



Medical Properties Trust

2019

Annual Report

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“WITH MORE HOSPITAL ACQUISITIONS THAN IN ANY OTHER SINGLE YEAR IN MPT’S HISTORY, 2019 SET A NEW STANDARD FOR WHAT WE CAN ACHIEVE, AND WE HAVE STARTED 2020 BY HITTING THE GROUND RUNNING, ALREADY COMPLETING MORE THAN \$1.9 BILLION IN ADDITIONAL ACQUISITIONS.”

GLOBAL LEADERSHIP

2019 WAS A RECORD-BREAKING YEAR

Medical Properties Trust cemented itself as the clear global leader in providing capital to acute care facilities in 2019. In a truly marquee year, MPT built upon the strong financial and strategic foundation laid since its early years.

Among MPT’s accomplishments, our team completed a record \$4.5 billion in domestic and international acquisitions with new and existing operators, highlighted by several landmark transactions. In May and June, we entered two exciting new countries as we acquired interests in 13 Swiss and 11 Australian hospitals for an aggregate dollar-equivalent investment of \$1.3 billion. Our attention was then immediately turned back to the United States when we announced a further \$1.75 billion in acquisitions of 24 hospitals from several operators, all new to us, in California, Pennsylvania and Kansas. Just past the halfway mark of 2019, we had already surpassed our acquisition guidance and established new records for the full year. With the addition of these outstanding hospitals to our portfolio, we initiated new operator

relationships, extended into new geographic markets and expanded service lines, including not-for-profit and behavioral.

In November, we announced a \$700 million transaction with LifePoint Health and Apollo Global Management for 10 acute care hospitals in six U.S. states, strengthening our relationship with both strategically important parties and bringing our total investment with LifePoint to 17 acute care hospitals and \$1.2 billion. Late in the fourth quarter, we announced that in early 2020 we would complete a \$2 billion acquisition of 30 hospital facilities in the U.K., adding to the eight U.K. hospitals we acquired in August for \$434 million. MPT has assembled an irreplaceable portfolio of private hospitals that are critical to the delivery of acute health services across the U.K.

These major transactions join numerous others made over the course of the year. When combined, these transactions bring the company’s pro forma total gross assets to approximately \$16.5 billion, including \$13.5 billion in general acute care hospitals, \$1.8 billion in inpatient rehabilitation hospitals

and \$0.4 billion in long-term acute care hospitals. Our portfolio—which includes approximately 390 properties and more than 41,000 licensed beds in 34 states and eight countries, and relationships with 41 hospital operating companies—is one of the strongest in the REIT world.

Our performance in 2019 has proven more than ever MPT’s ability to execute multiple large transactions simultaneously and seamlessly, providing us a key competitive advantage. Our commanding market share is a direct result of this focus and strong, strategic execution, which we will continue to deploy as we advance our leadership position in the market.

NEW RELATIONSHIPS AND NEW PROPERTIES IN GROWING INTERNATIONAL MARKETS

We made exciting progress this year to enhance our international presence with new portfolio properties and new relationships with world-class operators. With approximately \$3.8 billion in international acquisitions in 2019 and in early 2020, MPT now has hospitals located in

the United States, U.K., Germany, Switzerland, Spain, Italy, Portugal and Australia.

The first large transaction we closed this year expanded MPT’s business into a third continent. Our \$0.9 billion transaction with Healthscope for 11 hospitals in Australia added critical assets in the country’s strongest markets to the MPT portfolio. This transaction also established an important new relationship with Australia’s second largest private hospital operator, with Healthscope becoming one of MPT’s leading operators by size and rental revenue.

In May, we entered the Swiss healthcare market by acquiring a 46% interest in a Swiss healthcare real estate company, Infracore SA, representing approximately \$410 million in real estate value as Infracore’s largest shareholder. This transaction presented a unique opportunity for MPT to partner with Switzerland’s second largest private hospital operator and establish a new long-term relationship with Swiss Medical Network.

In Spain, MPT made an approximately \$130 million equity investment for a 45% stake in two joint venture entities. These entities own the real estate of two Madrid acute care hospitals leased to and operated by HM Hospitales, one of the largest private hospital operators in Spain.

We also made our first hospital investment in Portugal. For approximately \$31 million, MPT acquired a newly constructed hospital in Viseu operated by the José de Mello Group, Portugal’s largest private operator. This was particularly exciting for MPT given the opportunities in the Portuguese healthcare market to fill increasing coverage gaps in the public system. It also allowed MPT to establish itself in an increasingly consumer-driven healthcare marketplace with a leading, growth-oriented hospital operator.

In addition to our completed acquisition of 30 U.K. hospital facilities in January 2020, MPT acquired eight Ramsay Health Care hospitals for \$434 million and BMI The Harbour Hospital for \$45 million in the U.K.

To support our geographic expansion, we have grown our international office space as well, expanding our operations in Luxembourg and naming Luke Savage, vice president, International Acquisitions, as the senior head there. And we expect to open an Australian office, in Sydney, in the second quarter of 2020.

DELIVERING ACCELERATED VALUE GROWTH AND SIGNIFICANT SHAREHOLDER RETURNS

This was a year of unprecedented growth for MPT. We increased our enterprise value from approximately \$10 billion at the end of 2018 to \$19 billion—a remarkable 90% increase. Our portfolio generates strong, stable cash flows, with 81% of our rent and interest expiring beyond 2029, positioning us with the right calibration of financial flexibility and investments to continue generating immense value for shareholders.

We are proud to have delivered a market-leading 39% return to shareholders in 2019. From our IPO in 2005 through the end of 2019, we delivered to our shareholders cash dividends and increased share value exceeding \$6.6 billion. We are proud of this extraordinary creation of real value for our investors and are excited about the opportunities we see in the future for additional value creation in the form of growing cash dividends and share value.

LEADING THE GLOBAL MARKET IN 2020 AND BEYOND

As the single largest year of acquisition growth in MPT’s history, 2019 set a new

standard for what we can achieve. We have started 2020 by hitting the ground running with completed acquisitions already approximating \$1.9 billion and by announcing an annual normalized FFO per share guidance increase of more than 25% over actual 2019 results.

In the year ahead, we are focused on developing a vibrant pipeline that exceeds \$3 billion of property to meet a full \$5 billion in 2020. We still see tremendous unmet need for behavioral hospitals in the U.S., and as we see growing recognition of the benefits of long-term lease financing of core hospital real estate, we expect MPT to be at the forefront of meeting those financing needs.

I am incredibly proud of the enormous drive of our team and all that we have accomplished over such an exciting year. With a continued focus on deliberate, value-creating actions, I am confident 2020 will be another great chapter in the MPT story.

On behalf of everyone at MPT, I thank you for your continued support of Medical Properties Trust. We hope to continue driving outstanding value for our shareholders for years to come.

Sincerely,

Edward K. Aldag, Jr.
Chairman, President and CEO

WINS + RESULTS

In 2019, we strengthened an already strong position in the marketplace. Key moves acted as a springboard that propelled us into a new decade. See how our leadership guided us toward a bigger global influence and into a new era of our company history.



A BANNER YEAR, LONG IN THE MAKING

YEARS FROM NOW, 2019 WILL STAND OUT AS A MOMENTOUS YEAR IN MPT'S HISTORY. BUT ALL THAT THE COMPANY ACHIEVED WAS SET IN MOTION FROM MPT'S BEGINNINGS.

“The year 2019 was unlike any other,” says Edward K. Aldag, Jr., chairman, president and CEO of MPT, ticking off just a few accomplishments in 2019. In one single, remarkable year, MPT:

- Achieved 64% growth in assets year over year
- Delivered a 39% return to shareholders
- Grew from a \$10 billion company to a \$19 billion company shortly after year-end—a stunning 90% leap that vaulted the enterprise from a mid-cap to large-cap player in its marketplace

“But even prior to that, we had achieved more than almost 30% compound annual growth over the last six or seven years leading up to 2019,” Aldag says. “We had truly exceeded anything anybody thought we could do.”

After building on consistent, unmatched growth since its inception, Aldag anticipated the possibility of an extraordinary 2019. The company had laid the groundwork for blockbuster acquisitions—such as the \$700 million purchase of LifePoint Health, Inc., properties in the U.S. and the expansion to Australia with 11 Healthscope, Ltd., hospitals. Steadfast in its mission to invest in premier, acute care hospitals and build relationships with best-in-class operators, MPT always has had an international presence in mind.

“We've been consciously planning for years to be able to achieve the results we did in 2019,” Aldag says. “Acquisitions of complicated hospital systems can take a long time—and we foresaw a rapid expansion in the hospital real

estate market. So when operators, investors, private equity sponsors and conditions converged in 2019, MPT had the people, the capital, the industry relationships and the systems that could execute multiple transactions across the globe—clearly establishing MPT as the undisputed global leader in hospital real estate finance.”

More than ever, the industry can clearly see MPT as the undisputed global leader in hospital real estate financing.

KEY DRIVERS IN 2019

The laudable 2019 performance of the company resulted from these key goals:

1. To increase geographic diversification. MPT now operates in eight countries across three continents. With approximately 390 total facilities in its portfolio, MPT grew its presence internationally in 2019 with key transactions in Switzerland and Australia, along with new holdings in Madrid, Spain, and Viseu, Portugal. It also grew domestically, leveraging past relationships to acquire LifePoint hospitals across six states and Prospect hospitals in the West and East regions of the U.S.

2. To increase operator diversification. With any operator MPT considers, it does due diligence, not just in vetting the company itself, but vetting every individual property that's part of a potential deal. And in 2019, MPT added new operators, going from 30 to 41 world-class operators.

With so many new first-class operators, MPT improved the position of its valued operator

2019 ASSETS CLOSED

\$4.5B

An increase of almost 600% in 2019

Steward Health Care as a percentage of its overall portfolio so that it went from 40% to less than 25% only 12 months later. Now, no single property accounts for more than 2.3% of the MPT portfolio.

3. To take advantage of greatly improved cost of capital. Financial conditions were right to facilitate the record amount of transactions MPT closed on in 2019. “A lot of things came together last year,” says Charles Lambert, treasurer and managing director, Capital Markets. “It was a good time to borrow money, rates were low in the U.S. and they were lower outside the U.S. Moreover, our cost of equity capital declined as our share price and dividend yield continued their recent trend of substantial improvement. The stars aligned between available inventory that fit strategically into our overall plans and attractive financial rates.”

MPT'S MISSION FROM THE START

“What happened in 2019 wasn't by accident,” says Steve Hamner, MPT's chief financial officer. “Everything converged last year—all of our efforts, going back to when we formed the company.”

ENTERPRISE VALUE

+90%

since 2018

\$19B in early 2020 vs. \$10B in 2018

MPT held its initial public offering in 2005, and no other company was doing exactly what MPT set out to do. “Our investment thesis is that we're only going to invest in hospitals,” says Aldag. “And that strategy has been a brilliant success.”

The strategy has worked in large part because so many of MPT's executives and senior leadership have backgrounds in hospitals and other healthcare businesses, which sets MPT apart from competing real estate investors. This hospital expertise has always given the company an advantage in the underwriting process.

MPT invests not only with financial advantages in mind, but also with a sincere desire to improve the quality of healthcare in communities around the globe. That mindset has guided MPT in every decision. The associations among the company, private equity investors, shareholders and top-tier operators have worked to everyone's favor.

“There has been no one who has done this,” Hamner says. “We established this market over the last 15 years, building a market that manifested itself in a huge way in 2019. Now there are so many operators, equity sponsors,

NUMBER OF OPERATORS



Accounting for 95% of assets

sovereign wealth funds and investment banks who are looking at these types of transactions, who see that we have proven the value of this model.” MPT has the most experience and best track record using this strategy and is best positioned for more success in executing it on a global scale.

After guiding MPT to unprecedented success, company founders Aldag, Hamner and Emmett E. McLean, executive vice president, chief operating officer, know they can't dwell on all they have achieved. “We don't sit around and spend time thinking about what we've done,” McLean says. “You're only as good as what you're doing now.”

With a great position on the international stage and a robust pipeline, MPT qualifies as good—very good. In fact, 2019 showed definitively that no one leads this industry like this company does.

From left to right: Charles R. Lambert, treasurer and managing director of Capital Markets; Rosa H. Hooper – vice president, managing director of Asset Management and Underwriting; R. Lucas Savage – vice president, International Acquisitions; Edward K. Aldag, Jr. – chairman, president and chief executive officer; R. Steven Hamner – executive vice president and chief financial officer; Emmett E. McLean – executive vice president, chief operating officer and secretary; J. Kevin Hanna – vice president, controller and chief accounting officer



SEASONED EXPERTISE, HANDS-ON LEADERSHIP

THE FOUNDERS OF MPT CONTINUE TO GUIDE THE COMPANY'S GLOBAL GROWTH WITH ATTENTION TO THE DETAILS OF EVERY MOVE, EVERY DECISION, EVERY MILESTONE.

A visionary leader, Edward K. Aldag, Jr., founded MPT with the clear mission of providing capital for hospitals. As chairman, president and chief executive officer, he has the experience and insight that has been vital to MPT's unprecedented growth, and his hands-on approach ensures its continued success.

Aldag and his co-founders, Steve Hamner and Emmett E. McLean, stay involved with every aspect of the business. This trio provides leadership and learning opportunities for talented senior leaders and their teams, imparting all they know from running this business for so many years. But as they pass on all their experience, they stay intimately involved in the day-to-day. "We have really smart people, and we're bringing them along. But we built this business in an industry that's focused on hospital capital solutions, and it requires significant input from the founding executives," says Hamner.

As MPT embarks on a new decade, these three will continue to roll up their sleeves.

EDWARD K. ALDAG, JR.
CHAIRMAN, PRESIDENT
AND CHIEF EXECUTIVE OFFICER

From his office at the MPT headquarters, Aldag feels just as energized by the MPT mission today as he did when he founded the company. But he doesn't stay in his office often. A believer in dealing face to face with potential business partners, he orchestrated key transactions in 2019 by staying on the road and in the air, willing to go wherever he could to learn more about prospective operators and share more about why MPT makes such a strong business partner.

From the beginning, Aldag envisioned a company that focuses on hospitals alone, and he's steered the enterprise to a global force in an industry that MPT pioneered. "I've had a lot of different jobs. This is the proudest I've ever been," Aldag says.

R. STEVEN HAMNER
EXECUTIVE VICE PRESIDENT
AND CHIEF FINANCIAL OFFICER

With an eagle eye on the details, Hamner did not delegate the execution of the landmark transactions that made 2019 such a banner year. A certified public accountant by trade, Hamner brought years of business skill and prowess as a founder of MPT, and he's demonstrated his talents and belief in the company's mission for 17 years. As Hamner shares his experience with senior leaders and underwriters, he has no plans to scale back his involvement. "Hospitals are big, expensive assets. The deals we do are all different from other real estate acquisitions. There's nothing cookie-cutter about them," Hamner explains.

EMMETT E. McLEAN
EXECUTIVE VICE PRESIDENT
AND CHIEF OPERATING OFFICER

Being a founding partner in MPT came as a natural extension of McLean's background in healthcare finance and investment banking. His finance skills and insight, paired with a strong interest in community and civic causes, have guided MPT to astute business decisions that keep compassionate care at its heart. "Seeing the company increase its presence in areas where we already were doing business and expand our holdings as well has been gratifying," McLean says. And by growing the company, MPT feels greater responsibility to give back.

In 2019, McLean helped the MPT Charity Committee make a record number of financial contributions to causes in Alabama and abroad, and the company gave a record amount. "MPT has always contributed and supported great causes," McLean says, "but now we're able to make a real difference in the world—in the industry as a whole and in the communities where we have assets."

MPT PORTFOLIO

Strong domestically, growing internationally, MPT continues to build and maintain strategic relationships in the U.S., Europe and now Australia.

Pro forma portfolio statistics are as of December 31, 2019, and assume fully funded commitments.

Properties
389

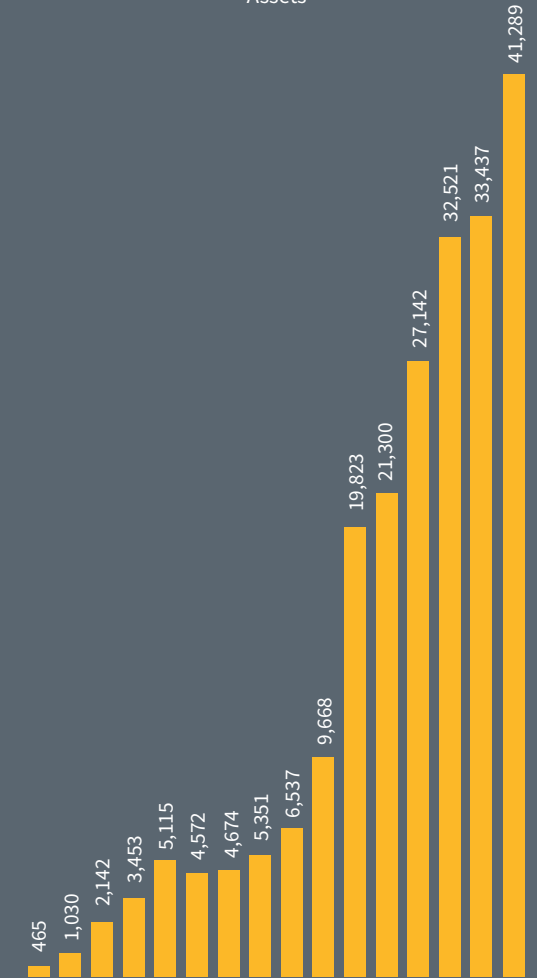
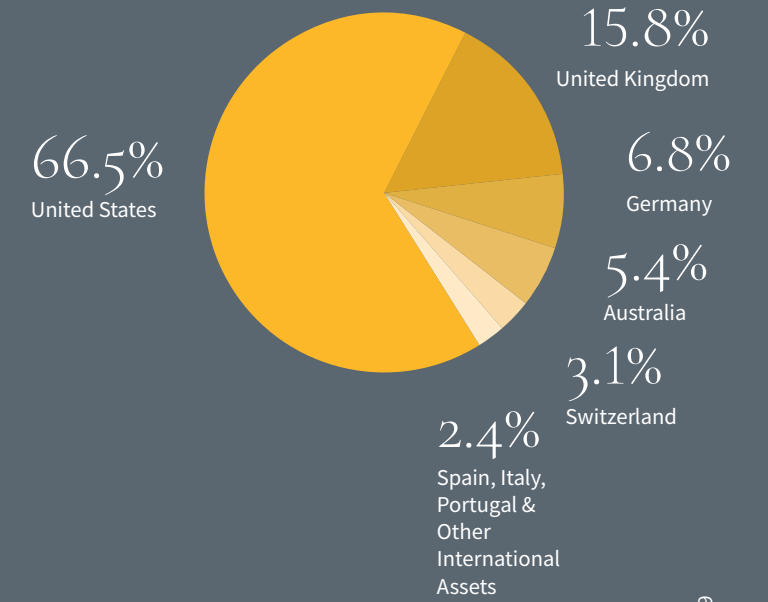
Operators
41

Countries
8

Continents
3

Beds
41,289

Global Portfolio Mix



HOSPITAL BEDS OWNED (2004 – 2019)

MARKET + INFLUENCE

We've built our business on the acute care market, but it's not a small space. As the medical community sees how our strategy works in the right places, we're excited about our future. Here's why you should be, too.





AHEAD OF INDUSTRY TRENDS

EVERYTHING HAPPENING IN HEALTHCARE CONVINCES MPT LEADERSHIP TO REMAIN UNWAVERING IN ITS MISSION TO PURSUE THE ACUTE CARE SECTOR.

MPT's intentional choice to focus on the acute care sector has proven the secret to incredible growth, benefiting communities around the world—and benefiting MPT shareholders as well.

Guided by this singular mission, MPT has strategically read the healthcare landscape and ascended to its preeminent position on the world stage. The company is responding to a need for hospital financing, and that need is not going to wane. Hospitals are central to the delivery of healthcare in the communities they serve, wherever they are in the world. That's why MPT's 2019 investments in new markets such as Portugal, Switzerland and Australia, along with new relationships with innovative operators in the U.S., further position it for even greater growth.

Trends related to demographics, technology and healthcare best practices all support MPT's mission and point toward rapid future growth. "The global market for hospital real estate is so large as to be almost immeasurable. And only a small fraction of

it is presently financed by parties such as MPT," says Edward K. Aldag, Jr., chairman, president and CEO of MPT and its primary founder. "We have many years of growth potential ahead of us."

READY FOR THE "SILVER TSUNAMI"

"You can hardly overestimate the general trend of the demographics in healthcare," says Emmett E. McLean, chief operating officer at MPT, as he rattles off stats about baby boomers aging. For instance, on average, people ages 65-74 spend four times the number of days in hospitals as the under-65 population. And every single day in the U.S. alone, 10,000 people turn 65. It follows that those ages 75-84 and 85-plus use hospitals 6.4 times and 8.7 times the rate of the under-65 group, respectively.

These utilization statistics bode well for hospitals. The so-called "Silver Tsunami" of aging boomers is still breaking over the industry, so the need for acute care is urgent

84

Number of years men who were age 65 on April 1, 2019, can expect to live

1 in 3

Number of 65-year-olds who will live past age 90

1 in 7

Number of 65-year-olds who will live past age 96

Source: Social Security Administration

and ongoing. And the coming generations will require care eventually, too. In fact, in meetings with older investors, MPT talks about how hospitals are good for these investors for two reasons: 1) hospitals take care of them, and 2) they generate cash flows that allow MPT shareholders to receive a growing amount of dividends in their retirement years.

Use by older Americans also means that hospitals have a steady payment source due to Medicare reimbursement, providing revenue to help pay rent to MPT and dividends to its shareholders. As technology improves and people live longer, there will be a need for quality facilities, and MPT capital will help ensure hospitals are prepared to serve.

BENEFITING FROM OFFERING OUTPATIENT CARE

The improved technology helping patients enjoy longer lives also means that hospitals can now provide more frequent outpatient services.

Indeed, many surgeries and procedures that once required an overnight stay now happen with same-day service, allowing hospitals to treat more patients more efficiently. "As a result, hospitals are helping additional people, doing more in their communities and reducing the overall cost of healthcare," says Aldag.

Some hospital systems are even providing outpatient services via stand-alone ERs or clinics in suburban areas, boosting their roles in their communities. MPT is seeing a general rise in hospital revenues, and a percentage of that higher revenue is coming from non-overnight, outpatient care. MPT tenants are taking advantage of that trend, responding to interest in this type of same-day service.

FINDING SUCCESS IN NEW MARKETS

In addition to MPT's acquisitions of new European and Australian hospitals in 2019, its \$700 million acquisition of 10 LifePoint Health hospitals illustrates how MPT has grown its presence in a broader range of U.S. markets.

