

HEDGEYE



Medical Properties Trust, Inc. (MPW)

New Best Idea Short

April 21, 2022



Medical Properties Trust



HEDGEYE REITs

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*Answered at the end of the call

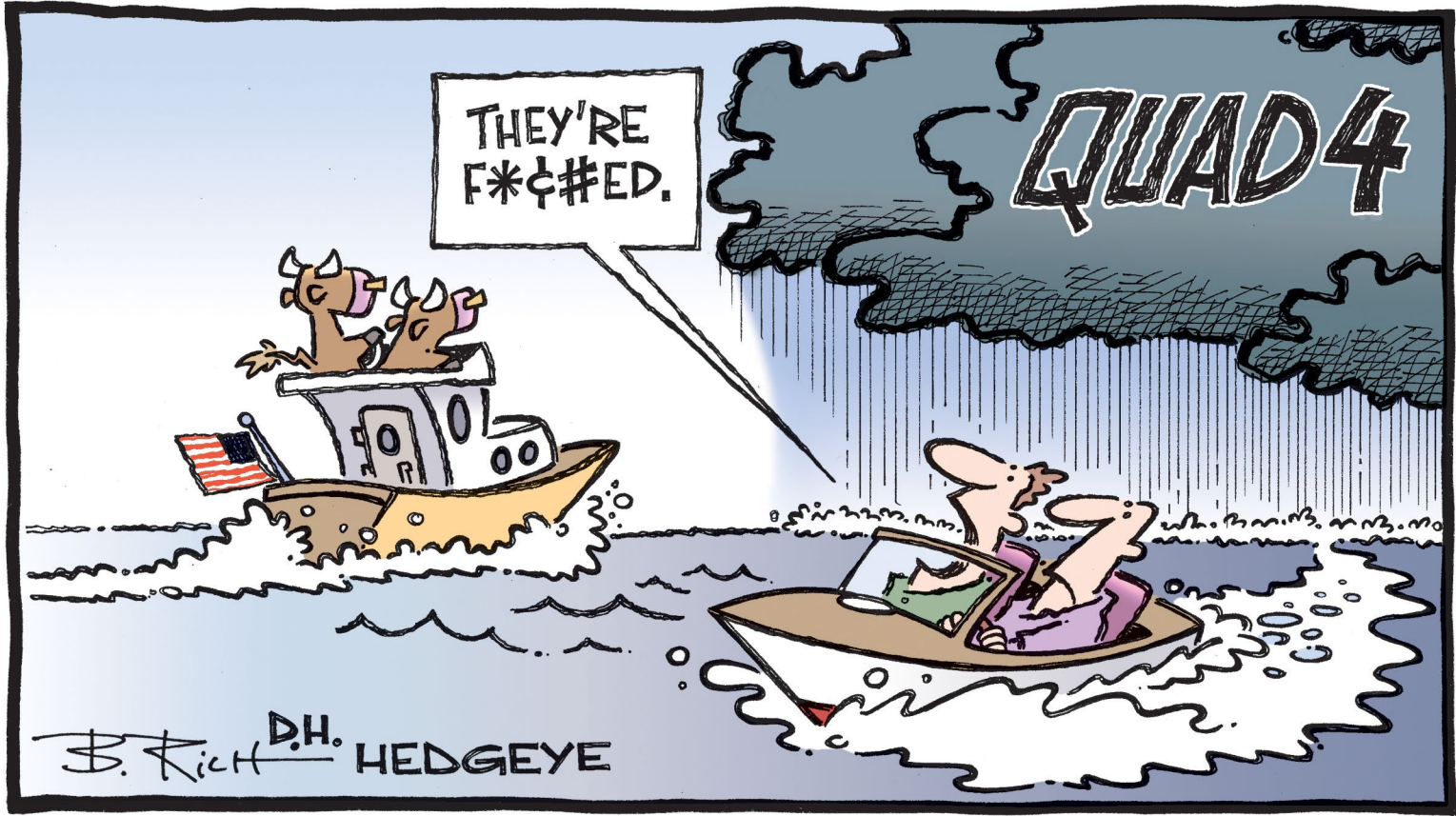


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[1] INTRODUCTION

INTRO | POSITION MONITOR (UPDATED 4.20.22)

LONG		Sentiment	Mkt. Cap	Stock				Sentiment	Mkt. Cap	Stock			
		Score *	(\$Bn)	Price (\$)	Trend	Tail	SHORT		Score *	(\$Bn)	Price (\$)	Trend	Tail
Best Ideas / Active						Best Ideas / Active							
PLD	Prologis, Inc.	4.54	131.4	172.67	x	x	INVH	Invitation Homes, Inc.	3.04	26.6	43.91	x	--
AVB	AvalonBay Communities, Inc.	3.43	35.8	253.50	x	x	MPW	Medical Properties Trust, Inc.	-	12.0	20.19	--	x
EQR	Equity Residential	3.70	36.0	92.78	x	x	COLD	Americold Realty Trust	2.31	7.6	28.16	x	--
NNN	National Retail Properties, Inc.	2.82	8.5	48.13	--	x	UHAL	AMERCO	1.29	11.0	563.26	x	x
REXR	Rexford Industrial Realty, Inc.	3.85	13.2	83.86	x	x	WY	Weyerhaeuser Company	3.00	31.6	42.13	x	x
HR	Healthcare Realty Trust Incorporated	-	4.2	27.81	x	x							
RADI	Radius Global Infrastructure Inc Class A	2.00	1.4	13.36	--	x							
Long Bench / Passive							Short Bench / Passive						
AMH	American Homes 4 Rent Class A	2.87	16.9	43.35	x	x	WE	WeWork Inc. Class A	-	5.1	6.48	x	x
PGRE	Paramount Group, Inc.	3.80	2.5	10.39	x	x	PCH	PotlatchDeltic Corporation	1.75	3.6	54.31	--	--
PSA	Public Storage	4.29	74.1	419.90	x	x	SUI	Sun Communities, Inc.	1.78	23.2	191.53	x	x
CXW	CoreCivic, Inc.	-	1.3	13.81	x	--	RYN	Rayonier Inc.	2.75	6.7	45.44	--	--
ESS	Essex Property Trust, Inc.	3.43	24.1	355.98	x	x	ONL	Orion Office REIT, Inc.	-	0.8	13.99	x	x
DRE	Duke Realty Corporation	3.62	23.9	61.53	x	x	CPT	Camden Property Trust	3.13	17.9	169.03	--	x
FR	First Industrial Realty Trust, Inc.	3.46	8.7	65.32	x	x							
OFC	Corporate Office Properties Trust	4.29	3.4	28.36	--	--							

Last Updated: 4/20/22

HEDGEYE REITS SENTIMENT SCORE*:

Hedgeye REITs Sentiment Score represents a stock's relative rank within its own subsector, calculated by factoring the stock's discount/premium to consensus price target, short interest, sell-side rating, change in relative NTM earnings multiple vs. the S&P500 index over the trailing 90 days and relative performance vs. the S&P 500 over the trailing 90 days. A Sentiment Score of 1 represents Lower Sentiment indicated by a larger discount to price target, higher short interest, more negative sell-side rating, a smaller change in relative NTM multiple and relative underperformance. A Sentiment Score of 6 represents Higher Sentiment.

