



2021 ANNUAL REPORT

# AT THE LEADING EDGE



Medical Properties Trust

Letter to Investors	<b>02</b>
True to Form	<b>08</b>
Building on a Stellar, Long-Term Track Record	<b>10</b>
MPT Portfolio	<b>12</b>
Innovation in Action: Bringing World-Class Care to Underserved Communities	<b>16</b>
Full-Circle: Value Realized From Unique Investing Strategy	<b>20</b>
Key Footholds in Behavioral Health, Meeting Growing Needs	<b>24</b>
Putting Down Roots	<b>30</b>
Leading the Way in Social Responsibility	<b>32</b>
Financial Review	<b>34</b>



# TABLE OF CONTENTS



# LETTER TO INVESTORS

2021 was all about continuing the extraordinary growth in earnings, dividends, accretive acquisitions and the quality of our portfolio that we have consistently delivered for many years. We accomplished this by executing on our long-established strategy of focusing on high-acuity hospital real estate that is critical to the sustained healthcare of local communities. The success of 2021 has further positioned us to continue as the global leader in the rapidly expanding market for hospital real estate.

## ***2021 showed the importance of MPT's pioneering approach***

We built on our exceptionally strong performance by completing a number of important transactions in 2021. These deals further diversified our portfolio, unlocked embedded real estate value to fund new investments and pushed earnings substantially higher.

Our tenants provide world-class hospital care around the globe by accessing real estate capital provided by MPT. We allocate this capital in a sustainable manner that not only delivers outstanding financial returns to our investors, but also improves the quality of life in the communities where we invest.

## ***Accomplishments and components of continued growth***

MPT provided a robust total shareholder return (TSR) in 2021 exceeding 14%. It is important also to note that MPT's TSR since the beginning of the COVID pandemic in 2020 has been nearly 25%, outperforming healthcare REITs fivefold. Taking a longer-term view, TSR since MPT's 2005 initial public offering (IPO) has been an outstanding, sector-leading 661%.

The company continued its virtually unmatched growth pace in 2021, investing \$3.9 billion in assets. We began the year by completing a \$1.1 billion investment in 35 behavioral health facilities operated by Priory Group in the United Kingdom. These facilities represent Priory's most valuable real estate and are where the most acute forms of behavioral care are delivered across the U.K.

Beginning in 2021's second quarter, our acquisition efforts continued with a number of key transactions in the U.S. In July, these efforts led to a \$215 million investment in a portfolio of essential neighborhood hospitals in Los Angeles operated by Pipeline Health System. These facilities are located in underserved neighborhoods with few other options for care, and Pipeline's model is calibrated to operate profitably in this type of setting.

In August, MPT closed on a \$900 million portfolio acquisition of five general acute care hospitals in South Florida from Tenet Healthcare Corp., now operated by Steward Health Care and subject to a highly attractive in-place master lease with other high-quality Steward hospitals. These South Florida facilities have been essential to their densely populated and culturally diverse communities for many decades and are expected to benefit tremendously from Steward's integrated model and planned care enhancements. MPT is confident that Steward will position these facilities to better serve their communities for generations to come.

October marked the completion of MPT's first investment of significant scale in U.S. inpatient behavioral health, as it acquired 18 hospitals and a stake in the operations of Springstone, Inc., for \$950 million. MPT had evaluated this portfolio of purpose-built, behavioral hospitals in several strategic markets across the U.S. for a number of years, and gained tremendous respect for Springstone's management and operating model. Closely following the U.K. acquisition of the Priory portfolio, MPT seized the

opportunity to enter the U.S. behavioral market with significant initial scale, a desirable level of acuity, highly specialized real estate and the possibility of future development opportunities. We believe that inpatient behavioral health hospitals are mission-critical infrastructure just like general acute care hospitals.

Throughout the year, we continued to add to our European hospital portfolio by making important acquisitions and commitments in Spain, Portugal and the U.K., as well as by conducting due diligence ahead of our first investment in Finland completed in the first quarter of 2022.

MPT's operators experienced a strong recovery after the 2020 global pandemic shut down elective surgeries for several months. Operators engineered a robust recovery in admissions, with the added benefits of an improved acuity mix and cost controls.

Hospitals are essential to a community's infrastructure, similar to utilities and transportation assets that no community can do without. MPT has built a well-diversified portfolio of high-quality hospitals run by world-class operators who raise the bar for patient care.

### ***Innovative capital harvesting strategy***

In September, MPT announced a major transaction to harvest embedded value from its existing Massachusetts portfolio to fund its accretive growth. The move provided nearly \$1.3 billion in funds to MPT when it was completed in March 2022, generated a real estate gain approximating \$600 million, and initiated a 50-50 partnership with Macquarie Infrastructure Partners V to own eight Steward-operated hospitals near Boston. This transaction revalued the Massachusetts portfolio (originally acquired in 2016) to generate a 47% gain on sale of real estate. In addition to illustrating MPT's ability to identify and acquire hospital real estate at attractive prices and validating Steward's prowess as an operator, it provided the company a superior cost of equity capital to permanently fund the acquisition of roughly \$2 billion in U.S. hospital investments at highly accretive cash yields.



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

This large partnership transaction was complemented with smaller capital recycling transactions, such as the sale of equity stakes in MEDIAN Kliniken and ATOS Clinics International; the sale of MultiCare Capital Medical Center in Olympia, Washington; and various loan repayments and other small property sales, which in the aggregate provided significant amounts of low-cost capital for accretive reinvestment. Importantly, HCA Healthcare's September agreement to acquire the operations of Steward's Utah hospitals provided further evidence of unrealized gains in MPT's real estate portfolio.

Funding MPT's growth in a fashion that maximizes capital efficiency and liquidity, all while delivering solid returns to shareholders, requires careful evaluation of various capital options and outside-the-box thinking. These funding sources, in addition to the more than \$1 billion in common equity MPT raised during 2021, solidify a cost of capital that ensures the company's investments will be highly accretive to earnings.

### ***Diversification across several measures***

MPT's \$22.3 billion portfolio is the most diversified it has been in the company's history, with three property types representing at least \$2 billion in gross assets, no distinct market accounting for more than roughly 11% of our portfolio, and no individual property representing more than 2.5% of total pro forma gross assets. Furthermore, the company's approximate 46,000 beds are diversified across 53 operators, 32 U.S. states and nine countries on four continents.

### ***A unique culture receives recognition***

On *Modern Healthcare's* list of Best Places to Work 2021, MPT was honored to be ranked among the best places to work for healthcare companies. This leading news publication also gave MPT a high overall ranking in this premier award program, which involves an extensive, third-party-administered employee survey. MPT earned an extraordinarily high 98% overall engagement score and similarly high levels of employee satisfaction and confidence in executive management. All of MPT's accomplishments in 2021 were a direct result of the culture that has been cultivated at the company for the entirety of its nearly two-decade existence.

### ***Sustainability in focus***

MPT has long recognized the impact its own facilities have on the environment and has ensured that the real estate it controls operates as efficiently as possible. As it heads into 2022, the company is unveiling plans for a new headquarters building that will apply state-of-the-art, energy-saving technology. In addition, new space that MPT has leased in New York City is in a LEED Gold-certified building and includes office-formatting measures that enhance safety, promise business continuity and encourage employees to want to be in the office. MPT also continues to develop new properties to include advanced environmental features.

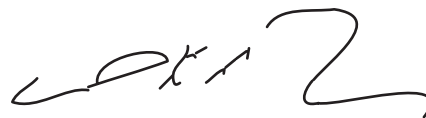
To help improve the neighborhoods where it owns hospitals, MPT donated significant funds and provided employee volunteer time to City Plants, a nonprofit organization created by the Los Angeles mayor's office. City Plants works to increase healthy environments across the city in terms of access to the proven health benefits of an abundance of trees.

### ***Rewarding investors***

During 2021, the capital sources who have funded our exceptional growth continued to be rewarded by our significant, long-term outperformance versus all relevant benchmarks. We distributed more than \$600 million to shareholders in well-covered dividends and generated full-year growth in per-share normalized funds from operation (NFFO) exceeding 11% on top of 2020's growth of more than 20%.

As we enter 2022, I have never felt better about MPT's portfolio and its prospects for continued growth and added diversification, our access to numerous sources of capital, and, most importantly, our culture of innovation that places us on the leading edge of a growing and evolving hospital industry.

Edward K. Aldag, Jr.



Chairman, President and CEO



MPT stands at the leading edge. From inception, the company's focus on investing exclusively in hospitals signaled new opportunities for investors and hospital operators alike. Through constant innovation, MPT shows the industry the way forward. It is proving hospitals truly are part of community infrastructure. It is advancing into behavioral health. And it is expanding with the creative use of capital. MPT's performance today is a glimpse into tomorrow.

CHAPTER ONE

**SETTING  
THE  
STANDARD**







# TRUE TO FORM

Executive leadership at MPT guided the company to another year of accretive growth, increased diversification and new connections that set the stage for continued success.

Edward K. Aldag, Jr., founded MPT in 2003 with decades of healthcare experience under his belt and a deliberately narrow focus on hospitals. It was an innovative approach that has continued to the present and resulted in a portfolio of more than 400 properties around the globe. Joined by co-founders R. Steven Hamner and Emmett E. McLean, Aldag has led the company to an unrivaled position at the forefront of its industry, and 2021 further secured that position.

Aldag and his co-founders continue to leverage strong relationships with best-in-class hospital operators and to form new ones in the acute care industry and

in behavioral health. MPT helps finance excellent healthcare in communities worldwide—care that is essential to the welfare of entire communities, care that is protected and valued, care that is performed in facilities that, therefore, have intrinsic value. Experienced in working with hospital operators of all types in executing complex transactions, the company has facilitated improvements to the quality of care provided and the efficiency of operations.

The leadership has never strayed from the company's original investment strategy, focusing on the growing community needs that hospitals meet as populations grow and healthcare technologies advance. And Aldag's quest for the company to overachieve and outperform continues.



**EDWARD K. ALDAG, JR.**

*Chairman, President and  
Chief Executive Officer*

From day one, Aldag believed that a company that owned hospitals owned something of genuine value that would only increase over time. Drawing on a deep knowledge of the healthcare industry, he has led MPT to almost 20 years of acquiring carefully selected facilities worldwide. Year after year, the company achieves its ambitious goals, but Aldag continues to look ahead with the same vision and foresight he had when founding the company. His original cutting-edge idea of a hospital-centric investment strategy that launched MPT continues to inspire. Aldag has steadfastly guided MPT as it has pushed into new territories and new high-acuity healthcare sectors during recessions and a global pandemic.

**R. STEVEN HAMNER**

*Executive Vice President and  
Chief Financial Officer*

Hamner has demonstrated time and again his keen eye for strategic acquisitions that further MPT's financial position. He oversees a team that knows how to execute complicated financial transactions in the U.S. and in the international market—all to benefit patients with improved facilities and shareholders with outsized shareholder returns. Along with Aldag and McLean, Hamner helps cast the vision for an evolving acquisition strategy grounded on the bedrock belief that hospitals represent significant value to society and are therefore deserving of capital for ongoing expansion, maintenance and improvements. So that MPT can continue this mission in a fashion particularly beneficial to shareholders, he has led the company toward a strategy of harvesting real estate equity and attracting new real estate and infrastructure investors.

**EMMETT E. MCLEAN**

*Executive Vice President,  
Chief Operating Officer and Secretary*

With his background in investment banking and corporate healthcare finance, McLean joins Aldag and Hamner in curating the company's pioneering and constantly evolving strategy. At facility site visits and at formal and informal strategy sessions, he brings insight and understanding about hospital and business operations, helping guide MPT toward the pursuit of properties that make sense for the company to acquire. Furthermore, he brings tremendous skill in identifying business relationships that work well with MPT teams. He represents MPT on the boards of several nonprofit organizations in MPT's headquarters city of Birmingham, Alabama. He is always on the lookout for ways the company can contribute to worthy causes and missions that align with MPT's own goals of improving healthcare and community wellness in the U.S. and around the world.

---

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

# **BUILDING ON A STELLAR, LONG-TERM TRACK RECORD**

Resourceful and expert execution of MPT's hospital-focused investment strategy resulted in impressive shareholder returns, a strategic portfolio expansion and new global investing relationships.

MPT spent 2021 executing important growth and funding transactions consistent with the strategy that has rewarded investors with a 661% total shareholder return since the company's IPO, according to Edward K. Aldag, Jr., chairman, president and CEO.

Following its sector leading financial performance in the face of the pandemic-related challenges of 2020, MPT moved quickly in 2021 to expand its general

acute care hospital portfolio and establish strategic footholds in the emerging inpatient behavioral health segment. 2021 was truly a signature year for MPT in terms of several measures of earnings growth, portfolio diversification, cost of funding and realization of real estate gains embedded in its portfolio. Importantly, MPT capitalized on new demand for hospital real estate from sophisticated, global infrastructure and real estate investors to source inexpensive equity capital to fund its growth. While the steady, fundamental performance that MPT displayed from the onset of the pandemic continued throughout 2021, the creative transactions executed during the year are what will perpetuate the pattern of excellent dividend coverage and outperforming per-share earnings growth, a pattern that has created billions of dollars of value for MPT shareholders.



**OUTPERFORMING: TOTAL SHAREHOLDER RETURN (TSR)**

	TWO-YEAR	THREE-YEAR
<b>Medical Properties Trust Trailing TSR</b>	<b>24.6%</b>	<b>72.6%</b>
Dow Jones U.S. Real Estate Health Care Index	<b>4.8%</b>	<b>27.3%</b>
MSCI U.S. REIT Index	<b>32.2%</b>	<b>66.4%</b>

**EARNINGS & DIVIDEND GROWTH**

	2011	2020	2021	2021 GROWTH	10-YR CAGR
NFFO Per Share	<b>\$0.71</b>	<b>\$1.57</b>	<b>\$1.75</b>	<b>11.5%</b>	<b>9.4%</b>
Dividend Per Share	<b>\$0.80</b>	<b>\$1.08</b>	<b>\$1.12</b>	<b>3.7%</b>	<b>3.4%</b>

**DIVERSIFICATION**

THE LARGEST MPT INVESTMENT PROPERTY  
MAKES UP NO MORE THAN

**2.5%** of total pro forma gross assets

**53** number of operators

**29.2%** Total pro forma gross assets 10-year CAGR

**\$3.9B** 2021 transaction volume

**\$12B** transaction volume since 2019

A world map with a light gray background. Numerous small green triangles are scattered across the map, representing the locations of MPT's properties. The highest concentration of triangles is in the United States, with a smaller cluster in Europe and a few in South America and Australia.

