annualized Cash NOI, funds from operations ("FFO"), Normalized FFO, Adjusted FFO ("AFFO"), Normalized AFFO, FFO per diluted common share, Normalized FFO per diluted common share, AFFO per diluted common share and Normalized AFFO per diluted common share. These measures may be different than non-GAAP financial measures used by other companies, and the presentation of these measures is not intended to be considered in isolation or as a substitute for financial information prepared and presented in accordance with U.S. generally accepted accounting principles. An explanation of these non-GAAP financial measures is included under "Reporting Definitions" in this release, and reconciliations of these non-GAAP financial measures to the GAAP financial measures we consider most comparable are included on the Investors section of our website at <https://ir.sabrahealth.com/investors/financials/quarterly-results>.

#### **CONTACT**

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**SABRA HEALTH CARE REIT, INC.**  
**CONSOLIDATED STATEMENTS OF (LOSS) INCOME**

(dollars in thousands, except per share data)

	Three Months Ended March 31,	
	2023	2022
<b>Revenues:</b>		
Rental and related revenues <sup>(1)</sup>	\$ 95,870	\$ 109,886
Resident fees and services	56,721	42,227
Interest and other income	8,733	10,992
<b>Total revenues</b>	<b>161,324</b>	<b>163,105</b>
<b>Expenses:</b>		
Depreciation and amortization	52,827	45,256
Interest	28,540	24,972
Triple-net portfolio operating expenses	4,168	5,011
Senior housing - managed portfolio operating expenses	43,637	33,104
General and administrative	10,502	10,396
(Recovery of) provision for loan losses and other reserves	(208)	475
Impairment of real estate	7,064	—
<b>Total expenses</b>	<b>146,530</b>	<b>119,214</b>
<b>Other (expense) income:</b>		
Loss on extinguishment of debt	(1,541)	(271)
Other income	341	68
Net loss on sales of real estate	(21,515)	—
<b>Total other expense</b>	<b>(22,715)</b>	<b>(203)</b>
(Loss) income before loss from unconsolidated joint ventures and income tax expense	(7,921)	43,688
Loss from unconsolidated joint ventures	(838)	(2,802)
Income tax expense	(728)	(284)
<b>Net (loss) income</b>	<b>\$ (9,487)</b>	<b>\$ 40,602</b>
<b>Net (loss) income, per:</b>		
Basic common share	\$ (0.04)	\$ 0.18
Diluted common share	\$ (0.04)	\$ 0.18
<b>Weighted average number of common shares outstanding, basic</b>	<b>231,164,876</b>	<b>230,859,993</b>
<b>Weighted average number of common shares outstanding, diluted</b>	<b>231,164,876</b>	<b>231,564,970</b>

<sup>(1)</sup> See page 5 for additional details regarding Rental and related revenues.

**SABRA HEALTH CARE REIT, INC.**  
**CONSOLIDATED STATEMENTS OF (LOSS) INCOME - SUPPLEMENTAL INFORMATION**

(in thousands)

	Three Months Ended March 31,	
	2023	2022
Cash rental income	\$ 89,657	\$ 100,357
Straight-line rental income	1,347	2,694
Straight-line rental income receivable write-offs	(518)	(139)
Above/below market lease amortization	1,568	1,593
Above/below market lease intangible write-offs	—	326
Operating expense recoveries	3,816	5,055
Rental and related revenues	<u>\$ 95,870</u>	<u>\$ 109,886</u>

**SABRA HEALTH CARE REIT, INC.**  
**CONSOLIDATED BALANCE SHEETS**

(dollars in thousands, except per share data)