Along with properties in large American cities, investors can now see MPT properties dotting cities and towns that may be a two-hour drive from large urban centers. Rosa Hooper, vice president and managing director, Asset Management and Underwriting, explains that MPT appreciates the critical role these hospitals play in their communities, serving residents looking for quality care without having to drive to larger cities. "We're proud to own these properties—some of the top hospitals and strongest performers in their areas," she says.

The newly acquired LifePoint facilities are just one way the company improved the geographic diversity of the MPT portfolio in 2019. And the capital solutions MPT provided these and other hospitals allow them to function better and meet more healthcare needs within their local populations.

Achieving that in more places in the U.S. and around the world is what MPT is all about.



“WE HIRE PEOPLE THAT CAME OUT OF THE HEALTHCARE INDUSTRY SO THAT WE COULD LITERALLY OPERATE ANY ONE OF OUR HOSPITALS IF WE HAD TO.”

*Emmett E. McLean
Chief Operating Officer, MPT*

WHAT'S NEXT

AFTER A MARQUEE YEAR WITH MORE MOMENTUM THAN EVER, MPT IS POISED FOR A NEW DECADE, A NEW PIPELINE, AND A NEW POSITION TO SHOWCASE ITS EXPERTISE ON THE GLOBAL STAGE.

Coming off a year of unprecedented growth, MPT's 2019 accomplishments show just how far the company has come since it started in 2003.

MPT has catapulted into a new position on the world stage: It ended 2019 with an enterprise value of almost \$19 billion—after growing from \$10 billion at the start of the year. New leases with new operators in the U.S. and elsewhere have diversified the company's holdings. An MPT office in Luxembourg positions it for more penetration in Europe. A new office in Sydney, Australia, will help it monitor new acquisitions with best-in-class operators “down under” and network on and around a third continent.

“We're a global company. You can't get farther away from Alabama than Australia,” says Chairman, President and CEO Edward K. Aldag, Jr. “There's no geographic boundary on where we can go.”

One key reason for MPT's past success emerges from the details of how the company runs its day-to-day operations. Aldag tells of one California hospital that MPT acquired after the operator grew frustrated with its previous landlord's inability to relate to its needs. The landlord took six months to make a decision about a bed configuration change request. “We make those types of decisions in 30 minutes,” Aldag says.

He and the company's underwriting staff have intimate knowledge of the healthcare industry that fuels every transaction MPT makes, every lease it signs and every relationship it maintains. And MPT's healthcare industry insight foretells the company's future success, no matter which direction on the globe it goes next. “There's no one with our expertise,” Aldag adds. “We understand all facets of this business—finance, real estate and, most important, healthcare.”

UNDERSTANDING HEALTHCARE

When Aldag established MPT, the goal was to root the whole enterprise in healthcare expertise that focused exclusively on hospitals. “That was the whole intent,” says Emmett E. McLean, executive vice president and chief operating officer, “to hire people who came out of the healthcare industry so that we could literally operate any one of our hospitals if we had to.”

One of those individuals, Luke Savage, MPT vice president, International Acquisitions, sees the benefits of this philosophy play out just about every day. “We have many people who worked in healthcare or at hospitals before they came to MPT. So during the underwriting process, we're asking key questions that show we understand hospital operations,” Savage says. “We're able to connect with people who do hospital work, and we're going to be an easy financing source to deal with because we know from

experience that there are good days and bad days.”

NEW BUSINESS ON A GLOBAL SCALE

It's MPT's healthcare know-how that allows it to maintain such strong relationships with its 389 facilities and 41 operators. It's what helps the company draw new business, with essentially unlimited potential.

From its commanding position as leader of the world in hospital real estate finance, MPT has a vibrant pipeline of acquisition opportunities. Aldag says first-time transactions in Latin America are on the horizon and he looks forward to further transactions in Europe. MPT's brand-new presence in Australia gives the company a foothold in a vast country in and of itself, but also in the Pacific Rim.

LEADING THE MARKET

MPT takes great pride in helping hospitals unlock capital and put it to work to better serve their patients. They use it for renovations, new equipment, recapitalizations, new doctors and staff, and other needs. As more and more hospital systems see how well such a model works, the market will continue to grow.

Demonstrating that MPT has tapped just a fraction of America's hospital real estate, Charles Lambert, MPT treasurer and managing director, Capital Markets, estimates there are about 5,000 hospitals in the U.S., and of them, MPT only has about 250 properties. Globally, he points to the many different types of operators in different countries with different healthcare systems. Across all of these geographies and hospital operators, a commonality is that MPT's creativity in putting together real estate finance solutions can benefit a large portion of existing hospitals.



“THERE’S NO ONE WITH OUR EXPERTISE. WE UNDERSTAND ALL FACETS OF THIS BUSINESS—FINANCE, REAL ESTATE AND, MOST IMPORTANT, HEALTHCARE.”

Edward K. Aldag, Jr.
Chairman, President and CEO, MPT



That strong potential is why private equity investors and shareholders alike continue to be attracted to MPT. There is a growing recognition that the company serves a vast and growing need in the hospital industry around the globe. And there is acknowledgment that MPT knows how to manage its growing portfolio with true expertise in the hospital industry.

WORKING WITH OLD AND NEW FRIENDS

In 2019, MPT saw a host of new relationships with new operators, but many were rooted in the past, stemming from interactions and transactions with operators and equity firms that have dealt with MPT and its management before. “They come to us for a reason,” McLean says. “We’ve helped fuel their growth.”

Becoming so sought-after portends a bright future for a fast-growing company that’s looking to extend its global reach to places where its model works. That means that during the next year and the next decade, MPT is looking to work with leading hospital operators and investors. It’s looking in the strongest markets. When an opportunity is identified and MPT’s executives decide to invest, the company moves rapidly.

“Where we go internationally depends on where the opportunities are, and MPT will gauge the situation to see if it makes sense,” McLean says. As of early in 2020, MPT’s portfolio was based approximately 66% in the U.S. and 34% internationally. In the future, the company expects to maintain a range between 60% and 70% allocated to the U.S., and this

will fluctuate with the timing of opportunities in various markets.

“We look for very good opportunities,” McLean says. “We were the first ones doing what we’re doing, and now there are more opportunities than ever out there.”

PEOPLE + PROGRESS

From acquisitions in Europe to properties stateside, we're meeting the needs of people far and near. Success depends on our deep understanding of the medical community and its patients. We're excelling and growing—and people are talking.





“WE’RE OPEN TO FINDING GOOD PEOPLE WHO RUN GOOD HOSPITALS IN COMMUNITIES WHERE THEY’RE TRULY NEEDED. WE DON’T DO EVERY DEAL.”

*Luke Savage
Vice President, International Acquisitions, MPT*

HAVING A GLOBAL VISION

FROM PRISTINE FACILITIES AMID THE SWISS ALPS TO PREMIER ASSETS DOWN UNDER, MPT’S LANDMARK TRANSACTIONS IN 2019 DEMONSTRATE THE COMPANY’S AGILITY AND EXPERTISE. MPT IS ALWAYS EVALUATING THE MARKET FOR THE NEXT, BEST OPPORTUNITY—WITH THE CAPITAL AND CAPABILITY TO MAKE THEM HAPPEN.

When Edward K. Aldag, Jr., MPT’s chairman, president and CEO, learned about a new opportunity for MPT in Switzerland that required swift action, he didn’t hesitate. “Call the owner of the company and tell him I’ll be in Switzerland tomorrow,” he said.

Within 24 hours, Aldag was on the ground in Europe, ready to assess the opportunity for the company he founded to acquire a share in a Swiss healthcare real estate company, Infracore SA. Infracore owns a network of state-of-the-art hospitals across Switzerland operated by the country’s second largest private operator, Swiss Medical Network—a subsidiary of Aegis Victoria SA, also an investor in Infracore.

Just three days later, Aldag got to know the Infracore management team face to face and hashed out initial plans for the transaction. On his return trip to the U.S., he asked MPT’s executive vice president and chief financial

officer, Steve Hamner, who was already flying over, to handle the contract details and alert the underwriting team. “Steve and I passed in the night,” Aldag recalls, “and we closed the deal in 30 days.”

The result of such agility? MPT is now the largest shareholder in a \$900 million Swiss portfolio that includes 13 stellar acute care properties. MPT also made a 4.9% equity investment in Aegis, giving it an indirect ownership stake in the network and positioning MPT for longer-term opportunities.

On his initial visit to Switzerland, Aldag immediately recognized the excellent quality of the facilities under review, and he’s proud of MPT’s ability to quickly act on the opportunity. “We look for high-quality facilities every time we make an investment decision, and we’re glad to have a presence now in Switzerland,” he says.

EXPERIENCE AND EXPERTISE

MPT can make such moves and quickly judge the viability of opportunities because of 16 years’ worth of experience and depth of expertise in the acute care hospital sector. If anyone can assess an opportunity, it’s Aldag and the leaders who work under him, as many have backgrounds directly in the healthcare industry.

“Anybody can find money and put it together and invest in real estate,” Hamner says. “Hospital operators that do business with MPT know that we understand their business.”

That combination—ready capital and expertise in hospital healthcare—sets MPT apart in the U.S. and internationally. When it came to the blockbuster Swiss transaction, it’s how MPT made the transaction happen so quickly. Investors had already lined up in Europe for the opportunity to acquire the Aegis shares of Infracore by the time Aldag

met with Infracore, which was looking to close the transaction within 30 days. Aldag directed his team to make it happen. With the average lease remaining set at 23 years, the Infracore relationship will be ongoing.

QUALITY RECOGNIZING QUALITY

Luke Savage, MPT vice president, International Acquisitions, says it’s rare that someone in Switzerland would build such a network of high-quality hospitals and want to sell. He’s proud that the company tapped MPT. After all, he says, quality and precision are Swiss hallmarks, from watches to tennis players. And those traits are what the Swiss look for in business partners. As excellent as the Swiss facilities are, MPT’s No. 1 interest when generating new deals is finding quality assets in attractive markets and skilled people to align with. “It’s a bonus to have awesome buildings,” Savage says.

Regarding personal relationships and trusted finance and healthcare industry acumen, MPT tops the list of potential landlords. And now the company’s presence in Switzerland sets it up for other business there and across Europe, where MPT has grown its holdings to more than 150 hospitals. “It’s an honor when groups in Switzerland want to partner with you,” Savage says. “For [the Swiss] to know MPT knows hospitals and that we can do the deal quickly, that carries us forward to the future.”

ON THE LOOKOUT FOR NEW OPPORTUNITIES

From his MPT office in Luxembourg, Savage has a chance to get to know the cultures and ways of doing business in each European country, and he and his team adapt to international styles as they interact with industry players and potential investors. “Once you recognize other cultures’ personalities, it’s important to adjust,” Savage says, noting flexibility is required for the

financial side of things, too. “You’ve got to have creativity and flexibility with the way to fund and structure deals. Every country is different, and the EU has 27 countries and there are others not in the EU. There are different ways of thinking.”

He views his team as a front line, maintaining existing relationships in Europe and looking out for potential new opportunities for MPT. And the company’s philosophy is simple, no matter where in the world MPT does research and underwriting. “We’re open to finding good people who run good hospitals in communities where they’re truly needed,” Savage says.

MAKING THE MOVE DOWN UNDER

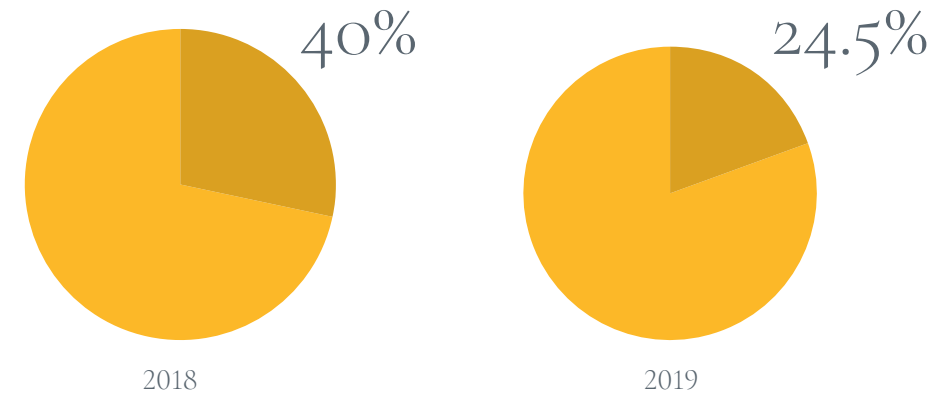
Shortly after the Swiss transaction was announced in May 2019, the company completed a deal further east—in Australia. The transaction culminated last June after more than a decade of exploration there. “That’s what I would call the highlight of the year,” says COO Emmett E. McLean, touting the \$0.9 billion investment in 11 hospitals operated by Healthscope, Ltd.

Long eyeing the Australian market, MPT had become knowledgeable about the Australian hospital economy. So after preliminary discussions in 2018, circumstances converged in 2019 and MPT completed the deal by June, securing valuable relationships with

Healthscope, the second largest private hospital operator in Australia, and Brookfield Business Partners, L.P., one of the largest asset management companies in the world. The relationships with these companies will help MPT establish itself in a new part of the globe.

The Healthscope purchase and lease-back arrangement solidifies a long-term presence in the country and the “Australasia” region. Furthermore, MPT announced plans to open a new office in Sydney, a very public statement that MPT is officially open for business and open to new opportunities in Australia and in other countries in the region.

Steward Health Care LLC Share of MPT Portfolio



IMPROVING OPERATOR DIVERSITY

As MPT increased its geographic footprint and diversity, it also improved operator diversification. One of the company’s largest operators, Steward Health Care LLC, now takes up a less dominant space in the overall portfolio.



COMMITTING RESOURCES AND PERSONNEL IN AUSTRALIA

Longtime Birmingham, Alabama-area commercial real estate professional Bob McLean joined MPT last fall and will move to Sydney in 2020 to man the new office there. “We’ve had a relationship with Bob for years, and his experience will serve us well in Australia,” Aldag says.

In addition to furthering relations with Brookfield and Healthscope, McLean will be working to strengthen ties with other hospital operators in Australia. “We feel like this initial acquisition is just the tip of the iceberg,” McLean says. “Australia is a huge country with lots of potential, and we believe MPT can have a positive impact on the country and the healthcare system. We want to share our resources and expertise to make healthcare in Australia even better.”

Savage explains that as part of the lease arrangements in the Healthscope deal,

MPT also committed up to \$350 million in development and expansion funds for the 11 Australian hospitals. One of them, The Geelong Clinic outside of Melbourne, has already claimed \$20 million to add services and physician suites. “We’re using MPT funds to help upgrade these facilities, which ultimately helps our shareholders by increasing returns on investment and demonstrating our commitment to Healthscope,” Savage says.

He compares the Australian deal to the acquisitions MPT made seven years ago in Germany, where MPT started with 11 hospitals and now has 81. “The Australia move gives us a presence in a whole other part of the world. It’s exciting,” Savage says, “and people are going to know who MPT is.”

GLOBAL SPRINGBOARDS

The Swiss and Australian deals symbolize the larger expansion of MPT as a company set for

even greater global growth and expansion. In 2019, investors and shareholders alike saw more evidence than ever that the company can do business on a global scale with alacrity, ingenuity and street smarts that come from 16 years of recognizing great investment opportunities.



ALIGN AND EXCEL

MPT'S LONGTIME RELATIONSHIPS IN BOTH PRIVATE EQUITY AND HEALTHCARE SECTORS RESULTED IN AN IMPRESSIVE \$700 MILLION ACQUISITION IN 2019—A TEXTBOOK EXAMPLE OF HOW BUILDING GOODWILL LEADS TO NEW OPPORTUNITIES.

The headlines sounded impressive. MPT closed on a \$700 million acquisition of 10 U.S. hospitals involving top players in the healthcare industry and in the world of investment finance. Yet when MPT acquired the group of hospitals from LifePoint Health, Inc., one of the largest hospital operators in the U.S., and worked with esteemed private equity firm Apollo Global Management, Inc., to do it, the transaction felt more like a natural progression. It stemmed from years of MPT's solid business dealings with each company, making this impressive transaction almost expected, even inevitable.

"It's really a relationship story to the fullest," says Edward K. Aldag, Jr., chairman, president and CEO of MPT. Aldag has been well acquainted with Marty Rash, a longtime CEO of healthcare operators and a current LifePoint board member, and MPT CFO Steve Hamner has forged strong relationships with leading executives at Apollo. The LifePoint transaction

contributed to an unprecedented year of 64% growth for MPT, all resulting from previous endeavors and relationship-building.

MPT's emphasis on personalizing business relations helped produce the head-turning results in 2019, including the fourth quarter LifePoint acquisition. The 10-hospital purchase reflected the spirit of collaboration in the company that extends from the top executives down through the underwriting and asset management teams. "We got the hospitals we wanted, they got the financial resources they wanted, and we're dealing with people we've known for years," says Aldag.

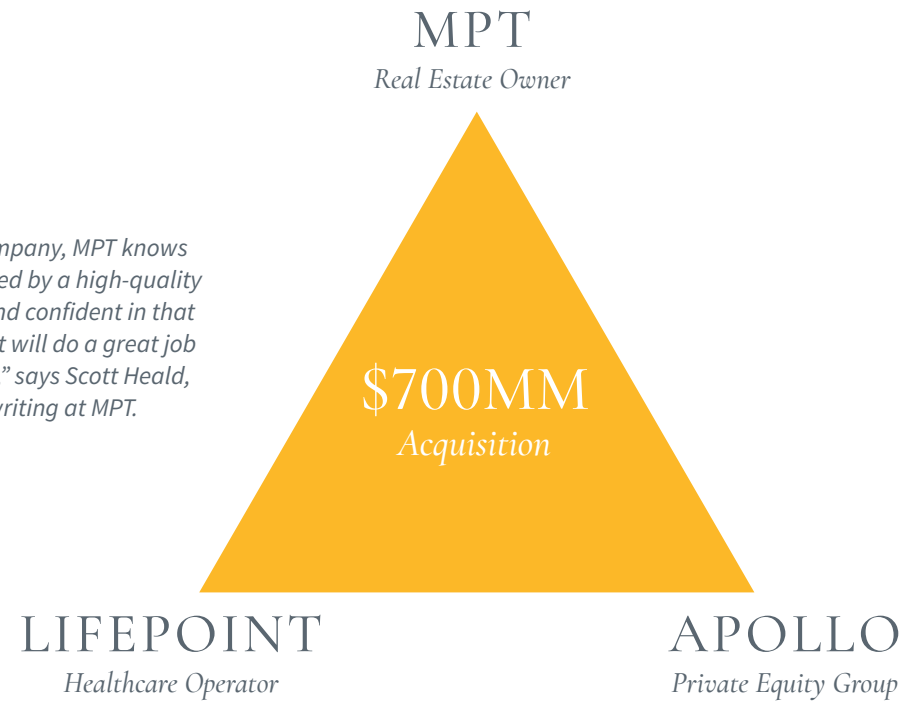
MAINTAINING MUTUAL RESPECT

When Apollo was interested in generating capital with the sale of LifePoint real estate, Aldag says it called one entity: MPT.



CONFIDENT THREE-WAY PARTNERSHIP

With existing relationships with each company, MPT knows LifePoint is a high-quality operator backed by a high-quality equity group. “We’re very comfortable and confident in that long-term relationship and that LifePoint will do a great job managing and operating these facilities,” says Scott Heald, director, Asset Management and Underwriting at MPT.



“We have a tremendous relationship with Apollo because we have always been straightforward with them,” he adds. “We were able to do this transaction with them as a ‘hey, let’s work this out,’ friendly type of deal.”

Yet friendly relations didn’t mean MPT let up on the extensive underwriting process it uses to assess potential properties, and LifePoint and Apollo wouldn’t have it any other way. The due diligence MPT is known for is one reason why there’s mutual respect among this trio of companies.

MPT selected and purchased the 10 facilities in six states, leasing them back to LifePoint under long-term agreements. “We visited a number of facilities to determine which best fit with our existing LifePoint assets,” says

Matt Lyden, director, Asset Management and Underwriting at MPT.

MPT and Apollo first collaborated in 2016, when the MPT-owned real estate holdings of Capella Healthcare, Inc., and the operator itself merged with Apollo-affiliated RegionalCare Hospital Partners. The newly formed company moved forward as RCCH, and then in November 2018, RCCH merged with LifePoint. MPT maintained close relations with the changing management through all those transitions.

“It’s rewarding to look back at the history, how our relationship goes back and how it’s grown,” says Lyden. “We’ve always been able to transition in a way that I hope feels seamless, and that’s the feedback we’ve always gotten. If

that weren’t the case, they wouldn’t continue to look to us to finance and build on the relationship.”

DEVELOPING SYNERGY WITH LIFEPOINT

Building on the existing relationship with healthcare operators is always an ultimate goal, but asset managers must create the relationship first. With LifePoint, it’s been a natural fit. “LifePoint has a strategic and execution-oriented culture on their end. I think what they’ve found is that we are the same,” says Scott Heald, director, Asset Management and Underwriting at MPT.

That’s possible, in part, because so many at MPT have healthcare-related backgrounds. Heald,



THE BENEFITS OF MPT FINANCING

Through its sale-and-leaseback arrangements, MPT helps hospitals explore better ways of providing service. They enjoy cash infusions that allow them to hire more staff, recruit skilled physicians, invest in renovations and new technology, expand service lines and more.

for instance, worked in healthcare finance, including healthcare mergers and acquisitions, prior to joining MPT. A certified public accountant, he finds it satisfying to continue working in a health-related sphere. Similarly, Heald’s colleague, Lyden, can offer LifePoint more than a typical asset manager does because he is a former hospital CEO armed with an understanding about an operator’s literal day-to-day needs.

Heald’s and Lyden’s expertise helps them assess properties during the underwriting process. Sometimes the hard questions that they know to ask the operators actually help operators fine-tune their business plans. “We’re not just a company that owns a bunch of real estate,” says Heald. “We work very hard to understand what our tenants are doing

operationally and what they’re doing from a healthcare perspective. We can talk the same language.” Lyden agrees, adding, “There’s mutual respect between MPT and LifePoint. That’s what we’re hoping to accomplish with all of the operators we serve.”

MPT pursues close relationships with operators who typically sign 20- to 30-year leases because the company understands that personal connections can help weather any rough patches during these long-term commitments.

OPENING NEW OPPORTUNITIES

The LifePoint transaction makes a great case study about how interconnected the

healthcare world has become with the finance sector and how private equity firms are taking notice. “This \$700 million transaction potentially opens up opportunities with others in the sector who see how that triangle between the private equity, the healthcare operator and the real estate owner has worked very well,” Heald says.



A SMART MODEL FOR GREAT CARE

THE HEART BEHIND MPT'S CAPITAL SHONE THROUGH WITH ITS \$1.55 BILLION ACQUISITION OF A NETWORK OF U.S.-BASED HOSPITALS THAT PROVIDE QUALITY CARE WHERE IT'S NEEDED MOST.