U.S. STATES

**32**

PROPERTIES

**438**

CONTINENTS

**4**

COUNTRIES

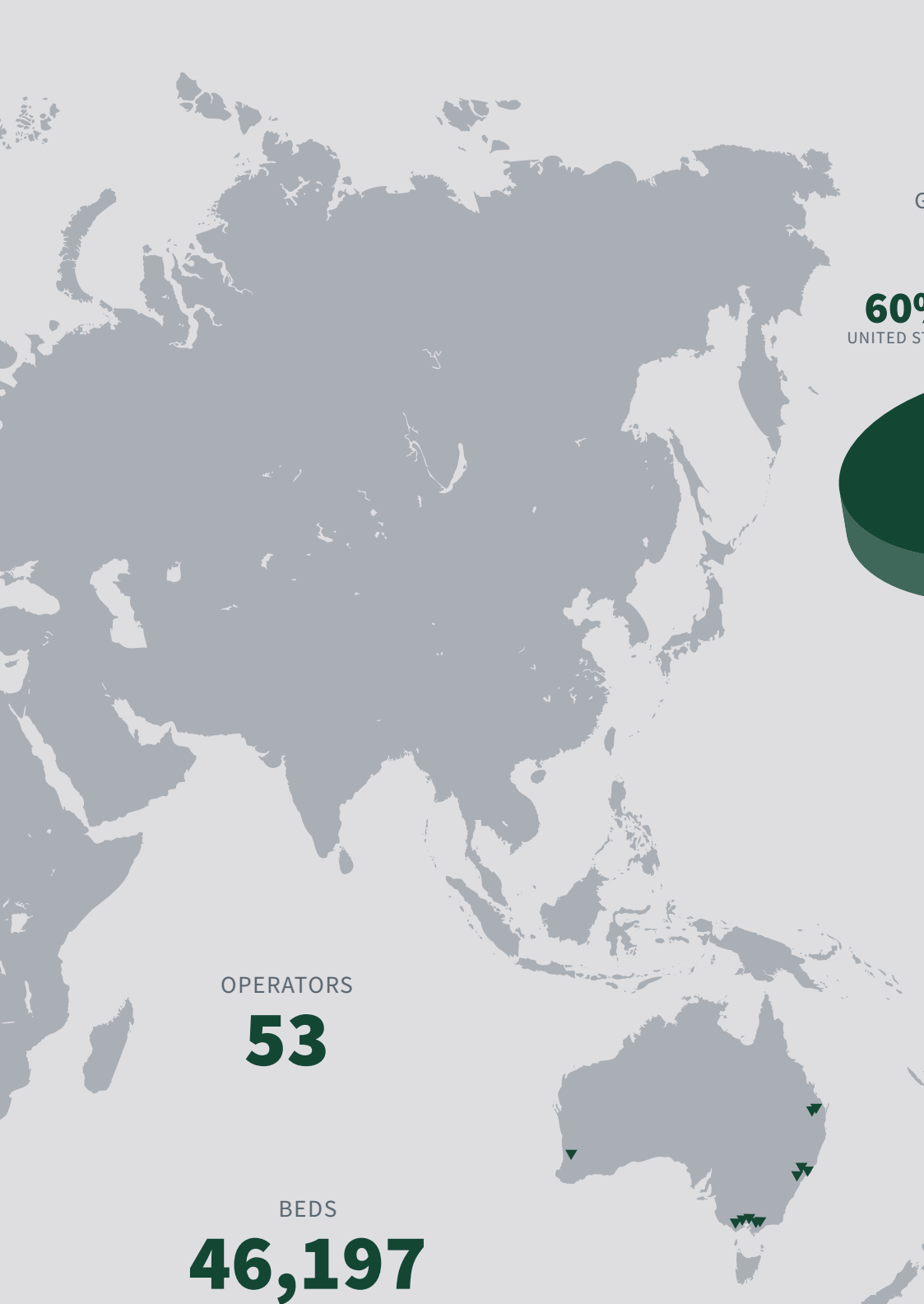
**9**

## **MPT PORTFOLIO**

DIVERSE, GROWING & STRONG

Affirming its belief in acute care hospitals as the strongest of investments and broadening its position in the behavioral health sector, MPT substantially increased its presence in the U.S. and in the United Kingdom in 2021. The company also enhanced its existing holdings in Australia, South America and across Europe as it committed investment dollars to new relationships and built on existing ones. It continues to bring reliable healthcare to communities worldwide—securing its place as a leader in capital solutions for the healthcare industry.

*Pro forma portfolio statistics are as of December 31, 2021, and assume fully funded commitments.*



GLOBAL PORTFOLIO MIX

**60%**  
UNITED STATES

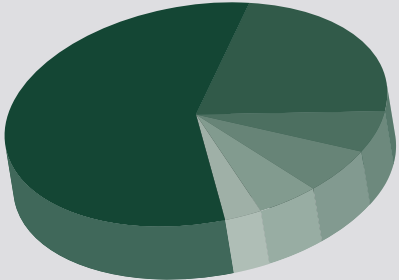
**20%**  
UNITED KINGDOM

**6%**  
SWITZERLAND

**6%**  
GERMANY

**5%**  
AUSTRALIA

**3%**  
SPAIN, COLOMBIA, ITALY,  
PORTUGAL & OTHER  
INTERNATIONAL ASSETS

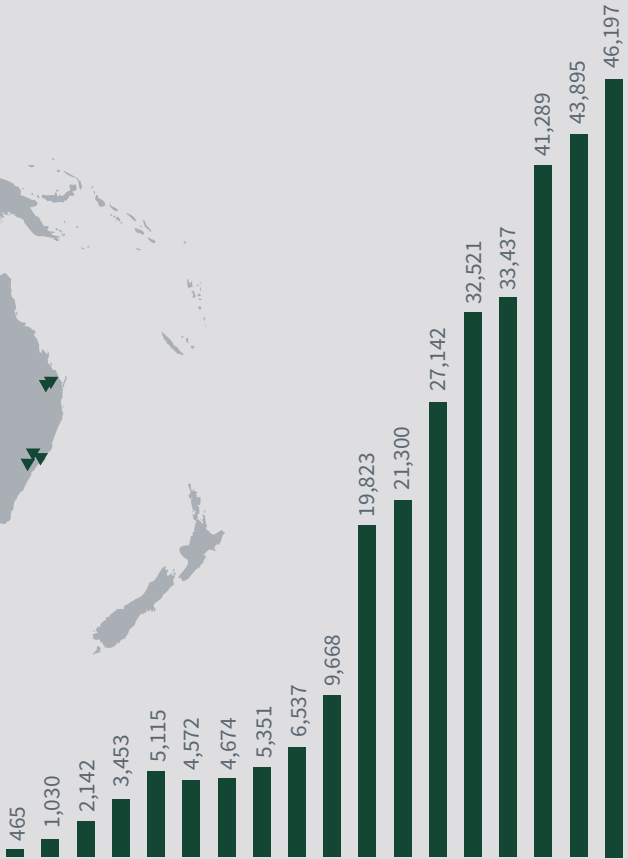


OPERATORS

**53**

BEDS

**46,197**



HOSPITAL BEDS OWNED (2004 - 2021)

Believing hospitals have intrinsic value as protectors of individual and community well-being, MPT does not hesitate to pursue attractive opportunities. In 2021, MPT made strategic, acute care acquisitions; formed key alliances with mental health providers; and earned the confidence of leading international infrastructure investors. At the forefront of global healthcare, MPT sees what's coming and knows when to act.

## CHAPTER TWO

# PIONEER SPIRIT







WILLIAM F. CONNELL EMERGENCY DEPARTMENT

# ***INNOVATION IN ACTION: BRINGING WORLD-CLASS CARE TO UNDERSERVED COMMUNITIES***

In 2021, MPT continued its singular investment strategy: identifying and investing in hospital facilities that anchor communities. Relationships with proven operators enable MPT to generate robust financial returns to its investors while simultaneously facilitating a higher standard of community healthcare.

Investing in acute care hospitals is MPT's very foundation. Last year, the company deepened its presence in Florida and Southern California, reaching into U.S. neighborhoods that greatly benefit from the type of capital resources MPT provides to highly experienced hospital operators.

In July, the company completed a \$215 million acquisition of four general acute care hospitals located in East Los Angeles and operated by Pipeline Health System—helping to raise the bar for care in these communities. In August, MPT looked to the southeastern corner of Florida to execute a \$900 million acquisition of five general acute care hospitals to be run by Steward Health Care.

In both instances, MPT teamed with operating partners rated highly for patient care to maintain efficient, profitable operations.

“MPT works with operators that we're aligned with strategically and supports communities where we own medical facilities,” says Harrison Hyde, manager of U.S. Acquisitions at MPT. “When it comes to assessing real estate values, you have to analyze not

only the real estate but also the hospital operations. MPT understands hospitals and has the ability to fully underwrite them.”

That thought process is rooted in MPT's original hospital-centric investment thesis. “We have made acute care our consistent focus, and that alone demonstrates our uniqueness and our creative approach in adding value to the hospital industry,” says Hyde, who helped facilitate the Pipeline acquisition. Adds Anderson Aldag, a manager of MPT acquisitions who worked on the Florida portfolio transaction, “Hospitals aren't easy to operate, and they're not easy to underwrite. MPT has the healthcare expertise and experience to assess opportunities and to act.”

## ***A stronger presence in Los Angeles***

The Pipeline group of four hospitals joins 11 other MPT medical facilities in the greater Los Angeles area that are run by experienced operators. MPT now owns 15 acute care and behavioral health hospitals in this key metro area, increasing its stake and interest in the health and well-being of the second largest city in the U.S. (See “Putting Down Roots,” page 30, for more on how MPT is helping neighborhoods in L.A.)

“In the past, these four facilities recently acquired by MPT had been underinvested and underappreciated,” MPT's Hyde says. “But now, rather than continue to run them as bare-bones community hospitals, Pipeline has done the exact opposite by investing in them to better meet residents' needs.” In fact, it was Pipeline's innovative business model, which centers on delivering high-quality care to generally underserved communities, that attracted MPT.

*Palmetto General Hospital  
Hialeah, Florida  
United States*



Andrei Soran, CEO of Pipeline Health, says hospitals are pillars of the community. “When someone is moving into a community, they look at qualities such as safety, employment opportunities, schools and hospitals,” says Soran. “We play an essential role.” The MPT facilities run by Pipeline include Memorial Hospital of Gardena, with 172 beds; East Los Angeles Doctors Hospital, with 127 beds; Community Hospital of Huntington Park, with 81 beds and one on-campus medical office building (MOB); and Coast Plaza Hospital, with 117 beds and one MOB. These vital facilities are long-established emergency room-driven hospitals, treating an average of 123,600 ER patients annually. Hyde cites data that shows an average Pipeline ER wait time of only 90 minutes compared to other area ERs where patients may wait an average of six hours. “We offer better care and faster response,” says Nick Orzano, co-president and co-founder of Pipeline.

He says that ERs at these hospitals are the primary healthcare destinations for many in these communities and describes how Pipeline has developed efficiencies that allow for quicker service times. “Our ERs are a gateway to care,” Orzano says. “Some competitors would not welcome the volume

that we serve via the ER, but we know how to treat that volume and serve patients well.”

**“Other real estate investors may try to invest in hospitals along with other property types, but they lack the special competency and dedication that investing in hospitals requires. By focusing just on hospitals, MPT is an expert. And when your primary resource for capital understands your business, it makes it a lot easier to work together.”**

– *Claude Plaskett, manager of acquisitions at MPT*

### ***Teaming to serve the underserved***

These four Pipeline-run facilities have long histories in their ethnically diverse neighborhoods. Those in these underinsured populations face logistical and socioeconomic challenges that make it difficult for them to seek care at the city’s elite hospitals, and families often rely on Pipeline-operated facilities to meet their healthcare needs.

For all those reasons, Orzano saw just how vital these hospitals were to maintaining community wellness as he helped Pipeline assume operations. MPT recognizes the value of the hospitals as well. “MPT is a great cultural fit with Pipeline. We’ve known of the MPT team for a long time, top to bottom,” Orzano says. “There’s a family dynamic in the company that was critically important. It’s one of the main things that differentiates it, and we share the same values.”

Soran adds that, in general, hospitals are unique assets and require a high degree of expertise to own and operate. “MPT is a specialist,” he adds. “Frankly, they’re without question the most knowledgeable player in the real estate sector for hospitals.”

With the help of MPT’s capital, Pipeline expanded the ER at Memorial, and it has more ER and operating room upgrades planned. Other facility improvements will include new CT scanners and MRI machines, structural and facade changes, and new nursing stations. “Our type of funding allows groups like Pipeline to keep operating with robust growth plans in place,” explains Luke Savage, head of Global Acquisitions at MPT. “It’s especially important in communities where residents’ second hospital or ER option may be miles away.”

During the pandemic and in its wake, these hospitals have proven to be more vital than ever. Language barriers during the lockdown prevented some from accessing education about COVID-19 protocols and treatments while population density spurred the spread of infection. As COVID-19 disproportionately impacted people with fewer resources, many in these L.A. neighborhoods faced job loss and continue to struggle financially. In such circumstances, locals appreciate knowing quality healthcare is nearby.

In addition to providing quality healthcare, the Pipeline hospitals in MPT’s portfolio serve as job-generators in their respective communities. Memorial Hospital of Gardena alone employs 765 people and makes approximately 50 emergency medical service runs daily. And the city of Gardena, southwest of Los Angeles, takes pride in Memorial’s service lines and employee profile. It has an accredited geriatric emergency department and serves as a Primary Stroke Center designated by the American Stroke Association and by The Joint Commission, an organization that drives care quality and patient

safety toward zero harm. It is the only full-service hospital within a 3.5-mile radius.

**“Acute care hospitals are the hub. You see the rise of telehealth and strip-center medical clinics, but none of those are possible without the crucial infrastructure of general acute care hospitals that serve the patients with greatest need and coordinate the delivery of care throughout the rest of the care network.”**

– Anderson Aldag, manager of acquisitions at MPT

### ***Pride in South Florida community hospitals***

The \$900 million acquisition of five Steward-run facilities in South Florida further attests to MPT’s belief in the value of serving communities well. “These Steward-operated hospitals in Florida are in highly visible locations in these neighborhoods, and they are at the core of their communities,” says Savage.

All signs point to high demand for these facilities now and in the future. The large and aging population indicates there will be continual high demand for treatment in South Florida’s future, making these five MPT-owned hospitals all the more crucial. This group of hospitals is in prime position to continue catering to the local population and to benefit from any updates or renovations that MPT’s continued financial support affords. Each hospital has stood proudly for decades, but all are already benefiting from Steward’s proven operating model.

### ***Leading by example***

Like Steward’s physician-led model, MPT’s workforce includes many leaders and employees who have worked in healthcare operations or hospital finance in the past. Their expertise and experience keep MPT ahead of competitors.

“A lot of other real estate investors have tried to emulate what MPT was doing when the company first started, but they’ve realized it’s not as easy as MPT makes it look,” says Anderson Aldag. “The company started with an innovative investment thesis. The sale-leaseback structure that we most

often use offers mutual, long-term benefits to both MPT and its tenants. And while it was often used in other industries, it was not being utilized in high-acuity healthcare. The MPT founders were pioneers in bringing the concept to hospitals.”

---

*Memorial Hospital  
of Gardena*  
**Gardena, California**  
**United States**



# **FULL-CIRCLE: VALUE REALIZED FROM UNIQUE INVESTING STRATEGY**

In 2016, MPT acquired a portfolio of Steward-operated hospitals in Massachusetts that has provided substantial returns—most recently, that investment decision was validated by the attraction of these eight hospitals to global infrastructure capital, creating a major win for MPT shareholders.

When MPT acquired the Massachusetts-based Steward Health Care System hospital portfolio in 2016, the company was doing what it has since inception: forming and maintaining mutually beneficial real estate-based relationships with hospital operators. It was also laying the groundwork for a landmark relationship with a new type of sophisticated international investing partner announced in 2021, when Macquarie Asset Management, a global leader in infrastructure investments, committed to acquire an interest in these key hospitals.

In a milestone transaction first announced in September, MPT agreed to sell a 50% interest in the eight-facility portfolio to Macquarie Infrastructure Partners V, a fund managed by Macquarie Asset Management. The transaction evidenced for the first time that a deep private market for U.S. private, for-profit hospitals was emerging—an important indication of true real estate value for MPT's investors.

The Macquarie partnership proves that MPT's long-held view of hospitals as community infrastructure was spot on. And it also proves that MPT's other

regional portfolios of hospitals around the globe have qualities highly attractive to this type of investor.

## ***Attracting MPT's 2016 capital investment***

By 2015, MPT's executives had observed the transition beginning in 2010 of the Caritas Christi Healthcare System into the successful Steward system funded by private capital and managed by a new and highly competent management team. Steward had built an integrated delivery system aligned across the care continuum with a large network of employees and affiliated physicians. The hospitals' status as critical infrastructure for the communities they serve became obvious. In late 2016, MPT and Steward completed a \$1.2 billion transaction that included the sale and leaseback of Steward's Massachusetts hospitals.

MPT capital has had a direct impact on improving the facilities since 2016. At St. Elizabeth's Medical Center, more than \$30 million in upgrades have included a 16-bed medical/surgical unit, a new 10-bed intensive care unit, two operating rooms (ORs) and renovations to the Central Sterile department. At Morton Hospital, \$10 million has gone toward a new 32-bed, level-4 intensive substance abuse treatment unit. At Saint Anne's Hospital, \$5 million has given patients two new ORs and upgraded emergency department behavioral units.

The success of the Steward network in the Massachusetts market is mirrored by similar stories in other U.S. regional hospital portfolios owned by MPT and run by Steward. The scenario represents a common theme seen elsewhere in MPT's portfolio

*Carney Hospital  
Dorchester, Massachusetts  
United States*



at systems run by other successful operators: Where capital has been deployed, care has improved, lives have been saved, jobs have been created and communities have benefited.

***MPT attracts global infrastructure capital partner***

By 2021, with strong and stable rent coverage, especially during the worst of the pandemic, conditions were ripe for infrastructure investors such as Macquarie to take notice. “The pandemic actually validated what we at MPT have believed since we put the company together 18 years ago, which is that hospitals with certain appropriate characteristics are part of a community’s infrastructure,” says R. Steven Hamner, executive vice president and chief financial officer at MPT. “They are critical to the community, just like any other public service. The pandemic has demonstrated that.”

The transaction represented an attractive investment yield for Macquarie. The infrastructure investment company’s fund managers saw the yield compared to other more established forms of infrastructure investment options, inflation-protected rent escalators, and the opportunity to amplify

Macquarie’s return with conservative use of secured debt.