	March 31, 2023	December 31, 2022
<b>Assets</b>		
Real estate investments, net of accumulated depreciation of \$952,791 and \$913,345 as of March 31, 2023 and December 31, 2022, respectively	\$ 4,797,041	\$ 4,959,343
Loans receivable and other investments, net	409,079	411,396
Investment in unconsolidated joint ventures	139,402	134,962
Cash and cash equivalents	33,532	49,308
Restricted cash	5,152	4,624
Lease intangible assets, net	39,369	40,131
Accounts receivable, prepaid expenses and other assets, net	132,736	147,908
<b>Total assets</b>	<b>\$ 5,556,311</b>	<b>\$ 5,747,672</b>
<b>Liabilities</b>		
Secured debt, net	\$ 48,754	\$ 49,232
Revolving credit facility	79,563	196,982
Term loans, net	533,657	526,129
Senior unsecured notes, net	1,734,644	1,734,431
Accounts payable and accrued liabilities	143,002	142,259
Lease intangible liabilities, net	40,464	42,244
<b>Total liabilities</b>	<b>2,580,084</b>	<b>2,691,277</b>
<b>Equity</b>		
Preferred stock, \$0.01 par value; 10,000,000 shares authorized, zero shares issued and outstanding as of March 31, 2023 and December 31, 2022	—	—
Common stock, \$0.01 par value; 500,000,000 shares authorized, 231,195,148 and 231,009,295 shares issued and outstanding as of March 31, 2023 and December 31, 2022, respectively	2,312	2,310
Additional paid-in capital	4,487,707	4,486,967
Cumulative distributions in excess of net income	(1,531,230)	(1,451,945)
Accumulated other comprehensive income	17,438	19,063
<b>Total equity</b>	<b>2,976,227</b>	<b>3,056,395</b>
<b>Total liabilities and equity</b>	<b>\$ 5,556,311</b>	<b>\$ 5,747,672</b>

**SABRA HEALTH CARE REIT, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)

	Three Months Ended March 31,	
	2023	2022
<b>Cash flows from operating activities:</b>		
Net (loss) income	\$ (9,487)	\$ 40,602
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	52,827	45,256
Non-cash rental and related revenues	(2,398)	(4,474)
Non-cash interest income	(392)	(547)
Non-cash interest expense	3,014	2,698
Stock-based compensation expense	2,229	2,456
Loss on extinguishment of debt	1,541	271
Provision for loan losses and other reserves	(208)	475
Net loss on sales of real estate	21,515	—
Impairment of real estate	7,064	—
Loss from unconsolidated joint ventures	838	2,802
Distributions of earnings from unconsolidated joint ventures	367	—
Changes in operating assets and liabilities:		
Accounts receivable, prepaid expenses and other assets, net	(2,782)	(5,457)
Accounts payable and accrued liabilities	(5,839)	(20,968)
Net cash provided by operating activities	<u>68,289</u>	<u>63,114</u>
<b>Cash flows from investing activities:</b>		
Acquisition of real estate	(39,630)	(20,573)
Origination and fundings of loans receivable	(1,800)	—
Origination and fundings of preferred equity investments	(6,384)	(4,074)
Additions to real estate	(19,540)	(10,803)
Escrow deposits for potential investments	—	(3,217)
Repayments of loans receivable	6,144	696
Repayments of preferred equity investments	1,433	729
Investment in unconsolidated joint ventures	(4,797)	—
Net proceeds from the sales of real estate	152,259	—
Net proceeds from sales-type lease	25,490	—
Net cash provided by (used in) investing activities	<u>113,175</u>	<u>(37,242)</u>
<b>Cash flows from financing activities:</b>		
Net (repayments of) borrowings from revolving credit facility	(118,442)	16,577
Proceeds from term loans	12,186	—
Principal payments on term loans	—	(40,000)
Principal payments on secured debt	(490)	(16,067)
Payments of deferred financing costs	(18,127)	(6)
Issuance of common stock, net	(1,847)	(3,748)
Dividends paid on common stock	(69,351)	(69,275)
Net cash used in financing activities	<u>(196,071)</u>	<u>(112,519)</u>
Net decrease in cash, cash equivalents and restricted cash	(14,607)	(86,647)
Effect of foreign currency translation on cash, cash equivalents and restricted cash	(641)	40
Cash, cash equivalents and restricted cash, beginning of period	53,932	115,886
Cash, cash equivalents and restricted cash, end of period	<u>\$ 38,684</u>	<u>\$ 29,279</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 22,318</u>	<u>\$ 18,383</u>
Supplemental disclosure of non-cash investing activities:		
Decrease in loans receivable and other investments due to acquisition of real estate	<u>\$ 4,644</u>	<u>\$ 5,623</u>

**SABRA HEALTH CARE REIT, INC.**  
**FUNDS FROM OPERATIONS (FFO), NORMALIZED FFO,**  
**ADJUSTED FUNDS FROM OPERATIONS (AFFO) AND NORMALIZED AFFO**

(dollars in thousands, except per share data)