In East Los Angeles, there's a hospital that stands as more than a healthcare facility. It represents a safe harbor for medical needs and is a trusted resource for preventive medicine, with proactive healthcare programming and services. It's a strong, quality hospital vital to this underserved section of L.A.

Run by Prospect Medical Holdings, Inc., it is also one of a collection of 14 U.S. hospitals and two behavioral health hospital properties that MPT acquired in 2019 as part of a significant \$1.55 billion acquisition and then leased back to the operator. "Prospect is a new operator for us, and we like the role its hospitals play in their communities," says Rosa Hooper, vice president and managing director, Asset Management and Underwriting at MPT. "We look at diversification in a number of ways, including operator diversification and geographic diversification. We also look at how hospitals strengthen communities."

Prospect's intriguing business model touts "Coordinated-Regional-Care," which it says "prefigures the objectives of healthcare reform—to improve quality, reduce cost and enhance overall patient care."

"Prospect has developed a business plan that includes successful and profitable treatment of patients whose treatment costs are reimbursed by state-based and other sources that many other hospitals are less equipped to handle," explains Steve Hamner, MPT chief financial officer. "This specialized expertise is critical to the long-term success of the U.S. hospital system because we expect the proportion of these patients will continue to increase in future years."

Prospect provides dignified, quality care and also maintains a healthy profit margin. "Prospect found a way to consistently and sustainably treat those patients over the long term," Hamner says. "And those patients get excellent treatment. We actually expect to

see additional hospital systems implement the systems, synergies and efficiencies necessary to profitably treat these patients, looking to Prospect for examples."

It's treatment that MPT finds rewarding to facilitate via the company's financing capability. "People have healthcare because we made a difference," MPT Chairman, President and CEO Edward K. Aldag, Jr., says. "We're very proud of that."

HOW PROSPECT MAKES IT WORK

The Prospect hospitals that MPT acquired are clustered in a handful of markets, including Southern California in the West and Delaware County, Pennsylvania, in the East. The underwriting and asset management team examined every property purchased and is now charged with day-to-day matters related to the lease. "Through regular calls with CFOs and CEOs, we know what's going on at each hospital. They have the autonomy to operate, but we are very in tune with them," Hooper says, noting how diligently MPT reviews financial and operating data supplied by its tenants. "We will get on their last, good nerve," she adds, laughing.

The California regional Prospect hospitals operate as a system, with a group that includes a 453-bed hospital in Culver City on one end of the spectrum and the 50-bed hospital in East L.A. on the other. They leverage referrals to one another, along with physician group relationships, as they operate under managed-care contracts. "It's the system in which they operate and the unique leverage among each other that have made them a success," says Lou Cohen, director, Asset Management and

Underwriting, adding that value-based purchasing helps make the budget work and keeps the operator profitable. "Prospect's model in the East L.A. facility is set up so they have a low-cost infrastructure, just taking care of essential medical needs of that population. They can refer patients to sister hospitals with more capabilities, as needed."

Prospect takes a proactive stance on improving the health and wellness of area residents. Through prevention tips and health screenings, it's making a difference in a community that struggles with diabetes, hypertension and other chronic diseases. "If your incentive is to keep the population healthy, you're going to provide those types of services to the community," Cohen explains, noting the goal is to prevent hospital visits in the first place and to address the behavioral health needs the hospital sees among its patients. And Prospect facilities help fill a gap in hospital care. "The larger, academic medical centers don't necessarily want to serve mental health needs, for instance, and they don't want the acute care clogging their ERs," he says. "Prospect will deliver those services. They have chosen to provide them."

In Delaware County, Pennsylvania, four Prospect hospitals play just as vital a role in their communities. From a large, 400-bed hospital to three smaller ones, the group has the highest market share. "They're a close-knit group that creates a system in that market," Cohen says.

INVESTING IN AMERICA'S HEALTHCARE FUTURE

Prospect's successful strategy is a promising model for other hospital systems in the

U.S., says Hamner, who adds that even more of these types of facilities are needed in America. "We've made a \$1 billion-plus investment in Prospect for good reason," Hamner says. "MPT believes we need more operators like Prospect. Otherwise, our larger healthcare system would face demands it is unequipped to satisfy."

Prospect provides much-needed, convenient, quality care, and MPT prides itself on offering a long-term financing arrangement that will keep Prospect facilities operating for years to come. It goes back to what MPT looks for in any transaction: that a hospital is serving local needs. And MPT saw it in Prospect facilities.

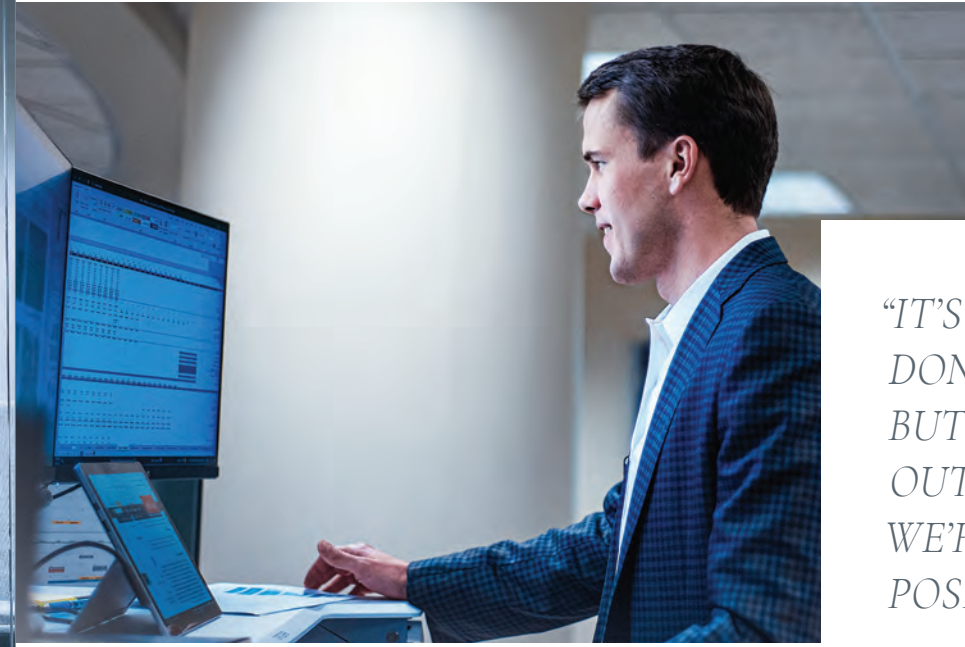
WORLD + COMMUNITY + SOCIAL RESPONSIBILITY

In all we do, we consider how our business impacts the world, exploring good citizenship on a global and local level. From our employees to people who live and work where we operate, we serve with informed responsibility. Here's how.

No 6

1501 Third Avenue North
THE OLD
FIREHOUSE
SHELTER
"Caring, Nurturing, Empowering
Birmingham's Homeless"





“IT’S GREAT THE THINGS WE’VE DONE FOR CHARITIES IN THE PAST, BUT WE’RE LOOKING AT WHAT’S OUT THERE FOR THE FUTURE. WE’RE FORTUNATE TO BE IN A POSITION TO BE IMPACTFUL.”

*Emmett E. McLean
Chief Operating Officer and Charity Committee Member, MPT*

GIVE WELL. LIVE WELL.

FROM TAKING CARE OF EMPLOYEES TO CONTRIBUTING TO HEARTFELT CAUSES, MPT USES ITS RESOURCES FOR FAR MORE THAN THE NEXT TRANSACTION.

Investing in premier healthcare systems around the world isn’t just a way to create a profitable enterprise. It’s a way to have the presence, the platform and the means to help people at home and abroad. “We’re in a position where we can actually make a difference,” says MPT Chairman, President and CEO Edward K. Aldag, Jr., “whether we’re doing it with our financial resources or our people resources.”

ENSURING EMPLOYEE HEALTH, WELLNESS AND PROFESSIONAL DEVELOPMENT

MPT starts within the walls of its offices, ensuring employees feel valued with great benefits and plenty of health and wellness options. At its headquarters in Birmingham, Alabama, employees can access a convenient and safe gym, and they get an allowance for membership at other workout

facilities. Employees can use concierge doctor services for the best care at their convenience, and they have access to top-tier insurance coverage for health, secondary health, vision, dental and life. “We’re getting people the best plans we can at prudent, affordable prices,” notes Cassie Cates, MPT human resources manager.

Employees enjoy other perks too, including stock-based compensation. But access to such great benefits doesn’t come easy. First, the employees have to get hired by MPT. “I’m glad I didn’t know what a rigorous process it was when I started,” says Bob McLean, laughing. He recently came on board to head MPT’s new office in Sydney, Australia.

Each prospective MPT employee undergoes a rigorous interview process to assess how well the candidate will fit into the culture and perform. The on-staff hiring process includes

time with an industrial psychologist who not only assesses prospects as employees but also helps them craft professional goals and development plans when they’re hired. Cates points out that as employees grow in their roles at MPT, they’re also given professional development training, including seminars on topics that range from diversity training to sexual harassment. They also have opportunities to grow their skills and maintain certifications, whether it’s a CPA designation or a law degree.

BOLD CORPORATE GOVERNANCE

The MPT mission, mindset and positive workplace environment filter down from Aldag, who believes business is ultimately about people. As chairman of the board of directors and president and CEO of the company, he has implemented best practices of corporate

governance, including a 75% independent board of directors, unclassified board structure and majority voting in uncontested elections.

The board has a history of diversity and is currently composed of 25% female members (fully 33% of non-founder directors). It is committed to frequent refreshment of independent directors, and almost two-thirds of its members have a tenure of five years or less and an average age of about 58. Made up of members with a mix of business experience and skills, the board has adopted bold governance standards that include a mandatory retirement age for directors.

FOSTERING A GIVING AND GENEROUS SPIRIT

MPT’s care for its employees helps them enjoy life away from the office too, where most do volunteer work with area nonprofits or

other worthy causes. MPT helps by giving a paid-time-off day each year for employees to devote to the charitable organization of their choice. “We have really good people with really good values, and they really care about the community,” says Tom Schultz, MPT director of healthcare and a member of the MPT Charity Committee. “There’s a culture and attitude of giving here, and it goes from the top down.”

Schultz points to MPT COO Emmett E. McLean’s heavy involvement with charitable work in Birmingham. In turn, McLean recounts the instance when Aldag upped a planned and already sizable contribution to the Kiwanis Club because he wanted to provide leadership in the community to champion the organization’s worthy cause.

Following Aldag’s lead, the MPT Charity Committee awards funds in large and small amounts to worthy groups in Birmingham



“WE GIVE BACK BECAUSE IT’S THE RIGHT THING TO DO.”

*Edward K. Aldag, Jr.
Chairman, President and CEO, MPT*

and in far-flung places. In Chad, for instance, a new well provides a community with clean drinking water, thanks to a \$6,000 gift MPT made to a nonprofit called Neverthirst. Closer to home, MPT committed to fund \$3.5 million over three years to help build a hospital in rural Alabama without which residents in the surrounding communities would go without hospital healthcare. The company has made a similar commitment to the University of Alabama at Birmingham (UAB).

The spirit of giving at MPT overflows to individual contributions of time and talent. “You’d be hard-pressed to find someone at MPT who doesn’t do volunteer work of some type in our community,” says Schultz.

HELPING IN MPT’S OWN BACKYARD

The company prides itself on supporting a broad spectrum of Birmingham-based institutions and organizations—from Children’s of Alabama and the respected

research hospital at UAB to educational groups like the Jones Valley Teaching Farm, which offers a food-based, hands-on curriculum to 4,500 public school students to enrich their understanding of food, farming and the culinary arts. “What they’re really doing is changing kids’ lives,” McLean says. “They’re providing after-school internships, career path opportunities and even college scholarships.”

“It’s proven if you can get in the school and do things for children, then it’s going to impact their health forever,” adds Alison Schmidt, MPT managing director, Financial Planning and a member of the Charity Committee.

Schmidt’s also on the board of The Bell Center, which offers early intervention for children up to age 3 who have a range of diagnoses and special needs. “It’s really, really unique. There are not very many places in the country that do what they do. The results that they have achieved are just magnificent,” Schmidt says. She’s proud that

MPT helped fund a new facility for the center so it can better serve the 105 children in its program. In addition to a substantial capital gift toward construction costs of the new building, MPT made a \$15,000 commitment to the center’s operating budget in 2019 and funded its annual \$3,000 scholarship for one child to attend the program.

MPT also contributes to the community through efforts such as buying jerseys for local youth sports teams and supporting the arts via organizations like the Alabama Symphony Orchestra and the Birmingham Museum of Art. “We do it because it’s good for the community,” McLean says. Such disparate causes all affect the well-being of the community, physically, emotionally and fiscally.

From providing challenge grants for groups such as the neonatal intensive care unit at St. Vincent’s Hospital, an endeavor that raised about \$25,000, to offering starter funds for locals who present their cases before the

Charity Committee, MPT looks for strategic ways to help local people trying to make a difference. “The only way you’re going to start something and make it bigger is to start small,” says McLean about why MPT makes \$1,000 and \$2,000 contributions to startup nonprofits. He and the members of the Charity Committee relish the times when a group that received startup funds returns to MPT five years later, still growing and with bigger goals and bigger results. It means the Charity Committee at MPT made a wise decision to help them in the first place.

INCREASING INTERNATIONAL CONTRIBUTIONS

“We do most of our charity locally, but it has international impact,” Schultz says, pointing to contributions to the American Heart Association and to the UAB Comprehensive Diabetes Center, both of which can have international influence. Zac Riddle, MPT assistant controller and Charity Committee

member, notes that the Luxembourg office brought a great project to MPT: Chaîne de l’Espoir, or The Chain of Hope. This organization flies children into Luxembourg for life-changing surgeries. MPT has helped support the operation almost from the initial opening of its Luxembourg office, with a single employee.

“So, as we go around the world, we do that kind of thing,” Schultz says. With the new presence in Australia, Schultz and Bob McLean, who’ll run the office there, will meet with new partner Healthscope to discuss not only operations, but also ways the Charity Committee could help Down Under. In the Caribbean, MPT has helped fund a mobile medical clinic in Haiti, part of a nonprofit called LiveBeyond that’s run by the physician son-in-law of former University of Alabama Head Football Coach Gene Stallings.

Many of the good works and contributions funded by MPT have an Alabama connection or personal ties to the employees of MPT.

“If it’s important to our employees, it’s important to MPT,” Schmidt says.

FOLLOWING THE LEAD OF EMPLOYEES

By following the hearts and leads of the people MPT hires, the company discovers the worthiest of causes and ways to make the biggest of differences. The company vets the groups seeking their support, even conducting site visits, to ensure every dollar MPT gives will be well spent. That gives shareholders confidence that the same care taken with business acquisitions and day-to-day operations goes into decisions about giving.

REPORTS + NUMBERS

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SELECTED FINANCIAL DATA

The following table sets forth selected financial and operating information on a historical basis:

[In thousands, except per share amounts]	2019	2018	2017	2016	2015
OPERATING DATA					
Total revenues	\$ 854,197	\$ 784,522	\$ 704,745	\$ 541,137	\$ 441,878
Expenses:					
Interest	237,830	223,274	176,954	159,597	120,884
Real estate depreciation and amortization	152,313	133,083	125,106	94,374	69,867
Property-related	23,992	9,237	5,811	2,712	3,792
General and administrative	96,411	80,086	58,599	48,911	43,639
Acquisition costs	—	917	29,645	46,273	61,342
Total expenses	510,546	446,597	396,115	351,867	299,524
Other income (expense):					
Gain on sale of real estate and other	41,560	719,392	7,431	61,224	3,268
Impairment charges	(21,031)	(48,007)	—	(7,229)	—
Earnings from equity interests	16,051	14,165	10,058	(1,116)	2,849
Debt refinancing and unutilized financing costs	(6,106)	—	(32,574)	(22,539)	(4,367)
Other	(345)	(4,071)	374	(503)	(2,674)
Income tax benefit (expense)	2,621	(927)	(2,681)	6,830	(1,503)
Net income	376,401	1,018,477	291,238	225,937	139,927
Net income attributable to non-controlling interests	(1,717)	(1,792)	(1,445)	(889)	(329)
Net income attributable to MPT common stockholders	\$ 374,684	\$ 1,016,685	\$ 289,793	\$ 225,048	\$ 139,598
Net income attributable to MPT common stockholders per diluted share	\$ 0.87	\$ 2.76	\$ 0.82	\$ 0.86	\$ 0.63
Weighted-average shares outstanding — diluted	428,299	366,271	350,441	261,072	218,304
OTHER DATA					
Dividends declared per common share	\$ 1.02	\$ 1.00	\$ 0.96	\$ 0.91	\$ 0.88
FFO(1)	\$ 535,768	\$ 485,335	\$ 408,512	\$ 253,478	\$ 205,168
Normalized FFO(1)	\$ 557,413	\$ 501,004	\$ 474,879	\$ 334,826	\$ 274,805
Normalized FFO per share(1)	\$ 1.30	\$ 1.37	\$ 1.35	\$ 1.28	\$ 1.26
Cash paid for acquisitions and other related investments	\$ 4,565,594	\$ 666,548	\$ 2,246,788	\$ 1,489,147	\$ 1,833,018
BALANCE SHEET DATA					
	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
Real estate assets — at cost	\$ 10,163,056	\$ 5,952,512	\$ 6,642,947	\$ 4,965,968	\$ 3,924,701
Real estate accumulated depreciation/amortization	(570,042)	(464,984)	(455,712)	(325,125)	(257,928)
Mortgage and other loans	1,819,854	1,586,520	1,928,525	1,216,121	1,422,403
Cash and cash equivalents	1,462,286	820,868	171,472	83,240	195,541
Other assets	1,592,177	948,727	733,056	478,332	324,634
Total assets	\$ 14,467,331	\$ 8,843,643	\$ 9,020,288	\$ 6,418,536	\$ 5,609,351
Debt, net	\$ 7,023,679	\$ 4,037,389	\$ 4,898,667	\$ 2,909,341	\$ 3,322,541
Other liabilities	415,498	245,316	286,416	255,967	179,545
Total Medical Properties Trust, Inc. stockholders' equity	7,028,047	4,547,108	3,820,633	3,248,378	2,102,268
Non-controlling interests	107	13,830	14,572	4,850	4,997
Total equity	7,028,154	4,560,938	3,835,205	3,253,228	2,107,265
Total liabilities and equity	\$ 14,467,331	\$ 8,843,643	\$ 9,020,288	\$ 6,418,536	\$ 5,609,351

(1) See section titled "Reconciliation of Non-GAAP Financial Measures" for an explanation of why these non-GAAP financial measures are useful along with a reconciliation to our GAAP earnings.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

The following table presents a reconciliation of net income attributable to MPT common stockholders to FFO and normalized FFO for the years ended December 31, 2019, 2018, 2017, 2016 and 2015 (\$ amounts in thousands except per share data):

	For the Years Ended December 31,				
	2019	2018	2017	2016	2015
FFO INFORMATION					
Net income attributable to MPT common stockholders	\$ 374,684	\$ 1,016,685	\$ 289,793	\$ 225,048	\$ 139,598
Participating securities' share in earnings	(2,308)	(3,685)	(1,409)	(559)	(1,029)
Net income, less participating securities' share in earnings	\$ 372,376	\$ 1,013,000	\$ 288,384	\$ 224,489	\$ 138,569
Depreciation and amortization	183,921	143,720	127,559	96,157	69,867
Gain on sale of real estate	(41,560)	(719,392)	(7,431)	(67,168)	(3,268)
Real estate impairment charges	21,031	48,007	—	—	—
Funds from operations	\$ 535,768	\$ 485,335	\$ 408,512	\$ 253,478	\$ 205,168
Write-off of straight-line rent and other	15,539	18,002	5,340	3,063	3,928
Debt refinancing and unutilized financing costs	6,106	—	32,574	22,539	4,367
Release of income tax valuation allowance	—	(4,405)	—	(3,956)	—
Acquisition and other transaction costs, net of tax benefit	—	2,072	28,453	52,473	61,342
Non-real estate impairment charges	—	—	—	7,229	—
Normalized funds from operations	\$ 557,413	\$ 501,004	\$ 474,879	\$ 334,826	\$ 274,805
PER DILUTED SHARE DATA					
Net income, less participating securities' share in earnings	\$ 0.87	\$ 2.76	\$ 0.82	\$ 0.86	\$ 0.63
Depreciation and amortization	0.43	0.39	0.37	0.37	0.32
Gain on sale of real estate	(0.10)	(1.96)	(0.02)	(0.26)	(0.01)
Real estate impairment charges	0.05	0.13	—	—	—
Funds from operations	\$ 1.25	\$ 1.32	\$ 1.17	\$ 0.97	\$ 0.94
Write-off of straight-line rent and other	0.04	0.05	0.01	0.01	0.02
Debt refinancing and unutilized financing costs	0.01	—	0.09	0.09	0.02
Release of income tax valuation allowance	—	(0.01)	—	(0.02)	—
Acquisition and other transaction costs, net of tax benefit	—	0.01	0.08	0.20	0.28
Non-real estate impairment charges	—	—	—	0.03	—
Normalized funds from operations	\$ 1.30	\$ 1.37	\$ 1.35	\$ 1.28	\$ 1.26

Investors and analysts following the real estate industry utilize funds from operations, or FFO, as a supplemental performance measure. FFO, reflecting the assumption that real estate asset values rise or fall with market conditions, principally adjusts for the effects of GAAP depreciation and amortization of real estate assets, which assumes that the value of real estate diminishes predictably over time. We compute FFO in accordance with the definition provided by the National Association of Real Estate Investment Trusts, or NAREIT, which represents net income (loss) (computed in accordance with GAAP), excluding gains (losses) on sales of real estate and impairment charges on real estate assets, plus real estate depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures.

In addition to presenting FFO in accordance with the NAREIT definition, we also disclose normalized FFO, which adjusts FFO for items that relate to unanticipated or non-core events or activities or accounting changes that, if not noted, would make comparison to prior period results and market expectations potentially less meaningful to investors and analysts.

We believe that the use of FFO, combined with the required GAAP presentations, improves the understanding of our operating results among investors and the use of normalized FFO makes comparisons of our operating results with prior periods and other companies more meaningful. While FFO and normalized FFO are relevant and widely used supplemental measures of operating and financial

performance of REITs, they should not be viewed as a substitute measure of our operating performance since the measures do not reflect either depreciation and amortization costs or the level of capital expenditures and leasing costs necessary to maintain the operating performance of our properties, which can be significant economic costs that could materially impact our results of operations. FFO and normalized FFO should not be considered an alternative to net income (loss) (computed in accordance with GAAP) as indicators of our financial performance or to cash flow from operating activities (computed in accordance with GAAP) as an indicator of our liquidity.