POSITION MONITOR DISCLAIMER:

Hedgeye's "bench" represents Hedgeye's outlook on companies currently under Hedgeye's review, or for which timing is not right for greater coverage. Hedgeye may or may not provide further commentary on any or all companies represented on the bench and representation of a company on the bench does not forecast whether Hedgeye will or will not issue any additional material on that company.

- Adding Medical Properties Trust, Inc. (MPW) to Best Idea **Short** list
- Recently moved American Homes 4 Rent (AMH) to the **Long** Bench from Best Idea **Long**
- Added CXW to the **Long** Bench
- Favorite **Short** idea remains INVH, followed by MPW
- Over 30 detailed and working company models
- Write on names only where we feel we have an edge or a non-consensus view
- Limited maintenance research

Research Process

1. Idea Generation

- ☐ Thematic and macro-driven within the Hedgeye Macro / Quad framework
- ☐ Focus extensively on REIT subsectors we understand, and “sharpshoot” select names which are lightly covered
- ☐ Seek out identifiable catalysts and second derivative inflection points
- ☐ Absolute performance and relative performance within subsectors – “battleground” stocks
- ☐ Screen for contrarian ideas (short interest, etc.)
- ☐ Not a real estate “tour guide” franchise

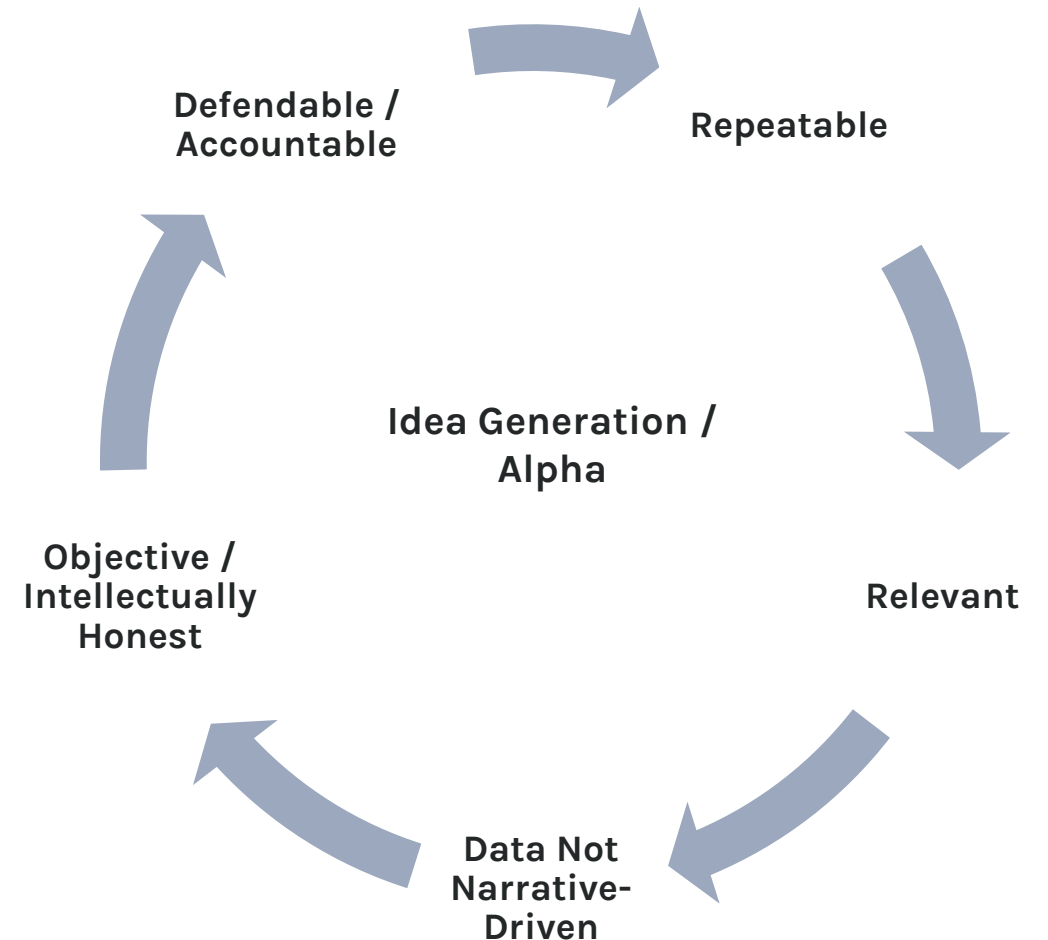
2. Fundamentals

- ☐ Build out detailed company models – If we don’t know a stock intimately, we can’t credibly pitch it
- ☐ Understand Net Asset Value (NAV) as a starting point, but never base stock calls solely on discounts / premiums to NAV – avoid “value traps”
- ☐ Consider all relevant valuation metrics (Multiples, DCF, factors, etc.) and “think outside of the REIT box”
- ☐ Understand and estimate long-term earnings power of the business
- ☐ Focus on management, platform value, balance sheets and capital structure
- ☐ Assess catalyst calendar, understand the event path and risk / reward

3. Data Driven

- ☐ Narrative must be supported by data
- ☐ To the greatest extent possible develop and leverage alternative, proprietary and third-party data
- ☐ Incorporate data science to gain insights

Research Process Goals

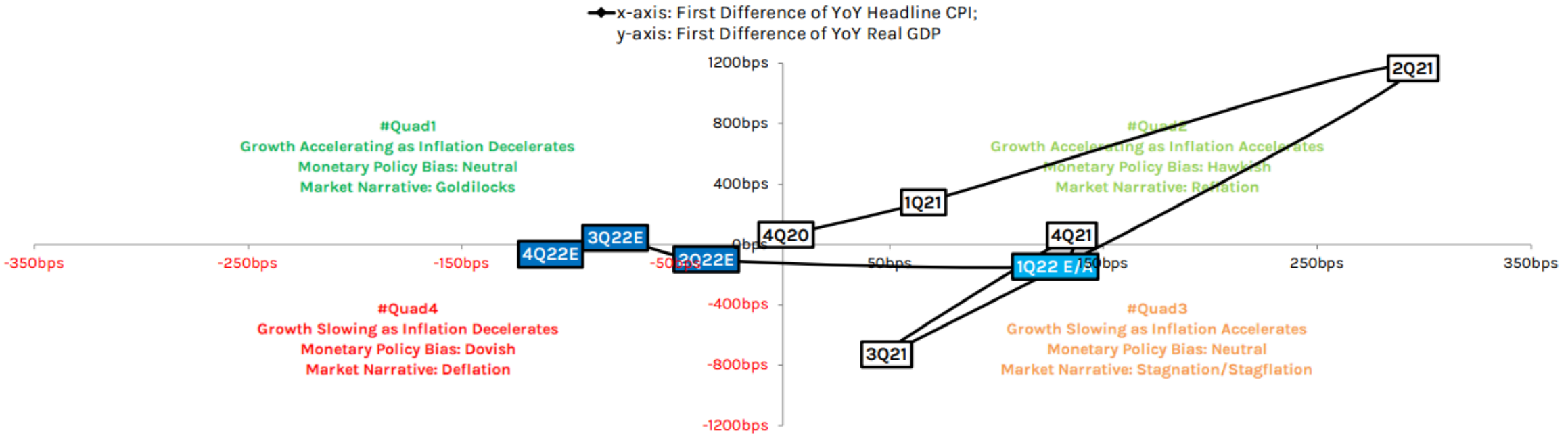


INTRO | WHAT ARE THE QUADS?