	Three Months Ended March 31,	
	2023	2022
Net (loss) income	\$ (9,487)	\$ 40,602
Add:		
Depreciation and amortization of real estate assets	52,827	45,256
Depreciation, amortization and impairment of real estate assets related to unconsolidated joint ventures	2,048	4,633
Net loss on sales of real estate	21,515	—
Impairment of real estate	7,064	—
<b>FFO</b>	<b>\$ 73,967</b>	<b>\$ 90,491</b>
Write-offs of cash and straight-line rental income receivable and lease intangibles	540	(182)
Lease termination income	—	(2,338)
Loss on extinguishment of debt	1,541	271
(Recovery of) provision for loan losses and other reserves	(208)	475
Other normalizing items <sup>(1)</sup>	1,037	(48)
<b>Normalized FFO</b>	<b>\$ 76,877</b>	<b>\$ 88,669</b>
<b>FFO</b>	<b>\$ 73,967</b>	<b>\$ 90,491</b>
Stock-based compensation expense	2,229	2,456
Non-cash rental and related revenues	(2,398)	(4,474)
Non-cash interest income	(392)	(547)
Non-cash interest expense	3,014	2,698
Non-cash portion of loss on extinguishment of debt	1,541	271
(Recovery of) provision for loan losses and other reserves	(208)	475
Other adjustments related to unconsolidated joint ventures	69	(986)
Other adjustments	106	183
<b>AFFO</b>	<b>\$ 77,928</b>	<b>\$ 90,567</b>
Cash portion of lease termination income	—	(2,338)
Other normalizing items <sup>(1)</sup>	1,021	(186)
<b>Normalized AFFO</b>	<b>\$ 78,949</b>	<b>\$ 88,043</b>
Amounts per diluted common share:		
Net loss	\$ (0.04)	\$ 0.18
FFO	\$ 0.32	\$ 0.39
Normalized FFO	\$ 0.33	\$ 0.38
AFFO	\$ 0.33	\$ 0.39
Normalized AFFO	\$ 0.34	\$ 0.38
Weighted average number of common shares outstanding, diluted:		
Net (loss) income	231,164,876	231,564,970
FFO and Normalized FFO	231,892,769	231,564,970
AFFO and Normalized AFFO	233,168,932	232,484,734

<sup>(1)</sup> Other normalizing items for FFO and AFFO include triple-net operating expenses, net of recoveries.



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### **Adjusted EBITDA\***

Adjusted EBITDA is calculated as earnings before interest, taxes, depreciation and amortization (“EBITDA”) excluding the impact of merger-related costs, stock-based compensation expense under the Company’s long-term equity award program, and loan loss reserves. Adjusted EBITDA is an important non-GAAP supplemental measure of operating performance.

### **Annualized Cash Net Operating Income (“Annualized Cash NOI”)\***

The Company believes that net income as defined by GAAP is the most appropriate earnings measure. The Company considers Annualized Cash NOI an important supplemental measure because it allows investors, analysts and its management to evaluate the operating performance of its investments. The Company defines Annualized Cash NOI as Annualized Revenues less operating expenses and non-cash revenues and expenses. Annualized Cash NOI excludes all other financial statement amounts included in net income.

### **Annualized Revenues**

The annual contractual rental revenues under leases and interest and other income generated by the Company’s loans receivable and other investments based on amounts invested and applicable terms as of the end of the period presented. Annualized Revenues do not include tenant recoveries or additional rents and are adjusted to (i) reflect actual payments received related to the twelve months ended at the end of the respective period for leases no longer accounted for on an accrual basis, (ii) exclude residual rents due to Sabra from prior asset sales under the Company’s 2017 memorandum of understanding with Genesis and (iii) reflect the reduction in Avamere’s annual base rent effective February 1, 2022.

### **Behavioral Health**

Includes behavioral hospitals that provide inpatient and outpatient care for patients with mental health conditions, chemical dependence or substance addictions and addiction treatment centers that provide treatment services for chemical dependence and substance addictions, which may include inpatient care, outpatient care, medical detoxification, therapy and counseling.

### **Cash Net Operating Income (“Cash NOI”)\***

The Company believes that net income as defined by GAAP is the most appropriate earnings measure. The Company considers Cash NOI an important supplemental measure because it allows investors, analysts and its management to evaluate the operating performance of its investments. The Company defines Cash NOI as total revenues less operating expenses and non-cash revenues and expenses. Cash NOI excludes all other financial statement amounts included in net income.