TOTAL PRO FORMA GROSS ASSETS

[In thousands, except per share amounts]	As of December 31, 2019
Total Assets	\$ 14,467,331
Add:	
Binding real estate commitments on new investments(1)	1,988,550
Unfunded amounts on development deals and commenced capital improvement projects(2)	163,370
Accumulated depreciation and amortization	570,042
Incremental gross assets of our joint ventures(3)	563,911
Proceeds from new £700 million 5-year term loan effective January 6, 2020.	927,990
Less:	
Cash used for funding the transactions above (including proceeds from the £700 million term loan in 2020)	(2,151,920)
Total Pro Forma Gross Assets(4)	<u>\$ 16,529,274</u>

(1) Reflects the acquisition of 30 facilities in the United Kingdom on January 8, 2020.

(2) Includes \$41.7 million of unfunded amounts on ongoing development projects and \$121.7 million of unfunded amounts on capital improvement projects and development projects that have commenced rent, as of December 31, 2019.

(3) Adjustment needed to reflect our share of our joint ventures' gross assets.

(4) Pro forma gross assets is total assets before accumulated depreciation/amortization (adjusted for our unconsolidated joint ventures) and assumes all real estate binding commitments on new investments and unfunded amounts on development deals and commenced capital improvement projects as of the applicable reporting periods are fully funded, and assumes cash on hand is used in these transactions. We believe total pro forma gross assets is useful to investors as it provides a more current view of our portfolio and allows for a better understanding of our concentration levels as our binding commitments close and our other commitments are fully funded.

ADJUSTED REVENUES

	For the year ended December 31, 2019
Total revenues	\$ 854,197
Revenue from real estate properties owned through joint venture arrangements	83,962
Total adjusted revenues(1)	<u>\$ 938,159</u>

(1) Adjusted revenues are total revenues adjusted for our pro rata portion of similar revenues in our joint venture arrangements. We believe adjusted revenue is useful to investors as it provides a more complete view of revenue across all of our investments and allows for better understanding of our revenue concentration.

FORWARD-LOOKING STATEMENTS

We make forward-looking statements in this Annual Report that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans and objectives. Statements regarding the following subjects, among others, are forward-looking by their nature:

- our business strategy;
- our projected operating results;
- our ability to acquire, develop and/or manage additional facilities in the United States (“U.S.”), Europe, Australia or other foreign locations;
- availability of suitable facilities to acquire or develop;
- our ability to enter into, and the terms of, our prospective leases and loans;
- our ability to raise additional funds through offerings of debt and equity securities, joint venture arrangements and/or property disposals;
- our ability to obtain future financing arrangements;
- estimates relating to, and our ability to pay, future distributions;
- our ability to service our debt and comply with all of our debt covenants;
- our ability to compete in the marketplace;
- lease rates and interest rates;
- market trends;
- projected capital expenditures; and
- the impact of technology on our facilities, operations and business.

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account information currently available to us. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. You should carefully consider these risks before you make

an investment decision with respect to our common stock and other securities, along with, among others, the following factors that could cause actual results to vary from our forward-looking statements:

- the factors referenced in the sections captioned “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business” in our Form 10-K for the year ended December 31, 2019;
- the political, economic, business, real estate and other market conditions of the U.S. (both national and local), Europe (in particular Germany, the United Kingdom, Spain, Italy, Portugal and Switzerland), Australia and other foreign jurisdictions;
- the risk that a condition to closing under the agreements governing any or all of our outstanding transactions that have not closed as of the date hereof (including the transactions described in Note 8 of this Annual Report) may not be satisfied;
- the possibility that the anticipated benefits from any or all of the transactions we enter into will take longer to realize than expected or will not be realized at all;
- the competitive environment in which we operate;
- the execution of our business plan;
- financing risks;
- acquisition and development risks;
- potential environmental contingencies and other liabilities;
- adverse developments affecting the financial health of one or more of our tenants, including insolvency;
- other factors affecting the real estate industry generally or the healthcare real estate industry in particular;
- our ability to maintain MPT’s status as a REIT for federal and state income tax purposes;
- our ability to attract and retain qualified personnel;
- changes in foreign currency exchange rates;
- changes in federal, state or local tax laws in the U.S., Europe, Australia or other jurisdictions in which we may own healthcare facilities;

- healthcare and other regulatory requirements of the U.S., Europe, Australia and other foreign countries; and
- the political, economic, business, real estate and other market conditions of the U.S., Europe, Australia and other foreign jurisdictions in which we may own healthcare facilities, which may have a negative effect on the following, among other things:
 - the financial condition of our tenants, our lenders or institutions that hold our cash balances, which may expose us to increased risks of default by these parties;
 - our ability to obtain equity or debt financing on attractive terms or at all, which may adversely impact our ability to pursue acquisition and development opportunities, refinance existing debt, and our future interest expense; and
 - the value of our real estate assets, which may limit our ability to dispose of assets at attractive prices or obtain or maintain debt financing secured by our properties or on an unsecured basis.

When we use the words “believe,” “expect,” “may,” “potential,” “anticipate,” “estimate,” “plan,” “will,” “could,” “intend” or similar expressions, we are identifying forward-looking statements. You should not place undue reliance on these forward-looking statements. Except as required by law, we disclaim any obligation to update such statements or to publicly announce the result of any revisions to any of the forward-looking statements contained in this Annual Report.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Medical Properties Trust, Inc.

OPINIONS ON THE FINANCIAL STATEMENTS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

We have audited the accompanying consolidated balance sheets of Medical Properties Trust, Inc. and its subsidiaries (the “Company”) as of December 31, 2019 and 2018, and the related consolidated statements of net income, of comprehensive income, of equity and of cash flows for each of the three years in the period ended December 31, 2019 (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

BASIS FOR OPINIONS

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Report on Internal Control over Financial Reporting presented within the 2019 Annual Report to Shareholders. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

DEFINITION AND LIMITATIONS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

CRITICAL AUDIT MATTERS

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

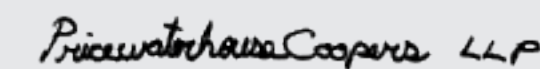
ACQUIRED REAL ESTATE PURCHASE PRICE ALLOCATIONS

Management allocates the purchase price of acquired properties to tangible and identified lease intangible assets based on their fair values. In 2019, the Company acquired a total of \$2.6 billion of land, building, and intangible lease assets. In making estimates of fair values for purposes of allocating purchase prices of acquired real estate to tangible and identified lease intangible assets, management utilizes information from a number of sources including available real estate broker data, independent appraisals that may be obtained in connection with the acquisition or financing of the respective property, internal data from previous acquisitions or developments, other market data, and significant assumptions such as capitalization and discount rates, market rental rates, and carrying costs during hypothetical lease-up periods.

The principal considerations for our determination that performing procedures relating to the acquired real estate purchase price allocations is a critical audit matter are (i) there was significant judgment by management when developing the fair value measurements and allocating the purchase price of the acquired properties to the tangible and lease intangible assets acquired, which in turn led to a high degree of auditor judgment and subjectivity in performing procedures and evaluating audit evidence relating to

the fair value estimates, (ii) significant audit effort was required in evaluating the reasonableness of significant assumptions such as capitalization and discount rates, market rental rates, and carrying costs during hypothetical expected lease-up periods used by management to estimate the fair value of each tangible and lease intangible asset component, and (iii) the audit effort involved the use of professionals with specialized skill and knowledge to assist in evaluating the reasonableness of the significant assumptions.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management’s acquired real estate purchase price allocations, including controls over the fair value of each tangible and lease intangible asset acquired. These procedures also included, among others, testing management’s process by evaluating the significant assumptions, including capitalization and discount rates, market rental rates, and carrying costs during the hypothetical lease-up periods; and the methodology used by management in developing the estimated fair values and allocations of the purchase price to the tangible and lease intangible assets acquired. Testing management’s process included using professionals with specialized skill and knowledge to assist in evaluating the valuation methodologies and significant assumptions used by management, such as capitalization and discount rates, market rental rates, and carrying costs during hypothetical lease-up periods, for certain acquisitions. Evaluating the reasonableness of assumptions involved considering internal data from previous acquisitions, where relevant.



Birmingham, Alabama

February 26, 2020

We have served as the Company’s auditor since 2008.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2019	2018
	(Amounts in thousands, except for per share data)	
ASSETS		
Real estate assets		
Land	\$ 1,017,402	\$ 547,894
Buildings and improvements	6,295,084	4,233,255
Construction in progress	168,212	84,172
Intangible lease assets	622,056	403,138
Investment in financing leases	2,060,302	684,053
Mortgage loans	1,275,022	1,213,322
Gross investment in real estate assets	11,438,078	7,165,834
Accumulated depreciation	(504,651)	(414,331)
Accumulated amortization	(65,391)	(50,653)
Net investment in real estate assets	10,868,036	6,700,850
Cash and cash equivalents	1,462,286	820,868
Interest and rent receivables	31,357	25,855
Straight-line rent receivables	334,231	220,848
Equity investments	926,990	520,058
Other loans	544,832	373,198
Other assets	299,599	181,966
Total Assets	\$ 14,467,331	\$ 8,843,643
LIABILITIES AND EQUITY		
Liabilities		
Debt, net	\$ 7,023,679	\$ 4,037,389
Accounts payable and accrued expenses	291,489	204,325
Deferred revenue	16,098	13,467
Obligations to tenants and other lease liabilities	107,911	27,524
Total Liabilities	7,439,177	4,282,705
Commitments and Contingencies		
Equity		
Preferred stock, \$0.001 par value. Authorized 10,000 shares; no shares outstanding	—	—
Common stock, \$0.001 par value. Authorized 750,000 shares; issued and outstanding — 517,522 shares at December 31, 2019 and 370,637 shares at December 31, 2018	518	371
Additional paid-in capital	7,008,199	4,442,948
Retained earnings	83,012	162,768
Accumulated other comprehensive loss	(62,905)	(58,202)
Treasury shares, at cost	(777)	(777)
Total Medical Properties Trust, Inc. stockholders' equity	7,028,047	4,547,108
Non-controlling interests	107	13,830
Total Equity	7,028,154	4,560,938
Total Liabilities and Equity	\$ 14,467,331	\$ 8,843,643

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF NET INCOME

	For the Years Ended December 31,		
	2019	2018	2017
	(Amounts in thousands, except for per share data)		
Revenues			
Rent billed	\$ 474,151	\$ 473,343	\$ 435,782
Straight-line rent	110,456	74,741	65,468
Income from financing leases	119,617	73,983	74,495
Interest and other income	149,973	162,455	129,000
Total revenues	854,197	784,522	704,745
Expenses			
Interest	237,830	223,274	176,954
Real estate depreciation and amortization	152,313	133,083	125,106
Property-related	23,992	9,237	5,811
General and administrative	96,411	80,086	58,599
Acquisition costs	—	917	29,645
Total expenses	510,546	446,597	396,115
Other income (expense)			
Gain on sale of real estate and other	41,560	719,392	7,431
Impairment charges	(21,031)	(48,007)	—
Earnings from equity interests	16,051	14,165	10,058
Debt refinancing and unutilized financing costs	(6,106)	—	(32,574)
Other	(345)	(4,071)	374
Total other income (expense)	30,129	681,479	(14,711)
Income before income tax	373,780	1,019,404	293,919
Income tax benefit (expense)	2,621	(927)	(2,681)
Net income	376,401	1,018,477	291,238
Net income attributable to non-controlling interests	(1,717)	(1,792)	(1,445)
Net income attributable to MPT common stockholders	\$ 374,684	\$ 1,016,685	\$ 289,793
Earnings per share — basic			
Net income attributable to MPT common stockholders	\$ 0.87	\$ 2.77	\$ 0.82
Weighted-average shares outstanding — basic	427,075	365,364	349,902
Earnings per share — diluted			
Net income attributable to MPT common stockholders	\$ 0.87	\$ 2.76	\$ 0.82
Weighted-average shares outstanding — diluted	428,299	366,271	350,441

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Years Ended December 31,		
	2019	2018	2017
(In thousands)			
Net income	\$ 376,401	\$ 1,018,477	\$ 291,238
Other comprehensive income (loss):			
Unrealized loss on interest rate swap	(9,033)	(3,317)	—
Foreign currency translation gain (loss)	4,330	(28,836)	66,854
Total comprehensive income	371,698	986,324	358,092
Comprehensive income attributable to non-controlling interests	(1,717)	(1,792)	(1,445)
Comprehensive income attributable to MPT common stockholders	\$ 369,981	\$ 984,532	\$ 356,647

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

	Preferred		Common		Additional Paid-in Capital	Related Earnings (Deficit)	Accumulated Other Comprehensive Loss	Treasury Shares	Non-Controlling Interests	Total Equity
	Shares	Par Value	Shares	Par Value						
	(Amounts in thousands, except for per share data)									
Balance at December 31, 2016	—	\$ —	320,514	\$ 321	\$ 3,775,336	\$ (434,114)	\$ (92,903)	\$ (262)	\$ 4,850	\$ 3,253,228
Net income	—	—	—	—	—	289,793	—	—	1,445	291,238
Sale of non-controlling interests	—	—	—	—	—	—	—	—	10,000	10,000
Foreign currency translation gain	—	—	—	—	—	—	66,854	—	—	66,854
Stock vesting and amortization of stock-based compensation	—	—	785	—	9,949	—	—	—	—	9,949
Treasury shares acquired (41,270 shares)	—	—	—	—	—	—	—	(515)	—	(515)
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	(1,723)	(1,723)
Proceeds from offering (net of offering costs)	—	—	43,125	43	547,742	—	—	—	—	547,785
Dividends declared (\$0.96 per common share)	—	—	—	—	—	(341,611)	—	—	—	(341,611)
Balance at December 31, 2017	—	\$ —	364,424	\$ 364	\$ 4,333,027	\$ (485,932)	\$ (26,049)	\$ (777)	\$ 14,572	\$ 3,835,205
Net income	—	—	—	—	—	1,016,685	—	—	1,792	1,018,477
Cumulative effect of change in accounting principles	—	—	—	—	—	1,938	—	—	—	1,938
Unrealized loss on interest rate swap	—	—	—	—	—	—	(3,317)	—	—	(3,317)
Foreign currency translation loss	—	—	—	—	—	—	(28,836)	—	—	(28,836)
Stock vesting and amortization of stock-based compensation	—	—	599	1	16,504	—	—	—	—	16,505
Redemption of MOP units	—	—	—	—	(816)	—	—	—	—	(816)
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	(2,534)	(2,534)
Proceeds from offering (net of offering costs)	—	—	5,614	6	94,233	—	—	—	—	94,239
Dividends declared (\$1.00 per common share)	—	—	—	—	—	(369,923)	—	—	—	(369,923)
Balance at December 31, 2018	—	\$ —	370,637	\$ 371	\$ 4,442,948	\$ 162,768	\$ (58,202)	\$ (777)	\$ 13,830	\$ 4,560,938
Net income	—	—	—	—	—	374,684	—	—	1,717	376,401
Unrealized loss on interest rate swap	—	—	—	—	—	—	(9,033)	—	—	(9,033)
Foreign currency translation gain	—	—	—	—	—	—	4,330	—	—	4,330
Stock vesting and amortization of stock-based compensation	—	—	1,536	2	32,186	—	—	—	—	32,188
Distributions to non-controlling interests, net	—	—	—	—	—	—	—	—	(15,440)	(15,440)
Proceeds from offering (net of offering costs)	—	—	145,349	145	2,533,065	—	—	—	—	2,533,210
Dividends declared (\$1.02 per common share)	—	—	—	—	—	(454,440)	—	—	—	(454,440)
Balance at December 31, 2019	—	\$ —	517,522	\$ 518	\$ 7,008,199	\$ 83,012	\$ (62,905)	\$ (777)	\$ 107	\$ 7,028,154

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2019	2018	2017
	(Amounts in thousands, except for per share data)		
Operating activities			
Net income	\$ 376,401	\$ 1,018,477	\$ 291,238
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	156,575	141,492	131,979
Amortization of deferred financing costs and debt discount	8,881	7,363	6,521
Straight-line rent revenue and other	(138,806)	(100,594)	(80,741)
Share-based compensation	32,188	16,505	9,949
Gain from sale of real estate and other	(41,560)	(719,392)	(7,431)
Impairment charges	21,031	48,007	—
Straight-line rent and other write-off	15,539	18,002	5,340
Debt refinancing and unutilized financing costs	6,106	—	32,574
Other adjustments	4,637	(3,768)	(1,204)
Changes in:			
Interest and rent receivables	12,906	46,498	(21,116)
Other assets	(4,992)	(18,051)	(5,318)
Accounts payable and accrued expenses	39,630	(5,596)	2,494
Deferred revenue	5,581	145	(2,050)
Net cash provided by operating activities	494,117	449,088	362,235
Investing activities			
Cash paid for acquisitions and other related investments	(4,565,594)	(1,430,995)	(2,246,788)
Net proceeds from sale of real estate	111,766	1,513,666	64,362
Principal received on loans receivable	920	885,917	8,480
Investment in loans receivable	(54,088)	(212,002)	(19,338)
Construction in progress and other	(83,798)	(53,967)	(73,812)
Capital additions and other investments, net	(293,163)	(138,441)	(94,970)
Net cash (used for) provided by investing activities	(4,883,957)	564,178	(2,362,066)
Financing activities			
Proceeds from term debt, net of discount	3,048,424	759,735	2,355,280
Payments of term debt	—	—	(1,038,221)
Payment of deferred financing costs	(30,186)	—	(32,794)
Revolving credit facilities, net	(65,736)	(811,718)	550,415
Distributions paid	(411,697)	(363,906)	(326,729)
Lease deposits and other obligations to tenants	(12,260)	(20,606)	27,525
Proceeds from sale of common shares, net of offering costs	2,533,210	94,239	547,785
Other financing activities	(19,871)	(3,614)	(12,984)
Net cash provided by (used for) financing activities	5,041,884	(345,870)	2,070,277
Increase in cash, cash equivalents, and restricted cash for the year	652,044	667,396	70,446
Effect of exchange rate changes	(6,478)	(17,218)	16,920
Cash, cash equivalents, and restricted cash at beginning of year	822,425	172,247	84,881
Cash, cash equivalents, and restricted cash at end of year	\$ 1,467,991	\$ 822,425	\$ 172,247

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Interest paid, including capitalized interest of \$3,936 in 2019, \$1,480 in 2018, and \$840 in 2017	\$ 211,163	\$ 221,779	\$ 149,798
Supplemental schedule of non-cash financing activities:			
Dividends declared, unpaid	\$ 138,161	\$ 95,419	\$ 89,403
Cash, cash equivalents, and restricted cash are comprised of the following:			
Beginning of period:			
Cash and cash equivalents	\$ 820,868	\$ 171,472	\$ 83,240
Restricted cash, included in Other assets	1,557	775	1,641
	<u>\$ 822,425</u>	<u>\$ 172,247</u>	<u>\$ 84,881</u>
End of period:			
Cash and cash equivalents	\$ 1,462,286	\$ 820,868	\$ 171,472
Restricted cash, included in Other assets	5,705	1,557	775
	<u>\$ 1,467,991</u>	<u>\$ 822,425</u>	<u>\$ 172,247</u>

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

Medical Properties Trust, Inc., a Maryland corporation, was formed on August 27, 2003, under the Maryland General Corporation Law for the purpose of engaging in the business of investing in, owning, and leasing commercial real estate. Our operating partnership subsidiary, MPT Operating Partnership, L.P., through which we conduct all of our operations, was formed in September 2003. Through another wholly-owned subsidiary, Medical Properties Trust, LLC, we are the sole general partner of the Operating Partnership. At present, we directly own substantially all of the limited partnership interests in the Operating Partnership and have elected to report our required disclosures and that of the Operating Partnership on a combined basis, except where material differences exist.

We have operated as a real estate investment trust (“REIT”) since April 6, 2004, and accordingly, elected REIT status upon the filing in September 2005 of the calendar year 2004 federal income tax return. Accordingly, we will generally not be subject to United States (“U.S.”) federal income tax, provided that we continue to qualify as a REIT and our distributions to our stockholders equal or exceed our taxable income. Certain non-real estate activities we undertake are conducted by entities which we elected to be treated as taxable REIT subsidiaries (“TRS”). Our TRS entities are subject to both U.S. federal and state income taxes. For our properties, located outside the U.S., we are subject to the local taxes of the jurisdictions where our properties reside and/or legal entities are domiciled; however, we do not expect to incur additional taxes in the U.S. as the majority of such income flows through our REIT.

Our primary business strategy is to acquire and develop real estate and improvements, primarily for long-term lease to providers of healthcare services, such as operators of general acute care hospitals, inpatient physical rehabilitation hospitals, and long-term acute care hospitals. We also make mortgage and other loans to operators of similar facilities. In addition, we may obtain profits or equity interests in our tenants, from time to time, in order to enhance our overall return. We manage our business as a single business segment. All of our properties are located in the U.S., Europe, and Australia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent

assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation: Property holding entities and other subsidiaries of which we own 100% of the equity or have a controlling financial interest evidenced by ownership of a majority voting interest are consolidated. All inter-company balances and transactions are eliminated. For entities in which we own less than 100% of the equity interest, we consolidate the property if we have the direct or indirect ability to control the entities’ activities based upon the terms of the respective entities’ ownership agreements. For these entities, we record a non-controlling interest representing equity held by non-controlling interests.

We continually evaluate all of our transactions and investments to determine if they represent variable interests in a variable interest entity. If we determine that we have a variable interest in a variable interest entity, we then evaluate if we are the primary beneficiary of the variable interest entity. The evaluation is a qualitative assessment as to whether we have the ability to direct the activities of a variable interest entity that most significantly impact the entity’s economic performance. We consolidate each variable interest entity in which we, by virtue of or transactions with our investments in the entity, are considered to be the primary beneficiary. At December 31, 2019 and 2018, we determined that we were not the primary beneficiary of any variable interest entity in which we hold a variable interest because we do not control the activities (such as the day-to-day operations) that most significantly impact the economic performance of these entities.

Investments in Unconsolidated Entities: Investments in entities in which we have the ability to significantly influence (but not control) are accounted for by the equity method, such as our joint venture with Primotop Holdings S.à.r.l. (“Primotop”) as discussed in Note 3. Under the equity method of accounting, our share of the investee’s earnings or losses are included in the “Earnings from equity interests” line of our consolidated statements of net income. Except for our joint venture with Primotop, we have elected to record our share of such investee’s earnings or losses on a lag basis. The initial carrying value of investments in unconsolidated entities is based on the amount paid to purchase the interest in the investee entity. Subsequently, our investments are increased/decreased by our share in the investees’ earnings/losses and decreased by cash distributions from our investees. To the extent that our cost basis is different from the basis reflected at the investee entity level, the basis difference is generally amortized over the lives of the related assets and liabilities, and such amortization is included in our share of equity in earnings of the investee.