The sale, which closed in March 2022, provided nearly \$1.3 billion of proceeds to MPT. This permanently funded the acquisitions of general acute and behavioral health hospitals in the U.S., locking in exceptional earnings growth and reducing leverage.

**“Hospitals are essential, long-lived assets that are critical to any functioning community, with high barriers to entry driven by their specialized nature and complexity of services. These characteristics produce a sustainable and resilient operating environment and investment profile, which we will continue to pursue as infrastructure investors.”**

*– Karl Kuchel, CEO of  
Macquarie Infrastructure Partners*

“Through working closely with and investing alongside MPT, we have come to recognize that our view of the merits of infrastructure assets aligns closely with MPT’s hospital investment thesis, despite what may appear to be different industries on the surface,” says Karl Kuchel, CEO of Macquarie Infrastructure Partners. “Hospitals are essential, long-lived assets that are critical to any functioning community, with high barriers to entry driven by their specialized nature and complexity of services. These characteristics produce a sustainable and resilient operating environment and investment profile, which we will continue to pursue as infrastructure investors.”

MPT will continue to weigh opportunities to partner with like-minded operators and investors to deliver reliable healthcare for communities and strong performance for shareholders.



*Palmetto General Hospital  
Hialeah, Florida  
United States*



## THREE INNOVATIVE STRATEGIES SPELL UPSIDE FOR MPT SHAREHOLDERS

### **1** MPT's steady accumulation of U.S. hospitals over time

Over the past two decades, MPT has had the foresight to acquire U.S. hospitals at attractive pricing, convinced that the asset class would eventually be recognized broadly as essential community infrastructure—making it even more attractive to investors. Indeed, that recognition has occurred.

### **2** MPT's strong preference for hospital portfolios clustered in regional markets

Proximity allows operators to take advantage of scale and to efficiently organize operations around central, hub hospitals and more specialized “spoke” hospitals. Thus, these types of MPT portfolios appeal to investors in hospital operations looking to increase a presence in a particular market. For example, HCA Healthcare—attracted to the fast-growing Utah market<sup>1</sup> where the population has grown 18.4% over the past decade<sup>2</sup>—recently announced plans to acquire the operations of an entire portfolio of five MPT-owned Utah hospitals from Steward Health Care. Steward will use proceeds to invest in other geographic areas and in its physician-led model<sup>3</sup>; HCA will lease the associated Utah real estate from owner MPT, bringing an important new tenant into the MPT portfolio and opening new strategic opportunities with the operator. At the same time, it is highly important for sophisticated global investors interested in real estate and infrastructure to gain a deep understanding of the local markets where they are investing. MPT's targeted geographic holdings facilitate a more focused and efficient underwriting process likely to broaden investor interest in potential opportunities.

### **3** Creation of a new kind of partnership investment structure

In September of 2021, MPT committed to sell a 50% stake in its Steward Health Care System-operated hospitals in Massachusetts. That transaction with

a Macquarie Asset Management infrastructure fund shows how private capital can invest in MPT facilities in a way that benefits tenants with an infusion of cash and lets MPT manage the tenant relationship. Such partnerships with private capital investors also allow MPT to access property-specific, secured debt at attractive terms while keeping its consolidated portfolio of hospitals unencumbered by debt. The Macquarie partnership also shows how MPT can achieve a cost of equity capital that minimizes dilution for existing shareholders and supports stronger growth of normalized funds from operations and adjusted funds from operations. It illustrates how MPT can source funding for new growth initiatives without the need to “time” the sometimes volatile stock market.

---

<sup>1</sup>“HCA To Acquire Five Steward Health Hospitals,” Rebecca Pifer, Healthcare Dive, Sept. 21, 2021  
<https://www.healthcaredive.com/news/hca-to-acquire-5-utah-hospitals-from-steward-health-care/606896/>

<sup>2</sup>Table 2, 2020 U.S. Census  
<https://www.census.gov/library/stories/2021/04/2020-census-data-release.html>

# KEY Footholds IN BEHAVIORAL HEALTH, MEETING GROWING NEEDS

For years ahead of its 2021 investments in behavioral care, MPT had laid the groundwork for these acquisitions that have propelled the company to the forefront of this much needed segment of healthcare delivery in our society.

Medical Properties Trust's success comes from its expertise and instincts in the healthcare market—understanding patient needs, industry players and the best time to act. In 2021, years of preparation, investigation and relationship-building came to fruition as MPT secured signature footholds in the behavioral health space at home and abroad. The company's early recognition of the critical need for best-in-class, inpatient care for those with mental health conditions highlights its leadership in healthcare and positions MPT as an early mover in this important market segment.

Early in 2021 came the \$1.1 billion acquisition of 35 behavioral health facilities in the United Kingdom from market leader Priory Group. Then in October, MPT completed a \$950 million investment in 18 inpatient behavioral hospitals and a joint venture interest in the operations of Springstone, based in Louisville, Kentucky.

"Since our inception, we have been investigating behavioral health," says Luke Savage, vice president and head of Global Acquisitions at MPT. "From service members struggling with post-traumatic stress disorder after military conflicts to families thrown into a global pandemic and lockdown, there's an increasing recognition that mental health struggles impact much of the population. The need for quality, inpatient facilities is very real, and after a long search

for the right opportunities, the Priory and Springstone investments were completed in the same year."

Savage says the alliance with such respected operators will open more doors in this important emerging sector. "There is a need, and it's not going away, and helping meet that need absolutely benefits the overall MPT portfolio," he says. The company has always focused on acute care, and now it's broadening its holdings to include high-caliber, inpatient facilities for those with the most acute mental health needs.

## ***Priory: U.K. facilities with private, world-class care***

MPT acquired the 35-facility Priory portfolio in conjunction with Waterland Private Equity Investments' acquisition of their operations, ensuring that best-in-class mental health services can continue in towns and cities across the U.K. "The Priory acquisition was such a winning transaction for our company," says Steve Nitschke, managing director and head of European Acquisitions at MPT. "It was great for MPT, for Priory and, most importantly, for its patients."

Stephanie Hamner, manager of International Acquisitions and based in MPT's London office, says each of these state-of-the-art facilities plays a critical role locally. "If those facilities went away, mental health care would suffer," she says, emphasizing Priory's position as the preeminent behavioral health provider across the U.K. "We've seen all over the world an increase in demand for mental health services, and that's a trend that will continue in the U.K. and elsewhere."

Priory's market position among the U.K.'s private mental health operators reinforced the promising findings in MPT's underwriting of this large portfolio.

*Priory Hospital Cheadle Royal  
Cheadle, United Kingdom*



Priory boasts 26% of the U.K. behavioral market share versus 17% for the second-place operator, according to the *LaingBuisson U.K. Healthcare Market Review, 32nd Edition*. The company has hundreds of facilities that treat patients across the entire spectrum of acuity on the behavioral healthcare continuum.

MPT's Priory portfolio comprises the operator's most acute inpatient behavioral hospitals in England, Scotland and Wales. The buildings, welcoming to patients and located in key demand centers, are virtually irreplaceable.

#### ***Priory's strong relationship with the National Health Service***

In selecting the Priory portfolio, MPT recognized the strength of the U.K.'s reimbursement system as one of its most attractive attributes. Priory operates under the National Health Service (NHS), which is the second largest single-payor system in the world, meeting the majority of healthcare needs of U.K. citizens. Even more compelling, the NHS funds nearly all mental health care for U.K. patients, either directly or through local commissioning authorities. In fact, 90% of Priory revenues come from the NHS and related commissioning authorities, with the remainder coming from private insurance and self-pay programs. This type of reimbursement setup for services ensures a strong financial position for Priory and reliable rent coverage on facility lease agreements with MPT.

#### ***Maximizing relationships for better care***

Since MPT acquired the Priory portfolio in January 2021, Priory and MPT's longtime post-acute operator MEDIAN, also owned by Waterland, have merged to create Europe's leading comprehensive medical and behavioral rehabilitation services provider. MEDIAN has served as a steadfast and dependable tenant of MPT in Germany for nearly a decade, providing unrivaled value, award-winning service, and stable performance. Its healthcare acumen is expected to add significant efficiency to Priory's U.K. operations.

With strong NHS reimbursement and Priory and MEDIAN's expertise in running these facilities, MPT counts this 2021 acquisition among its most attractive. "It was our biggest transaction last year, and Springstone was the second largest," Luke Savage says. "Once we knew what to look for in the behavioral sector and operators understood how we work and how we as a real estate owner could help these systems grow, the relationships just made sense."

#### ***Springstone: Investing in U.S. behavioral healthcare***

After securing such a strong presence in the U.K.'s behavioral health market, MPT finalized its investment in the Springstone portfolio of high-quality, inpatient hospitals in the U.S., acquiring 1,331 beds in 18 facilities across nine states. "Our

mission is to provide purpose-built facilities that are truly centered on healing,” says Phil Spencer, CEO of Springstone. “They are places that remove the stigma of mental health challenges—beautiful buildings that also offer maximum safety and convenience. We’re offering spaces with sunlight and outdoor space when possible so patients don’t feel confined.”

MPT’s Savage was impressed at on-site visits during the underwriting phase. “These facilities do not feel isolating. Instead, the buildings are like little communities designed to serve different types of patients, from adolescents and adults to patients dealing with substance abuse,” he says. “In behavioral health, many patients want a partner or roommate to talk through similar problems. Springstone facilities are arranged to foster community when possible.”

Spencer says he recognizes MPT’s expertise in the healthcare industry as a true asset in providing this type of healing environment and sees the potential for growth as the companies work together. “We want to make all of our facilities patient-centric, where they have the aesthetics and experience that allows them to begin healing,” he says.

Proud of high ratings on patient surveys about their time at Springstone facilities, Springstone’s Spencer says that the experience begins with the buildings themselves. “That’s where MPT can advise and assist as Springstone looks to expand,” he says. “We have a growth plan in place and will be looking to MPT’s expertise in property and capital resources as we grow our footprint.” With capital freed from the 2021 MPT transaction, Springstone plans to add on to some of its existing hospitals and hire more therapists, nurses and staff. Beyond that, there’s potential for more growth.

### ***Establishing an alliance for growth***

Long before the global pandemic shined a light on America’s mental health crisis, MPT observed bipartisan political support for increased funding for mental health services and for expansion of access to behavioral healthcare. “One in five in the U.S. have mental health problems, and COVID-19 has only exacerbated the issues,” Spencer says. “The pandemic has made them more visible. The problems have always been there, but they’ve bubbled up.”

Springstone offers a full continuum of care, including inpatient, partial hospitalization and intensive outpatient programs. It has developed a successful step-down care model, with patients usually transferred directly to inpatient hospitals or transferred from general acute hospital ERs. They typically spend as many as seven days in the inpatient facility, three weeks in the partial hospitalization program, and five weeks in the intensive outpatient program.

### ***MPT: Leading-edge investment prowess in behavioral health***

The company’s acquisitions team spent years developing relationships that enabled it to act quickly when the Priory and Springstone opportunities arose.

Once again, MPT’s years of rigorous underwriting surfaced in the form of an unrivaled readiness to execute when an important new opportunity to invest in essential hospital real estate emerged. Perhaps more important, the valuable properties that MPT now owns are the basis for abundant capital that will allow for these operators to invest in their operations and meet more mental health needs. “These two 2021 investments signaled our arrival as a key investor in this space,” Savage says. “They opened the door for us into this service line in an important way, and we’re receiving calls from others interested in working with us in behavioral health.”

---

*To right: Copper Springs  
Avondale, Arizona  
United States*



  
Copper Springs  
East

MPT shares with its communities in strategic ways, contributing to worthy causes large and small with as much consideration as it gives business transactions. Beyond charitable gifts and cultivation of an award-winning workplace, the company aims to improve the communities where it operates and holds property. It works with similarly motivated hospital operators and aligns with innovative nonprofit groups and organizations that, like MPT, want to make a real difference.

*CHAPTER THREE*

# **SOCIAL SERVICE**





# PUTTING DOWN ROOTS

MPT contributes to an ambitious tree-planting initiative that aims to bring green space to all, improve public health and curb climate change.

Amid tangled freeways in sprawling Los Angeles, local nonprofit City Plants adds 20,000 trees a year to the landscape. It targets neighborhoods that need life-giving green spaces as much as they need the quality healthcare that MPT-owned facilities provide. Because trees benefit community health, MPT eagerly sponsored the group's 2021-2022 season. "MPT has had a presence in Los Angeles for more than 15 years, and we are pleased to make a contribution to City Plants that will positively impact the communities our hospitals serve," says Ryan Murphy, an MPT graphic designer who recently spent a day in L.A. to see the group's work firsthand.

## **Funding green spaces where MPT operates**

Murphy and a group from MPT toured City Plants' new 11-acre Commonwealth Nursery and helped transplant saplings into bigger pots. The trees will go at no cost to locals or to sidewalk planting projects.

MPT's yearlong sponsorship will provide resources for initiatives such as an effort to grow climate-adapted trees from local seed. These native and climate-ready species will help create a more equitable tree canopy in Los Angeles, where affluent neighborhoods can boast 37% tree canopy coverage compared to 10% in lower-income neighborhoods.

As MPT applauds capital improvements to its Los Angeles facilities, it's championing area environmental work with its charitable dollars. "The Medical Properties Trust investment in the city of Los Angeles ensures that trees are planted in the areas where they're needed most," says Rachel O'Leary, executive director of City Plants. "We align and identify with MPT's values of preventing disease and supporting communities."

**"In the urban forestry world, we see a bond with health practitioners because we recognize the public health benefits of trees and see them as preventive health measures. MPT is ahead of the curve in the way that they're thinking about that. "**

*– Rachel O'Leary, executive director of City Plants*

## **Improving health and wellness**

Research has shown a connection between green space and physical and mental health. Studies have shown that the presence of trees and grass may lower depression and anxiety and that it may reduce the mental fatigue that can lead to aggression and violence. Evidence even suggests that hospital patients heal faster with access to a window view of trees.

Trees capture carbon and reduce greenhouse gases, slowing climate change and lowering the amount of heat reflecting from streetscapes. They also shelter pathways and provide shelter as people go to school and work, creating lifesaving shade for those with chronic medical conditions.





*Trees delivered by City Plants will provide needed shade to this block near Pipeline Health System's East Los Angeles Doctors Hospital and Community Hospital of Huntington Park.*



Finally, the trees that MPT is helping to plant through City Plants projects add beauty, joy and a sense of community.

### ***Collaborating for change***

City Plants now counts MPT as a valuable sponsor that understands its mission. “When we saw all that City Plants has done for neighborhoods across Los Angeles, we wanted to support its efforts,” says Edward K. Aldag, Jr., chairman, president and CEO of MPT. “We care about the patients and families served at our facilities, and it is important to us that they return to healthy neighborhoods.”

*MPT supports environmental sustainability: [medicalproptiestrust.com/environmental-responsibility](http://medicalproptiestrust.com/environmental-responsibility). Learn more about City Plants: [CityPlants.org](http://CityPlants.org).*

# LEADING THE WAY IN SOCIAL RESPONSIBILITY

MPT understands the critical role hospitals play in communities. One New Jersey facility shows how the company values operators who prioritize the elimination of health disparities.

Medical Properties Trust aligns itself with hospitals that do the right things—from the quality of care they provide to the business strategies of their operators. Fundamental in MPT’s underwriting process is an analysis of a facility’s need within its community. This is what MPT means when it uses the word “essential.”

When MPT acquired Saint Michael’s Medical Center in Newark, New Jersey, in 2016, the company found a facility of particular importance to the local population and whose continuous operations were absolutely vital. Prime Healthcare acquired operations of the hospital that same year, and since then, under ownership of MPT and management by Prime Healthcare, Saint Michael’s has substantially improved its position in the community.

“It’s a mission-driven organization, and our mission is to provide great healthcare and to be seen as a partner with the community,” says Dr. Alan Sickles, CEO of Saint Michael’s.

It’s succeeding. The hospital earned a national second-place ranking on the 2021 Lown Hospitals Index for Social Responsibility.<sup>1</sup> “We were very, very proud of that ranking,” Sickles says. “We see ourselves as a center of equitable care.”

When the Lown ranking was announced, Sickles said that quality healthcare should not be determined by where a person lives, adding, “As an urban hospital, [Saint Michael’s is] committed to eliminating health disparities by delivering safe, compassionate, value-based care from skilled, experienced physicians, nurses and techs with access to state-of-the-art diagnostic equipment.”<sup>2</sup>

In addition to the facility’s ranking, Prime Healthcare itself ranked in the top five socially responsible hospital system operators on the 2021 Lown Index.<sup>3</sup>

## ***A long track record of service***

From its establishment by the Franciscan Sisters of the Poor in 1867, Saint Michael’s has demonstrated a commitment to the community. “Saint Michael’s has been here for more than 150 years,” Sickles says. “Many people who were born at this hospital work here now, and employees and patients live in the surrounding neighborhoods. There’s a real sense of empathy and caring.”