Our GIP Model is a quantitatively oriented, regime-based framework that helps investors proactively prepare for volatility phase transitions within and across asset classes by triangulating the three factors that matter most to Macro Risk Management – i.e. GROWTH, INFLATION, and POLICY.

United States	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	← Actuals Estimates →	1Q22 E/A	2Q22E	3Q22E	4Q22E
Real GDP QoQ SAAR	2.40%	3.20%	2.80%	1.90%	-5.10%	-31.20%	33.80%	4.50%	6.30%	6.70%	2.30%	6.90%	Real GDP QoQ SAAR	0.50%	2.65%	4.01%	4.27%
Real GDP YoY	2.15%	2.11%	2.32%	2.57%	0.63%	-9.08%	-2.89%	-2.26%	0.55%	12.23%	4.95%	5.53%	Real GDP YoY	4.09%	3.09%	3.53%	2.89%
2yr Comparative Base Effects	2.45%	2.72%	2.66%	2.52%	2.58%	2.70%	2.69%	2.45%	1.39%	-3.49%	-0.28%	0.15%	2yr Comparative Base Effects	0.59%	1.57%	1.03%	1.64%
Headline CPI YoY	1.64%	1.81%	1.76%	2.03%	2.12%	0.36%	1.22%	1.24%	1.90%	4.85%	5.34%	6.69%	Headline CPI YoY	7.96%	7.61%	6.82%	5.74%
2yr Comparative Base Effects	2.38%	2.31%	2.30%	2.16%	1.93%	2.16%	2.10%	2.12%	1.88%	1.09%	1.49%	1.64%	2yr Comparative Base Effects	2.01%	2.61%	3.18%	3.96%

United States



Data Source: Bloomberg. Light Blue box = Hedgeye Nowcast Model estimate. Dark Blue boxes = Hedgeye Comparative Base Effects Model estimates. © Hedgeye Risk Management