We evaluate our equity method investments for impairment based upon a comparison of the fair value of the equity method investment to its carrying value, when impairment indicators exist. If we determine a decline in the fair value of an investment in an unconsolidated investee entity below its carrying value is other-than-temporary, an impairment is recorded.

Investments in entities in which we do not control nor do we have the ability to significantly influence and for which there is no readily determinable fair value (such as our investments in Steward Health Care System LLC (“Steward”) and Median Kliniken S.á.r.l. (“MEDIAN”) are accounted for at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions involving the investee. For similar investments but for which there are readily determinable fair values, such investments are measured at fair value quarterly, with unrealized gains and losses recorded in income.

Cash and Cash Equivalents: Certificates of deposit, short-term investments with original maturities of three months or less, and money-market mutual funds are considered cash equivalents. The majority of our cash and cash equivalents are held at major commercial banks, which at times may exceed the Federal Deposit Insurance Corporation limit. We have not experienced any losses to-date on our invested cash. Cash and cash equivalents which have been restricted as to its use are recorded in other assets.

Revenue Recognition: Our revenues are primarily from leases and mortgage loans. On January 1, 2019, we adopted Accounting Standards Update (“ASU”) 2016-02, “Leases”, (“ASU 2016-02”). ASU 2016-02 sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e. lessees and lessors). We adopted this standard using the modified retrospective approach and have elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things permits the following: no reassessment of whether existing contracts are or contain a lease and no reassessment of lease classification for existing leases. In addition, we made certain elections permitted which (1) permits entities to apply the transition provisions of the new standard at its adoption date instead of at the earliest comparative period presented and (2) permits lessors to account for lease and non-lease components as a single lease component in a contract if certain criteria are met. For lessors, this new standard of accounting for leases is substantially equivalent to previous guidance, but there are some differences which we highlight below:

OPERATING LEASE REVENUE

We receive income from operating leases based on the fixed, minimum required rents (base rents) per the lease agreements. Rent revenue from base rents is recorded on the straight-line method over the terms of the related lease agreements for new leases and the remaining terms of existing leases for those acquired as part of a property acquisition. The straight-line method records the periodic average amount of base rent earned over the term of a lease, taking into account contractual rent increases over the lease term. The straight-line method typically has the effect of recording more rent revenue from a lease than a tenant is required to pay early in the term of the lease. During the later parts of a lease term, this effect reverses with less rent revenue recorded than a tenant is required to pay. Rent revenue, as recorded on the straight-line method, in the consolidated statements of net income is presented as two amounts: rent billed and straight-line rent revenue. Rent billed revenue is the amount of base rent actually billed to our tenants each period as required by the lease. Straight-line rent revenue is the difference between rent revenue earned based on the straight-line method and the amount recorded as rent billed revenue. We record the difference between rent revenues earned and amounts due per the respective lease agreements, as applicable, as an increase or decrease to straight-line rent receivable.

Rental payments received prior to their recognition as income are classified as deferred revenue.

FINANCING LEASE REVENUE

Under the new lease accounting rules adopted on January 1, 2019, if an acquisition and subsequent lease of a property to the seller does not meet the definition of a sale, we must account for the transaction as a financing with income recognized using the imputed interest method.

Another type of financing lease that we carried forward from the previous lease accounting guidance is a direct financing lease (“DFL”). For leases accounted for as DFLs, the future minimum lease payments are recorded as a receivable. The difference between the future minimum lease payments and the estimated residual values less the cost of the properties is recorded as unearned income. Unearned income is deferred and amortized to income over the lease terms to provide a constant yield when collectability of the lease payments is reasonably assured. Investments in DFLs are presented net of unearned income.

OTHER LEASING REVENUE

We begin recording base rent income from our development projects when the lessee takes physical possession of the facility, which may be different from the stated start date of the lease. Also, during construction of our development projects, we may be entitled to accrue rent based on the cost paid during the construction period (construction period rent). We accrue construction period rent as a receivable with a corresponding offset to deferred revenue during the construction period. When the lessee takes physical possession of the facility, we begin recognizing the deferred construction period revenue on the straight-line method over the term of the lease.

We also receive additional rent (contingent rent) under some leases based on increases in the consumer price index (“CPI”) (or similar index outside the U.S.) or when CPI exceeds the annual minimum percentage increase as stipulated in the lease. Contingent rents are recorded as rent billed revenue in the period earned.

Starting January 1, 2019 (with the adoption of ASU 2016-02), tenant payments for ground leases along with other operating expenses, such as property taxes and insurance, that are paid directly by us and reimbursed by our tenants are presented on a gross basis with the related revenues recorded in “Interest and other income” and the related expenses in “Property-related” in our consolidated statements of net income. All payments of other operating expenses made directly by the tenant to the applicable government or appropriate third-party vendor are recorded on a net basis, consistent with how all tenant payments or reimbursements pursuant to our “triple-net” leases were accounted for prior to ASU 2016-02.

INTEREST REVENUE

We receive interest income from our tenants/borrowers on mortgage loans, working capital loans, and other long-term loans. Interest income from these loans is recognized as earned based upon the principal outstanding and terms of the loans.

OTHER REVENUE

Commitment fees received from lessees for development and leasing services are initially recorded as deferred revenue and recognized as income over the initial term of a lease to produce a constant effective yield on the lease (interest method). Commitment and origination fees from lending services are also recorded as deferred revenue initially and recognized as income over the life of the loan using the interest method.

Acquired Real Estate Purchase Price Allocation: Since January 1, 2018 with adoption of ASU No. 2017-01, “Clarifying the Definition of a Business” (“ASU 2017-01”), all of our property acquisitions have been

accounted for as asset acquisitions. Prior to 2018, properties acquired for leasing purposes were accounted for using business combination accounting rules. The primary impact to us from this change in accounting is the capitalization of third party transaction costs that are directly related to the acquisition as these costs were expensed under business combination accounting rules. Under either accounting method, we allocate the purchase price of acquired properties to tangible and identified intangible assets acquired and liabilities assumed (if any) based on their fair values. In making estimates of fair values for purposes of allocating purchase prices of acquired real estate, we may utilize a number of sources, from time to time, including available real estate broker data, independent appraisals that may be obtained in connection with the acquisition or financing of the respective property, internal data from previous acquisitions or developments, and other market data, including market comparables for significant assumptions such as market rental, capitalization and discount rates. We also consider information obtained about each property as a result of our pre-acquisition due diligence, marketing, and leasing activities in estimating the fair value of the tangible and intangible assets acquired.

We measure the aggregate value of lease intangible assets acquired based on the difference between (i) the property valued with new or in-place leases adjusted to market rental rates and (ii) the property valued as if vacant. Management’s estimates of value are made using methods similar to those used by independent appraisers (e.g., discounted cash flow analysis). Factors considered by management in our analysis include an estimate of carrying costs during hypothetical expected lease-up periods, considering current market conditions, and costs to execute similar leases. We also consider information obtained about each targeted facility as a result of our pre-acquisition due diligence, marketing, and leasing activities in estimating the fair value of the intangible assets acquired. In estimating carrying costs, management includes real estate taxes, insurance, and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods, which we expect to be about six months depending on specific local market conditions. Management also estimates costs to execute similar leases including leasing commissions, legal costs, and other related expenses to the extent that such costs are not already incurred in connection with a new lease origination as part of the transaction.

We record above-market and below-market in-place lease values, if any, for our facilities, which are based on the present value of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management’s estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease. We amortize any resulting capitalized above-market lease values as a reduction of rental income over the lease term. We amortize any resulting capitalized below-market lease values as an increase to rental income over the lease term.

Other intangible assets acquired may include customer relationship intangible values which are based on management’s evaluation of the specific characteristics of each prospective tenant’s lease and our overall relationship with that tenant. Characteristics to be considered by management in allocating these values include the nature and extent of our existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant’s credit quality, and expectations of lease renewals, including those existing under the terms of the lease agreement, among other factors.

We amortize the value of these intangible assets to expense over the term of the respective leases. If a lease is terminated early, the unamortized portion of the lease intangibles are charged to expense.

Real Estate and Depreciation: Real estate, consisting of land, buildings and improvements, are maintained at cost. Although typically paid by our tenants, any expenditure for ordinary maintenance and repairs that we pay are expensed to operations as incurred. Significant renovations and improvements which improve and/or extend the useful life of the asset are capitalized and depreciated over their estimated useful lives. We record impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets, including an estimated liquidation amount, during the expected holding periods are less than the carrying amounts of those assets. Impairment losses are measured as the difference between carrying value and fair value of the assets. For assets held for sale, we cease recording depreciation expense and adjust the assets’ value to the lower of its carrying value or fair value, less cost of disposal. Fair value is based on estimated cash flows discounted at a risk-adjusted rate of interest. We classify real estate assets as held for sale when we have commenced an active program to sell the assets, and in the opinion of management, it is probable the asset will be sold within the next 12 months.

Construction in progress includes the cost of land, the cost of construction of buildings, improvements, and fixed equipment, and costs for design and engineering. Other costs, such as interest, legal, property taxes, and corporate project supervision, which can be directly associated with the project during construction, are also included in construction in progress. We commence capitalization of costs associated with a development project when the development of the future asset is probable and activities necessary to get the underlying property ready for its intended use have been initiated. We stop the capitalization of costs when the property is substantially complete and ready for its intended use.

Depreciation is calculated on the straight-line method over the estimated useful lives of the related real estate and other assets. Our weighted-average useful lives at December 31, 2019 are as follows:

Buildings and improvements	39.0 years
Tenant lease intangibles	23.7 years
Leasehold improvements	17.0 years
Furniture, equipment, and other	7.7 years

Losses from Rent Receivables: For all leases, we continuously monitor the performance of our existing tenants including, but not limited to: admission levels and surgery/procedure volumes by type; current operating margins; ratio of our tenants’ operating margins both to facility rent and to facility rent plus other fixed costs; trends in cash collections; trends in revenue and patient mix; and the effect of evolving healthcare regulations on tenants’ profitability and liquidity.

LOSSES FROM OPERATING LEASE RECEIVABLES: We utilize the information above along with the tenant’s payment and default history in evaluating (on a property-by-property basis) whether or not a provision for losses on outstanding billed rent and/or straight-line rent receivables is needed. A provision for losses on rent receivables (including straight-line rent receivables) is ultimately recorded when it becomes probable that the receivable will not be collected in full. The provision is an amount which reduces the receivable to its estimated net realizable value based on a determination of the eventual amounts to be collected either from the debtor or from existing collateral, if any.

LOSSES ON FINANCING LEASE RECEIVABLES: Allowances are established for financing lease receivables based upon an estimate of probable losses on a property-by-property basis. Financing lease receivables are impaired when it is deemed probable that we will be unable to collect all amounts due in accordance with the contractual terms of the lease. Like operating lease receivables, the need for an allowance is based upon our assessment of the lessee’s overall financial condition; economic resources and payment record; the prospects for support from any financially responsible guarantors; and, if appropriate, the realizable value of any collateral. These estimates consider all available evidence including the expected future cash flows discounted at the effective interest rate of the financing lease, fair value of collateral, and other relevant factors, as appropriate. Financing leases are placed on non-accrual status when we determine that the collectability of contractual amounts is not reasonably assured. If on non-accrual status, we generally account for the financing leases on a cash basis, in which income is recognized only upon receipt of cash.

Loans: Loans consist of mortgage loans, working capital loans, and other long-term loans. Mortgage loans are collateralized by interests in real property. Working capital and other long-term loans are generally collateralized by interests in receivables and corporate and individual guarantees. We record loans at cost. We evaluate the collectability of both interest and principal on a loan-by-loan basis (using the same

process as we do for assessing the collectability of rents) to determine whether they are impaired. A loan is considered impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the existing contractual terms. When a loan is considered to be impaired, the amount of the allowance is calculated by comparing the recorded investment to either the value determined by discounting the expected future cash flows using the loan's effective interest rate or to the fair value of the collateral, if the loan is collateral dependent. If a loan is deemed to be impaired, we generally place the loan on non-accrual status and record interest income only upon receipt of cash.

Earnings Per Share: Basic earnings per common share is computed by dividing net income applicable to common shares by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per common share is calculated by including the effect of dilutive securities.

Our unvested restricted stock awards contain non-forfeitable rights to dividends, and accordingly, these awards are deemed to be participating securities. These participating securities are included in the earnings allocation in computing both basic and diluted earnings per common share.

Income Taxes: We conduct our business as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended ("the Code"). To qualify as a REIT, we must meet certain organizational and operational requirements, including a requirement to distribute to stockholders at least 90% of our REIT's ordinary taxable income. As a REIT, we generally pay little U.S. federal and state income tax because of the dividends paid deduction that we are allowed to take. If we fail to qualify as a REIT in any taxable year, we will then be subject to U.S. federal income taxes on our taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost, unless the Internal Revenue Service grants us relief under certain statutory provisions. Such an event could materially adversely affect our net income and net cash available for distribution to stockholders. However, we intend to operate in such a manner so that we will remain qualified as a REIT for U.S. federal income tax purposes.

Our financial statements include the operations of a TRS, MPT Development Services, Inc. ("MDS"), and with many other entities, which are single member LLCs that are disregarded for tax purposes and are reflected in the tax returns of MDS. MDS is not entitled to a dividends paid deduction and is subject to U.S. federal, state, and local income taxes. MDS is authorized to provide property development, leasing, and management services for third-party owned properties, and we will make non-mortgage loans to and/or investments in our lessees through this entity.

With the property acquisitions and investments in Europe and Australia, we are subject to income taxes internationally. However, we do not expect to incur any additional income taxes in the U.S. as such income from our international properties flows through our REIT income tax returns. For our TRS and international subsidiaries, we determine deferred tax assets and liabilities based on the differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Any increase or decrease in our deferred tax assets/liabilities that results from a change in circumstances and that causes us to change our judgment about expected future tax consequences of events, is reflected in our tax provision when such changes occur. Deferred income taxes also reflect the impact of operating loss carryforwards. A valuation allowance is provided if we believe it is more likely than not that all or some portion of our deferred tax assets will not be realized. Any increase or decrease in the valuation allowance that results from a change in circumstances, and that causes us to change our judgment about our ability to realize the related deferred tax asset, is reflected in our tax provision when such changes occur.

The calculation of our income taxes involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across our global operations. An income tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, on the basis of technical merits. However, if a more likely than not position cannot be reached, we record a liability as an offset to the tax benefit and adjust the liabilities when our judgment changes as a result of the evaluation of new information not previously available. Because of the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the uncertain tax position liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which new information is available.

Stock-Based Compensation: We adopted the 2019 Equity Incentive Plan (the "Equity Incentive Plan") during the second quarter of 2019. Awards of restricted stock and other equity-based awards with service conditions are valued at the average stock price per share on the date of grant and are amortized to compensation expense over the service periods (typically three years), using the straight-line method. Awards that contain market conditions are valued on the grant date using a Monte Carlo valuation model and are amortized to compensation expense over the derived service periods, which correspond to the periods over which we estimate the awards will be earned, which generally range from three to five years, using the straight-line method. Awards with performance conditions are valued at the average stock price per share on the date of grant and are amortized using the straight-line method over the service period, adjusted for

the probability of achieving the performance conditions. Forfeitures of stock-based awards are recognized as they occur.

Deferred Costs: Costs incurred that directly relate to the offerings of stock are deferred and netted against proceeds received from the offering. Leasing commissions and other leasing costs that would not have been incurred if the lease was not obtained are capitalized as deferred leasing costs and amortized on the straight-line method over the terms of the related lease agreements. Costs identifiable with loans made to borrowers are capitalized and recognized as a reduction in interest income over the life of the loan.

Deferred Financing Costs: We generally capitalize financing costs incurred in connection with new financings and refinancings of debt. These costs are amortized over the lives of the related debt as an addition to interest expense. For debt with defined principal re-payment terms, the deferred costs are amortized to produce a constant effective yield on the debt (interest method) and are included within Debt, net on our consolidated balance sheets. For debt without defined principal repayment terms, such as our revolving credit facility, the deferred costs are amortized on the straight-line method over the term of the debt and are included as a component of "Other assets" on our consolidated balance sheets.

Foreign Currency Translation and Transactions: Certain of our international subsidiaries' functional currencies are the local currencies of their respective countries. We translate the results of operations of our foreign subsidiaries into U.S. dollars using average rates of exchange in effect during the period, and we translate balance sheet accounts using exchange rates in effect at the end of the period. We record resulting currency translation adjustments in "Accumulated other comprehensive income (loss)", a component of stockholders' equity on our consolidated balance sheets.

Certain of our U.S. subsidiaries will enter into short-term and long-term transactions denominated in a foreign currency from time-to-time. Gains or losses resulting from these foreign currency transactions are translated into U.S. dollars at the rates of exchange prevailing at the dates of the transactions. The effects of transaction gains or losses on our short-term transactions are included in other income in the consolidated statements of income, while the translation effects on our long-term investments are recorded in "Accumulated other comprehensive income (loss)" on our consolidated balance sheets.

Derivative Financial Investments and Hedging Activities: During our normal course of business, we may use certain types of derivative instruments for the purpose of managing interest rate and/or foreign currency risk. We record our derivative and hedging instruments at fair value on the balance sheet. Changes in the estimated fair value of derivative instruments that are not designated as hedges or that do not meet the criteria for hedge accounting are recognized in

earnings. For derivatives designated as cash flow hedges, the change in the estimated fair value of the effective portion of the derivative is recognized in "Accumulated other comprehensive income (loss)" on our consolidated balance sheets, whereas the change in the estimated fair value of the ineffective portion is recognized in earnings. For derivatives designated as fair value hedges, the change in the estimated fair value of the effective portion of the derivatives offsets the change in the estimated fair value of the hedged item, whereas the change in the estimated fair value of the ineffective portion is recognized in earnings.

To qualify for hedge accounting, we formally document all relationships between hedging instruments and hedged items, as well as our risk management objective and strategy for undertaking the hedge prior to entering into a derivative transaction. This process includes specific identification of the hedging instrument and the hedge transaction, the nature of the risk being hedged and how the hedging instrument's effectiveness in hedging the exposure to the hedged transaction's variability in cash flows attributable to the hedged risk will be assessed. Both at the inception of the hedge and on an ongoing basis, we assess whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows or fair values of hedged items. In addition, for cash flow hedges, we assess whether the underlying forecasted transaction will occur. We discontinue hedge accounting if a derivative is not determined to be highly effective as a hedge or that it is probable that the underlying forecasted transaction will not occur.

Fair Value Measurement: We measure and disclose the estimated fair value of financial assets and liabilities utilizing a hierarchy of valuation techniques based on whether the inputs to a fair value measurement are considered to be observable or unobservable in a marketplace. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. This hierarchy requires the use of observable market data when available. These inputs have created the following fair value hierarchy:

- *Level 1* — quoted prices for *identical* instruments in active markets;
- *Level 2* — quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and
- *Level 3* — fair value measurements derived from valuation techniques in which one or more significant inputs or significant value drivers are *unobservable*.

We measure fair value using a set of standardized procedures that are outlined herein for all assets and liabilities which are required

to be measured at their estimated fair value on either a recurring or non-recurring basis. When available, we utilize quoted market prices from an independent third party source to determine fair value and classify such items in Level 1. In some instances where a market price is available, but the instrument is in an inactive or over-the-counter market, we apply the dealer (market maker) pricing estimate and classify the asset or liability in Level 2.

If quoted market prices or inputs are not available, fair value measurements are based upon valuation models that utilize current market or independently sourced market inputs, such as interest rates, option volatilities, credit spreads, market capitalization rates, etc. Items valued using such internally-generated valuation techniques are classified according to the lowest level input that is significant to the fair value measurement. As a result, the asset or liability could be classified in either Level 2 or 3 even though there may be some significant inputs that are readily observable. Internal fair value models and techniques that have been used by us include discounted cash flow and Monte Carlo valuation models. We also consider counterparty's and our own credit risk on derivatives and other liabilities measured at their estimated fair value.

Fair Value Option Election: For our equity interest in Ernest Health, Inc. ("Ernest") along with any related loans (all of which other than the mortgage loans were sold or paid off on October 4, 2018 - see Note 3 for more details), we have elected to account for these investments at fair value due to the size of the investments and because we believe this method is more reflective of current values. We have not made a similar election for other equity interests or loans that existed at December 31, 2019.

Leases (Lessee)

Pursuant to ASU 2016-02, we are required to apply a dual approach, classifying leases as either financing or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification determines whether lease expense is recognized based on an effective interest method (for finance leases) or on a straight-line basis (for operating leases) over the term of the lease. Starting January 1, 2019, we are required to record a right-of-use asset and a lease liability for all leases with a term greater than 12 months regardless of their classification. Leases with a term of 12 months or less are off balance sheet with lease expense recognized on a straight-line basis over the lease term, similar to previous guidance for operating leases.

For our leases in which we are the lessee, including ground leases on which certain of our facilities reside, along with corporate office and equipment leases, we recorded a right-of-use asset and offsetting lease liability of approximately \$84 million upon adoption of this standard - resulting in no material cumulative effect adjustment.

Reclassifications: Certain amounts in the consolidated financial statements for prior periods have been reclassified to conform to the current period presentation.

RECENT ACCOUNTING DEVELOPMENTS

Measurement of Credit Losses on Financial Instruments

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). This standard requires a new forward-looking "expected loss" model to be used for our financing receivables, including financing leases and loans, which the FASB believes will result in more timely recognition of such losses. ASU 2016-13 is effective for us on January 1, 2020. Upon adoption of this standard, we expect to record a credit loss reserve on January 1, 2020, of between \$5 million and \$15 million with the effect recorded as a cumulative adjustment in retained earnings.

3. REAL ESTATE ACTIVITIES

ACQUISITIONS

For the years ended December 31, 2019, 2018, and 2017, we acquired the following assets:

	2019	2018	2017
Assets Acquired	(Amounts in thousands)		
Land	\$ 400,539	\$ 71,880	\$ 240,993
Building	1,951,066	686,739	985,219
Intangible lease assets - subject to amortization (weighted-average useful life of 19.1 years in 2019, 27.9 years in 2018, and 27.7 years in 2017)	227,468	90,651	181,004
Investment in financing leases	1,386,797	—	40,450
Mortgage loans	51,267	—	700,000
Other loans	135,258	336,458	—
Equity investments and other assets	415,836	245,267	100,000
Liabilities assumed	(2,637)	—	(878)
Total assets acquired	\$ 4,565,594	\$ 1,430,995	\$ 2,246,788
Loans repaid(1)	—	(764,447)	—
Total net assets acquired	\$ 4,565,594	\$ 666,548	\$ 2,246,788

(1) The 2018 column includes \$0.8 billion of loans advanced to Steward in 2016 and repaid in 2018 as part of sale leaseback conversion described below.