Today, the 358-bed hospital serves as a tertiary-care, teaching and research center in Newark’s business and educational district. It has long served as a leader in the state’s medical community, providing top-quality services and pioneering cardiovascular services, such as performing New Jersey’s first open-heart surgery. Saint Michael’s also was the first to offer a cardiac catheterization program, and today its Heart and Vascular Institute continues to provide innovative methods. Its Cancer Center provides state-of-the-art treatment as well, and the hospital contributes leading-edge research and instruction as a teaching affiliate for New York Medical College. It also provides needed behavioral health services. “Some people think of a community hospital as a fancy first-aid station, but that’s not the case here,” Sickles says. “We offer very advanced treatment and high-level care. We’re not glitzy, but what we do, we do really, really well.”

With MPT’s capital support, Prime has invested heavily in improving the facility and what it offers patients. In addition to adding state-of-the-art tools for treating cancer and cardiac diseases, Saint Michael’s has received a much needed face-lift, with Prime orchestrating the multiple important renovations with MPT as a primary source of funding. These upgrades improve the structural integrity of the

facility and add to the convenience of the hospital for patients and their families as they come and go.

Saint Michael's serves a community impacted by a high prevalence of preexisting conditions and chronic diseases among residents. It is a necessary healthcare facility that MPT is proud to own. "During the underwriting process, we saw firsthand the hospital and the community it serves, and we heard Prime's plan for the facility and its impact," says Rosa Hooper, vice president and managing director of Asset Management and Underwriting at MPT. "Knowing Prime's history and capability, we had every confidence about the transaction." The actions of MPT and Prime ensure that Saint Michael's will continue its tradition of compassionate service and social responsibility for years to come.

---

<sup>1</sup><https://lownhospitalsindex.org/2021-winning-hospitals-social-responsibility/>

<sup>2</sup><https://www.primehealthcare.com/News/2021/September/Prime-Healthcare-Receives-Highest-Ranking-for-So.aspx>

<sup>3</sup><https://www.primehealthcare.com/News/2021/September/Prime-Healthcare-Receives-Highest-Ranking-for-So.aspx>

*Saint Michael's  
Medical Center  
Newark, New Jersey  
United States*



In 2021, MPT strengthened its portfolio and position as industry leader—and the numbers show it. The company established itself in this role by expanding holdings and by harvesting capital to finance new business. As the numbers demonstrate, MPT stands at the forefront, always ready to capitalize on its healthcare expertise.

Selected Financial Data	<b>36</b>
Non-GAAP Financial Measures	<b>38</b>
Forward-Looking Statements	<b>42</b>
Report of Independent Registered Public Accounting Firm	<b>44</b>
Consolidated Balance Sheets	<b>46</b>
Consolidated Statements of Net Income	<b>47</b>
Consolidated Statements of Comprehensive Income	<b>48</b>
Consolidated Statements of Equity	<b>49</b>
Consolidated Statements of Cash Flows	<b>50</b>
Notes to Consolidated Financial Statements	<b>52</b>
Corporate and Shareholder Information	<b>80</b>

## CHAPTER FOUR

# REPORTS AND DATA





## SELECTED FINANCIAL DATA

The following sets forth selected financial and operating information on a historical basis (in thousands except per share data):

<i>For the Years Ended December 31,</i>	<b>2021</b>	<b>2020</b>
<b>OPERATING DATA</b>		
Total revenues	\$ 1,544,669	\$ 1,249,238
Expenses:		
Interest	367,393	328,728
Real estate depreciation and amortization	321,249	264,245
Property-related	39,098	24,890
General and administrative	145,638	131,663
Total expenses	873,378	749,526
Other income (expense):		
Gain (loss) on sale of real estate	52,471	(2,833)
Real estate impairment charges	—	(19,006)
Earnings from equity interests	28,488	20,417
Debt refinancing and unutilized financing costs	(27,650)	(28,180)
Other (including mark-to-market adjustments on equity securities)	6,288	(6,782)
Income tax expense	(73,948)	(31,056)
Net income	656,940	432,272
Net income attributable to non-controlling interests	(919)	(822)
Net income attributable to MPT common stockholders	\$ 656,021	\$ 431,450
Net income attributable to MPT common stockholders per diluted share	\$ 1.11	\$ 0.81
Weighted-average shares outstanding – diluted	590,139	530,461
<b>OTHER DATA</b>		
Dividends declared per common share	\$ 1.12	\$ 1.08
FFO(1)	\$ 975,988	\$ 757,677
Normalized FFO(1)	\$ 1,035,920	\$ 831,209
Normalized FFO per share(1)	\$ 1.75	\$ 1.57
Cash paid for acquisitions and other related investments	\$ 4,246,829	\$ 3,414,437

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

	December 31, 2021	December 31, 2020
<b>BALANCE SHEET DATA</b>		
Real estate assets – at cost	\$ 17,425,765	\$ 14,337,929
Real estate accumulated depreciation/amortization	(993,100)	(833,529)
Cash and cash equivalents	459,227	549,884
Equity investments	1,181,025	1,123,623
Other loans	1,328,653	858,368
Other	1,118,231	792,739
Total assets	<u>\$ 20,519,801</u>	<u>\$ 16,829,014</u>
Debt, net	\$ 11,282,770	\$ 8,865,458
Other liabilities	791,360	619,699
Total Medical Properties Trust, Inc. stockholders' equity	8,440,188	7,338,532
Non-controlling interests	5,483	5,325
Total equity	<u>8,445,671</u>	<u>7,343,857</u>
Total liabilities and equity	<u>\$ 20,519,801</u>	<u>\$ 16,829,014</u>

## NON-GAAP FINANCIAL MEASURES

We consider non-GAAP financial measures to be useful supplemental measures of our operating performance. A non-GAAP financial measure is a measure of financial performance, financial position, or cash flows that excludes or includes amounts that are not so excluded from or included in the most directly comparable measure calculated and presented in accordance with GAAP. Described below are the non-GAAP financial measures used by management to evaluate our operating performance and that we consider most useful to investors, together with reconciliations of these measures to the most directly comparable GAAP measures.

### **Funds From Operations and Normalized Funds From Operations**

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 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 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.



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, 2021 and 2020 (amounts in thousands except per share data):

<i>For the Years Ended December 31,</i>	<b>2021</b>	<b>2020</b>
<b>FFO INFORMATION</b>		
Net income attributable to MPT common stockholders	\$ 656,021	\$ 431,450
Participating securities' share in earnings	(2,161)	(2,105)
Net income, less participating securities' share in earnings	\$ 653,860	\$ 429,345
Depreciation and amortization	374,599	306,493
(Gain) loss on sale of real estate	(52,471)	2,833
Real estate impairment charges	—	19,006
Funds from operations	\$ 975,988	\$ 757,677
Write-off (recovery) of straight-line rent and other	(2,271)	26,415
Non-cash fair value adjustments	(8,193)	9,642
Tax rate and other changes	42,746	9,295
Debt refinancing and unutilized financing costs	27,650	28,180
Normalized funds from operations	\$ 1,035,920	\$ 831,209
<b>PER DILUTED SHARE DATA</b>		
Net income, less participating securities' share in earnings	\$ 1.11	\$ 0.81
Depreciation and amortization	0.63	0.57
(Gain) loss on sale of real estate	(0.09)	0.01
Real estate impairment charges	—	0.04
Funds from operations	\$ 1.65	\$ 1.43
Write-off (recovery) of straight-line rent and other	—	0.05
Non-cash fair value adjustments	(0.01)	0.02
Tax rate and other changes	0.07	0.02
Debt refinancing and unutilized financing costs	0.04	0.05
Normalized funds from operations	\$ 1.75	\$ 1.57

The change in net income per share was 37% from 2020 to 2021, whereas Normalized FFO per share increased by 11% for the same period.

## PRO FORMA GROSS ASSETS

Pro forma gross assets is total assets before accumulated depreciation/amortization (adjusted for our unconsolidated joint ventures) and assumes all real estate 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 at period-end and cash generated from or to be generated from financing activities subsequent to period-end are 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 commitments close and our other commitments are fully funded. The following table presents a reconciliation of total assets to total pro forma gross assets (in thousands):

<i>As of December 31,</i>	<b>2021</b>	<b>2020</b>
Total assets	\$ 20,519,801	\$ 16,829,014
Add:		
Real estate commitments on new investments(1)	—	1,901,087
Unfunded amounts on development deals and commenced capital improvement projects(2)	480,132	166,258
Accumulated depreciation and amortization	993,100	833,529
Incremental gross assets of our joint ventures and other(3)	1,713,603	1,287,077
Less:		
Cash used for funding the transactions above(4)	(1,377,299)	(587,384)
Total pro forma gross assets	<u>\$ 22,329,337</u>	<u>\$ 20,429,581</u>

(1) The 2020 column reflects investments made in 2021 including the Priory transaction that was funded on January 19, 2021.

(2) Includes \$163.6 million and \$65.5 million of unfunded amounts on ongoing development projects and \$316.5 million and \$100.8 million of unfunded amounts on capital improvement projects as of December 31, 2021 and 2020, respectively.

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

(4) Includes cash available on-hand plus cash generated or to be generated from activities subsequent to period-end such as loan repayments, issuances of debt or equity, or dispositions (including the Macquarie Transaction discussed in Note 3 of this Annual Report), if any.

## ADJUSTED REVENUES

Adjusted revenues are total revenues adjusted for our pro rata portion of similar revenues in our unconsolidated real estate joint venture arrangements. We believe adjusted revenues are useful to investors as it provides a more complete view of revenues across all of our investments and allows for better understanding of our revenue concentration. The following table presents a reconciliation of total revenues to total adjusted revenues (in thousands):

<i>For the Years Ended December 31,</i>	<b>2021</b>	<b>2020</b>
Total revenues	\$ 1,544,669	\$ 1,249,238
Revenue from real estate properties owned through joint venture arrangements	131,013	105,758
Total adjusted revenues	<u>\$ 1,675,682</u>	<u>\$ 1,354,996</u>

## 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 close on any pending transactions on the time schedule or terms described or at all;
- our ability to acquire, develop, and/or manage additional facilities in the United States (“U.S.”), Europe, Australia, South America, 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.

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, 2021;
- the political, economic, business, real estate, and other market conditions in the U.S. (both national and local), Europe (in particular the United Kingdom, Germany, Switzerland, Spain, Italy, and Portugal), Australia, South America (in particular Colombia), and other foreign jurisdictions where we may own healthcare facilities or transact business, 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 or are counterparties to certain hedge agreements, 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 real estate assets or on an unsecured basis;
- the impact of the coronavirus (“COVID-19”) pandemic on our business, our joint ventures, and the business of our tenants/borrowers and the economy in general, as well as the impact of other factors that may affect our business, our joint ventures or that of our tenants/borrowers that are beyond our control, including natural disasters, health crises, or other pandemics and subsequent government actions in reaction to such matters;

- the risk that a condition to closing under the agreements governing any or all of our pending transactions (including the transactions described in Note 8 of this Annual Report) that have not closed as of the date hereof may not be satisfied;
- the possibility that the anticipated benefits from any or all of the transactions we have entered into or will enter into may 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 our status as a REIT for U.S. 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, South America, or other jurisdictions in which we may own healthcare facilities or transact business; and
- healthcare and other regulatory requirements of the U.S., Europe, Australia, South America, and other foreign countries.

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, 2021 and 2020, 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, 2021 (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2021, 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, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021 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, 2021, 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 2021 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**

As described in Notes 2 and 3 to the consolidated financial statements, management allocates the purchase price of acquired properties to tangible and identified lease intangible assets based on their fair values. In 2021, the Company acquired a total of \$3.3 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 of the respective property, internal data from previous acquisitions or developments, other market data, and significant assumptions such as capitalization rates and market rental rates.

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) the 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, (ii) significant audit effort was required in assessing the reasonableness of significant assumptions such as capitalization rates and market rental rates 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.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the 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 related to capitalization rates and market rental rates, 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 rates and market rental rates, for certain acquisitions. Evaluating the reasonableness of assumptions involved considering internal data from previous acquisitions, where relevant.

*PricewaterhouseCoopers LLP*

Birmingham, Alabama

March 1, 2022

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

# MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

December 31,	2021	2020
<i>(Amounts in thousands, except for per share data)</i>		
<b>ASSETS</b>		
Real estate assets		
Land	\$ 1,961,478	\$ 1,463,200
Buildings and improvements	10,581,992	9,286,507
Construction in progress	101,439	30,139
Intangible lease assets	1,417,813	1,299,081
Investment in financing leases	2,053,327	2,010,922
Real estate held for sale	1,096,505	—
Mortgage loans	213,211	248,080
Gross investment in real estate assets	17,425,765	14,337,929
Accumulated depreciation	(853,879)	(728,176)
Accumulated amortization	(139,221)	(105,353)
Net investment in real estate assets	16,432,665	13,504,400
Cash and cash equivalents	459,227	549,884
Interest and rent receivables	56,229	46,208
Straight-line rent receivables	728,522	490,462
Equity investments	1,181,025	1,123,623
Other loans	1,328,653	858,368
Other assets	333,480	256,069
<b>Total Assets</b>	<b>\$ 20,519,801</b>	<b>\$ 16,829,014</b>
<b>LIABILITIES AND EQUITY</b>		
Liabilities		
Debt, net	\$ 11,282,770	\$ 8,865,458
Accounts payable and accrued expenses	607,792	438,750
Deferred revenue	25,563	36,177
Obligations to tenants and other lease liabilities	158,005	144,772
Total Liabilities	12,074,130	9,485,157
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 — 596,814 shares at December 31, 2021 and 541,419 shares at December 31, 2020	597	541
Additional paid-in capital	8,564,786	7,461,503
Distributions in excess of net income	(87,691)	(71,411)
Accumulated other comprehensive loss	(36,727)	(51,324)
Treasury shares, at cost	(777)	(777)
Total Medical Properties Trust, Inc. stockholders' equity	8,440,188	7,338,532
Non-controlling interests	5,483	5,325
Total Equity	8,445,671	7,343,857
<b>Total Liabilities and Equity</b>	<b>\$ 20,519,801</b>	<b>\$ 16,829,014</b>

See accompanying notes to consolidated financial statements.



# MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF NET INCOME

<i>For the Years Ended December 31,</i>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<i>(Amounts in thousands, except for per share data)</i>			
<b>REVENUES</b>			
Rent billed	\$ 931,942	\$ 741,311	\$ 474,151
Straight-line rent	241,433	158,881	110,456
Income from financing leases	202,599	206,550	119,617
Interest and other income	168,695	142,496	149,973
Total revenues	1,544,669	1,249,238	854,197
<b>EXPENSES</b>			
Interest	367,393	328,728	237,830
Real estate depreciation and amortization	321,249	264,245	152,313
Property-related	39,098	24,890	23,992
General and administrative	145,638	131,663	96,411
Total expenses	873,378	749,526	510,546
<b>OTHER INCOME (EXPENSE)</b>			
Gain (loss) on sale of real estate	52,471	(2,833)	41,560
Real estate impairment charges	—	(19,006)	(21,031)
Earnings from equity interests	28,488	20,417	16,051
Debt refinancing and unutilized financing costs	(27,650)	(28,180)	(6,106)
Other (including mark-to-market adjustments on equity securities)	6,288	(6,782)	(345)
Total other income (expense)	59,597	(36,384)	30,129
<b>Income before income tax</b>	730,888	463,328	373,780
Income tax (expense) benefit	(73,948)	(31,056)	2,621
Net income	656,940	432,272	376,401
Net income attributable to non-controlling interests	(919)	(822)	(1,717)
Net income attributable to MPT common stockholders	\$ 656,021	\$ 431,450	\$ 374,684
<b>Earnings per share – basic and diluted</b>			
Net income attributable to MPT common stockholders	\$ 1.11	\$ 0.81	\$ 0.87
Weighted average shares outstanding – basic	588,817	529,239	427,075
Weighted average shares outstanding – diluted	590,139	530,461	428,299

See accompanying notes to consolidated financial statements.

# MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<i>For the Years Ended December 31,</i>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<i>(In thousands)</i>			
Net income	\$ 656,940	\$ 432,272	\$ 376,401
Other comprehensive income:			
Unrealized gain (loss) on interest rate swaps, net of tax	52,288	(33,091)	(9,033)
Foreign currency translation (loss) gain	(37,691)	44,672	4,330
Total comprehensive income	671,537	443,853	371,698
Comprehensive income attributable to non-controlling interests	(919)	(822)	(1,717)
Comprehensive income attributable to MPT common stockholders	\$ 670,618	\$ 443,031	\$ 369,981

See accompanying notes to consolidated financial statements.

# MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF EQUITY FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

(Amounts in thousands, except per share data)

	Preferred		Common		Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Treasury Shares	Non- Controlling Interests	Total Equity
	Shares	Par Value	Shares	Par Value						
<b>Balance at December 31, 2018</b>	—	\$ —	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 swaps, net of tax	—	—	—	—	—	—	(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)
<b>Balance at December 31, 2019</b>	—	\$ —	517,522	\$ 518	\$ 7,008,199	\$ 83,012	\$ (62,905)	\$ (777)	\$ 107	\$ 7,028,154
Net income	—	—	—	—	—	431,450	—	—	822	432,272
Cumulative effect of change in accounting principles	—	—	—	—	—	(8,399)	—	—	—	(8,399)
Unrealized loss on interest rate swaps, net of tax	—	—	—	—	—	—	(33,091)	—	—	(33,091)
Foreign currency translation gain	—	—	—	—	—	—	44,672	—	—	44,672
Stock vesting and amortization of stock-based compensation	—	—	2,893	2	47,152	—	—	—	—	47,154
Sale of non-controlling interests	—	—	—	—	—	—	—	—	5,097	5,097
Redemption of MOP units	—	—	—	—	(4,928)	—	—	—	—	(4,928)
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	(701)	(701)
Proceeds from offering (net of offering costs)	—	—	21,004	21	411,080	—	—	—	—	411,101
Dividends declared (\$1.08 per common share)	—	—	—	—	—	(577,474)	—	—	—	(577,474)
<b>Balance at December 31, 2020</b>	—	\$ —	541,419	\$ 541	\$ 7,461,503	\$ (71,411)	\$ (51,324)	\$ (777)	\$ 5,325	\$ 7,343,857
Net income	—	—	—	—	—	656,021	—	—	919	656,940
Unrealized gain on interest rate swaps, net of tax	—	—	—	—	—	—	52,288	—	—	52,288
Foreign currency translation loss	—	—	—	—	—	—	(37,691)	—	—	(37,691)
Stock vesting and amortization of stock-based compensation	—	—	2,332	3	52,107	—	—	—	—	52,110
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	(761)	(761)
Proceeds from offering (net of offering costs)	—	—	53,063	53	1,051,176	—	—	—	—	1,051,229
Dividends declared (\$1.12 per common share)	—	—	—	—	—	(672,301)	—	—	—	(672,301)
<b>Balance at December 31, 2021</b>	—	\$ —	596,814	\$ 597	\$ 8,564,786	\$ (87,691)	\$ (36,727)	\$ (777)	\$ 5,483	\$ 8,445,671

See accompanying notes to consolidated financial statements.

# MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>For the Years Ended December 31,</i>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<i>(Amounts in thousands)</i>			
<b>OPERATING ACTIVITIES</b>			
Net income	\$ 656,940	\$ 432,272	\$ 376,401
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	333,781	275,953	156,575
Amortization of deferred financing costs and debt discount	16,856	13,099	8,881
Straight-line rent revenue and other	(288,717)	(226,906)	(138,806)
Share-based compensation	52,110	47,154	32,188
(Gain) loss from sale of real estate	(52,471)	2,833	(41,560)
Impairment charges	—	19,006	21,031
Straight-line rent and other (recovery) write-off	(2,271)	26,415	22,447
Debt refinancing and unutilized financing costs	27,650	28,180	6,106
Tax rate and other changes	42,746	9,295	—
Pre-acquisition rent collected – Circle Transaction	—	(35,020)	—
Other adjustments	11,913	8,134	(2,271)
Changes in:			
Interest and rent receivables	(23,867)	(2,438)	12,906
Other assets	(4,375)	18,264	(4,992)
Accounts payable and accrued expenses	54,058	(18,424)	39,630
Deferred revenue	(12,697)	19,819	5,581
Net cash provided by operating activities	811,656	617,636	494,117
<b>INVESTING ACTIVITIES</b>			
Cash paid for acquisitions and other related investments	(5,350,239)	(4,249,180)	(4,565,594)
Net proceeds from sale of real estate	246,468	94,177	111,766
Principal received on loans receivable	1,595,708	1,306,187	920
Investment in loans receivable	(58,932)	(62,651)	(54,088)
Construction in progress and other	(67,725)	(68,350)	(83,798)
Proceeds from sale and return of equity investment	65,546	69,224	—
Capital additions and other investments, net	(289,239)	(36,180)	(293,163)
Net cash used for investing activities	(3,858,413)	(2,946,773)	(4,883,957)

See accompanying notes to consolidated financial statements.

# MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

<i>For the Years Ended December 31,</i>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from term debt, net of discount	3,407,535	2,215,950	3,048,424
Payments of term debt	(1,390,994)	(800,000)	–
Revolving credit facilities, net	559,985	162,633	(65,736)
Dividends paid	(643,473)	(567,969)	(411,697)
Lease deposits and other obligations to tenants	17,815	21,706	(12,260)
Proceeds from sale of common shares, net of offering costs	1,051,229	411,101	2,533,210
Payment of debt refinancing, deferred financing costs and other financing activities	(54,489)	(42,347)	(50,057)
Net cash provided by financing activities	2,947,608	1,401,074	5,041,884
(Decrease) increase in cash, cash equivalents, and restricted cash for the year	(99,149)	(928,063)	652,044
Effect of exchange rate changes	4,662	16,441	(6,478)
Cash, cash equivalents, and restricted cash at beginning of year	556,369	1,467,991	822,425
<b>Cash, cash equivalents, and restricted cash at end of year</b>	<b>\$ 461,882</b>	<b>\$ 556,369</b>	<b>\$ 1,467,991</b>
Interest paid, including capitalized interest of \$3,289 in 2021, \$3,030 in 2020, and \$3,936 in 2019	\$ 326,406	\$ 309,920	\$ 211,163
Supplemental schedule of non-cash financing activities:			
Dividends declared, unpaid	\$ 176,494	\$ 147,666	\$ 138,161
Cash, cash equivalents, and restricted cash are comprised of the following:			
Beginning of period:			
Cash and cash equivalents	\$ 549,884	\$ 1,462,286	\$ 820,868
Restricted cash, included in Other assets	6,485	5,705	1,557
	\$ 556,369	\$ 1,467,991	\$ 822,425
End of period:			
Cash and cash equivalents	\$ 459,227	\$ 549,884	\$ 1,462,286
Restricted cash, included in Other assets	2,655	6,485	5,705
	\$ 461,882	\$ 556,369	\$ 1,467,991

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 healthcare real estate. Our operating partnership subsidiary, MPT Operating Partnership, L.P. (the "Operating Partnership"), through which we conduct all of our operations, was formed in September 2003. At present, we own all of the 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 operate as a real estate investment trust ("REIT"). 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, of a significant nature, in the U.S. from foreign-based income 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, behavioral health facilities, inpatient physical rehabilitation hospitals, long-term acute care hospitals, and freestanding ER/urgent care facilities. 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.

Our business model facilitates acquisitions and recapitalizations, and allows operators of healthcare facilities to unlock the value of their real estate to fund facility improvements, technology upgrades, and other investments in operations. At December 31, 2021, we have investments in 438 facilities in 32 states in the U.S., in six countries in Europe, one country in South America, and across Australia. We manage our business as a single business segment.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

---

**Use of Estimates:** The preparation of our consolidated 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. We believe the estimates and assumptions underlying our consolidated financial statements are reasonable and supportable based on the information available as of December 31, 2021 (particularly as it relates to our assessments of the recoverability of our real estate and the adequacy of our credit loss reserves on loans and financing receivables). Although the effects of COVID-19 and related variants seem to be lessening, government restrictions appear to be easing, and most hospitals around the world have generally returned to their normal operations, the ultimate impact to our tenants' results of operations and liquidity and their ability to pay our rent and interest due to the impact of COVID-19 still cannot be predicted with 100% confidence. This makes any estimates and assumptions as of December 31, 2021, inherently less certain than they would be absent the potential impact of COVID-19. 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, 2021, we had loans and/or equity investments in certain variable interest entities approximating \$570 million, which represents our maximum exposure to loss as a result of our involvement in such entities. We have 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”). 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 investment in Steward Health Care System LLC (“Steward”)] are accounted for at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions involving the investee. Cash distributions on these types of investments are recorded to either income upon receipt (if a return on investment) or as a reduction of our investment (if the distributions received are in excess of our share of the investee’s earnings). For similar investments but for which there are readily determinable fair values, such investments are measured at fair value, 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 loans. For leases, we follow 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). For lessors, we apply this standard as follows:

#### OPERATING LEASE REVENUE

We receive income from operating leases based on the fixed 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 rents 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 our consolidated statements of net income is presented as two amounts: rent billed and straight-line rent. 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 receivables.

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

## FINANCING LEASE REVENUE

Under ASU 2016-02, if an acquisition and subsequent lease of a property back to the seller does not meet the definition of a sale, we must account for the transaction as a financing lease with income recognized using the imputed interest method.

Another type of financing lease is a direct financing lease (“DFL”). For leases accounted for as DFLs, the future minimum lease payments are recorded as a receivable at lease inception, while, 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 term 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.

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.

## 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:** We account for acquisitions of real estate under asset acquisition accounting rules. Under this accounting standard, we allocate the purchase price (including any third-party transaction costs directly related to the acquisition) of acquired properties to tangible and identified intangible assets acquired and liabilities assumed (if any) based on their relative 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, 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, but can be longer 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.

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 our lease 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.

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. If a lease is terminated early, the unamortized portion of the capitalized above/below market lease value is recognized in rental income at that time.

**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, 2021 are as follows:

Buildings and improvements	35.8 years
Lease intangibles	24.9 years
Leasehold improvements	17.0 years
Furniture, equipment, and other	7.6 years

#### CREDIT LOSSES:

**Losses from Rent Receivables:** For all leases, we continuously monitor the performance of our existing tenants, which may include, 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, adverse economic and political conditions, and other events ongoing (such as the recent health crisis caused by the COVID-19 pandemic) 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:** Upon the adoption of ASU No. 2016-13 “Measurement of Credit Losses on Financial Instruments” (“ASU 2016-13”) on January 1, 2020, we began applying a new forward-looking “expected loss” model to all of our financing receivables, including financing leases and loans. With this change, we have grouped our financial instruments into two primary pools of similar credit risk: secured and unsecured. The secured instruments include our investments in financing receivables as all are secured by the underlying real estate, among other collateral. Within the two primary pools, we further grouped our instruments into sub-pools based on several tenant/borrower characteristics, including years of experience in the healthcare industry and in a particular market or region and overall capitalization. We then determined a credit loss percentage per pool based on our history over a period of time that closely matches the remaining terms of the financial instruments being analyzed and adjusted as needed for current trends or unusual circumstances. We have applied these credit loss percentages to the book value of the related instruments to establish a credit loss reserve on our financing lease receivables and such credit loss reserve (including the underlying assumptions) is reviewed and adjusted quarterly. If a financing receivable is under performing and is deemed uncollectible based on the lessee’s overall financial condition, we will adjust the credit loss reserve based on the fair value of the underlying collateral.

With the adoption of ASU 2016-13, we made the accounting policy election to exclude interest receivables from the credit loss reserve analysis. Such receivables are impaired and an allowance recorded when it is deemed probable that we will be unable to collect all amounts due. 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. 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 lease 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 loans. Mortgage loans are collateralized by interests in real property. Working capital and other loans are typically collateralized by interests in receivables and corporate and individual guarantees. We record loans at cost. Like our financing lease receivables, we are using ASU 2016-13 to establish credit loss reserves on all outstanding loans based on historical credit losses of similar instruments. Such credit loss reserves, including the underlying assumptions, are reviewed and adjusted quarterly. If a loan’s performance worsens and foreclosure is deemed probable for our collateral-based loans (after considering the borrower’s overall financial condition as described above for leases), we will adjust the allowance for expected credit losses based on the current fair value of such collateral at the time the loan is deemed uncollectible. If the loan is not collateralized, the loan will be written-off once it is determined that such loan is no longer collectible. Interest receivables on loans are excluded from ASU 2016-13, and we assess their collectability similar to how we assess collectability for interest receivables on financing leases described above.

The following table summarizes our credit loss reserves (in thousands):

	December 31,	2021	2020
Balance at beginning of the year	\$	8,726	\$ —
Cumulative effect of change in accounting principle		—	8,399
Provision for credit loss		41,710	3,255
Expected credit losses related to financial instruments sold or repaid		(1,909)	(2,928)
Balance at the end of year	\$	48,527	\$ 8,726

**Earnings Per Share:** Basic earnings per common share is computed by dividing net income by the weighted-average number of shares 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 TRS entities, including MPT Development Services, Inc. ("MDS") and many other entities, which are single member LLCs that are disregarded for tax purposes and are reflected in the tax returns of MDS. None of our TRS entities are entitled to a dividends paid deduction and are subject to U.S. federal, state, and local income taxes. Our TRS entities are 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 these entities.

With the property acquisitions and investments in Europe, Australia, and South America, we are subject to income taxes internationally. However, we do not expect to incur any additional income taxes, of a significant nature, in the U.S. as the majority such income from our international properties flows through our REIT income tax returns. For our TRS entities 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 revalued into U.S. dollars at the rates of exchange prevailing at the dates of the transactions. The effects of revaluation gains or losses on our short-term transactions are included in other income in the consolidated statements of income, while the revaluation 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 investment in the international joint venture and equity interest in Springstone, LLC ("Springstone"), along with any related investments such as loans (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 investments that existed at December 31, 2021.

#### *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. We record a right-of-use asset and a lease liability for all material 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.

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

## **RECENT ACCOUNTING DEVELOPMENTS**

### *Reference Rate Reform*

In March 2020, the Financial Accounting Standards Board ("FASB") issued ASU No. 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting" ("ASU 2020-04")

to simplify the accounting for contract modifications made to replace the London Interbank Offered Rate ("LIBOR") or other reference rates that are expected to be discontinued because of reference rate reform. The guidance provides optional expedients and exceptions for applying generally accepted accounting principles ("GAAP") to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criterion are met. The optional expedients and exceptions can be applied to contract modifications made until December 31, 2022. On January 7, 2021, the FASB issued ASU No. 2021-01, "Reference Rate Reform (Topic 848)" ("ASU 2021-01"), which clarifies that certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting apply to derivatives that are affected by the transition. We have evaluated our contracts that are referenced to LIBOR or other reference rates expected to be discontinued. Our British pound sterling term loan and corresponding interest rate swap were modified with the Sterling Overnight Index Average (SONIA) Rate as a replacement reference rate during the fourth quarter of 2021, and we accounted for such modifications using the expedients and exceptions provided for in ASU 2020-04 and ASU 2021-01. We are continuing to evaluate the need to modify our U.S. dollar LIBOR contracts, such as our unsecured credit facility, but the requirement to replace the U.S. dollar LIBOR has been extended to June 30, 2023. Moreover, we do not expect any impact to our Australian dollar term loan and corresponding interest rate swap, as these contracts are not referenced to rates that are expected to be discontinued.