### **EBITDARM**

Earnings before interest, taxes, depreciation, amortization, rent and management fees (“EBITDARM”) for a particular facility accruing to the operator/tenant of the property (not the Company), for the period presented. The Company uses EBITDARM in determining EBITDARM Coverage. EBITDARM has limitations as an analytical tool. EBITDARM does not reflect historical cash expenditures or future cash requirements for facility capital expenditures or contractual commitments. In addition, EBITDARM does not represent a property’s net income or cash flows from operations and should not be considered an alternative to those indicators. The Company utilizes EBITDARM to evaluate the core operations of the properties by eliminating management fees, which may vary by operator/tenant and operating structure, and as a supplemental measure of the ability of the Company’s operators/tenants and relevant guarantors to generate sufficient liquidity to meet related obligations to the Company.

### **EBITDARM Coverage**

Represents the ratio of EBITDARM to cash rent for owned facilities (excluding Senior Housing - Managed communities) for the period presented. EBITDARM Coverage is a supplemental measure of a property’s ability to generate cash flows for the operator/tenant (not the Company) to meet the operator’s/tenant’s related cash rent and other obligations to the Company. However, its usefulness is limited by, among other things, the same factors that limit the usefulness of EBITDARM. EBITDARM Coverage includes only Stabilized Facilities and excludes facilities for which data is not available or meaningful.

### **Funds From Operations (“FFO”) and Adjusted Funds from Operations (“AFFO”)\***

The Company believes that net income as defined by GAAP is the most appropriate earnings measure. The Company also believes that funds from operations, or FFO, as defined in accordance with the definition used by the National Association of Real Estate Investment Trusts (“Nareit”), and adjusted funds from operations, or AFFO (and related per share amounts) are important non-GAAP supplemental measures of the Company’s operating performance. Because the historical cost accounting convention used for real estate assets requires straight-line depreciation (except on land), such accounting presentation implies



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that the value of real estate assets diminishes predictably over time. However, since real estate values have historically risen or fallen with market and other conditions, presentations of operating results for a real estate investment trust that uses historical cost accounting for depreciation could be less informative. Thus, Nareit created FFO as a supplemental measure of operating performance for real estate investment trusts that excludes historical cost depreciation and amortization, among other items, from net income, as defined by GAAP. FFO is defined as net income, computed in accordance with GAAP, excluding gains or losses from real estate dispositions and the Company's share of gains or losses from real estate dispositions related to its unconsolidated joint ventures, plus real estate depreciation and amortization, net of amounts related to noncontrolling interests, plus the Company's share of depreciation and amortization related to its unconsolidated joint ventures, and real estate impairment charges of both consolidated and unconsolidated entities when the impairment is directly attributable to decreases in the value of depreciable real estate held by the entity. AFFO is defined as FFO excluding merger and acquisition costs, stock-based compensation expense, non-cash rental and related revenues, non-cash interest income, non-cash interest expense, non-cash portion of loss on extinguishment of debt, provision for loan losses and other reserves, non-cash lease termination income and deferred income taxes, as well as other non-cash revenue and expense items (including ineffectiveness gain/loss on derivative instruments, and non-cash revenue and expense amounts related to noncontrolling interests) and the Company's share of non-cash adjustments related to its unconsolidated joint ventures. The Company believes that the use of FFO and AFFO (and the related per share amounts), combined with the required GAAP presentations, improves the understanding of the Company's operating results among investors and makes comparisons of operating results among real estate investment trusts more meaningful. The Company considers FFO and AFFO to be useful measures for reviewing comparative operating and financial performance because, by excluding the applicable items listed above, FFO and AFFO can help investors compare the operating performance of the Company between periods or as compared to other companies. While FFO and AFFO are relevant and widely used measures of operating performance of real estate investment trusts, they do not represent cash flows from operations or net income as defined by GAAP and should not be considered an alternative to those measures in evaluating the Company's liquidity or operating performance. FFO and AFFO also do not consider the costs associated with capital expenditures related to the Company's real estate assets nor do they purport to be indicative of cash available to fund the Company's future cash requirements. Further, the Company's computation of FFO and AFFO may not be comparable to FFO and AFFO reported by other real estate investment trusts that do not define FFO in accordance with the current Nareit definition or that interpret the current Nareit definition or define AFFO differently than the Company does.

### **Grant Income**

Grant Income consists of funds specifically paid to communities in our Senior Housing - Managed portfolio from state or federal governments related to the pandemic and were incremental to the amounts that would have otherwise been received for providing care to residents.

### **Net Debt\***

The principal balances of the Company's revolving credit facility, term loans, senior unsecured notes, and secured indebtedness as reported in the Company's consolidated financial statements, net of cash and cash equivalents as reported in the Company's consolidated financial statements.