2019 ACTIVITY

LifePoint Acquisition

On December 17, 2019, we acquired a portfolio of 10 acute care hospitals owned and operated by LifePoint Health, Inc. ("LifePoint") for a combined purchase price of approximately \$700.0 million. The properties are leased to LifePoint under one master lease agreement. The master lease has a 20-year initial term and two five-year extension options, plus annual inflation-based escalators.

Prospect Transaction

On August 23, 2019, we invested in a portfolio of 14 acute care hospitals and two behavioral health facilities operated by Prospect Medical Holdings, Inc. ("Prospect") for a combined purchase price of approximately \$1.55 billion. Our investment includes the acquisition of the real estate of 11 acute care hospitals and two behavioral health facilities for \$1.4 billion. We are accounting for these properties as a financing (as presented in the "Investment in financing leases" line of the consolidated balance sheets) under the new lease accounting rules due to certain lessee end-of-term purchase options. In addition, we originated a \$51.3 million mortgage loan, secured by a first mortgage on an acute care hospital, and a \$112.9 million term loan which we expect will be converted into the acquisition of two additional acute care hospitals upon the satisfaction of certain conditions. The master leases and mortgage loan have substantially similar terms, with a 15-year fixed term subject to three extension options, plus annual inflation-based escalators.

The agreements provide for the potential for a future purchase price adjustment of up to an additional \$250.0 million, based on achievement of certain performance thresholds over a three-year period; any such adjustment will be added to the lease base upon which we will earn a return in accordance with the master leases.

Ramsay Acquisition

On August 16, 2019, we acquired freehold interests in eight acute care hospitals located throughout England for an aggregate purchase price of approximately £347 million. The hospitals are leased to Ramsay pursuant to in-place net leases with approximate 18-year remaining lease terms and include annual fixed and periodic market-based escalations.

Australia Transaction

On June 6, 2019, we acquired 11 hospitals in Australia for a purchase price of approximately AUD \$1.2 billion plus stamp duties and registration fees of AUD \$66.6 million. The properties are leased to Healthscope, pursuant to master lease agreements that have

an average initial term of 20 years with annual fixed escalations and multiple extension options. Healthscope was acquired in a simultaneous transaction by Brookfield Business Partners L.P. and certain of its institutional partners.

Switzerland Transactions

On May 27, 2019, we invested in a portfolio of 13 acute care campuses and two additional properties in Switzerland for an aggregate purchase price of approximately CHF 236.6 million. The investment was effected through our purchase of a 46% stake in a Swiss healthcare real estate company, Infracore SA, from the previous majority shareholder, Aegis Victoria SA ("Aegis"). The facilities are leased to Swiss Medical Network, a wholly-owned Aegis subsidiary, pursuant to leases with an average 23-year remaining term subject to annual escalation provisions. We are accounting for our 46% interest in this joint venture under the equity method. Additionally, we purchased a 4.9% stake in Aegis for approximately CHF 47 million on June 28, 2019 that we are marking to fair value through income each quarter.

Other Transactions

On December 3, 2019, we invested in two acute care hospitals in Spain for a purchase price of approximately €117.3 million. The investment was effected through our purchase of a 45% stake in a Spanish entity. The facilities are leased to HM Hospitales pursuant to a master lease with an initial lease term of 25 years. The lease provides for annual inflation-based escalators. We are accounting for our 45% interest in this joint venture under the equity method.

On November 28, 2019, we acquired an acute care hospital in Portugal for approximately €28.2 million. This facility is leased to José de Mello pursuant to an in-place lease with 17 years remaining on its initial term. The lease provides for annual inflation-based escalators.

On August 30, 2019, we invested in a portfolio of facilities throughout various states for approximately \$254 million. The properties are leased to Vibra Healthcare, LLC ("Vibra") pursuant to a new master lease agreement with an initial lease term of 20 years. The lease provides for annual inflation-based escalators and includes three five-year extension options. The facilities acquired include three inpatient rehabilitation hospitals and seven long-term acute care hospitals.

On June 10, 2019, we acquired seven community hospitals in Kansas for approximately \$145.4 million. The properties are leased to an affiliate of Saint Luke's Health System ("SLHS") pursuant to seven individual in-place leases that have an average remaining lease term of 14 years. The leases provide for fixed escalations every five years and include two five-year extension options. All seven hospitals were constructed in either 2018 or 2019, and the leases are guaranteed by SLHS.

Other acquisitions during 2019 included three acute care hospitals and one inpatient rehabilitation hospital for an aggregate investment of approximately \$135 million. One of the acute care hospitals, acquired on April 12, 2019 and located in Big Spring, Texas, is leased to Steward pursuant to the Steward master lease. The second facility, located in Poole, England, was acquired on April 3, 2019 and is leased to BMI Healthcare (“BMI”) pursuant to an in-place lease with 14 years remaining on its term and fixed 2.5% annual escalators. The third acute care facility was acquired on September 30, 2019, located in Watsonville, California, and is leased to Halsen Healthcare. The inpatient rehabilitation hospital, acquired on February 8, 2019, is located in Germany and leased to affiliates of MEDIAN. This acquisition was the final property acquired as part of a four-hospital portfolio transaction that we signed with MEDIAN in June 2018.

2018 ACTIVITY

Joint Venture Transaction

On August 31, 2018, we completed a joint venture arrangement with Primotop pursuant to which we contributed 71 of our post-acute hospitals in Germany, with an aggregate fair value of €1.635 billion, for a 50% interest, while Primotop contributed cash for its 50% interest in the joint venture. As part of the transaction, we received an aggregate amount of approximately €1.14 billion, from the proceeds of the cash contributed by Primotop and the secured debt financing placed on the joint venture’s real estate, and we recognized an approximate €500 million gain on sale. At inception, our interest in the joint venture was made up of a 50% equity investment valued at approximately €210 million, which is being accounted for under the equity method of accounting, and a €290 million shareholder loan (with terms identical to Primotop’s shareholder loan).

Other Transactions

On August 31, 2018, we acquired an acute care facility in Pasco, Washington, for \$17.5 million. The property is leased to LifePoint, pursuant to the existing long-term master lease.

On August 28, 2018, we acquired three inpatient rehabilitation hospitals in Germany for €17.3 million (including real estate transfer taxes). These hospitals are part of a four-hospital portfolio that we agreed to purchase for an aggregate amount of €23 million (including real estate transfer taxes) in June 2018. The properties are leased to MEDIAN, pursuant to a new 27-year master lease with annual inflation-based escalators.

During 2018, we acquired the fee simple real estate of five general acute care hospitals, four of which are located in Massachusetts and one located in Texas, from Steward in exchange for the reduction of \$764.4 million of mortgage loans made to Steward in October 2016 and March 2018, along with additional cash consideration. These properties are

being leased to Steward pursuant to the original master lease from October 2016.

2017 ACTIVITY

Steward Transactions

On September 29, 2017, we acquired, from IASIS Healthcare LLC (“IASIS”), a portfolio of ten acute care hospitals and one behavioral health facility, along with ancillary land and buildings that are located in Arizona, Utah, Texas, and Arkansas. The portfolio is now operated by Steward which separately completed its acquisition of the operations of IASIS on September 29, 2017. Our investment in the portfolio includes the acquisition of eight acute care hospitals and one behavioral health facility for approximately \$700 million, the making of \$700 million in mortgage loans on two acute care hospitals, and a \$100 million minority equity contribution in Steward, for a combined investment of approximately \$1.5 billion.

On May 1, 2017, we acquired eight hospitals previously affiliated with Community Health Systems, Inc. in Florida, Ohio, and Pennsylvania for an aggregate purchase price of \$301.3 million.

MEDIAN Transactions

On November 29, 2017, we acquired three rehabilitation hospitals in Germany for an aggregate purchase price of €80 million. The facilities are leased to affiliates of MEDIAN, pursuant to a new long-term master lease. The lease began on November 30, 2017, and the term is for 27 years (ending in November 2044). The lease provides for annual inflation-based escalators.

During the third quarter of 2017, we acquired two rehabilitation hospitals in Germany for an aggregate purchase price of €39.2 million, in addition to 11 rehabilitation hospitals in Germany that we acquired in the second quarter of 2017 for an aggregate purchase price of €127 million. These 13 properties are leased to affiliates of MEDIAN, pursuant to a third master lease entered into in 2016. These acquisitions are the final properties of the portfolio of 20 properties in Germany that we agreed to acquire in July 2016 for €215.7 million, of which seven properties totaling €49.5 million closed in December 2016.

On June 22, 2017, we acquired an acute care hospital in Germany for a purchase price of €19.4 million, of which €18.6 million was paid upon closing with the remainder being paid over four years. This property is leased to affiliates of MEDIAN, pursuant to an existing master lease agreement that ends in December 2042 with annual inflation-based escalators.

On January 30, 2017, we acquired an inpatient rehabilitation hospital in Germany for €8.4 million. This acquisition was the final property to close

as part of the six hospital portfolio that we agreed to buy in September 2016 for an aggregate amount of €44.1 million. This property is leased to affiliates of MEDIAN pursuant to the original long-term master lease agreement reached with MEDIAN in 2015.

Other Transactions

On June 1, 2017, we acquired the real estate assets of Ohio Valley Medical Center located in Wheeling, West Virginia, and the East Ohio Regional Hospital in Martins Ferry, Ohio, from Ohio Valley Health Services, a not-for-profit entity in West Virginia, for an aggregate purchase price of approximately \$40 million. We simultaneously leased the facilities to Alecto Healthcare Services LLC (“Alecto”).

On May 1, 2017, we acquired the real estate of St. Joseph Regional Medical Center, a 145-bed acute care hospital in Lewiston, Idaho, for \$87.5 million. This facility is leased to LifePoint, pursuant to the existing long-term master lease entered into with LifePoint in April 2016.

DEVELOPMENT ACTIVITIES

2019 Activity

On October 25, 2019, we entered into an agreement to finance the development of and lease a behavioral hospital in Houston, Texas, for \$27.5 million. This facility will be leased to NeuroPsychiatric Hospitals pursuant to a long-term lease and is expected to commence rent in the fourth quarter of 2020.

2018 Activity

During the year ended December 31, 2018, we completed the construction on Ernest Flagstaff. This \$25.5 million inpatient rehabilitation facility located in Flagstaff, Arizona opened on March 1, 2018 and is being leased to Ernest pursuant to a stand-alone lease, with terms similar to the original master lease.

2017 Activity

During 2017, we completed construction and began recording rental income on the following facilities:

- Adeptus Health, Inc. (“Adeptus”) — We completed four acute care facilities totaling approximately \$68 million in development costs.
- IMED Group (“IMED”) — A general acute facility located in Valencia, Spain opened on March 31, 2017, and is being leased to IMED pursuant to a 30-year lease that provides for quarterly fixed rent payments that started on October 1, 2017 with annual increases of 1% beginning April 1, 2020. Our ownership in this

facility is effected through a joint venture between us and clients of AXA Real Estate, in which we own a 50% interest.

See table below for a status summary of our current development projects (in thousands):

Property	Commitment	Costs Incurred as of December 31, 2019	Estimated Rent Commencement Date
Circle (Birmingham, England)	\$ 47,532	\$ 41,920	2Q 2020
Circle Rehabilitation (Birmingham, England)	21,427	17,385	2Q 2020
Surgery Partners (Idaho Falls, Idaho)	113,468	96,639	1Q 2020
NeuroPsychiatric Hospitals (Houston, Texas)	27,500	12,268	4Q 2020
	<u>\$ 209,927</u>	<u>\$ 168,212</u>	

DISPOSALS

2019 Activity

During 2019, we completed the sale of five facilities for net proceeds to us of approximately \$97.0 million. The transactions resulted in a gain on real estate of \$41.6 million.

2018 Activity

On October 4, 2018, we finalized a recapitalization agreement in which we sold our investment in the operations of Ernest and were repaid for our outstanding acquisition loans, working capital loans, and any unpaid interest. Total proceeds received from this transaction approximated \$176 million. We retained ownership of the real estate and secured mortgage loans of our Ernest properties.

On August 31, 2018, we completed the previously described joint venture arrangement with Primotop, in which we contributed the real estate of 71 of our post-acute hospitals in Germany, with a fair value of approximately €1.635 billion, resulting in a gain of approximately €500 million. See “Acquisitions” in this Note 3 for further details on this transaction.

On August 31, 2018, we sold a general acute care hospital located in Houston, Texas that was leased and operated by North Cypress for \$148 million. The transaction resulted in a gain on sale of \$102.4 million, which was partially offset by a net \$2.5 million non-cash charge to revenue to write-off related straight-line rent receivables.

On June 4, 2018, we sold three long-term acute care hospitals located in California, Texas, and Oregon, that were leased and operated by Vibra, which included our equity investment in operations of the Texas facility. Total proceeds from the transaction were \$53.3 million in cash, a mortgage loan in the amount of \$18.3 million, and a \$1.5 million

working capital loan. The transaction resulted in a gain on real estate of \$24.2 million, which was partially offset by a \$5.1 million non-cash charge to revenue to write-off related straight-line rent receivables.

On March 1, 2018, we sold the real estate of St. Joseph Medical Center in Houston, Texas, for approximately \$148 million to Steward. In return, we received a mortgage loan equal to the purchase price, with such loan secured by the underlying real estate. The mortgage loan had terms consistent with the other mortgage loans in the Steward portfolio. This transaction resulted in a gain of \$1.5 million, offset by a \$1.7 million non-cash charge to revenue to write-off related straight-line rent receivables on this property.

Summary of Operations for Disposed Assets in 2018

The following represents the operating results (excluding the St. Joseph sale in March 2018) of the properties sold in 2018 for the periods presented (in thousands):

	For the Year Ended	
	2018	2017
Revenues	\$ 88,838	\$ 132,039
Real estate depreciation and amortization	(15,849)	(31,870)
Property-related expenses	(531)	(404)
Other(1)	709,717	(14,168)
Income from real estate dispositions, net.	\$ 782,175	\$ 85,597

(1) Includes approximately \$720 million of gains on sale for the twelve months ended December 31, 2018.

2017 Activity

On March 31, 2017, we sold the EASTAR Health System real estate located in Muskogee, Oklahoma, which was leased to LifePoint. Total proceeds from this transaction were approximately \$64 million resulting in a gain of \$7.4 million, partially offset by a \$0.6 million non-cash charge to revenue to write-off related straight-line rent receivables on this property.

The property disposals in 2019, 2018, and 2017 were not strategic shifts in our operations and therefore the results of operations of those properties were not reclassified to discontinued operations.

INTANGIBLE ASSETS

At December 31, 2019 and 2018, our intangible lease assets were \$622.1 million (\$556.7 million, net of accumulated amortization) and \$403.1 million (\$352.5 million, net of accumulated amortization), respectively. We recorded amortization expense related to intangible lease assets of \$21.5 million, \$17.6 million, and \$15.8 million in 2019,

2018, and 2017, respectively, and expect to recognize amortization expense from existing lease intangible assets as follows (amounts in thousands):

For the Year Ended December 31:

2020	\$ 27,795
2021	27,781
2022	27,767
2023	27,702
2024	27,668

As of December 31, 2019, capitalized lease intangibles have a weighted-average remaining life of 21.6 years.

LEASING OPERATIONS (LESSOR)

As noted earlier, we acquire and develop healthcare facilities and lease the facilities to healthcare operating companies under long-term net leases (typical initial fixed terms ranging from 10 to 15 years) and most include renewal options at the election of our tenants, generally in five year increments. More than 97% of our leases provide annual rent escalations based on increases in the CPI (or similar index outside the U.S.) and/or fixed minimum annual rent escalations ranging from 0.5% to 3.0%. Many of our domestic leases contain purchase options with pricing set at various terms but in no case less than our total investment. For five properties with a carrying value of \$210 million, our leases require a residual value guarantee from the tenant. Our leases typically require the tenant to handle and bear most of the costs associated with our properties including repair/maintenance, property taxes, and insurance. We routinely inspect our properties to ensure the residual value of each of our assets is being maintained. Except for leases classified as financing leases, all of our leases are classified as operating leases.

The following table summarizes total future minimum lease payments to be received, excluding operating expense reimbursements, from tenants under noncancelable leases as of December 31, 2019 (amounts in thousands):

	Total Under Operating Leases	Total Under Financing Leases	Total
2020	\$ 589,140	\$ 166,067	\$ 755,207
2021	604,653	169,388	774,041
2022	612,427	172,776	785,203
2023	623,590	176,231	799,821
2024	633,197	179,756	812,953
Thereafter	12,779,610	4,902,534	17,682,144
	\$ 15,842,617	\$ 5,766,752	\$ 21,609,369

At December 31, 2019, leases on 14 Ernest facilities and ten Prime Healthcare Services, Inc. ("Prime") facilities are accounted for as DFLs, and leases on 13 of our Prospect facilities are accounted for as a financing. The components of our total investment in financing leases consisted of the following (in thousands):

	As of December 31, 2019	As of December 31, 2018
Minimum lease payments receivable	\$ 1,884,921	\$ 2,091,504
Estimated residual values	394,195	424,719
Less unearned income	(1,618,252)	(1,832,170)
Net investment in direct financing leases	\$ 660,864	\$ 684,053
Other financing leases	1,399,438	—
Total investment in financing leases	\$ 2,060,302	\$ 684,053

Adeptus Health Transition Properties

As noted in previous filings and effective October 2, 2017, we had 16 properties transitioning away from Adeptus in stages over a two year period as part of Adeptus' confirmed plan of reorganization under Chapter 11 of the Bankruptcy Code. Due to this transition, we accelerated the amortization of the straight-line rent receivables resulting in a \$1.5 million and \$6.1 million impact to 2019 and 2018, respectively, and recorded a \$0.5 million and \$18 million real estate impairment charge in 2019 and 2018, respectively, on certain of these facilities. At December 31, 2019, three of the original 16 properties (representing less than 0.1% of our total assets) are vacant.

Alecto Healthcare facilities

At December 31, 2019, we own four acute care facilities and have a mortgage loan on a fifth property, representing less than 0.6% of our total assets. During the fourth quarter of 2019, we terminated the lease on two Alecto facilities in Ohio and West Virginia resulting in a real estate impairment charge of approximately \$20.0 million. This adjustment was in addition to the \$30 million impairment recorded on Alecto properties in 2018.

LOANS

The following is a summary of our loans (\$ amounts in thousands):

	As of December 31, 2019		As of December 31, 2018	
	Balance	Weighted-Average Interest Rate	Balance	Weighted-Average Interest Rate
Mortgage loans	\$ 1,275,022	9.0%	\$ 1,213,322	8.8%
Acquisition loans	123,893	7.7%	3,454	10.8%
Other loans	420,939	5.7%	369,744	5.4%
	\$ 1,819,854		\$ 1,586,520	

Our mortgage loans cover 11 of our properties with five operators with the increase year-over-year related to the \$51.3 million mortgage loan on a Prospect property.

Acquisition loans are primarily related to the \$112.9 million loan to Prospect, which we expect will be converted into the acquisition of two acute care hospitals upon the satisfaction of certain conditions.

Other loans consist of loans to our tenants for working capital and other purposes and include our shareholder loan made to the joint venture with Primotop on August 31, 2018 (as more fully described above in this Note 3) in the amount of €290 million.

CONCENTRATION OF CREDIT RISKS

We monitor concentration risk in several ways due to the nature of our real estate assets that are vital to the communities in which they are located and given our history of being able to replace inefficient operators of our facilities, if needed, with more effective operators:

- 1) Facility concentration – At December 31, 2019, we had no investment in any single property greater than 2.6% of our total assets, compared to 4% at December 31, 2018.
- 2) Operator concentration – For the year ended December 31, 2019, revenue from Steward and Prime represented 42% and 15%, respectively, of our total revenues. In comparison, these operators represented 39% and 16%, respectively, of our total revenues for the year ended December 31, 2018. Due to new investments made during 2019, Steward (when including leases and mortgage loans) represents 24% of our total assets at December 31, 2019, compared to 38% at December 31, 2018.
- 3) Geographic concentration – At December 31, 2019, investments in the U.S, Europe, and Australia represented approximately 74%, 20%, and 6%, respectively, of our total assets. In comparison, investments in the U.S. and Europe represented approximately 80% and 20%, respectively, of our total assets at December 31, 2018.
- 4) Facility type concentration – For the year ended December 31, 2019, approximately 87% of our revenues are from our general acute care facilities, while rehabilitation and long-term acute care facilities made up 10% and 3%, respectively. In comparison, general acute care, rehabilitation, and long-term acute care facilities made up 76%, 20%, and 4%, respectively, of our total revenues for the year ended December 31, 2018.

RELATED PARTY TRANSACTIONS

Lease and interest revenue earned from tenants in which we have or had an equity interest in during the year were \$451.1 million, \$501.4 million, and \$422.4 million in 2019, 2018, and 2017, respectively.

4. DEBT

The following is a summary of debt (\$ amounts in thousands):

	As of December 31, 2019	As of December 31, 2018
Revolving credit facility(A)	\$ —	\$ 28,059
Term loan	200,000	200,000
Australian term loan facility(B)	842,520	—
4.000% Senior Unsecured Notes due 2022(B)	560,650	573,350
2.550% Senior Unsecured Notes due 2023(B)	530,280	—
5.500% Senior Unsecured Notes due 2024	300,000	300,000
6.375% Senior Unsecured Notes due 2024	500,000	500,000
3.325% Senior Unsecured Notes due 2025(B)	560,650	573,350
5.250% Senior Unsecured Notes due 2026	500,000	500,000
5.000% Senior Unsecured Notes due 2027	1,400,000	1,400,000
3.692% Senior Unsecured Notes due 2028(B)	795,420	—
4.625% Senior Unsecured Notes due 2029	900,000	—
	<u>\$ 7,089,520</u>	<u>\$ 4,074,759</u>
Debt issue costs and discount, net	(65,841)	(37,370)
	<u>\$ 7,023,679</u>	<u>\$ 4,037,389</u>

(A) Includes £22 million of GBP-denominated borrowings that reflect the exchange rate at December 31, 2018.

(B) Non-U.S. dollar denominated debt that reflects the exchange rate at period end.

As of December 31, 2019, principal payments due on our debt (which exclude the effects of any discounts, premiums, or debt issue costs recorded) are as follows (\$ amounts in thousands):

	Total
2020	\$ —
2021	—
2022	760,650
2023	530,280
2024	1,642,520
Thereafter	4,156,070
Total	<u>\$ 7,089,520</u>

CREDIT FACILITY

On February 1, 2017, we replaced our previous unsecured credit facility with a new revolving credit and term loan agreement. The new agreement included a \$1.3 billion unsecured revolving loan facility, a \$200 million unsecured term loan facility, and a new €200 million unsecured term loan facility. The unsecured revolving loan facility matures in February 2021 and can be extended for an additional 12 months at our option. The \$200 million unsecured term loan facility matures on February 1, 2022, and the €200 million unsecured term loan facility had a maturity date of January 31, 2020; however, it was paid off on March 30, 2017 — see below. The term loan and/or revolving loan commitments may be increased in an aggregate amount not to exceed \$500 million.