Updated: 4/18/2022

INTRO | QTRLY. EXPECTED VALUES BY QUAD

HEDGEYE

Hedgeye Macro US GIP Model Backtest	EV by Quadrant				Shallow GDP Δ				Deep GDP Δ				Fed Easing				Fed On Hold				Fed Tightening				Quad 1 Prior				Quad 2 Prior				Quad 3 Prior				Quad 4 Prior				China Quad			
EXPANSE	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4				
S&P 500 INDEX (SPY)	6.8%	3.0%	1.0%	-1.4%	4.8%	2.3%	3.1%	5.0%	9.0%	1.8%	-3.7%	-6.6%	9.1%	7.0%	1.2%	-3.8%	3.7%	-0.4%	-0.8%	-0.2%	6.7%	2.9%	3.8%	0.9%	15.1%	2.3%	1.8%	1.7%	3.7%	3.8%	4.0%	-19.6%	3.6%	0.7%	-2.0%	-1.1%	7.9%	6.5%	4.7%	1.2%	3.2%	4.1%	-1.0%	1.9%
Communication Services (XLC)	7.0%	-0.9%	0.7%	0.1%	8.7%	-1.7%	4.5%	6.8%	6.4%	-3.2%	-6.2%	-3.7%	10.0%	4.8%	2.6%	-2.6%	2.0%	-5.2%	-2.2%	3.5%	7.9%	-1.8%	3.2%	1.0%	17.1%	-2.3%	0.5%	1.1%	5.0%	0.1%	5.4%	-17.0%	4.0%	-2.4%	-1.6%	1.9%	6.8%	1.7%	2.7%	-0.3%	2.5%	2.9%	-0.6%	1.3%
Consumer Cyclical (XLY)	8.4%	3.2%	1.1%	-0.3%	4.8%	2.1%	2.1%	6.0%	13.5%	2.2%	-2.0%	-5.4%	10.8%	6.6%	-0.2%	-1.5%	5.9%	-0.9%	1.3%	-0.3%	7.3%	4.6%	2.5%	1.2%	20.2%	3.9%	2.6%	-2.0%	2.7%	5.2%	0.4%	-19.3%	2.4%	-2.5%	-1.1%	-1.3%	11.7%	3.7%	4.4%	4.8%	4.2%	4.4%	-0.3%	3.0%
Consumer Non-Cyclical (XLP)	4.9%	1.2%	0.8%	1.8%	1.4%	-1.8%	1.6%	8.2%	7.1%	3.9%	0.4%	-1.0%	6.2%	3.9%	1.1%	-0.3%	3.4%	-1.1%	0.9%	8.0%	4.7%	1.3%	0.2%	0.0%	12.8%	2.2%	0.7%	2.2%	3.5%	0.4%	-1.9%	-12.7%	1.2%	2.1%	0.7%	4.3%	5.3%	0.4%	3.8%	0.8%	1.7%	2.8%	1.5%	2.1%
Energy (XLE)	6.3%	4.4%	1.8%	-3.8%	3.9%	3.3%	6.4%	1.5%	6.8%	1.7%	-6.9%	-9.6%	7.1%	12.5%	5.9%	-9.8%	2.8%	1.7%	-4.2%	2.0%	9.0%	-1.6%	6.7%	-0.4%	5.9%	-0.9%	3.7%	-6.7%	2.1%	6.7%	2.8%	-50.5%	6.4%	7.2%	-2.0%	-0.3%	9.2%	3.9%	6.9%	0.8%	7.7%	4.5%	-3.9%	-0.3%
Financials (XLF)	6.2%	3.6%	0.1%	-1.4%	3.3%	0.5%	-0.9%	4.5%	10.2%	1.9%	-1.1%	-8.4%	8.3%	9.0%	-2.4%	-6.2%	3.4%	2.7%	0.3%	2.1%	5.8%	-1.5%	3.1%	2.2%	16.2%	1.0%	1.7%	-0.7%	1.9%	7.5%	9.0%	-31.9%	1.1%	-3.4%	-5.7%	-0.3%	8.4%	7.5%	3.6%	1.2%	1.7%	5.0%	-3.2%	1.9%
Health Care (XLV)	6.3%	2.4%	0.8%	0.6%	5.7%	-0.4%	2.0%	4.8%	6.2%	4.7%	-1.9%	-1.6%	7.8%	7.1%	1.7%	-1.7%	4.0%	-2.7%	0.6%	5.8%	6.5%	3.8%	0.1%	-0.2%	10.9%	0.7%	2.1%	0.8%	4.6%	1.0%	3.3%	-12.7%	5.2%	5.7%	-1.8%	3.1%	6.5%	7.7%	2.7%	-0.6%	1.8%	3.5%	-0.6%	3.8%
Industrials (XLI)	7.2%	3.8%	1.1%	-1.8%	4.7%	0.1%	2.9%	5.2%	8.6%	4.0%	-3.3%	-6.8%	9.6%	9.1%	1.2%	-3.8%	3.5%	0.5%	-1.3%	-0.8%	7.4%	1.8%	5.1%	-0.1%	14.6%	3.5%	1.2%	-3.7%	5.2%	4.5%	4.5%	-27.0%	4.2%	1.9%	-2.0%	-0.8%	7.7%	4.8%	6.1%	2.0%	2.8%	5.6%	-1.1%	0.9%
Information Technology (XLK)	9.0%	5.2%	2.5%	-2.6%	6.8%	8.3%	6.6%	4.0%	12.4%	1.2%	-5.4%	-10.0%	13.6%	7.7%	2.1%	-4.1%	3.7%	0.2%	0.6%	-7.4%	7.7%	9.0%	6.3%	2.8%	23.2%	3.8%	1.9%	-3.9%	5.6%	5.2%	8.6%	-11.9%	4.5%	3.2%	-1.0%	-6.8%	9.1%	13.6%	7.1%	4.5%	4.1%	4.9%	0.4%	3.6%
Materials (XLB)	7.3%	3.1%	0.6%	-0.5%	3.7%	2.9%	5.2%	1.2%	10.2%	0.8%	-7.0%	-3.5%	7.9%	8.0%	4.7%	-5.4%	6.5%	1.2%	-4.4%	3.9%	7.3%	-0.2%	3.9%	2.5%	10.8%	6.9%	3.4%	-5.9%	4.0%	2.7%	-0.3%	-26.1%	3.8%	-2.6%	-2.9%	1.8%	10.3%	5.0%	4.8%	4.3%	6.8%	4.4%	-1.3%	0.0%
REITS (XLRE)	4.0%	0.6%	0.2%	0.9%	3.0%	-1.1%	-1.1%	9.1%	7.8%	4.7%	0.4%	-6.3%	4.6%	4.8%	0.3%	-3.8%	2.9%	-2.1%	-1.0%	6.0%	4.4%	-0.8%	2.1%	3.4%	5.9%	2.5%	-2.2%	6.3%	-0.6%	0.7%	1.9%	-24.6%	1.5%	-1.5%	0.7%	-0.4%	7.9%	-1.6%	2.3%	2.2%	3.6%	2.3%	-2.0%	1.0%
Utilities (XLU)	3.5%	-0.9%	4.0%	1.3%	5.5%	-3.7%	5.3%	9.7%	1.5%	0.4%	3.3%	-2.2%	4.4%	3.1%	3.1%	-2.5%	2.8%	-5.3%	3.1%	5.7%	2.8%	0.4%	6.6%	3.2%	4.4%	-0.2%	1.8%	7.1%	1.2%	-2.3%	12.9%	-13.5%	8.4%	2.0%	1.9%	3.7%	1.9%	-2.6%	5.4%	-3.4%	3.2%	3.0%	2.0%	0.5%
Growth (IWF)	7.4%	4.0%	1.2%	-2.2%	4.9%	4.2%	3.5%	4.8%	10.4%	2.3%	-4.5%	-8.5%	10.3%	7.0%	1.8%	-4.2%	3.7%	-0.4%	-0.7%	-4.0%	7.0%	6.5%	3.8%	1.8%	18.1%	3.4%	2.1%	-2.4%	4.0%	4.8%	4.5%	-14.1%	3.3%	1.4%	-2.0%	-3.9%	8.4%	7.6%	4.9%	1.7%	2.9%	4.6%	-0.5%	2.1%
Value (IWD)	6.4%	2.3%	1.0%	-0.7%	4.7%	0.3%	2.7%	5.2%	8.3%	1.4%	-2.8%	-5.4%	8.1%	7.9%	1.2%	-3.9%	3.9%	-0.2%	-1.2%	3.0%	6.6%	-0.9%	4.5%	0.7%	12.6%	1.7%	1.5%	-0.8%	3.1%	3.5%	5.2%	-26.7%	4.0%	-1.1%	-2.3%	1.1%	7.9%	5.4%	4.7%	1.0%	3.8%	4.0%	-1.7%	1.5%
Cyclical (RSP)	8.0%	4.0%	1.2%	-2.8%	5.3%	3.8%	4.1%	4.1%	12.1%	1.6%	-5.3%	-10.6%	11.0%	9.3%	2.3%	-6.0%	3.9%	-0.1%	-1.9%	-3.3%	7.7%	3.4%	5.2%	1.8%	18.8%	2.5%	2.9%	-3.0%	3.3%	6.0%	6.6%	-23.4%	3.9%	-1.1%	-3.5%	-4.1%	9.8%	9.7%	5.2%	1.9%	4.1%	5.2%	-2.3%	1.7%
Defensives (DEF)	6.0%	2.4%	1.0%	-0.1%	4.4%	1.1%	2.2%	5.9%	7.1%	2.2%	-2.3%	-3.7%	7.7%	5.3%	0.7%	-2.0%	3.6%	-0.6%	0.0%	2.1%	6.0%	2.9%	3.1%	0.9%	12.6%	2.6%	0.8%	-0.3%	3.7%	2.3%	3.0%	-17.0%	3.6%	1.8%	-0.9%	1.1%	6.7%	3.4%	4.5%	1.3%	2.6%	3.6%	0.0%	2.0%
High Beta (SPHB)	9.6%	5.8%	1.2%	-4.0%	8.2%	3.6%	4.9%	2.8%	14.1%	3.0%	-6.9%	-15.6%	15.8%	15.0%	2.7%	-7.6%	2.8%	-1.1%	-3.3%	-6.9%	7.1%	4.3%	6.9%	2.6%	19.8%	-0.6%	2.8%	-5.2%	3.2%	10.8%	12.1%	-36.2%	6.3%	0.9%	6.7%	-7.8%	12.3%	12.8%	8.3%	5.7%	4.2%	6.8%	-3.5%	2.1%
Low Beta (SPLV)	4.5%	1.3%	1.6%	2.2%	3.8%	-1.6%	2.3%	8.4%	5.3%	3.1%	0.3%	-1.1%	4.8%	4.1%	0.7%	0.0%	4.4%	-0.8%	1.1%	6.8%	4.2%	0.6%	3.6%	1.9%	8.0%	3.4%	-0.4%	2.8%	2.7%	0.4%	3.7%	-19.0%	3.6%	0.9%	1.5%	4.0%	5.1%	-0.5%	4.2%	2.8%	3.6%	3.0%	0.9%	1.8%
Momentum (MTUM)	8.1%	3.9%	1.7%	-3.0%	5.2%	5.4%	4.3%	5.8%	10.5%	2.1%	-4.1%	-10.0%	9.7%	5.1%	1.5%	-5.1%	5.3%	0.1%	-0.4%	-3.2%	8.7%	7.6%	5.5%	-0.3%	19.5%	4.2%	3.0%	-1.5%	4.6%	5.4%	3.4%	-13.8%	5.0%	0.4%	-1.7%	-4.2%	8.4%	3.7%	6.3%	-1.3%	3.7%	4.1%	-0.8%	2.6%
Quality (QUAL)	7.3%	3.4%	1.4%	0.0%	6.0%	1.3%	3.7%	6.0%	9.1%	3.7%	-2.8%	-4.1%	9.3%	6.8%	2.0%	-2.0%	4.3%	0.2%	-0.5%	2.2%	7.3%	3.7%	3.6%	1.1%	14.9%	2.6%	1.7%	-1.9%	4.8%	3.2%	4.1%	-17.6%	5.3%	3.7%	-1.3%	0.7%	7.5%	5.7%	5.2%	3.2%	3.3%	4.6%	0.4%	2.3%
Dividend Yield (SDY)	6.8%	2.1%	0.8%	1.7%	4.5%	-0.3%	1.7%	6.9%	9.2%	2.4%	-1.1%	-2.0%	8.2%	7.0%	0.5%	-0.4%	4.7%	-0.2%	0.1%	5.9%	6.8%	-0.5%	2.4%	1.3%	13.3%	3.2%	0.1%	0.6%	3.4%	2.5%	1.5%	-23.3%	4.0%	-1.0%	0.0%	3.7%	8.4%	3.4%	4.0%	3.7%	3.8%	3.7%	0.3%	2.5%
Size (OEF)	6.9%	3.2%	1.1%	-1.7%	4.8%	3.1%	3.1%	4.4%	8.6%	1.7%	-3.8%	-5.8%	9.4%	6.6%	0.7%	-3.8%	3.3%	-0.3%	-0.2%	-0.2%	6.9%	3.8%	3.8%	0.0%	15.5%	2.0%	2.0%	-2.3%	4.1%	3.9%	3.8%	-17.2%	3.4%	1.3%	-1.7%	-1.3%	7.8%	7.0%	3.8%	0.6%	2.8%	3.9%	-0.6%	2.0%
Secular Growth (QQQ)	7.8%	5.8%	2.6%	-2.7%	8.0%	9.8%	6.2%	3.8%	9.2%	1.1%	-6.0%	-9.0%	12.6%	8.6%	2.2%	-4.4%	1.2%	-0.8%	-0.4%	-7.4%	7.9%	11.3%	7.5%	2.7%	18.2%	3.2%	0.3%	-3.6%	6.0%	7.9%	11.0%	-10.3%	5.1%	1.8%	-1.0%	-6.3%	7.8%	11.8%	8.0%	3.0%	3.9%	5.1%	0.8%	1.9%
Mid-Caps (MDV)	7.5%	4.4%	1.7%	-0.9%	4.1%	2.6%	3.1%	5.7%	12.7%	3.0%	-2.8%	-8.2%	9.3%	10.2%	3.2%	-3.5%	5.1%	1.0%	-2.1%	-0.2%	7.2%	2.3%	6.4%	1.8%	18.3%	3.1%	1.2%	-1.3%	1.8%	7.2%	8.7%	-29.7%	3.5%	-0.4%	-1.6%	-1.5%	9.8%	5.6%	5.3%	4.1%	5.5%	5.9%	-1.5%	1.2%
Small-Caps (IWM)	6.8%	5.3%	0.5%	-1.2%	5.3%	5.2%	2.5%	6.2%	10.8%	2.0%	-4.8%	-8.6%	8.1%	11.3%	2.0%	-3.2%	4.9%	1.3%	-3.5%	0.0%	6.9%	3.5%	5.6%	0.4%	13.3%	4.2%	0.2%	-0.7%	1.1%	7.8%	4.2%	-30.6%	3.2%	-0.9										