### 3. REAL ESTATE AND OTHER ACTIVITIES

#### NEW INVESTMENTS

For the years ended December 31, 2021, 2020, and 2019, we acquired or invested in the following net assets (in thousands):

	2021	2020	2019
Land and land improvements	\$ 642,312	\$ 365,281	\$ 400,539
Buildings	2,381,654	2,547,313	1,951,066
Intangible lease assets – subject to amortization (weighted-average useful life of 34.5 years in 2021, 27.5 years in 2020, and 19.1 years in 2019)	262,385	642,699	227,468
Investment in financing leases	—	114,797	1,386,797
Equity investments	123,427	233,593	415,836
Mortgage loans	1,113,300	176,840	51,267
Other loans and assets	909,669	309,523	135,258
Liabilities assumed	(82,508)	(140,866)	(2,637)
	\$ 5,350,239	\$ 4,249,180	\$ 4,565,594
Loans repaid <sup>(1)</sup>	(1,103,410)	(834,743)	—
Total net assets acquired	\$ 4,246,829	\$ 3,414,437	\$ 4,565,594

*(1) The 2021 column includes an £800 million mortgage loan advanced to the Priory Group (“Priory”) in the first quarter of 2021 and converted to fee simple ownership in a portfolio of 35 properties in the second quarter of 2021 as described below. The 2020 column includes approximately \$740 million of loans advanced to Steward in 2017 and exchanged for the fee simple real estate of two hospitals as described below, as well as approximately \$100 million of loans advanced to Ernest Health, Inc. (“Ernest”) in 2012 and exchanged for the fee simple real estate of four hospitals as described below.*

#### 2021 ACTIVITY

##### Priory Group Transaction

On January 19, 2021, we completed the first of two phases in the Priory transaction in which we funded an £800 million interim mortgage loan on an identified portfolio of Priory real estate assets in the United Kingdom. On June 25, 2021, we completed the second phase of the transaction in which we converted this mortgage loan to fee simple ownership in a portfolio of 35 select real estate assets from Priory [which is currently owned by Waterland Private Equity Fund VII C.V. (“Waterland VII”)] in individual sale-and-leaseback transactions. The applicable purchase price for the

assets was paid by us by proportionally converting and reducing the principal balance of the interim mortgage loan we made to Waterland VII in phase one. Therefore, the net aggregate purchase price for the real estate assets we acquired from Priory was approximately £800 million, plus customary stamp duty, tax, and other transaction costs. As part of the real estate acquisition (for which some of the assets were acquired by the share purchase of real estate holding entities), we incurred deferred income tax liabilities and other liabilities of approximately £47.1 million.

In addition to the real estate investment, on January 19, 2021, we made a £250 million acquisition loan to Waterland VII, in connection with the closing of Waterland VII’s acquisition of Priory, which was repaid in full plus interest on October 22, 2021.

Finally, we acquired a 9.9% passive equity interest in the Waterland VII affiliate that indirectly owns Priory.

##### Other Transactions

On December 2, 2021, we acquired the remaining 50% interest in a general acute hospital operated by IMED Hospitales in Valencia, Spain, which was formerly owned by our joint venture partner. We followed the asset acquisition cost accumulation model to account for this acquisition and included the carrying amount of our previously held equity interest, along with the approximately €46 million consideration paid and direct transaction costs incurred, in determining the total cost allocated to the net assets acquired.

On October 21, 2021, we acquired an acute care facility in Portugal for €17.8 million. This facility is leased to Atrys Health pursuant to a long-term master lease with annual escalations.

On October 19, 2021, we invested in 18 inpatient behavioral health facilities throughout the U.S. and an interest in the operations of Springstone for total consideration of \$950 million (including an acquisition loan of approximately \$185 million), plus closing and other transaction costs. We also incurred deferred income tax liabilities of approximately \$8.0 million. These facilities are leased to Springstone pursuant to a long-term master lease with annual escalations and multiple extension options.

On August 1, 2021, we completed the acquisition of five general acute care hospitals located in South Florida for approximately \$900 million, plus closing and other transaction costs. These hospitals are leased to Steward pursuant to the master lease, with annual inflation-based escalators, that had its initial fixed term recently extended by 10 years to 2041.

On July 6, 2021, we acquired four acute care hospitals and two on-campus medical office buildings in Los Angeles, California for \$215 million. These hospitals are leased to Pipeline Health Systems pursuant to a long-term lease with annual inflation-based escalators.

On July 6, 2021, we also acquired an acute care hospital in Stirling, Scotland for £15.6 million. This hospital is leased to Circle Health Ltd. (“Circle”) pursuant to a long-term lease with annual inflation-based escalators.

On April 16, 2021, we made a CHF 145 million investment in Swiss Medical Network, our tenant via our Infracore SA (“Infracore”) equity investment.

On January 8, 2021, we made a \$335 million loan to affiliates of Steward, all of the proceeds of which were used to redeem a similarly sized convertible loan from Steward’s former private equity sponsor.

## 2020 ACTIVITY

### *Circle Transaction*

On January 8, 2020, we acquired a portfolio of 30 acute care hospitals located throughout the United Kingdom for approximately £1.5 billion from affiliates of BMI Healthcare, Inc. (“BMI”). In a related transaction, affiliates of Circle acquired BMI and assumed its operations in the United Kingdom. As part of our acquisition, we inherited 30 existing leases with the operator that had initial fixed terms ending in 2050, with no renewal options but with annual inflation-based escalators. Effective June 16, 2020, these 30 leases were amended to include two five-year renewal options and improve the annual inflation-based escalators. These 30 leases are cross-defaulted and guaranteed by Circle.

### *Other Transactions*

On December 31, 2020, we acquired an inpatient rehabilitation hospital in South Carolina for approximately \$17 million. As part of the transaction, we acquired the fee simple real estate of three inpatient rehabilitation hospitals and one long-term acute care hospital in exchange for the reduction of the mortgage loans made to Ernest for such properties in 2012. The approximate \$115 million investment in all five of these facilities is leased to Ernest pursuant to an existing long-term master lease with multiple extension options and annual escalation provisions.

On December 29, 2020, we increased our equity ownership and related investment in Infracore by investing an additional CHF 206.5 million. We are accounting for our total investment in this joint venture (this investment along with our initial investment in 2019 as noted below) under the equity method.

On August 13, 2020, we acquired a general acute care hospital in Lynwood, California for a total investment of approximately \$300 million. This property is leased to Prime Healthcare Services, Inc. (“Prime”) pursuant to a long-term master lease with annual escalations and multiple extension options.

On July 8, 2020, we acquired the fee simple real estate of two general acute care hospitals located in the Salt Lake City, Utah area, Davis Hospital and Medical Center and Jordan Valley Medical Center, in exchange for the reduction of the mortgage loans made to Steward for such properties and additional cash consideration of \$200 million based on their relative fair value. The approximate \$950 million investment in these two facilities is subject to the Steward master lease.

On June 24, 2020, we originated a CHF 45 million secured loan to Infracore, which was paid in full on December 2, 2020.

On May 13, 2020, we formed a joint venture for the purpose of investing in the operations of international hospitals. As part of the formation, we originated a \$205 million acquisition loan. We have a 49% interest in this joint venture and are accounting for our investment using the fair value option election. The joint venture simultaneously purchased from Steward the rights and existing assets related to all present and future international opportunities previously owned by Steward for strategic, regulatory, and risk management purposes. Through this joint venture, we invested, on November 17, 2020, in the real estate of three general acute care hospitals in Colombia for approximately \$135 million. These properties are operated by the international joint venture.

Other acquisitions in 2020 included three inpatient rehabilitation hospitals, two general acute care hospitals, and one private acute care hospital totaling approximately \$300 million. One inpatient rehabilitation facility, located in Dahlen, Germany, was acquired on August 5, 2020 for €12.5 million and is leased to MEDIAN Kliniken S.à.r.l. (“MEDIAN”) pursuant to the existing master lease. One of the general acute care facilities, located in Darlington, United Kingdom, was acquired on August 7, 2020 for £29.4 million and is leased to Circle pursuant to a long-term lease. The other general acute care hospital, located in London, United Kingdom, was acquired on November 25, 2020 for £50 million via the purchase of a 999-year ground lease and is leased to The Royal Marsden NHS Foundation Trust pursuant to a long-term lease. The inpatient rehabilitation hospitals, one in Texas and one in Indiana, were acquired on December 17, 2020 for approximately \$58 million and are leased to Curahealth Hospitals (now Post Acute Medical, LLC) pursuant to a long-term lease.

The private acute care hospital, located in Reading, United Kingdom, was acquired on December 18, 2020 for £85.0 million and is leased to Circle pursuant to the existing long-term Circle master lease.

## 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 had 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 included 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 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. The master leases and mortgage loan have substantially similar terms, with an initial 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 beginning August 23, 2019. Although such performance thresholds have not been met at this time, any future purchase price 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 that 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 A\$1.2 billion plus stamp duties and registration fees of A\$66.6 million. The properties are leased to Healthscope, pursuant to master lease agreements that had an average initial term of 20 years, upon our acquisition, with annual fixed escalations and multiple extension options.

### *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 (which we account for under the equity method) was effected through our purchase of a stake in a Swiss healthcare real estate company, Infracore, from the previous majority shareholder, Aevis Victoria SA (“Aevis”). The facilities are leased to Swiss Medical Network, a wholly-owned Aevis subsidiary, pursuant to leases that had an average 23-year remaining term upon our acquisition and are subject to annual escalation provisions. Additionally, we purchased a 4.9% stake in Aevis for approximately CHF 47 million on June 28, 2019 that we mark to fair value through income.

### *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 that had an initial lease term of 25 years upon our investment. 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 that had 17 years remaining on its initial term upon our acquisition. 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 master lease agreement that had an initial lease term of 20 years upon acquisition. The lease provides for annual escalations and includes three five-year extension options.

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 had an average remaining lease term of 14 years upon our acquisition. The leases provide for fixed escalations every five years, include two five-year extension options, and 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 Circle. The third acute care facility was acquired on September 30, 2019 and located in Watsonville, California. The inpatient rehabilitation hospital, acquired on February 8, 2019, is located in Germany and leased to affiliates of MEDIAN.

## DEVELOPMENT ACTIVITIES

### 2021 Activity

In the fourth quarter of 2021, we agreed to finance the development of and lease an acute care facility in Texarkana, Texas for \$169.4 million. This facility will be leased to Steward and is expected to commence rent in the second quarter of 2024.

### 2020 Activity

On November 23, 2020, we agreed to finance the development of and lease an inpatient rehabilitation facility in Stockton, California for \$47.7 million. This facility will be leased to Ernest and is expected to commence rent in the second quarter of 2022.

On May 15, 2020, we agreed to finance the development of and lease an inpatient rehabilitation facility in Bakersfield, California for \$47.9 million. This facility will be leased to Ernest and is expected to commence rent in the first quarter of 2022.

During the 2020 second quarter, we completed construction on one general acute care facility and one inpatient rehabilitation facility, both located in Birmingham, England. We began recognizing revenue on these two properties on June 29, 2020. These facilities are being leased to Circle pursuant to a long-term lease.

During the 2020 first quarter, we completed construction and began recording rental income on a general acute care facility located in Idaho Falls, Idaho. This facility commenced rent on January 21, 2020 and is leased to Surgery Partners, Inc. pursuant to an existing long-term lease.

### 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 commenced rent on December 18, 2020 and is leased to NeuroPsychiatric Hospitals pursuant to a long-term lease.

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

Property	Commitment	Costs Incurred as of Dec. 31, 2021	Estimated Rent Commencement Date
Ernest (Bakersfield, California)	\$ 47,929	\$ 42,132	1Q 2022
Ernest (Stockton, California)	47,700	31,197	2Q 2022
Steward (Texarkana, Texas)	169,408	28,110	2Q 2024
Total assets acquired	\$ 265,037	\$ 101,439	

## DISPOSALS

### 2021 Activity

#### Joint Venture Transaction

On August 28, 2021, we entered into a definitive agreement with Macquarie Asset Management (“MAM”) to form a partnership (the “Macquarie Transaction”), pursuant to which a fund managed by MAM will acquire, for cash consideration, a 50% interest in a portfolio of eight Massachusetts-based general acute care hospitals that we currently own and lease to Steward. The transaction values the portfolio at approximately \$1.7 billion. We expect to recognize a gain, net of transaction costs, of approximately \$0.5 billion from this transaction, which we expect to close in the 2022 first quarter.

The partnership plans to raise nonrecourse secured debt of up to 55% of asset value, and we expect to receive total proceeds, including proceeds from the expected secured debt, of approximately \$1.3 billion. There is no certainty as to the amount or terms of expected secured debt financing, and the ultimate amount and terms may affect the completion of the transaction, the transaction value, proceeds, and gain on real estate.

At December 31, 2021, the eight facilities subject to the joint venture were designated as held for sale and made up of the following net assets (in thousands):

	As of December 31, 2021	
Real estate held for sale	\$	1,096,505
Straight-line rent receivables		120,268
Other assets, net		4,234
Total	\$	1,221,007

#### **Other Disposal Transactions**

During the 2021 fourth quarter, we sold our interest in the operations of three operators (two of which were in Germany) for proceeds of approximately \$54.5 million, resulting in a net gain of approximately \$40 million.

During 2021, we also completed the sale of 16 facilities and an ancillary property for approximately \$246 million, resulting in a net gain on real estate of approximately \$52.5 million.

#### **2020 Activity**

During 2020, we completed the sale of nine facilities and six ancillary properties for approximately \$94 million, resulting in a net loss of \$2.8 million.

#### **2019 Activity**

During 2019, we completed the sale of five facilities resulting in a gain on real estate of \$41.6 million.

#### **INTANGIBLE ASSETS**

At December 31, 2021 and 2020, our intangible lease assets were \$1.4 billion (\$1.3 billion, net of accumulated amortization) and \$1.3 billion (\$1.2 billion, net of accumulated amortization), respectively.

We recorded amortization expense related to intangible lease assets of \$56.0 million, \$42.4 million, and \$21.5 million in 2021, 2020, and 2019, respectively, and expect to recognize amortization expense from existing lease intangible assets as follows (amounts in thousands):

For the Year Ended December 31:

2022	\$ 57,433
2023	57,368
2024	57,334
2025	57,186
2026	56,917

As of December 31, 2021, capitalized lease intangibles have a weighted-average remaining life of 22.9 years.

#### **LEASING OPERATIONS (LESSOR)**

We acquire and develop healthcare facilities and lease the facilities to healthcare operating companies under long-term net leases (typical initial fixed terms of at least 15 years) and most include renewal options at the election of our tenants, generally in five year increments. Over 99% 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. 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 \$231 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 as noted below, 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, 2021 (amounts in thousands):

	Total Under Operating Leases	Total Under Financing Leases	Total
2022	\$ 1,078,148	\$ 168,190	\$ 1,246,338
2023	1,099,027	171,553	1,270,580
2024	1,117,353	174,984	1,292,337
2025	1,135,695	178,484	1,314,179
2026	1,154,286	182,054	1,336,340
Thereafter	29,555,221	4,513,925	34,069,146
	\$ 35,139,730	\$ 5,389,190	\$ 40,528,920

At December 31, 2021, leases on 13 Ernest facilities and five Prime facilities are accounted for as DFLs and leases on 13 of our Prospect facilities and five of our Ernest 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, 2021	As of December 31, 2020
Minimum lease payments receivable	\$ 1,183,855	\$ 1,228,966
Estimated residual values	203,818	203,818
Less: Unearned income and allowance for credit loss	(918,584)	(969,061)
Net investment in direct financing leases	469,089	463,723
Other financing leases (net of allowance for credit loss)	1,584,238	1,547,199
Total investment in financing leases	\$ 2,053,327	\$ 2,010,922

#### **COVID-19 Rent Deferrals**

Due to the COVID-19 pandemic and its impact on our tenants' business during 2020, we agreed to defer collection of less than 2% of our annual rent. In 2021, we collected approximately \$2.8 million of previously deferred rent. Pursuant to our agreements with certain tenants, we expect the remaining outstanding deferred rent to be paid over specified periods in the future, with interest.

#### **Adeptus Health**

As discussed in previous filings, our original real estate portfolio of approximately 60 properties leased to Adeptus Health, Inc. ("Adeptus") has gone through significant changes starting with Adeptus filing for Chapter 11 bankruptcy in 2017. With this filing and other subsequent events (including COVID-19 implications in 2020), we transitioned all of our facilities away from Adeptus, which resulted in impairment charges including approximately \$20 million (of which one-half related to straight-line rent write-offs) and \$2 million in 2020 and 2019, respectively. However, these transition measures have also provided for new tenant relationships being formed with strong credit worthy operators such as Ochsner Health System, Dignity Health, UC Health (University of Colorado), and HCA Healthcare, Inc. ("HCA"), that are now leasing over 40 of these transitional facilities under long-term leases. In addition, we have been able to dispose of 12 properties generating cash proceeds for re-investment purposes, including the sale of our Carrollton, Texas property in February 2022 for approximately \$43 million, which exceeded our net book value. At December 31, 2021, only three of these

transitional properties, representing less than 0.5% of our total assets, remain vacant, and each of these properties are in various stages of being re-leased or sold. At December 31, 2021, we believe our investment in these real estate assets are fully recoverable, but no assurances can be given that we will not have any further impairments in future periods.

#### **Alecto Facilities**

As noted in previous filings, we originally leased four acute care facilities to and had a mortgage loan on a fifth property (Olympia Medical Center) with Alecto Healthcare Services LLC ("Alecto"), along with working capital loans. During 2019, we incurred approximately \$20 million in real estate impairment charges. During the first quarter of 2020, we donated the Wheeling facility to a local municipality, resulting in a \$9.1 million real estate impairment charge. In addition, we re-leased one acute care facility and sold another facility in 2020. In the first quarter of 2021, Alecto completed the sale of Olympia Medical Center to the UCLA Health System. Our proceeds of approximately \$51 million from this sale were used to pay off the mortgage and working capital loans in full, with the remaining proceeds used to recover certain previously reserved past due receivables. At December 31, 2021, we continue to lease one acute care facility to Alecto, representing less than 0.1% of our total assets.