### **Net Debt to Adjusted EBITDA\***

Net Debt to Adjusted EBITDA is calculated as Net Debt divided by Annualized Adjusted EBITDA, which is Adjusted EBITDA, as adjusted for annualizing adjustments that give effect to the acquisitions and dispositions completed during the respective period as though such acquisitions and dispositions were completed as of the beginning of the period presented.

### **Net Operating Income ("NOI")\***

The Company believes that net income as defined by GAAP is the most appropriate earnings measure. The Company considers NOI an important supplemental measure because it allows investors, analysts and its management to evaluate the operating performance of its investments. The Company defines NOI as total revenues less operating expenses. NOI excludes all other financial statement amounts included in net income.

### **Normalized FFO and Normalized AFFO\***

Normalized FFO and Normalized AFFO represent FFO and AFFO, respectively, adjusted for certain income and expense items that the Company does not believe are indicative of its ongoing operating results. The Company considers Normalized FFO and Normalized AFFO to be useful measures to evaluate the Company's operating results excluding these income and expense items to help investors compare the operating performance of the Company between periods or as compared to other companies. Normalized FFO and Normalized AFFO do not represent cash flows from operations or net income as defined by



## REPORTING DEFINITIONS

GAAP and should not be considered an alternative to those measures in evaluating the Company's liquidity or operating performance. Normalized FFO and Normalized AFFO also do not consider the costs associated with capital expenditures related to the Company's real estate assets nor do they purport to be indicative of cash available to fund the Company's future cash requirements. Further, the Company's computation of Normalized FFO and Normalized AFFO may not be comparable to Normalized FFO and Normalized AFFO reported by other real estate investment trusts that do not define FFO in accordance with the current Nareit definition or that interpret the current Nareit definition or define FFO and AFFO or Normalized FFO and Normalized AFFO differently than the Company does.

### **Occupancy Percentage**

Occupancy Percentage represents the facilities' average operating occupancy for the period indicated. The percentages are calculated by dividing the actual census from the period presented by the available beds/units for the same period. Occupancy includes only Stabilized Facilities and excludes facilities for which data is not available or meaningful.

### **REVPOR**

REVPOR represents the average revenues generated per occupied unit per month at Senior Housing - Managed communities for the period indicated. It is calculated as resident fees and services revenues, excluding Grant Income, divided by average monthly occupied unit days. REVPOR includes only Stabilized Facilities.

### **Senior Housing**

Senior Housing communities include independent living, assisted living, continuing care retirement and memory care communities.

### **Senior Housing - Managed**

Senior Housing communities operated by third-party property managers pursuant to property management agreements.

### **Skilled Mix**

Skilled Mix is defined as the total Medicare and non-Medicaid managed care patient revenue at Skilled Nursing/Transitional Care facilities divided by the total revenues at Skilled Nursing/Transitional Care facilities for the period indicated. Skilled Mix includes only Stabilized Facilities and excludes facilities for which data is not available or meaningful.

### **Skilled Nursing/Transitional Care**

Skilled Nursing/Transitional Care facilities include skilled nursing, transitional care, multi-license designation and mental health facilities.

### **Specialty Hospitals and Other**

Includes acute care, long-term acute care and rehabilitation hospitals, facilities that provide residential services, which may include assistance with activities of daily living, and other facilities not classified as Skilled Nursing/Transitional Care, Senior Housing or Behavioral Health.

### **Stabilized Facility**

At the time of acquisition, the Company classifies each facility as either stabilized or non-stabilized. In addition, the Company may classify a facility as non-stabilized after acquisition. Circumstances that could result in a facility being classified as non-stabilized include newly completed developments, facilities undergoing major renovations or additions, facilities being repositioned or transitioned to new operators, and significant transitions within the tenants' business model. Such facilities are typically reclassified to stabilized upon the earlier of maintaining consistent occupancy (85% for Skilled Nursing/Transitional Care facilities and 90% for Senior Housing communities) or 24 months after the date of classification as non-stabilized. Stabilized Facilities exclude (i) facilities held for sale, (ii) strategic disposition candidates, (iii) facilities being transitioned to a new operator, (iv) facilities being transitioned from being leased by the Company to being operated by the Company and (v) leased facilities acquired during the three months preceding the period presented.

### **\*Non-GAAP Financial Measures**

Reconciliations, definitions and important discussions regarding the usefulness and limitations of the Non-GAAP Financial Measures used in this release can be found at <https://ir.sabrahealth.com/investors/financials/quarterly-results>.