INTRO | EXPECTED VALUES BY QUAD REGIME

Quad 1: Goldilocks

Best Asset Classes:

Equities, Credit, Commodities, FX

Worst Asset Classes:

Fixed Income, USD

Best Equity Sectors:

Tech, Consumer Discretionary,
Materials, Industrials, Telecom

Worst Equity Sectors:

Utilities, REITS, Consumer Staples,
Financials, Energy

Best Equity Style Factors:

High Beta, Momentum, Leverage,
Secular Growth, Mid Caps

Worst Equity Style Factors:

Low Beta, Defensives, Value, Dividend
Yield, Small Caps

Best Fixed Income Sectors:

BDCs, Convertibles, HY Credit, EM \$
Debt, Leveraged Loans

Worst Fixed Income Sectors:

TIPS, Short Duration Treasuries, MBS,
Treasury Belly, Long Bond

Quad 2: Reflation

Best Asset Classes:

Commodities, Equities, Credit, FX

Worst Asset Classes:

Fixed Income, USD

Best Equity Sectors:

Tech, Consumer Discretionary,
Industrials, Energy, Financials

Worst Equity Sectors:

Telecom, Utilities, REITS, Consumer
Staples, Health Care

Best Equity Style Factors:

Secular Growth, High Beta, Small
Caps, Cyclical Growth, Momentum

Worst Equity Style Factors:

Low Beta, Dividend Yield, Value,
Defensives, Size

Best Fixed Income Sectors:

Convertibles, BDCs, Preferreds,
Leveraged Loans, HY Credit

Worst Fixed Income Sectors:

Long Bond, Treasury Belly, Munis,
MBS, IG Credit

Quad 3: Stagflation

Best Asset Classes:

Gold, Commodities, Fixed Income

Worst Asset Classes:

Credit

Best Equity Sectors:

Utilities, Tech, Energy, Industrials,
Consumer Discretionary

Worst Equity Sectors:

Financials, REITS, Materials, Telecom,
Consumer Staples

Best Equity Style Factors:

Secular Growth, Momentum, Mid
Caps, Low Beta, Quality

Worst Equity Style Factors:

Small Caps, Dividend Yield, Value,
Defensives, Size

Best Fixed Income Sectors:

Munis, EM \$ Debt, Long Bond, TIPS,
Treasury Belly

Worst Fixed Income Sectors:

BDCs, Preferreds, Convertibles,
Leveraged Loans, HY Credit

Quad 4: Deflation

Best Asset Classes:

Fixed Income, Gold, USD

Worst Asset Classes:

Commodities, Equities, Credit, FX

Best Equity Sectors:

Consumer Staples, Utilities, REITS,
Health Care, Telecom

Worst Equity Sectors:

Energy, Tech, Industrials, Financials,
Materials

Best Equity Style Factors:

Low Beta, Dividend Yield, Quality,
Defensives, Value

Worst Equity Style Factors:

High Beta, Momentum, Leverage,
Secular Growth, Cyclical Growth

Best Fixed Income Sectors:

Long Bond, Treasury Belly, IG Credit,
Munis, MBS

Worst Fixed Income Sectors:

Preferreds, EM Local Currency, BDCs,
Leveraged Loans, TIPS

[2] MPW SHORT THESIS

Recurring themes that keep coming up under any serious examination of the company

- Hospitals are tough businesses in general, but can easily become distressed under a rent burden paid to a third-party landlord. We believe it is not accidental that there are no other dedicated hospital REITs.
- The level and quality of MPW's financial disclosures are sub-par at best compared to other REITs.
- There is recurring reluctance, and even demonstrable outright resistance, on the part of MPW's management team to disclose critical data for investors to properly evaluate the company (Steward financials and acquisition cap rates, for example).
- The realized return profile of MPW's investments has declined over time and is likely not meeting a reasonable cost of capital. Concurrently, MPW raised a significant amount of public equity to fund its external growth.
- At least two key tenants / operators are likely not covering rent owed to MPW based on available data..
- One operator in particular, Steward, appears to be insolvent with essentially no remaining financeable assets, and may serve as an intermediate-term downside catalyst for MPW.
- In addition to investing in hospital real estate as a secured financing provider, MPW directly invests in the operations of its tenants via other / working capital loans and direct equity investments. Does MPW effectively "own the hospital system?"
- MPW's quality of earnings has been declining over time, with reported (non-cash) Core FFO metrics bearing no signal whatsoever as to the actual economics of the business.
- At the same time, the management team is being directly compensated based upon those non-cash earnings. Concurrently, management has been aggressively selling vested shares.
- **Finally, MPW shares are clearly and significantly overvalued in our view, but now with a potential catalyst.**

MPW | TIMELINE OF HEDGEYE WORK

Tracking how the idea evolved beginning in early-2022

February 14, 2022 – WSJ article published an article on MPW - *How a Small Alabama Company Fueled Private Equity's Push Into Hospitals*.

March 16, 2022 – MPW completed a JV transaction with Macquarie Asset Management (“MAM”), in which MAM acquired a 50% interest in a portfolio of eight MA-based hospitals and operated by Steward Health Care System (“Steward”).

Mid-March – Several clients raised the possibility of MPW having to cut the dividend payout, and inquired on Hedgeye's view on the likelihood of this outcome. At the time we did not have a view, so began digging into the company.

March 31, 2022 – Another WSJ article published on MPW - *Hospital Deal Gone Bust Puts Real Estate Firm in Spotlight*.

April 5, 2022 – Hedgeye reached out to the company for the first time to setup an intro call; no response. **Hedgeye also added MPW to the Short Bench later that day.**

April 11, 2022 – Hedgeye reached out to the company for a second time; also no response.

April 12, 2022 – Hedgeye added MPW to Best Idea **Short** list.

MPW | OVERVIEW OF MEDICAL PROPERTIES TRUST

MPW is the ONLY dedicated triple-net (“NNN”) hospital REIT, and the 2nd largest non-governmental owner of hospitals globally

- ~\$12bn equity market cap and ~\$22.8bn enterprise value REIT.
- Founded in 2003 by current Chairman & CEO, Edward K. Aldag, EVP & CFO, R. Steven Hamner, and EVP & COO Emmette E. Mclean to acquire and develop net-leased healthcare facilities.
- MPW primarily **acquires the real estate assets out of health systems, then leases the facilities back to the operator under long-term NNN leases** with contractual rent escalators, where the operator is responsible for all opex + capex.
- MPW essentially “clips rent checks” and should function as a bond-like vehicle with some degree of inflation protection.
- Currently invested in just under ~440 facilities comprising ~46k licensed beds across 32 states in the U.S., six countries in Europe, across Australia and in Colombia:
 - Owned assets + equity investments comprise ~85% of gross assets.
 - MPW also makes secured mortgage loans to operators.
- Finally, MPW **has originated “other loans” to tenants/operators** via Taxable REIT Subsidiaries (“TRS”) for acquisitions, working capital and other purposes, and made **direct equity / participation interests in certain operators / tenants**.

Amounts in 000s, Except per Share Data		
Capitalization & Valuation		
Stock Price (4/20/20)		20.19
Common Shares	596,814	
Dilutive Securities	270	
Total Shares / Units	597,084	
Equity Market Capitalization	12,055,126	
MPW's Share of Net Debt	10,775,089	
Total Enterprise Value	22,830,215	
Core FFO ⁽¹⁾ :		
4Q21 Annualized	1.87	10.8x
2022E	1.86	10.9x
2023E	1.94	10.4x
Core AFFO ⁽¹⁾ :		
4Q21 Annualized	1.45	14.0x
2022E	1.45	13.9x
2023E	1.54	13.1x
Adj. Cash EBITDA ^{(1) (2)} :		
4Q21 Annualized	1,212,332	18.8x
2022E	1,137,200	20.1x
2023E	1,267,400	18.0x

Notes:
(1) 2022E and 2023E estimated metrics based on FactSet consensus.
(2) Adj. Cash EBITDA adjusted for ~\$80 million of assumed non-cash revenue.

MPW | Sale-Leaseback Example & Economics

- In acquiring real estate and leasing it back with term and / or making mortgage loans, **MPW is essentially a provider of secured financing, i.e. a spread lender on real estate.**
- Bond-like initial cash returns to the landlord, compounding over time.
- The tenant receives capital upfront from the sale.
- What matters in the arrangement?
 - Corporate credit of the tenant / guarantees
 - Asset-level profitability and rent coverage
 - Fixed vs. variable expenses of the operating business
 - Capital efficiency of the operating business & required capex
 - Criticality of the business
- In the case of **active / passive equity investments, profit participations and working capital loans to the operator, MPW is effectively making an investment in the operating business and not just the real estate.**

Illustrative Sale-Leaseback (SLB) Example			Notes
Property EBITDAR	17,000		
(/) Target Rent Coverage	2.50x		<-- Usually asset type / market-determined.
Rent Expense	6,800		
(/) Cap Rate	6.0%		<-- Buyer's "offer" or willingness to pay.
Sale Price / Proceeds	113,333		<-- Proceeds to seller.

	Pre-Sale Leaseback	Post-Sale Leaseback	
Revenue	100,000	100,000	
Operating Expenses	80.0% (80,000)	(80,000)	<-- Excludes G&A expenses.
EBITDARM	20,000	20,000	<-- R = "Rent;" M = "Management" or G&A.
G&A Expenses	3.0% (3,000)	(3,000)	<-- G&A assumed 3% of revenues.
EBITDAR	17,000	17,000	
Margin %	17.0%	17.0%	
Rent	-	(6,800)	<-- Usually ~6-8% of revenues +/-.
EBITDA	17,000	10,200	
Margin %	17.0%	10.2%	
Maintenance Capex	4.0% (4,000)	(4,000)	<-- Assumed 3-5% of revenues.
Free Cash Flow (FCF)	13,000	6,200	
Margin %	13.0%	6.2%	

Coverage Ratios:		
EBITDARM / Rent		2.94x
EBITDAR / Rent		2.50x
Pre-Rent FCF / Rent		1.91x

<-- Hidden danger here.