At our election, loans under the Credit Facility may be made as either ABR Loans or Eurodollar Loans. The applicable margin for term loans that are ABR Loans is adjustable on a sliding scale from 0.00% to 0.95% based on our current credit rating. The applicable margin for term loans that are Eurodollar Loans is adjustable on a sliding scale from 0.90% to 1.95% based on our current credit rating. The applicable margin for revolving loans that are ABR Loans is adjustable on a sliding scale from 0.00% to 0.65% based on our current credit rating. The applicable margin for revolving loans that are Eurodollar Loans is adjustable on a sliding scale from 0.875% to 1.65% based on our current credit rating. The commitment fee is adjustable on a sliding scale from 0.125% to 0.30% based on our current credit rating and is payable on the revolving loan facility.

At December 31, 2019 and 2018, we had \$0 and \$28.1 million, respectively, outstanding on the revolving credit facility. At December 31, 2019, our availability under our revolving credit facility was \$1.3 billion. The weighted-average interest rate on this facility was 2.0% and 2.7% during 2019 and 2018, respectively.

At December 31, 2019 and 2018, the interest rate in effect on our term loan was 3.30% and 3.89%, respectively.

AUSTRALIAN TERM LOAN FACILITY

On May 23, 2019, we entered into an AUD \$1.2 billion term loan facility agreement with Bank of America, N.A., as administrative agent, and several lenders from time-to-time are parties thereto. The term loan facility matures on May 23, 2024. The interest rate under the term loan is adjustable based on a pricing grid from 0.85% to 1.65%, dependent on our current senior unsecured credit rating. On June 27, 2019, we entered into an interest rate swap transaction (effective July 3, 2019) to fix the interest rate to approximately 1.20% for the duration of the loan. The current applicable margin for the pricing grid (which can vary based on the Company's credit rating) is 1.25% for an all-in fixed rate of 2.45%.

4.000% SENIOR UNSECURED NOTES DUE 2022

On August 19, 2015, we completed a €500 million senior unsecured notes offering ("4.000% Senior Unsecured Notes due 2022"). Interest on the notes is payable annually on August 19 of each year. The notes pay interest in cash at a rate of 4.000% per year. The notes mature on August 19, 2022. We may redeem some or all of the 4.000% Senior Unsecured Notes due 2022 at any time. If the notes are redeemed prior to 90 days before maturity, the redemption price will be 100% of their principal amount, plus a make-whole premium, plus accrued and unpaid interest to, but excluding, the applicable redemption date. Within the period beginning on or after 90 days before maturity, the notes may be redeemed, in whole or in part, at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest to, but excluding, the applicable redemption date. The 4.000% Senior Unsecured Notes due 2022 are fully and unconditionally guaranteed on an unsecured basis by us. In the event of a change of control, each holder of the notes may require us to repurchase some or all of our notes at a repurchase price equal to 101% of the aggregate principal amount of the notes plus accrued and unpaid interest to the date of the purchase.

2.550% SENIOR UNSECURED NOTES DUE 2023

On December 5, 2019, we completed a £400 million senior unsecured notes offering ("2.550% Senior Unsecured Notes due 2023"). Interest on the notes is payable annually on December 5 of each year. The notes pay interest in cash at a rate of 2.550% per year. The notes mature on December 5, 2023. We may redeem some or all of the 2.550% Senior Unsecured Notes due 2023 at any time. If the notes are redeemed prior to 30 days before maturity, the redemption price will be equal to 100% of the principal amount, plus a make-whole premium, plus accrued and unpaid interest to, but excluding, the applicable redemption date. The 2.550% Senior Unsecured Notes due 2023 are fully and unconditionally guaranteed on an unsecured basis by us. In the event of change of control, each holder of the notes may require us to repurchase some or all of our notes at a repurchase price equal to 101% of the aggregate principal amount of the notes plus accrued and unpaid interest to the date of the purchase.

5.500% SENIOR UNSECURED NOTES DUE 2024

On April 17, 2014, we completed a \$300 million senior unsecured notes offering ("5.500% Senior Unsecured Notes due 2024"). Interest on the notes is payable semi-annually on May 1 and November 1 of each year. The notes pay interest in cash at a rate of 5.500% per year. The notes mature on May 1, 2024. We may redeem some or all of the notes at any time prior to May 1, 2019 at a "make-whole" redemption price. On or after May 1, 2019, we may redeem some or all of the notes at a premium that will decrease over time. In the event of a change of control, each holder of the notes may require us to repurchase some

or all of our notes at a repurchase price equal to 101% of the aggregate principal amount of the notes plus accrued and unpaid interest to the date of purchase.

6.375% SENIOR UNSECURED NOTES DUE 2024

On February 22, 2016, we completed a \$500 million senior unsecured notes offering ("6.375% Senior Unsecured Notes due 2024"). Interest on the notes is payable on March 1 and September 1 of each year. Interest on the notes is paid in cash at a rate of 6.375% per year. The notes mature on March 1, 2024. We may redeem some or all of the notes at any time prior to March 1, 2019 at a "make whole" redemption price. On or after March 1, 2019, we may redeem some or all of the notes at a premium that will decrease over time. In addition, at any time prior to March 1, 2019, we may redeem up to 35% of the notes at a redemption price equal to 106.375% of the aggregate principal amount thereof, plus accrued and unpaid interest thereon, using proceeds from one or more equity offerings. In the event of a change in control, each holder of the notes may require us to repurchase some or all of the notes at a repurchase price equal to 101% of the aggregate principal amount of the notes plus accrued and unpaid interest to the date of purchase.

3.325% SENIOR UNSECURED NOTES DUE 2025

On March 24, 2017, we completed a €500 million senior unsecured notes offering ("3.325% Senior Unsecured Notes due 2025"). Interest on the notes is payable annually on March 24 of each year. The notes pay interest in cash at a rate of 3.325% per year. The notes mature on March 24, 2025. We may redeem some or all of the 3.325% Senior Unsecured Notes due 2025 at any time. If the notes are redeemed prior to 90 days before maturity, the redemption price will be equal to 100% of their principal amount, plus a make-whole premium, plus accrued and unpaid interest up to, but excluding, the applicable redemption date. Within the period beginning on or after 90 days before maturity, the notes may be redeemed, in whole or in part, at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest to, but excluding, the applicable redemption date. The 3.325% Senior Unsecured Notes due 2025 are fully and unconditionally guaranteed on a senior unsecured basis by us. In the event of a change of control, each holder of the notes may require us to repurchase some or all of our notes at a repurchase price equal to 101% of the aggregate principal amount of the notes plus accrued and unpaid interest up to, but excluding, the date of the purchase.

5.250% SENIOR UNSECURED NOTES DUE 2026

On July 22, 2016, we completed a \$500 million senior unsecured notes offering ("5.250% Senior Unsecured Notes due 2026"). Interest on the notes is payable on February 1 and August 1 of each year. Interest on the notes is to be paid in cash at a rate of 5.250% per year. The notes

mature on August 1, 2026. We may redeem some or all of the notes at any time prior to August 1, 2021 at a “make whole” redemption price. On or after August 1, 2021, we may redeem some or all of the notes at a premium that will decrease over time. In addition, at any time prior to August 1, 2019, we may redeem up to 35% of the notes at a redemption price equal to 105.250% of the aggregate principal amount thereof, plus accrued and unpaid interest thereon, using proceeds from one or more equity offerings. In the event of a change in control, each holder of the notes may require us to repurchase some or all of the notes at a repurchase price equal to 101% of the aggregate principal amount of the notes plus accrued and unpaid interest to the date of purchase.

5.000% SENIOR UNSECURED NOTES DUE 2027

On September 7, 2017, we completed a \$1.4 billion senior unsecured notes offering (“5.000% Senior Unsecured Notes due 2027”). Interest on the notes is payable on April 15 and October 15 of each year. The notes pay interest in cash at a rate of 5.000% per year. The notes mature on October 15, 2027. We may redeem some or all of the notes at any time prior to October 15, 2022 at a “make whole” redemption price. On or after October 15, 2022, we may redeem some or all of the notes at a premium that will decrease over time. In addition, at any time prior to October 15, 2020, we may redeem up to 40% of the notes at a redemption price equal to 105% of the aggregate principal amount thereof, plus accrued and unpaid interest thereon, using proceeds from one or more equity offerings. In the event of a change in control, each holder of the notes may require us to repurchase some or all of the notes at a repurchase price equal to 101% of the aggregate principal amount of the notes plus accrued and unpaid interest to the date of purchase.

3.692% SENIOR UNSECURED NOTES DUE 2028

On December 5, 2019, we completed a £600 million senior unsecured notes offering (“3.692% Senior Unsecured Notes due 2028”). The notes were issued at 99.998% of par value. Interest on the notes is payable on June 5 of each year. The notes pay interest in cash at a rate of 3.692% per year. The notes mature on June 5, 2028. We may redeem some or all of the 3.692% Senior Unsecured Notes due 2028 at any time. If the notes are redeemed prior to 30 days before maturity, the redemption price will be equal to 100% of the principal amount, plus a make-whole premium, plus accrued and unpaid interest to, but excluding, the applicable redemption date. The 3.692% Senior Unsecured Notes due 2028 are fully and unconditionally guaranteed on an unsecured basis by us. In the event of change of control, each holder of the notes may require us to repurchase some or all of our notes at a repurchase price equal to 101% of the aggregate principal amount of the notes plus accrued and unpaid interest to the date of the purchase.

4.625% SENIOR UNSECURED NOTES DUE 2029

On July 26, 2019, we completed a \$900 million senior unsecured notes offering (“4.625% Senior Unsecured Notes due 2029”). Interest on the notes is payable on February 1 and August 1 of each year, commencing on February 1, 2020. The notes were issued at 99.5% of par value, pay interest at a rate of 4.625% per year and mature on August 1, 2029. We may redeem some or all of the notes at any time prior to August 1, 2024 at a “make whole” redemption price. On or after August 1, 2024, we may redeem some or all of the notes at a premium that will decrease over time. In addition, at any time prior to August 1, 2022, we may redeem up to 40% of the notes at a redemption price equal to 104.625% of the aggregate principal amount thereof, plus accrued and unpaid interest thereon, using proceeds from one or more equity offerings. In the event of a change in control, each holder of the notes may require us to repurchase some or all of the notes at a repurchase price equal to 101% of the aggregate principal amount of the notes plus accrued and unpaid interest to the date of purchase.

OTHER ACTIVITY

In preparation of the joint venture with Primotop described under “2018 Activity” in Note 3, we issued secured debt on August 3, 2018, resulting in gross proceeds of €655 million. Provisions of the secured debt included a term of seven years and a swapped fixed rate of approximately 2.3%. Subsequently, on August 31, 2018, the secured debt was contributed along with the related real estate of 71 properties to form the joint venture.

DEBT REFINANCING AND UNUTILIZED FINANCING COSTS

2019

On July 10, 2019, we received a commitment to provide a senior unsecured bridge loan facility to fund our investment in Prospect. With this commitment, we paid \$4.2 million of underwriting and other fees. However, this commitment was canceled with the completion of the debt and equity offerings in July 2019, which resulted in fully expensing the total amount of underwriting and other fees that were paid.

In anticipation of funding our Australian acquisition in June 2019 and the Circle Health Ltd. (“Circle”) transaction in January 2020, we entered into term loans on the date these deals were signed that had a delayed draw feature. This feature allowed for us to not draw on the term loans until needed to fund these transactions. However, with this type of structure, we incurred approximately \$2.0 million in accelerated debt issue cost amortization expense during 2019.

2017

With the replacement of our previous credit facility, the early redemption of senior unsecured notes, the payoff of our €200 million term loan, the cancellation of a \$1.0 billion term loan facility commitment, and the pre-payment of a \$12.9 million mortgage loan, we incurred a charge of \$32.6 million (including redemption premiums and accelerated amortization of deferred debt issuance cost and commitment fees) during the year ended December 31, 2017.

Covenants

Our debt facilities impose certain restrictions on us, including restrictions on our ability to: incur debts; create or incur liens; provide guarantees in respect of obligations of any other entity; make redemptions and repurchases of our capital stock; prepay, redeem, or repurchase debt; engage in mergers or consolidations; enter into affiliated transactions; dispose of real estate or other assets; and change our business. In addition, the credit agreements governing our Credit Facility limit the amount of dividends we can pay as a percentage of normalized adjusted funds from operations (“NAFFO”), as defined in the agreements, on a rolling four quarter basis. Through 2019, the dividend restriction was 95% of NAFFO. The indentures governing our senior unsecured notes also limit the amount of dividends we can pay based on the sum of 95% of NAFFO, proceeds of equity issuances and certain other net cash proceeds. Finally, our senior unsecured notes require us to maintain total unencumbered assets (as defined in the related indenture) of not less than 150% of our unsecured indebtedness.

In addition to these restrictions, the Credit Facility contains customary financial and operating covenants, including covenants relating to our total leverage ratio, fixed charge coverage ratio, secured leverage ratio, consolidated adjusted net worth, unsecured leverage ratio, and unsecured interest coverage ratio. The Credit Facility also contains customary events of default, including among others, nonpayment of principal or interest, material inaccuracy of representations, and failure to comply with our covenants. If an event of default occurs and is continuing under the Credit Facility, the entire outstanding balance may become immediately due and payable. At December 31, 2019, we were in compliance with all such financial and operating covenants.

5. INCOME TAXES

We have maintained and intend to maintain our election as a REIT under the Code. To qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement to distribute at least 90% of our taxable income to our stockholders. As a REIT, we generally will not be subject to U.S. federal income tax if we distribute 100% of our taxable income to our stockholders and satisfy certain other requirements; instead, income tax is paid directly by

our stockholders on the dividends distributed to them. If our taxable income exceeds our dividends in a tax year, REIT tax rules allow us to designate dividends from the subsequent tax year in order to avoid current taxation on undistributed income. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income taxes at regular corporate rates, including any applicable alternative minimum tax. Taxable income from non-REIT activities managed through our TRS is subject to applicable U.S. federal, state, and local income taxes. Our international subsidiaries are also subject to income taxes in the jurisdictions in which they operate.

From our TRS and our foreign operations, income tax benefit (expense) were as follows (in thousands):

	For the Years Ended December 31,		
	2019	2018	2017
Current income tax benefit (expense):			
Domestic	\$ 61	\$ 125	\$ 41
Foreign	(1,669)	(3,294)	(3,062)
	(1,608)	(3,169)	(3,021)
Deferred income tax benefit (expense):			
Domestic	5,490	3,713	233
Foreign	(1,261)	(1,471)	107
	4,229	2,242	340
Income tax benefit (expense)	\$ 2,621	\$ (927)	\$ (2,681)

A reconciliation of the income tax benefit (expense) at the statutory income tax rate and the effective tax rate for income before income taxes for the years ended December 31, 2019, 2018, and 2017 is as follows (in thousands):

	For the Years Ended December 31,		
	2019	2018	2017
Income before income tax	\$ 373,780	\$ 1,019,404	\$ 293,919
Income tax at the U.S. statutory federal rate (21% in 2019 and 2018 and 35% in 2017)	(78,494)	(214,075)	(102,872)
Decrease (increase) in income tax resulting from:			
Foreign rate differential	438	2,643	2,326
State income taxes, net of federal benefit	1,621	(379)	—
U.S. earnings not subject to federal income tax	85,495	208,472	98,026
Equity investments	1,091	46	(3,293)
Change in valuation allowance	(7,911)	2,668	5,391
Other items, net	381	(302)	(2,259)
Total income tax benefit (expense)	\$ 2,621	\$ (927)	\$ (2,681)

The foreign provision for income taxes is based on foreign profit before income taxes of \$10.7 million in 2019 as compared with foreign profit before income taxes of \$18.6 million in 2018, and foreign losses before income taxes of \$(0.1) million in 2017.

The domestic provision for income taxes is based on a loss before income taxes of \$(44.1) million in 2019 from our TRS as compared with income before income taxes of \$8.0 million in 2018 and \$13.9 million in 2017.

At December 31, 2019 and 2018, components of our deferred tax assets and liabilities were as follows (in thousands):

	2019	2018
Deferred tax assets:		
Operating loss and interest deduction carry forwards	\$ 28,684	\$ 21,984
Other	1,711	277
Total deferred tax assets	30,395	22,261
Valuation allowance	(11,355)	(3,444)
Total net deferred tax assets	\$ 19,040	\$ 18,817
Deferred tax liabilities:		
Property and equipment	\$ (7,324)	\$ (12,359)
Net unbilled revenue	(1,449)	(1,633)
Partnership investments	—	—
Other	(737)	(300)
Total deferred tax liabilities	(9,510)	(14,292)
Net deferred tax asset (liability)	\$ 9,530	\$ 4,525

At December 31, 2019, we had net NOL carryforwards as follows (in thousands):

	U.S.	Luxembourg	Germany	U.K.	Australia
Gross NOL carryforwards	\$ 192,358	\$ 9,946	\$ 1,426	\$ 5,416	\$ 12,939
Tax-effected NOL carryforwards	22,960	2,481	226	921	1,941
Valuation allowance	(6,212)	(2,481)	(226)	(921)	—
Net deferred tax asset - NOL carryforwards	\$ 16,748	\$ —	\$ —	\$ —	\$ 1,941
Expiration periods	2027- indefinite	2034- indefinite	Indefinite	Indefinite	Indefinite

VALUATION ALLOWANCE

A valuation allowance has been recorded on foreign and domestic net operating loss carryforwards and other net deferred tax assets that may not be realized. As of each reporting date, we consider all new evidence that could impact the future realization of our deferred tax assets. In the evaluation of the need for a valuation allowance on our deferred income tax assets, we consider all available positive and negative evidence, including scheduled reversals of deferred income tax liabilities, carryback of future period losses to prior periods, projected future taxable income, tax planning strategies, and recent financial performance.

During 2019, a valuation allowance of \$5.9 million has been recorded against a portion of our domestic deferred tax assets to recognize only the components of the deferred tax assets that is more likely than not to be realized. The valuation allowance was primarily recorded against deferred tax assets for federal and state NOLs that we believe will not be realized due to the economic cost that would be incurred to realize these assets. This includes NOLs in states where we no longer maintain nexus and federal and state NOLs that are only available for partial offset of future taxable income.

We also evaluated the need for a valuation allowance on our foreign deferred income tax assets. In doing so, we considered all available evidence to determine whether it is more likely than not that the foreign deferred income tax assets will be realized. Based on our review of all positive and negative evidence, we recorded a partial valuation allowance of \$2 million against certain foreign deferred income tax assets generated during the year. Furthermore, we determined the partial valuation allowances recorded in previous years should remain against certain foreign deferred income tax assets that are not expected to be realized through future sources of taxable income.

We have no material uncertain tax position liabilities and related interest or penalties.

REIT STATUS

We have met the annual REIT distribution requirements by payment of at least 90% of our taxable income in 2019, 2018, and 2017. Earnings and profits, which determine the taxability of such distributions, will differ from net income reported for financial reporting purposes due primarily to differences in cost basis, differences in the estimated useful lives used to compute depreciation, and differences between the allocation of our net income and loss for financial reporting purposes and for tax reporting purposes.

A schedule of per share distributions we paid and reported to our stockholders is set forth in the following:

	For the Years Ended December 31,		
	2019	2018	2017
Common share distribution	\$ 1.010000	\$ 0.990000	\$ 0.950000
Ordinary income	0.701910	0.438792	0.655535
Capital gains(1)	0.275040	0.551208	0.021022
Unrecaptured Sec. 1250 gain	0.041160	0.132280	0.004647
Section 199A Dividends	0.701910	0.438792	—
Return of capital	0.033050	—	0.273443

(1) Capital gains include unrecaptured Sec. 1250 gains.

6. EARNINGS PER SHARE

Our earnings per share were calculated based on the following (amounts in thousands):

	For the Years Ended December 31,		
	2019	2018	2017
Numerator:			
Net income	\$ 376,401	\$ 1,018,477	\$ 291,238
Non-controlling interests' share in earnings	(1,717)	(1,792)	(1,445)
Participating securities' share in earnings	(2,308)	(3,685)	(1,409)
Net income, less participating securities' share in earnings	\$ 372,376	\$ 1,013,000	\$ 288,384
Denominator:			
Basic weighted-average common shares	427,075	365,364	349,902
Dilutive potential common shares	1,224	907	539
Diluted weighted-average common shares	428,299	366,271	350,441

7. STOCK AWARDS

STOCK AWARDS

Our Equity Incentive Plan, adopted during the second quarter of 2019 and replaced the previous plan, authorizes the issuance of common stock options, restricted stock, restricted stock units, deferred stock units, stock appreciation rights, performance units, and awards of interests in our Operating Partnership. Our Equity Incentive Plan is administered by the Compensation Committee of the Board of Directors. We have reserved 12,900,000 shares of new common stock for awards under the Equity Incentive Plan, out of which 10,800,039 shares remain available for future stock awards as of December 31, 2019. The Equity Incentive Plan contains a limit of 5,000,000 shares as the maximum number of shares of common stock that may be awarded to an individual in any fiscal year. Awards under the Equity Incentive Plan are subject to forfeiture due to termination of employment prior to vesting and/or from not achieving the respective performance/market conditions. In the event of a change in control, outstanding and unvested options will immediately vest, unless otherwise provided in the participant's award or employment agreement, and restricted stock, restricted stock units, deferred stock units, and other stock-based awards will vest if so provided in the participant's award agreement. The term of the awards is set by the Compensation Committee, though Incentive Stock Options may not have terms of more than ten years. Forfeited awards are returned to the Equity Incentive Plan and are then available to be re-issued as future awards.

For the past three years, we have only granted restricted stock and restricted stock units pursuant to our Equity Incentive Plan. These stock-based awards have been granted in the form of service-based awards, performance awards based on company-specific performance

hurdles, and market-based awards. See below for further details on each of these stock-based awards:

Service-Based Awards

In 2019, 2018, and 2017, the Compensation Committee granted service-based awards to employees and non-employee directors. Service-based awards vest as the employee/director provides the required service (typically over three years). Dividends are generally paid on these awards prior to vesting.

Performance-Based Awards

In 2019, 2018, and 2017, the Compensation Committee granted performance-based awards to employees. Generally, dividends are not paid on performance awards until the award is earned. See below for details of such performance-based award grants:

2019 and 2018

In 2019 and 2018, a target number of stock awards were granted to employees that could be earned based on the achievement of specific performance thresholds as set by our Compensation Committee that included return on equity, EBITDA, and acquisitions. The performance thresholds were based on a three-year period with the opportunity to earn a portion of the award earlier. More or less shares than the target number of shares are available to be earned based on our performance compared to the set thresholds. At the end of each of the performance periods, any earned shares during such period will vest on January 1 of the following calendar year.

Certain performance awards granted in 2019 and 2018 were subject to a modifier (which increases or decreases the actual shares earned in each performance period) based on how our total shareholder return compared to the SNL U.S. REIT Healthcare Index ("SNL Index").