#### **Halsen Healthcare**

On September 30, 2019, we acquired the real estate of Watsonville Community Hospital in Watsonville, California for \$40 million, which was then leased to Halsen Healthcare. In addition, we made a working capital loan to Halsen Healthcare. The hospital operator faced significant financial challenges over a two-year period that were worsened by revenue losses during the COVID-19 pandemic. During this time, we increased the working capital loan balance in an effort to support the operator of this facility. On December 5, 2021, Halsen Healthcare filed Chapter 11 bankruptcy in order to reorganize, while keeping the hospital open. As such, we recorded a credit loss reserve (approximately \$40 million) in the fourth quarter of 2021 and wrote off approximately \$2.5 million of billed and straight-line rent receivables. At December 31, 2021, we believe our total investment in the Watsonville property, representing less than 0.5% of total assets, is fully recoverable, but no assurances can be given that we will not have any further write-offs or impairments in future periods.

## Other Leasing Activity

### 2021 Activity

On December 23, 2021, LifePoint announced the completion of the transaction with Kindred Healthcare (“Kindred”), in which LifePoint acquired Kindred, and announced the related launch of ScionHealth, a new healthcare company made up of a combination of former Kindred and LifePoint hospitals. With this transaction, we have eight properties leased to ScionHealth and nine properties leased to LifePoint.

### 2020 Activity

On July 24, 2020, we re-leased our five San Antonio, Texas freestanding emergency facilities (with a total investment of approximately \$30 million) to Methodist Healthcare System of San Antonio, a joint venture between HCA and Methodist Healthcare Ministries of South Texas, pursuant to a long-term master lease. As a result, we recorded an approximate \$1.5 million write-off of straight-line rent in the 2020 third quarter.

## LOANS

The following is a summary of our loans (net of allowance for credit loss) (dollar amounts in thousands):

	As of December 31, 2021		As of December 31, 2020	
	Balance	Weighted-Average Interest Rate	Balance	Weighted-Average Interest Rate
Mortgage loans	\$ 213,211	8.7%	\$ 248,080	8.5%
Acquisition loans	523,829	7.7%	338,273	7.6%
Other loans	804,824	6.2%	520,095	5.8%
	<u>\$ 1,541,864</u>		<u>\$ 1,106,448</u>	

Our mortgage loans at December 31, 2021 cover five of our properties with three operators.

The increase in acquisition loans primarily relates to the \$185 million loan to Springstone in the fourth quarter of 2021.

Other loans consist of loans to our tenants for working capital and other purposes and include our shareholder loan made in 2018 to the joint venture with Primotop in the amount of €297 million. The increase in other loans is primarily related to the \$335 million loan to affiliates of Steward (as more fully described above), partially offset by the repayment of \$75 million in other loans from Prime.

## Other Investment Activities

On October 13, 2021, we funded an additional €27 million to Priory in order to maintain our 9.9% equity interest.

Pursuant to our existing 9.9% equity interest in Steward, we received an \$11 million cash distribution during the first quarter of 2021, which was accounted for as a return of capital.

Pursuant to our 4.9% stake in Avis, we recorded an \$8.2 million favorable non-cash fair value adjustment to mark our investment in Avis stock to market during 2021; whereas, this was a \$5.8 million unfavorable non-cash fair value adjustment for 2020.

## 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, 2021, our largest single property represented approximately 2.7% of our total assets, slightly down from the 3.2% at December 31, 2020.
- 2) Operator concentration – For the year ended December 31, 2021, revenue from Steward, Circle, and Prospect individually represented more than 10% of our total revenues. In comparison, Steward, Circle, Prospect, and Prime individually represented more than 10% of our total revenues for the year ended December 31, 2020.
- 3) Geographic concentration – At December 31, 2021, investments in the U.S., Europe, Australia, and South America represented approximately 64%, 30%, 5%, and 1%, respectively, of our total assets compared to 65%, 28%, 6%, and 1%, respectively, of our total assets at December 31, 2020.
- 4) Facility type concentration – For the year ended December 31, 2021, approximately 81% of our revenues were generated from our general acute care facilities, while revenues from our behavioral and rehabilitation facilities made up 8% and 7%, respectively. Freestanding ER/urgent care facilities and long-term acute care facilities combined to make up the remaining 4%. In comparison, general acute care, rehabilitation, and long-term acute care facilities made up 87%, 8%, and 3%, respectively, of our total revenues for the year ended December 31, 2020, while freestanding ER/urgent care facilities and behavioral health facilities combined to make up the remaining 2%.

## RELATED PARTY TRANSACTIONS

Lease and interest revenue earned from tenants and real estate joint ventures in which we had an equity interest (accounted for under either the equity or fair value option methods) during the year were \$63.9 million, \$29.8 million, and \$85.3 million for 2021, 2020, and 2019, respectively.

See subsections “New Investments” and “Disposals” in this Note 3 as it relates to our investments in Springstone and the new international, Primotop, and Infracore ventures for other related party transactions during 2021, 2020, and 2019.

## 4. DEBT

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

	As of December 31, 2021	As of December 31, 2020
Revolving credit facility(A)	\$ 730,000	\$ 165,407
Interim credit facilities	869,606	—
Term loan	200,000	200,000
British pound sterling term loan(B)	947,240	956,900
Australian term loan facility(B)	871,560	923,280
4.000% Senior Unsecured Notes due 2022(B)	—	610,800
2.550% Senior Unsecured Notes due 2023(B)	541,280	546,800
3.325% Senior Unsecured Notes due 2025(B)	568,500	610,800
0.993% Senior Unsecured Notes due 2026(B)	568,500	—
2.500% Senior Unsecured Notes due 2026(B)	676,600	—
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)	811,920	820,200
4.625% Senior Unsecured Notes due 2029	900,000	900,000
3.375% Senior Unsecured Notes due 2030(B)	473,620	—
3.500% Senior Unsecured Notes due 2031	1,300,000	1,300,000
	<u>\$ 11,358,826</u>	<u>\$ 8,934,187</u>
Debt issue costs and discount, net	(76,056)	(68,729)
	<u>\$ 11,282,770</u>	<u>\$ 8,865,458</u>

(A) The 2020 column includes £121 million of GBP-denominated borrowings that reflect the exchange rate at December 31, 2020.

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

As of December 31, 2021, principal payments due on our debt (which exclude the effects of any discounts, premiums, or debt issue costs recorded) are as follows (dollar amounts in thousands):

2022	\$ 869,606
2023	541,280
2024	1,601,560
2025	1,515,740
2026	1,945,100
Thereafter	4,885,540
Total	<u>\$ 11,358,826</u>

## CREDIT FACILITY

Our current unsecured credit facility (“Credit Facility”) includes a \$1.3 billion unsecured revolving loan facility and a \$200 million unsecured term loan facility. On January 15, 2021, we amended our Credit Facility. The amendment extended the maturity of our unsecured revolving loan facility to February 1, 2024 and can be extended for an additional 12 months at our option. The maturity date of our term loan facility was extended to February 1, 2026.

In addition to extending the maturity date, the amendment improved interest rate pricing for both facilities. Under the amended Credit Facility and at our election, loans may be made as either ABR Loans or Eurocurrency Loans. The applicable margin for term loans that are ABR Loans is adjustable on a sliding scale from 0.00% to 0.85% based on our current credit rating. The applicable margin for term loans that are Eurocurrency Loans is adjustable on a sliding scale from 0.85% to 1.85% 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 0.55% based on our current credit rating. The applicable margin for revolving loans that are Eurocurrency Loans is adjustable on a sliding scale from 0.825% to 1.55% based on our current credit rating. The amended Credit Facility retained the facility fee that 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, 2021, we had \$730.0 million outstanding on the revolving credit facility, whereas, we had \$165.4 million outstanding on our revolving credit facility at December 31, 2020. At December 31, 2021 and 2020, our availability under our revolving credit facility was \$0.6 billion and \$1.1 billion, respectively.

The weighted-average interest rate on the revolving facility was 1.3% and 1.4% during 2021 and 2020, respectively.

At December 31, 2021 and 2020, the interest rate in effect on our term loan was 1.56% and 1.65%, respectively.

#### **INTERIM CREDIT FACILITIES**

##### ***January 2021 Interim Credit Facility***

On January 15, 2021, we entered into a \$900 million interim credit facility (“January 2021 Interim Credit Facility”), of which we borrowed £500 million to partially fund the Priory Group Transaction. We paid off and terminated this facility on March 26, 2021 with the issuance of the 2.500% Senior Unsecured Notes due 2026 and the 3.375% Senior Unsecured Notes due 2030.

##### ***July 2021 Interim Credit Facility***

On July 27, 2021, we entered into a \$1 billion interim credit facility with Barclays Bank PLC as administrative agent (“July 2021 Interim Credit Facility”), and several lenders from time-to-time are parties thereto. This facility matures on July 28, 2022 and bears interest at a variable rate. We used this facility to partially fund the acquisition of five South Florida facilities in August 2021 and the Springstone investments in October 2021. At December 31, 2021, the outstanding balance under this facility was \$869.6 million at a rate of 1.610%.

#### **NON-U.S. TERM LOANS**

##### ***British Pound Sterling Term Loan***

On January 6, 2020, we entered into a £700 million unsecured sterling-denominated term loan with Bank of America, N.A., as administrative agent, and several lenders from time-to-time are parties thereto. The term loan matures on January 15, 2025. The applicable margin under the term loan is adjustable based on a pricing grid from 0.85% to 1.65% dependent on our current credit rating. On March 4, 2020, we entered into an interest rate swap transaction (effective March 6, 2020) to fix the interest rate to approximately 0.70% for the duration of the loan. The current applicable margin for the pricing grid (which can vary based on our credit rating) is 1.25% for an all-in fixed rate of 1.95%.

##### ***Australian Term Loan***

On May 23, 2019, we entered into an A\$1.2 billion term loan with Bank of America, N.A., as administrative agent, and several lenders from time-to-time are parties thereto. The term loan 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 as long as the reference rate stays above 0.00%. The current applicable margin for the pricing grid (which can vary based on our credit rating) is 1.25% for an all-in fixed rate of 2.45%.

At December 31, 2021, we had a derivative asset of approximately \$12.4 million related to the sterling-denominated term loan interest rate swap and a derivative liability of approximately \$4.2 million related to the Australian dollar term loan interest rate swap, included in “Other assets” and “Accounts payable and accrued expenses,” respectively, on our consolidated balance sheets. At December 31, 2020, we had a derivative liability of approximately \$51.3 million associated with these interest rate swaps, included in “Accounts payable and accrued expenses” on our consolidated balance sheets.

## SENIOR UNSECURED NOTES

The following are the basic terms of our senior unsecured notes at December 31, 2021 (par value amounts in thousands):

	Offering Completion Date	Maturity Date	Par Value	% of Par Value	Interest Payment Frequency
2.550% Senior Unsecured Notes due 2023	December 5, 2019	December 5, 2023	£ 400,000	100.000%	Annually
3.325% Senior Unsecured Notes due 2025	March 24, 2017	March 24, 2025	€ 500,000	100.000%	Annually
0.993% Senior Unsecured Notes due 2026	October 6, 2021	October 15, 2026	€ 500,000	100.000%	Annually
2.500% Senior Unsecured Notes due 2026	March 24, 2021	March 24, 2026	£ 500,000	99.937%	Annually
5.250% Senior Unsecured Notes due 2026	July 22, 2016	August 1, 2026	\$ 500,000	100.000%	Semi-annually
5.000% Senior Unsecured Notes due 2027	September 7, 2017	October 15, 2027	\$ 1,400,000	100.000%	Semi-annually
3.692% Senior Unsecured Notes due 2028	December 5, 2019	June 5, 2028	£ 600,000	99.998%	Annually
4.625% Senior Unsecured Notes due 2029	July 26, 2019	August 1, 2029	\$ 900,000	99.500%	Semi-annually
3.375% Senior Unsecured Notes due 2030	March 24, 2021	April 24, 2030	£ 350,000	99.448%	Annually
3.500% Senior Unsecured Notes due 2031	December 4, 2020	March 15, 2031	\$ 1,300,000	100.000%	Semi-annually

Typically, we may redeem some or all of the notes at any time, but may require a redemption 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.

### DEBT REFINANCING AND UNUTILIZED FINANCING COSTS

#### 2021

With the amendment of our Credit Facility, the termination of our January 2021 Interim Credit Facility, and duration fees incurred on our July 2021 Interim Credit Facility, we incurred approximately \$7.3 million of debt refinancing costs in 2021.

With proceeds from our 0.993% Senior Unsecured Notes due 2026 offering, on October 22, 2021, we redeemed all of our outstanding €500 million aggregate principal amount of 4.000% senior unsecured notes that were due in 2022, including accrued and unpaid interest. As a result of this redemption, we incurred a charge of approximately \$20 million (including redemption premiums and accelerated amortization of deferred debt issuance costs).

#### 2020

With proceeds from our 3.500% Senior Unsecured Notes due 2031 offering in 2020, we redeemed all of our outstanding \$500.0 million aggregate principal amount of 6.375% senior unsecured notes that were due in 2024 and \$300.0 million aggregate principal amount of 5.500% senior unsecured notes that were due in 2024, including accrued and unpaid interest. As a result of these redemptions, we incurred a charge of approximately \$28 million (including redemption premiums and accelerated amortization of deferred debt issuance 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 approximately \$4 million of underwriting and other fees. However, this commitment was canceled with the completion of the debt and equity offerings in July 2019 (as more fully described in the table above and in Note 9), 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 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.

### 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. At December 31, 2021, 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, 2021, 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 entities 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 entities and our foreign operations, income tax (expense) benefit were as follows (in thousands):

	For the Years Ended December 31,		
	2021	2020	2019
<b>Current income tax (expense) benefit:</b>			
Domestic	\$ (1,559)	\$ 63	\$ 61
Foreign	(18,964)	(10,203)	(1,669)
	(20,523)	(10,140)	(1,608)
<b>Deferred income tax (expense) benefit:</b>			
Domestic	6,915	(10,680)	5,490
Foreign	(60,340)	(10,236)	(1,261)
	(53,425)	(20,916)	4,229
<b>Income tax (expense) benefit</b>	<b>\$ (73,948)</b>	<b>\$ (31,056)</b>	<b>\$ 2,621</b>



A reconciliation of income tax (expense) benefit from the statutory income tax rate to the effective tax rate based on income before income taxes for the years ended December 31, 2021, 2020, and 2019 is as follows (in thousands):

	For the Years Ended December 31,		
	2021	2020	2019
Income before income tax	\$ 730,888	\$ 463,328	\$ 373,780
Income tax at the U.S. statutory federal rate (21% in 2021, 2020, and 2019)	(153,486)	(97,299)	(78,494)
Decrease (increase) in income tax resulting from:			
Foreign rate differential	2,742	2,160	438
State income taxes, net of federal benefit	—	970	1,621
U.S. earnings not subject to federal income tax	132,266	82,921	85,495
Equity investments	—	380	1,091
Change in valuation allowance	(10,040)	(8,514)	(7,911)
Statutory tax rate change	(43,924)	(9,471)	—
Interest disallowance	(646)	—	—
Other items, net	(860)	(2,203)	381
Total income tax (expense) benefit	\$ (73,948)	\$ (31,056)	\$ 2,621

The foreign provision for income taxes is based on foreign profit before income taxes of \$164.0 million, \$62.1 million, and \$10.7 million in 2021, 2020, and 2019, respectively.

The domestic provision for income taxes is based on income (loss) before income taxes of \$(29.7) million in 2021, \$6.4 million in 2020, and \$(44.1) million in 2019 from our TRS entities.

At December 31, 2021 and 2020, components of our deferred tax assets and liabilities were as follows (in thousands):

	2021	2020
Deferred tax assets:		
Operating loss and interest deduction carry forwards	\$ 197,876	\$ 150,001
Interest rate swap	—	9,150
Other	1,815	6,973
Total deferred tax assets	199,691	166,124
Valuation allowance	(61,747)	(36,977)
Total net deferred tax assets	\$ 137,944	\$ 129,147
Deferred tax liabilities:		
Property and equipment	\$ (320,546)	\$ (211,018)
Net unbilled revenue	(43,366)	(14,776)
Partnership investments	(15,963)	—
Other	(3,836)	(4,010)
Total deferred tax liabilities	(383,711)	(229,804)
Net deferred tax asset (liability)	\$ (245,767)	\$ (100,657)

During the 2021 second quarter, the United Kingdom enacted an increase in its corporate income tax rates from 19% to 25% effective April 1, 2023, which resulted in a one-time adjustment to our net deferred tax liabilities of approximately \$43 million. Similarly, in the 2020 third quarter, we incurred an approximate \$9 million charge for the change in the corporate income tax rate from 17% to 19% in the United Kingdom.