MPW | ILLUSTRATIVE NNN RETURN PROFILE

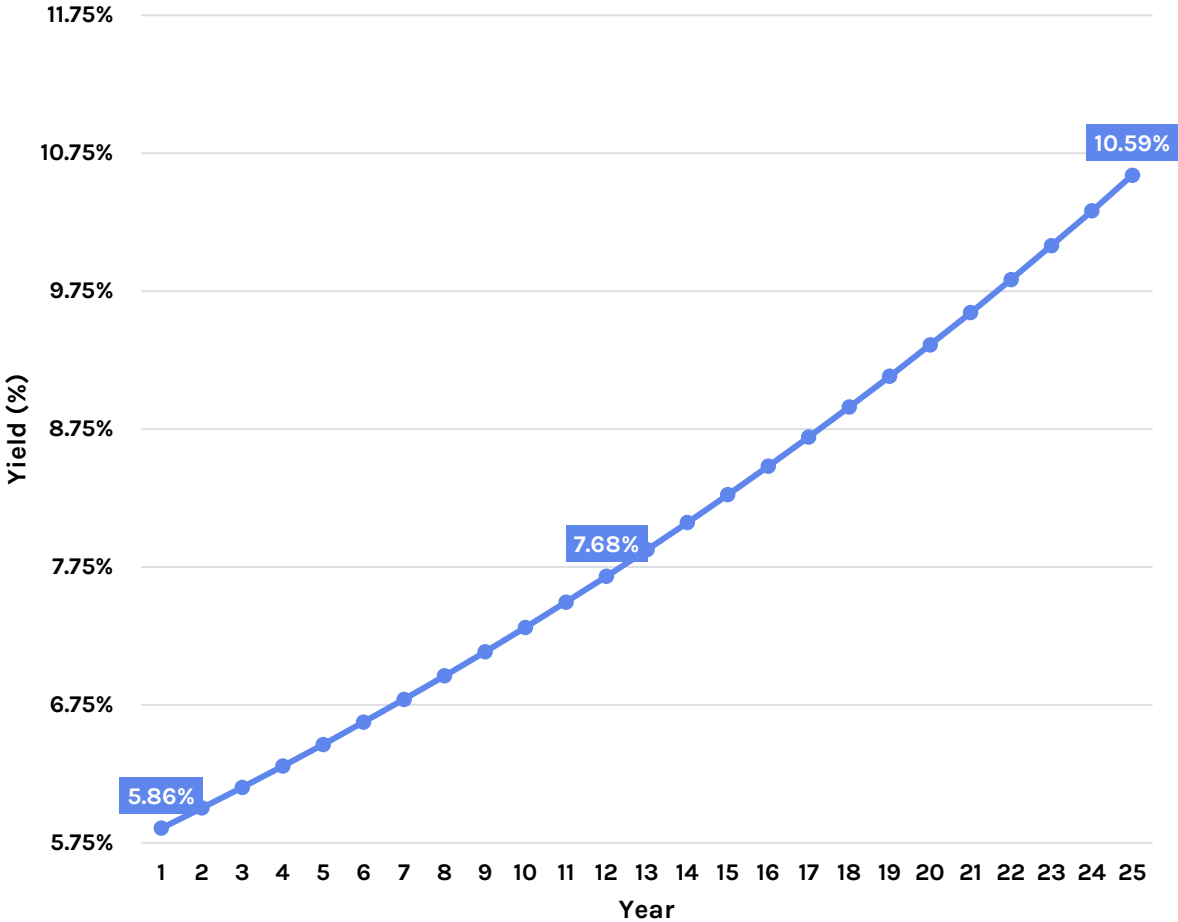
Unlevered yields / ROICs should trend up and to the right over time under a NNN lease

What Drives This Return Profile?:

- Net lease (tenant responsible for opex + capex)
- 10+ year lease term, drives compounding
- Strong tenant credit / limited credit issues
- No lease amendments
- Contractual rent escalators drive yield increases, even if / when cap rates compress

Assumptions		Year	Beginning Capital	Acquisition	Ending Capital	GAAP Rent	Cash Rent	Cash Rent Y/Y Change	Unlevered Cash ROIC
Property Purchase Price (\$000s)	100,000	1	-	100,000	100,000	8,000	5,855		5.86%
Assumed GAAP Yield - Year 1	8.00%	2	100,000	-	100,000	8,000	6,001	2.5%	6.00%
Lease Term	25 Years	3	100,000	-	100,000	8,000	6,151	2.5%	6.15%
Main. Capex % of Revenue	-	4	100,000	-	100,000	8,000	6,305	2.5%	6.31%
Annual Escalator	2.50%	5	100,000	-	100,000	8,000	6,463	2.5%	6.46%
		6	100,000	-	100,000	8,000	6,624	2.5%	6.62%
Calculated Cash Yield - Year 1	5.86%	7	100,000	-	100,000	8,000	6,790	2.5%	6.79%
		8	100,000	-	100,000	8,000	6,960	2.5%	6.96%
		9	100,000	-	100,000	8,000	7,134	2.5%	7.13%
		10	100,000	-	100,000	8,000	7,312	2.5%	7.31%
		11	100,000	-	100,000	8,000	7,495	2.5%	7.49%
		12	100,000	-	100,000	8,000	7,682	2.5%	7.68%
		13	100,000	-	100,000	8,000	7,874	2.5%	7.87%
		14	100,000	-	100,000	8,000	8,071	2.5%	8.07%
		15	100,000	-	100,000	8,000	8,273	2.5%	8.27%
		16	100,000	-	100,000	8,000	8,480	2.5%	8.48%
		17	100,000	-	100,000	8,000	8,692	2.5%	8.69%
		18	100,000	-	100,000	8,000	8,909	2.5%	8.91%
		19	100,000	-	100,000	8,000	9,132	2.5%	9.13%
		20	100,000	-	100,000	8,000	9,360	2.5%	9.36%
		21	100,000	-	100,000	8,000	9,594	2.5%	9.59%
		22	100,000	-	100,000	8,000	9,834	2.5%	9.83%
		23	100,000	-	100,000	8,000	10,080	2.5%	10.08%
		24	100,000	-	100,000	8,000	10,332	2.5%	10.33%
		25	100,000	-	100,000	8,000	10,590	2.5%	10.59%