2017

In 2017, a target number of stock awards were granted to certain employees that could be earned based on the achievement of specific performance thresholds as set by our Compensation Committee that included return on equity and general and administrative expenses as a percentage of revenue. The performance thresholds were based on a one-year period. More or less shares than the target number of shares were available to be earned based on our performance compared to the set thresholds. At the end of the performance period, any earned shares during such period vested ratably on an annual basis over the next three years starting on January 1, 2018.

MARKET-BASED AWARDS

In 2017, the Compensation Committee granted three-types of market-based awards to certain employees. Generally, dividends are not paid on market-based awards until the award is earned.

The first award included a target number of stock awards that could be earned based on how our total shareholder return performed against the SNL Index for the year. More or less shares than the target number of shares were available to be earned based on our performance compared to the set thresholds. At the end of the performance period, any earned shares during such period vested ratably on an annual basis over the next three years starting on January 1, 2018. The fair value of this award was estimated on the grant date using a Monte Carlo valuation model that assumed the following: risk free interest rate of 1%; expected volatility of 25%; expected dividend yield of 6.9%; and expected service period of three years.

The second market-based award was based on the achievement of a multi-year cumulative total shareholder return as compared to pre-established returns set by our Compensation Committee. The performance period was five years ending December 31, 2021 with the option to earn a portion of the award earlier. At the end of the performance period, any earned shares during such period vest on January 1 of the following calendar year. The fair value of this award was estimated on the grant date using a Monte Carlo valuation model that assumed the following: risk free interest rate of 1.9%; expected volatility of 25%; expected dividend yield of 6.9%; and expected service period of five years.

The third market-based award could be earned based on how our total shareholder return performed against the SNL Index over a three-year period ending December 31, 2019. At the end of the performance period, any earned shares during such period vested ratably on an annual basis over the next three years starting on January 1, 2020. The fair value of this award was estimated on the grant date using a Monte Carlo valuation model that assumed the following: risk free interest rate of 1.5%; expected volatility of 25%; expected dividend yield of 6.9%; and expected service period of three years.

The following summarizes stock-based award activity in 2019 and 2018 (which includes awards granted in 2019, 2018, 2017, and any applicable prior years), respectively:

For the Year Ended December 31, 2019:

	Vesting Based on Service		Vesting Based on Market/Performance Conditions	
	Shares	Weighted-Average Value at Award Date	Shares	Weighted-Average Value at Award Date
Nonvested awards at beginning of the year	923,848	\$ 14.29	4,133,435	\$ 9.21
Awarded	681,378	\$ 19.24	2,438,292	\$ 15.25
Vested	(478,104)	\$ 14.73	(1,051,637)	\$ 10.43
Forfeited	(4,682)	\$ 13.44	(38,935)	\$ 10.13
Nonvested awards at end of year . .	<u>1,122,440</u>	<u>\$ 17.11</u>	<u>5,481,155</u>	<u>\$ 11.66</u>

For the Year Ended December 31, 2018:

	Vesting Based on Service		Vesting Based on Market/Performance Conditions	
	Shares	Weighted-Average Value at Award Date	Shares	Weighted-Average Value at Award Date
Nonvested awards at beginning of the year	276,280	\$ 12.68	2,676,755	\$ 7.86
Awarded	958,480	\$ 14.31	1,750,834	\$ 11.61
Vested	(307,275)	\$ 12.92	(288,404)	\$ 11.25
Forfeited	(3,637)	\$ 13.05	(5,750)	\$ 9.35
Nonvested awards at end of year . .	<u>923,848</u>	<u>\$ 14.29</u>	<u>4,133,435</u>	<u>\$ 9.21</u>

The value of stock-based awards is charged to compensation expense over the service periods. For the years ended December 31, 2019, 2018, and 2017, we recorded \$32.2 million, \$16.5 million, and \$9.9 million, respectively, of non-cash compensation expense. The remaining unrecognized cost from stock-based awards at December 31, 2019, is \$53.2 million, which will be recognized over a weighted-average period of 1.6 years. Stock-based awards that vested in 2019, 2018, and 2017, had a value of \$25.9 million, \$8.4 million, and \$10.4 million, respectively.

8. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

On December 23, 2019, we entered into definitive agreements to acquire a portfolio of 30 acute care hospitals located throughout the United Kingdom for approximately £1.5 billion from affiliates of BMI. In a related transaction, affiliates of Circle entered into definitive agreements to acquire BMI and assume operations of its 52 facilities in the United Kingdom. Upon closing of the transaction on January 8,

2020, we leased back the hospitals to affiliates of Circle under 30 cross-defaulted leases guaranteed by Circle. The leases have initial fixed terms ending in 2050, with two five-year extension options and annual inflation-based escalators. To help fund this acquisition, we entered into a five-year term loan for £700 million on January 6, 2020.

CONTINGENCIES

We are a party to various legal proceedings incidental to our business. In the opinion of management, after consultation with legal counsel, the ultimate liability, if any, with respect to these proceedings is not presently expected to materially affect our financial position, results of operations, or cash flows.

9. COMMON STOCK

2019 ACTIVITY

On November 4, 2019, we filed Articles of Amendment to our charter with the Maryland State Department of Assessments and Taxation increasing the number of authorized shares of common stock, par value \$0.001 per share, available for issuance from 500 million to 750 million.

On November 8, 2019, we completed an underwritten public offering of 57.5 million shares (including the exercise of the underwriters' 30-day option to purchase an additional 7.5 million shares) of our common stock, resulting in net proceeds of \$1.026 billion, after deducting underwriting discounts and commissions and offering expenses.

On July 18, 2019, we completed an underwritten public offering of 51.75 million shares (including the exercise of the underwriters' 30-day option to purchase an additional 6.75 million shares) of our common stock, resulting in net proceeds of \$858.1 million, after deducting underwriting discounts and commissions and offering expenses.

In 2019, we sold 36.1 million shares of common stock under our at-the-market equity offering program, resulting in net proceeds of approximately \$650 million.

On December 27, 2019, we entered into a new at-the-market equity offering program, which gives us the ability to sell up to \$1.0 billion of stock with a commission rate up to 2.0%. Through February 21, 2020, we have sold 2.4 million shares of our common stock under this program.

2018 ACTIVITY

In the 2018 fourth quarter, we sold 5.6 million shares of common stock under our at-the-market equity offering program, resulting in net proceeds of approximately \$95 million.

2017 ACTIVITY

On May 1, 2017, we completed an underwritten public offering of 43.1 million shares (including the exercise of the underwriters' 30-day option to purchase an additional 5.6 million shares) of our common stock, resulting in net proceeds of approximately \$548 million, after deducting offering expenses.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

We have various assets and liabilities that are considered financial instruments. We estimate that the carrying value of cash and cash equivalents and accounts payable and accrued expenses approximate their fair values. We estimate the fair value of our interest and rent receivables using Level 2 inputs such as discounting the estimated future cash flows using the current rates at which similar receivables would be made to others with similar credit ratings and for the same remaining maturities. The fair value of our mortgage loans and other loans are estimated by using Level 2 inputs such as discounting the estimated future cash flows using the current rates which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. We determine the fair value of our senior unsecured notes using Level 2 inputs such as quotes from securities dealers and market makers. We estimate the fair value of our revolving credit facility and term loans using Level 2 inputs based on the present value of future payments, discounted at a rate which we consider appropriate for such debt.

Fair value estimates are made at a specific point in time, are subjective in nature, and involve uncertainties and matters of significant judgment. Settlement of such fair value amounts may not be a prudent management decision.

The following table summarizes fair value estimates for our financial instruments (in thousands):

Asset (Liability)	December 31, 2019		December 31, 2018	
	Book Value	Fair Value	Book Value	Fair Value
Interest and rent receivables	\$ 31,357	\$ 30,472	\$ 25,855	\$ 24,942
Loans(1)	1,704,854	1,742,153	1,471,520	1,490,758
Debt, net.	(7,023,679)	(7,331,816)	(4,037,389)	(3,947,795)

(1) Excludes mortgage loans related to Ernest since they are recorded at fair value and discussed below.

ITEMS MEASURED AT FAIR VALUE ON A RECURRING BASIS

Our Ernest mortgage loans are measured at fair value on a recurring basis as we elected to account for these investments using the fair

value option method in 2012 when we acquired an equity interest in and made an acquisition loan to Ernest. Such equity interest was sold and the acquisition loan was paid off in October 2018. We elected to account for these investments at fair value due to the size of the investments and because we believe this method was more reflected of current values. We have not made a similar election for other investments existing at December 31, 2019 or December 31, 2018.

At December 31, 2019 and 2018, the amounts recorded under the fair value option method were as follows (in thousands):

Asset (Liability)	As of December 31, 2019		As of December 31, 2018		Asset Type Classification
	Fair Value	Original Cost	Fair Value	Original Cost	
Mortgage Loans	\$ 115,000	\$ 115,000	\$ 115,000	\$ 115,000	Mortgage loans

Our mortgage loans with Ernest are recorded at fair value based on Level 2 inputs by discounting the estimated cash flows using the market rates which similar loans would be made to borrowers with similar credit ratings and the same remaining maturities.

ITEMS MEASURED AT FAIR VALUE ON A NONRECURRING BASIS

In addition to items that are measured at fair value on a recurring basis, we have assets and liabilities that are measured at fair value on a nonrecurring basis, such as long-lived asset impairments (see Note 3). Fair value is based on estimated cash flows discounted at a risk-adjusted rate of interest by using either Level 2 or 3 inputs as more fully described in Note 2.

11. LEASES (LESSEE)

We lease the land underlying certain of our facilities (for which we sublease to our tenants), along with corporate office and equipment. Our leases have remaining lease terms ranging from 4.5 years to 54 years, and some of the leases include options to extend the leases up to, or just beyond, the depreciable life of the properties that occupy the leased land. Renewal options that we are reasonably certain to exercise are recognized in our right-of-use assets and lease liabilities. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at lease commencement date in determining the present value of future payments.

The following is a summary of our lease expense (in thousands):

	Income Statement Classification	For the Year Ended December 31, 2019
Operating lease cost (1)	(2)	\$ 9,262
Finance lease cost:		
Amortization of right-of-use assets	Real estate depreciation and amortization	51
Interest on lease liabilities	Interest	117
Sublease income	Other	(3,478)
Total lease cost		\$ 5,952

(1) Includes short-term leases.

(2) \$5.8 million included in "Property-related", with the remainder reflected in the "General and administrative" line of our consolidated statements of net income.

For 2018 and 2017, our total lease expense was \$9.4 million and \$9.8 million, respectively, which was offset by sublease rental income of \$4.3 million and \$6.6 million, respectively.

Fixed minimum payments due over the remaining lease term under non-cancelable leases of more than one year and amounts to be received in the future from non-cancelable subleases over their remaining lease term at December 31, 2019 are as follows (amounts in thousands):

	Operating Leases	Finance Leases	Amounts To Be Received From Subleases	Net Payments
2020	\$ 6,098	\$ 125	\$ (3,156)	\$ 3,067
2021	6,279	126	(3,498)	2,907
2022	6,470	128	(3,630)	2,968
2023	6,533	129	(3,632)	3,030
2024	5,635	130	(3,651)	2,114
Thereafter	180,280	4,915	(90,199)	94,996 (1)
Total undiscounted minimum lease payments	\$ 211,295	\$ 5,553	\$ (107,766)	\$ 109,082
Less: interest	(134,942)	(3,621)		
Present value of lease liabilities	\$ 76,353	\$ 1,932		

(1) Reflects certain ground leases, in which we are the lessee, that have longer initial fixed terms than our existing sublease to our tenants. However, we would expect to either renew the related sublease, enter into a lease with a new tenant, or early terminate the ground lease to reduce or avoid any significant impact from such ground leases.

Supplemental balance sheet information is as follows (in thousands, except lease terms and discount rate):

	Balance Sheet Classification	December 31, 2019
Right of use assets:		
Operating leases - real estate	Land	\$ 59,492
Finance leases - real estate	Land	1,888
Real estate right of use assets, net		\$ 61,380
Operating leases - corporate	Other assets	9,866
Total right of use assets, net		\$ 71,246

	Obligations to tenants and other lease liabilities	December 31, 2019
Lease liabilities:		
Operating leases		\$ 76,353
Financing leases		1,932
Total lease liabilities		\$ 78,285

	Weighted-average remaining lease term:	December 31, 2019
Operating leases		31.9
Finance leases		36.9
	Weighted-average discount rate:	December 31, 2019
Operating leases		6.3%
Finance leases		6.6%

The following is supplemental cash flow information (in thousands):

	For the Year Ended December 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 5,937
Operating cash flows from finance leases	114
Financing cash flows from finance leases	10
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	1,818
Finance leases	—

12. OTHER ASSETS

The following is a summary of our other assets on our consolidated balance sheets (in thousands):

	At December 31,	
	2019	2018
Debt issue costs, net(1)	\$ 2,492	\$ 4,793
Other corporate assets	206,765	115,416
Prepays and other assets	90,342	61,757
Total other assets	\$ 299,599	\$ 181,966

(1) Relates to revolving credit facility

Other corporate assets include leasehold improvements associated with our corporate offices, furniture and fixtures, equipment, software, deposits, right-of-use assets associated with corporate leases, etc. Included in prepaids and other assets is prepaid insurance, prepaid taxes, deferred income tax assets (net of valuation allowances, if any), and lease inducements made to tenants, among other items.

In addition to the assets above, we have equity investments of \$927 million and \$520 million at December 31, 2019 and 2018, respectively. Our largest equity investment is in the joint venture with Primotop.

13. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is a summary of the unaudited quarterly financial information for the years ended December 31, 2019 and 2018: (amounts in thousands, except for per share data)

	For the Three Month Periods in 2019 Ended			
	March 31	June 30	September 30	December 31
Revenues	\$ 180,454	\$ 192,549	\$ 224,756	\$ 256,438
Net income	76,291	79,920	90,267	129,923
Net income attributable to MPT common stockholders	75,822	79,438	89,786	129,638
Net income attributable to MPT common stockholders per share — basic	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.26
Weighted-average shares outstanding — basic	380,551	394,574	439,581	493,593
Net income attributable to MPT common stockholders per share — diluted	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.26
Weighted-average shares outstanding — diluted	381,675	395,692	440,933	494,893

	For the Three Month Periods in 2018 Ended			
	March 31	June 30	September 30	December 31
Revenues	\$ 205,046	\$ 201,902	\$ 196,996	\$ 180,578
Net income	91,043	112,017	736,476	78,941
Net income attributable to MPT common stockholders	90,601	111,567	736,034	78,483
Net income attributable to MPT common stockholders per share — basic	\$ 0.25	\$ 0.30	\$ 2.01	\$ 0.21
Weighted-average shares outstanding — basic	364,882	364,897	365,024	366,655
Net income attributable to MPT common stockholders per share — diluted	\$ 0.25	\$ 0.30	\$ 2.00	\$ 0.21
Weighted-average shares outstanding — diluted	365,343	365,541	366,467	367,732

CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Medical Properties Trust, Inc. maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) designed to provide reasonable assurance that information required to be disclosed in its Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to its management, including its Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, we recognize that no controls and procedures, no matter how well designed and operated, can provide absolute assurance of achieving the desired control objectives. As required by Rule 13a-15(b) under the Exchange Act, the management of Medical Properties Trust, Inc., with the participation of its Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures. Based on the foregoing, the Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures are effective as of the end of the period covered by this report.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Medical Properties Trust, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting for Medical Properties Trust, Inc. (as such term is defined in Rule 13a-15(f) of the Exchange Act). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Medical Properties Trust, Inc.'s financial statements for external reporting purposes in accordance with GAAP.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has undertaken an assessment of the effectiveness of the internal control over financial reporting for Medical Properties Trust, Inc. as of December 31, 2019 based upon the framework established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that,

as of December 31, 2019, the internal control over financial reporting for Medical Properties Trust, Inc. was effective.

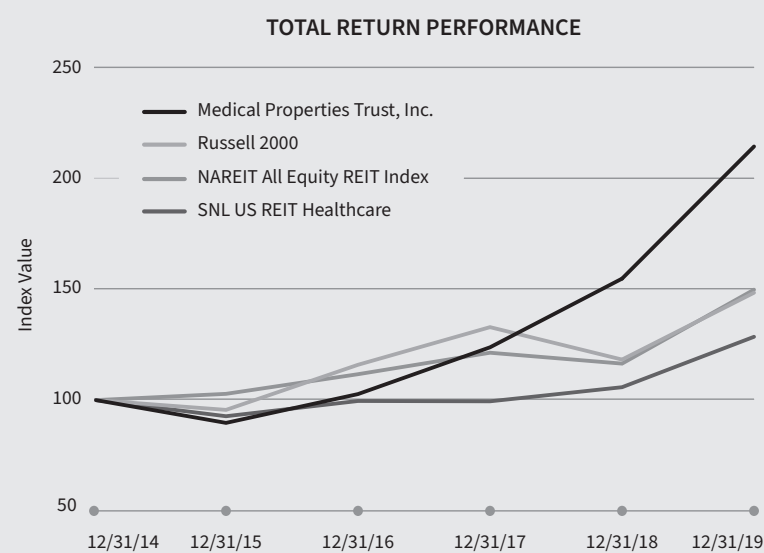
The effectiveness of the internal control over financial reporting for Medical Properties Trust, Inc. as of December 31, 2019 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears in this Annual Report on Form 10-K.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There has been no change in the internal control over financial reporting for Medical Properties Trust, Inc. during its most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

PERFORMANCE GRAPH

The following graph provides comparison of cumulative total stockholder return for the period from December 31, 2014 through December 31, 2019, among us, the Russell 2000 Index, NAREIT All Equity REIT Index, and SNL US REIT Healthcare Index. The stock performance graph assumes an investment of \$100 in us and the three indices, and the reinvestment of dividends. The historical information below is not indicative of future performance.



Index	Period Ending					
	12/31/14	12/31/15	12/31/16	12/31/17	12/31/18	12/31/19
Medical Properties Trust, Inc.	100.00	89.72	102.73	123.84	154.83	214.49
Russell 2000.	100.00	95.59	115.95	132.94	118.30	148.49
NAREIT All Equity REIT Index	100.00	102.83	111.70	121.39	116.48	149.86
SNL US REIT Healthcare	100.00	92.73	99.61	99.46	105.83	128.59

CORPORATE & SHAREHOLDER INFORMATION

OFFICERS

- Edward K. Aldag, Jr.**
Chairman, President and Chief Executive Officer
- R. Steven Hamner**
Executive Vice President and Chief Financial Officer
- Emmett E. McLean**
Executive Vice President, Chief Operating Officer and Secretary
- J. Kevin Hanna**
Vice President, Controller and Chief Accounting Officer
- Rosa H. Hooper**
Vice President, Managing Director of Asset Management and Underwriting
- Charles R. Lambert**
Treasurer and Managing Director of Capital Markets
- R. Lucas Savage**
Vice President, International Acquisitions

DIRECTORS

- Edward K. Aldag, Jr.**
Chairman, President and Chief Executive Officer
- G. Steven Dawson**
Private Investor
- R. Steven Hamner**
Executive Vice President and Chief Financial Officer
- Caterina A. Mozingo, CPA, PFS**
Shareholder, Taxation at Aldridge, Borden & Company, PC
- Elizabeth N. Pitman, JD, CHPC**
Partner at Waller Lansden Dortch & Davis, LLP
- D. Paul Sparks, Jr.**
Retired Senior Vice President, Energen Corporation
- Michael G. Stewart**
Private Investor
- C. Reynolds Thompson III**
Chairman and Chief Investment Officer of Select Strategies Realty

LEGAL COUNSEL

- Baker, Donelson, Bearman, Caldwell & Berkowitz, PC – Birmingham, AL
- Goodwin Procter, LLP – New York, NY

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

PricewaterhouseCoopers LLP – Birmingham, AL

ANNUAL MEETING

The Annual Meeting of Shareholders of Medical Properties Trust, Inc., is scheduled for May 21, 2020, at 10:30 a.m. CDT at the Company's Headquarters located at 1000 Urban Center Drive, Suite 501, Birmingham, Alabama, 35242

CERTIFICATIONS

Medical Properties Trust, Inc.'s Chief Executive Officer and Chief Financial Officer have filed their certifications required by the SEC regarding the quality of the company's public disclosure (these are included in the 2019 Annual Report on Form 10-K filed with the Securities and Exchange Commission). Further, the company's Chief Executive Officer has certified to the NYSE that he is not aware of any violation by Medical Properties Trust, Inc., of NYSE corporate governance listing standards, as required by Section 303A.12(a) of the NYSE listing standards.

TRANSFER AGENT AND REGISTRAR

American Stock Transfer & Trust Company, LLC
6201 15th Avenue, Brooklyn, NY 11219
(800) 937-5449 help@astfinancial.com
www.amstock.com
TTY: (Teletypewriter for the hearing impaired)
(718) 921-8386 or (866) 703-9077

CORPORATE OFFICE

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(205) 969-3755 (205) 969-3756 fax
www.medicalproptiestrust.com

MPT PROPERTIES SHOWCASE



Circle Health
Circle Birmingham Hospital
Birmingham, UK

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Healthscope
Northpark Private Hospital
Bundoora, Victoria, Australia

Pages 5, 17, 18, 21, 25



Healthscope
Knox Private Hospital
Wantirna, Victoria, Australia

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LifePoint
Conemaugh Memorial
Johnstown, PA

Pages 15, 27, 28



Swiss Medical Network
Clinique de Genolier
Genolier, Switzerland

Pages 19, 20, 23



Swiss Medical Network
Clinique de Valère
Sion, Switzerland

Page 24



Group IMED Hospitals
IMED Valencia Hospital
Burjassot, Valencia, Spain

Page 30



Prospect Medical Holdings
Southern California Hospital at Culver City
Culver City, CA

Pages 31



Circle Health
Circle Bath Hospital
Bath, UK

Page 39

SPECIAL STATEMENT REGARDING COVID-19

As we prepare to go to print with our 2019 Annual Report, I want to address the coronavirus as it stands today, April 6, 2020. The pandemic known officially as COVID-19 has hit the world hard and fast. By the time you get this annual report, many of you will have been infected or know someone who has been.

MPT's investment thesis has always been that the world needs hospitals. Hospitals are at the top of the delivery chain for healthcare around the globe. I feel such gratitude to the doctors, nurses, administrators and others working in our almost 400 hospitals around the world to provide care and comfort to those infected with the virus and others who need healthcare during these trying times. We thank you all from the bottom of our hearts, and we are forever grateful for the care given by our hundreds of hospitals.

God bless us all, and may all of humanity come together as one to overcome this pandemic.

Sincerely,

Ed

This report was printed using lean manufacturing methods, responsibly sourced paper with 10% recycled fiber, and vegetable-based, zero-VOC inks.



Medical Properties Trust

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NYSE: MPW