At December 31, 2021, we had net NOL and other tax attribute carryforwards as follows (in thousands):

	U.S.	Foreign
Gross NOL carryforwards	\$ 239,520	\$ 699,514
Tax-effected NOL carryforwards	\$ 28,837	\$ 169,039
Valuation allowance	(6,291)	(45,578)
Net deferred tax asset – NOL carryforwards	\$ 22,546	\$ 123,461
Expiration periods	2030-indefinite	indefinite

## VALUATION ALLOWANCE

A valuation allowance has been recorded on certain 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 2021, a valuation allowance of \$24.8 million has been recorded against a portion of our international 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 NOLs, non-depreciable basis of real property, and other tax attributes that we believe will not be realized. Valuation allowance activity recorded generally follows the activity of the associated deferred tax asset that is not expected to be recognized. From time-to-time, we may acquire deferred tax assets as part of real estate transactions and will assess the need for a valuation allowance as part of the opening balance sheet. Additionally, valuation allowances will be remeasured for foreign currency translation fluctuations through other comprehensive 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 2021, 2020, and 2019. 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,		
	2021	2020	2019
Common share distribution	\$ 1.110000	\$ 1.070000	\$ 1.010000
Ordinary income	0.764580	0.603050	0.701910
Capital gains(1)	0.165420	—	0.275040
Unrecaptured Sec. 1250 gain	0.058270	—	0.041160
Section 199A Dividends	0.764580	0.603050	0.701910
Return of capital	0.180000	0.466950	0.033050

(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,		
	2021	2020	2019
<b>Numerator:</b>			
Net income	\$ 656,940	\$ 432,272	\$ 376,401
Non-controlling interests' share in earnings	(919)	(822)	(1,717)
Participating securities' share in earnings	(2,161)	(2,105)	(2,308)
Net income, less participating securities' share in earnings	\$ 653,860	\$ 429,345	\$ 372,376
<b>Denominator:</b>			
Basic weighted-average common shares	588,817	529,239	427,075
Dilutive potential common shares	1,322	1,222	1,224
Diluted weighted-average common shares	590,139	530,461	428,299

## 7. STOCK AWARDS

### STOCK AWARDS

Our Equity Incentive Plan, adopted during the second quarter of 2019 and replacing 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 12.9 million shares of new common stock for awards under the Equity Incentive Plan, out of which 5.7 million shares remain available for future stock awards as of December 31, 2021. The Equity Incentive Plan contains a limit of 5 million 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 and performance awards based on company-specific performance hurdles. See below for further details on each of these stock-based awards:

#### Service-Based Awards

In 2021, 2020, and 2019, 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 2021, 2020, and 2019, 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:

In 2021, 2020, and 2019, 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. 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. The performance thresholds for 2021 and 2020 awards were based on funds from operations growth, EBITDA, and acquisitions; whereas, the 2019 performance thresholds were based on return on equity, EBITDA, and acquisitions.

Certain performance awards granted were subject to a modifier which increases or decreases the actual shares earned in each performance period. The modifier for the 2021 and 2020 awards was based on two components: 1) how our total shareholder return ("TSR") compared to the SNL U.S. REIT Healthcare Index ("SNL Index") and 2) how our TSR compared to a threshold set by the Compensation Committee. For 2019 awards, the modifier was based on how our TSR compared to the SNL Index.

The following summarizes stock-based award activity in 2021 and 2020 (which includes awards granted in 2021, 2020, 2019, and any applicable prior years), respectively:

#### For the Year Ended December 31, 2021:

	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	1,057,054	\$ 18.79	5,086,983	\$ 14.41
Awarded	651,113	\$ 20.83	1,957,802	\$ 17.94
Vested	(781,076)	\$ 18.77	(1,551,482)	\$ 13.73
Forfeited	(4,137)	\$ 18.69	(15,767)	\$ 16.72
Nonvested awards at end of year	922,954	\$ 20.26	5,477,536	\$ 15.86

**For the Year Ended December 31, 2020:**

	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	1,122,440	\$ 17.11	5,481,155	\$ 11.66
Awarded	635,855	\$ 19.65	1,800,898	\$ 19.42
Vested	(699,215)	\$ 16.80	(2,193,906)	\$ 11.35
Forfeited	(2,026)	\$ 18.40	(1,164)	\$ 18.22
Nonvested awards at end of year	<u>1,057,054</u>	\$ 18.79	<u>5,086,983</u>	\$ 14.41

The value of stock-based awards is charged to compensation expense over the service periods. For the years ended December 31, 2021, 2020, and 2019, we recorded \$52.1 million, \$47.2 million, and \$32.2 million, respectively, of non-cash compensation expense. The remaining unrecognized cost from stock-based awards at December 31, 2021, is \$49.9 million, which will be recognized over a weighted-average period of 1.1 years. Stock-based awards that vested in 2021, 2020, and 2019, had a value of \$49.9 million, \$58.9 million, and \$25.9 million, respectively.

## 8. COMMITMENTS AND CONTINGENCIES

### COMMITMENTS

On September 15, 2021, we entered into definitive agreements to lease five general acute care hospitals, representing 5.5% of our total assets at December 31, 2021, located in Utah to HCA following an agreement by HCA to purchase the operations of these five facilities from Steward. Upon completion of the transaction between HCA and Steward, we will enter into a new master lease with HCA for these five facilities (the "HCA Transaction"). The consummation of the HCA Transaction, which is subject to regulatory approval, is expected in the first half of 2022.

### 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 those proceedings is not presently expected to materially affect our financial position, results of operations, or cash flows.

## 9. COMMON STOCK

### 2021 ACTIVITY

On January 11, 2021, we completed an underwritten public offering of 36.8 million shares of our common stock, resulting in net proceeds of approximately \$711 million, after deducting underwriting discounts and commissions and offering expenses.

In addition, we sold 16.3 million shares of common stock under our at-the-market equity offering program during 2021, resulting in net proceeds of approximately \$340 million.

### 2020 ACTIVITY

In 2020, we sold 21.0 million shares of common stock under our at-the-market equity offering program, resulting in net proceeds of approximately \$411 million.

### 2019 ACTIVITY

On November 8, 2019, we completed an underwritten public offering of 57.5 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 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.

## 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, 2021		December 31, 2020	
	Book Value	Fair Value	Book Value	Fair Value
Interest and rent receivables	\$ 56,229	\$ 56,564	\$ 46,208	\$ 45,381
Loans <sup>(1)</sup>	991,609	991,954	751,341	756,608
Debt, net	(11,282,770)	(11,526,388)	(8,865,458)	(9,226,564)

*(1) Excludes the acquisition loan and mortgage loan made in October 2021 to Springstone and the acquisition loan made in May 2020 to our international joint venture, along with the related subsequent investment in the real estate of three hospitals in Colombia (see Note 3 for further details), as these assets are accounted for under the fair value option method.*

#### ITEMS MEASURED AT FAIR VALUE ON A RECURRING BASIS

Our equity investment and related loan to the international joint venture, our loan investment in the real estate of three hospitals operated by subsidiaries of the international joint venture in Colombia, and our equity investment and related loans in Springstone are measured at fair value on a recurring basis as we elected to account for these investments using the fair value option at the point of initial investment. 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 reflective of current values.

At December 31, 2021 and 2020, the amounts recorded under the fair value option method were as follows (in thousands):

Asset (Liability)	As of December 31, 2021		As of December 31, 2020		Asset Type Classification
	Fair Value	Original Cost	Fair Value	Original Cost	
Mortgage loans	\$ 143,068	\$ 143,068	\$ 136,332	\$ 136,332	Mortgage loans
Equity investment and other loans	409,638	409,638	218,775	218,775	Equity investments/ Other loans

Our loans to Springstone and the international joint venture and its subsidiaries are recorded at fair value based on Level 2 inputs by discounting the estimated cash flows using the market rates at which similar loans would be made to borrowers with similar credit ratings and the same remaining maturities. Our equity investment in Springstone and the international joint venture is recorded at fair value based on Level 3 inputs, by using a discounted cash flow model, which requires significant estimates of our investee such as projected revenue and expenses and appropriate consideration of the underlying risk profile of the forecasted assumptions associated with the investee. We classify our valuations of equity investments as Level 3, as we use certain unobservable inputs to the valuation methodology that are significant to the fair value measurement, and the valuations require management judgment due to absence of quoted market prices. For the cash flow models, our observable inputs include use of a capitalization rate and discount rate (which is based on a weighted-average cost of capital) and our unobservable input includes an adjustment for a marketability discount (“DLOM”). In regard to the underlying projections used in the discounted cash flow model, such projections are provided by the investees. However, we will modify such projections as needed based on our review and analysis of historical results, meetings with key members of management, and our understanding of trends and developments within the healthcare industry.

Given our international joint venture equity investment is in an entity that was a startup company in 2020 and given our equity investment in Springstone was made late in 2021, we believe the fair value of these equity investments are in line with our cost basis. Thus, we have not recognized any unrealized gain/loss on such investments in 2020 or 2021.

The DLOM on our Springstone and international joint venture equity investments was 40% at December 31, 2021. In arriving at the DLOM, we started with a DLOM range based on the results of studies supporting valuation discounts for other transactions or structures without a public market. To select the appropriate DLOM within the range, we then considered many qualitative factors, including the percent of control, the nature of the underlying investee's business along with our rights as an investor pursuant to the operating agreement, the size of investment, expected holding period, number of shareholders, access to capital marketplace, etc. To illustrate the effect of movements in the DLOM, we performed a sensitivity analysis below by using basis point variations (dollars in thousands):

Basis Point Change in Marketability Discount	Estimated Increase (Decrease) in Fair Value
+ 100 basis points	\$ (41)
- 100 basis points	41

#### 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, from time-to-time, at fair value on a nonrecurring basis, such as for long-lived asset impairment purposes (see Note 3). In these cases, fair value is based on estimated cash flows discounted at a risk-adjusted rate of interest by using Level 2 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 offices and equipment. Our leases have remaining lease terms that vary in years, and some of the leases have initial fixed terms (or renewal options available) that 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 Years Ended December 31,	
		2021	2020
Operating lease cost <sup>(1)</sup>	(2)	\$ 10,694	\$ 9,910
Finance lease cost:			
Amortization of right-of-use assets	Real estate depreciation and amortization	51	51
Interest on lease liabilities	Interest	128	128
Sublease income	Other	(4,466)	(2,614)
Total lease cost		\$ 6,407	\$ 7,475

(1) Includes short-term leases.

(2) \$6.3 million and \$6.0 million included in "Property-related", with the remainder reflected in the "General and administrative" line of our consolidated statements of net income for 2021 and 2020, 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, 2021 are as follows (amounts in thousands):

	Operating Leases	Finance Leases	Amounts To Be Received From Subleases	Net Payments
2022	\$ 7,376	\$ 128	\$ (4,143)	\$ 3,361
2023	7,448	129	(3,963)	3,614
2024	6,559	130	(3,987)	2,702
2025	5,666	131	(4,044)	1,753
2026	5,255	133	(4,015)	1,373
Thereafter	239,727	4,650	(71,286)	173,091 (1)
Total undiscounted minimum lease payments	\$ 272,031	\$ 5,301	\$ (91,438)	\$ 185,894
Less: interest	(186,814)	(3,364)		
Present value of lease liabilities	\$ 85,217	\$ 1,937		

(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, 2021	December 31, 2020
<b>Right-of-use assets:</b>			
Operating leases – real estate	Land	\$ 68,616	\$ 73,373
Finance leases – real estate	Land	1,785	1,836
Total real estate right-of-use assets		\$ 70,401	\$ 75,209
Operating leases – corporate	Other assets	7,458	8,234
Total right-of-use assets		\$ 77,859	\$ 83,443
<b>Lease liabilities:</b>			
Operating leases	Obligations to tenants and other lease liabilities	\$ 85,217	\$ 90,006
Financing leases	Obligations to tenants and other lease liabilities	1,937	1,935
Total lease liabilities		\$ 87,154	\$ 91,941
<b>Weighted-average remaining lease term:</b>			
Operating leases		40.6	41.1
Finance leases		34.9	35.9
<b>Weighted-average discount rate:</b>			
Operating leases		6.4%	6.4%
Finance leases		6.6%	6.6%

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

	For the Years Ended December 31,	
	2021	2020
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>		
Operating cash flows from operating leases	\$ 7,330	\$ 6,080
Operating cash flows from finance leases	126	125
<b>Non-cash activities – Right-of-use assets obtained in exchange for lease obligations:</b>		
Operating leases	1,120	13,832

## 12. OTHER ASSETS

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

	At December 31,	
	2021	2020
Debt issue costs, net(1)	\$ 5,488	\$ 192
Other corporate assets	193,749	167,929
Prepays and other assets	134,243	87,948
Total other assets	\$ 333,480	\$ 256,069

(1) Relates to our revolving credit facility

Other corporate assets include land and land improvements associated with our corporate offices, furniture and fixtures, equipment, corporate vehicles, aircraft, enterprise and other software, deposits, and right-of-use assets associated with corporate leases. 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 \$1.2 billion and \$1.1 billion at December 31, 2021 and 2020, respectively. The increase year-over-year is primarily related to new investments in Swiss Medical Network, Priory, and Aspris Children's Services during 2021, partially offset by the sale of three equity investments during 2021, as discussed further in Note 3.

## **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, 2021 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, 2021, 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, 2021 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears in this Annual Report.

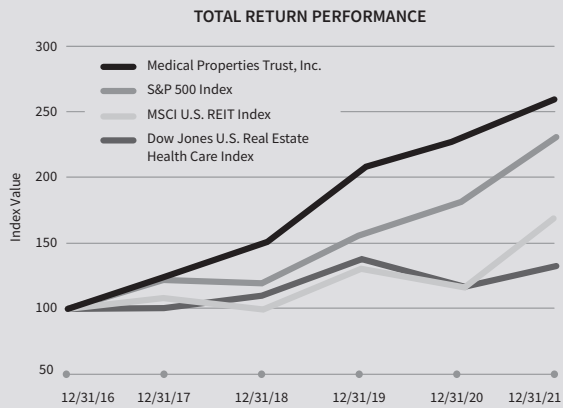
### ***Changes in Internal Controls over Financial Reporting***

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, 2016 through December 31, 2021, among us, the S&P 500 Index, MSCI U.S. REIT Index, and Dow Jones U.S. Real Estate Health Care 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					
	12/31/16	12/31/17	12/31/18	12/31/19	12/31/20	12/31/21
Medical Properties Trust, Inc.	100.00	120.55	150.72	208.79	227.68	260.16
S&P 500 Index	100.00	121.83	116.49	153.17	181.35	233.41
MSCI U.S. REIT Index	100.00	105.07	100.27	126.18	116.62	166.84
Dow Jones U.S. Real Estate Health Care Index	100.00	100.63	108.19	131.43	118.55	137.80

## 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**

Vice President, Treasurer and Managing Director of Capital Markets

**R. Lucas Savage**

Vice President, Head of Global 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. Mazingo, CPA, PFS**

Shareholder, Taxation at Aldridge, Borden & Company, PC

**Emily W. Murphy**

Former Administrator, U.S. General Services Administration

**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 26, 2022, at 10:30 a.m. CDT at the UAB Collat School of Business, 710 13th St. S., Birmingham, AL 35233

### 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 2021 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.astfinancial.com  
TTY: (Teletypewriter for the hearing impaired)  
718.921.8386 or 866.703.9077

### CORPORATE OFFICE

---

Medical Properties Trust, Inc.  
1000 Urban Center Drive, Suite 501  
Birmingham, AL 35242  
Main: 205.969.3755 | Fax: 205.969.3756  
www.medicalpropertystrust.com

The MPT Annual Report on Form 10-K for the year ended December 31, 2021, has been filed with the Securities and Exchange Commission and may be obtained without charge by any shareholder (including beneficial owners) upon written request to Investor Relations, Medical Properties Trust, Inc., 1000 Urban Center Drive, Suite 501, Birmingham, AL 35242.





## Medical Properties Trust

**Medical Properties Trust, Inc.**  
1000 Urban Center Drive, Suite 501  
Birmingham, AL 35242  
205.969.3755  
medicalpropiertiestrust.com  
NYSE: MPW