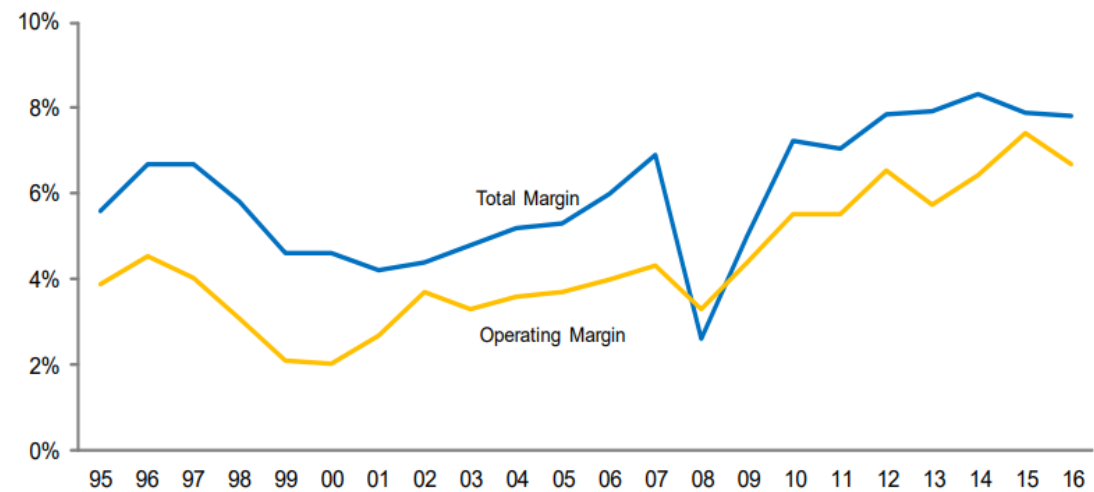
Illustrative Unlevered Cash Yield (ROIC)



MPW | HISTORICAL HOSPITAL PROFITABILITY

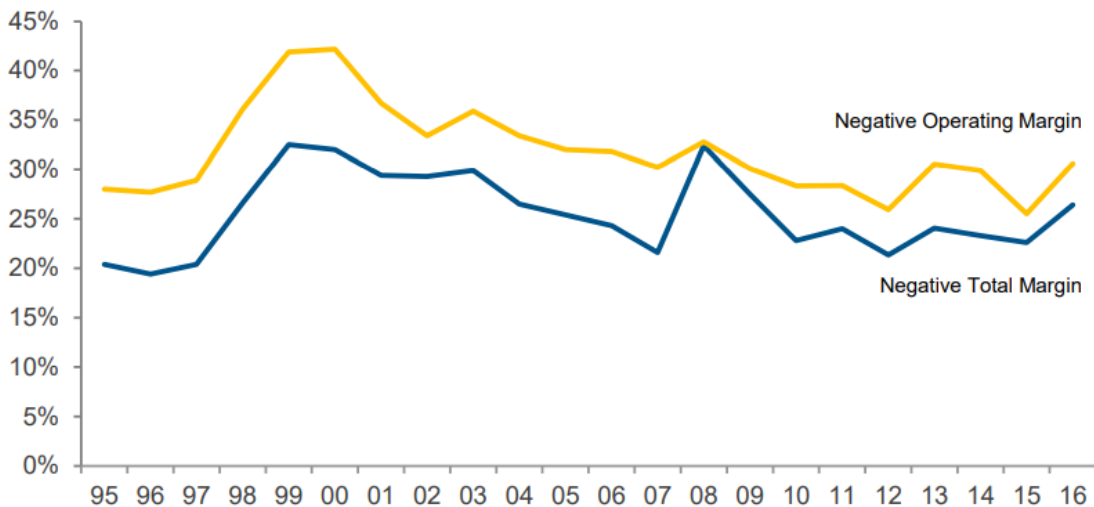
Hospitals were a thin operating margin business pre-COVID; potential “adverse selection” issue?

Chart 4.2: Aggregate Total Hospital Margins⁽¹⁾ and Operating Margins,⁽²⁾ 1995 – 2016



Source: Analysis of American Hospital Association Annual Survey data, 2016, for community hospitals.
⁽¹⁾ Total Hospital Margin is calculated as the difference between total net revenue and total expenses divided by total net revenue.
⁽²⁾ Operating Margin is calculated as the difference between operating revenue and total expenses divided by operating revenue.

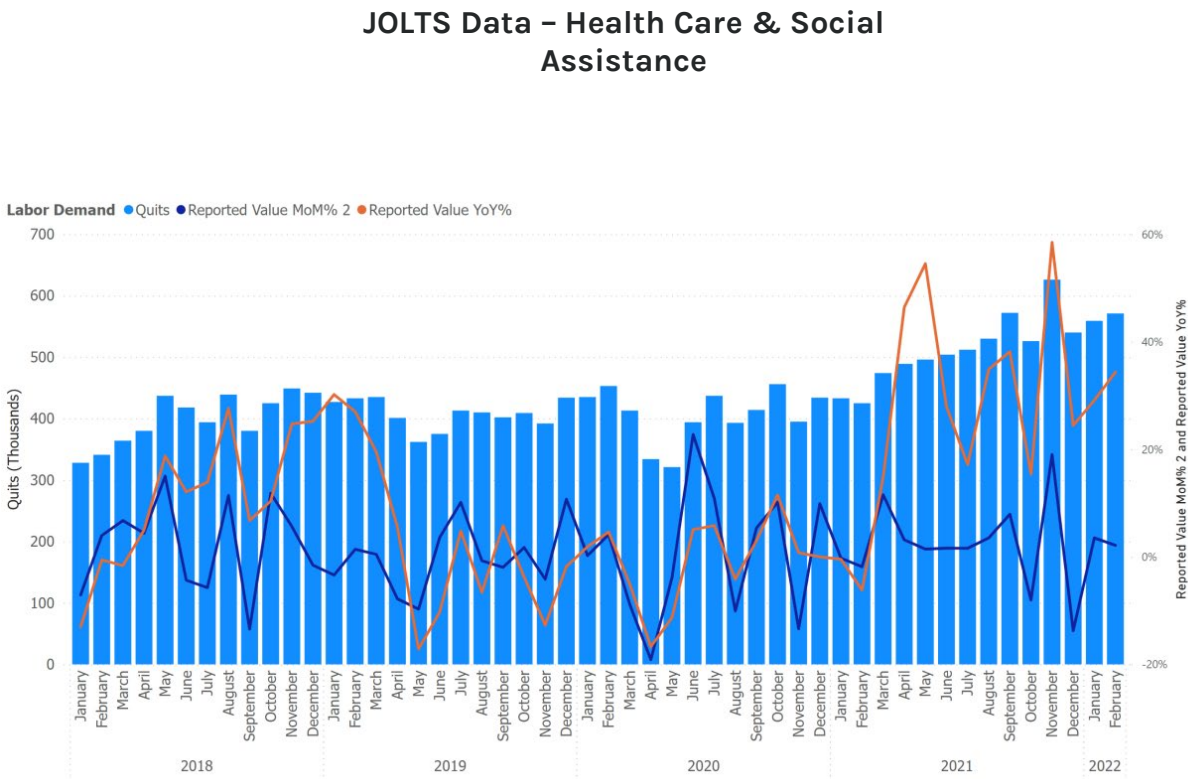
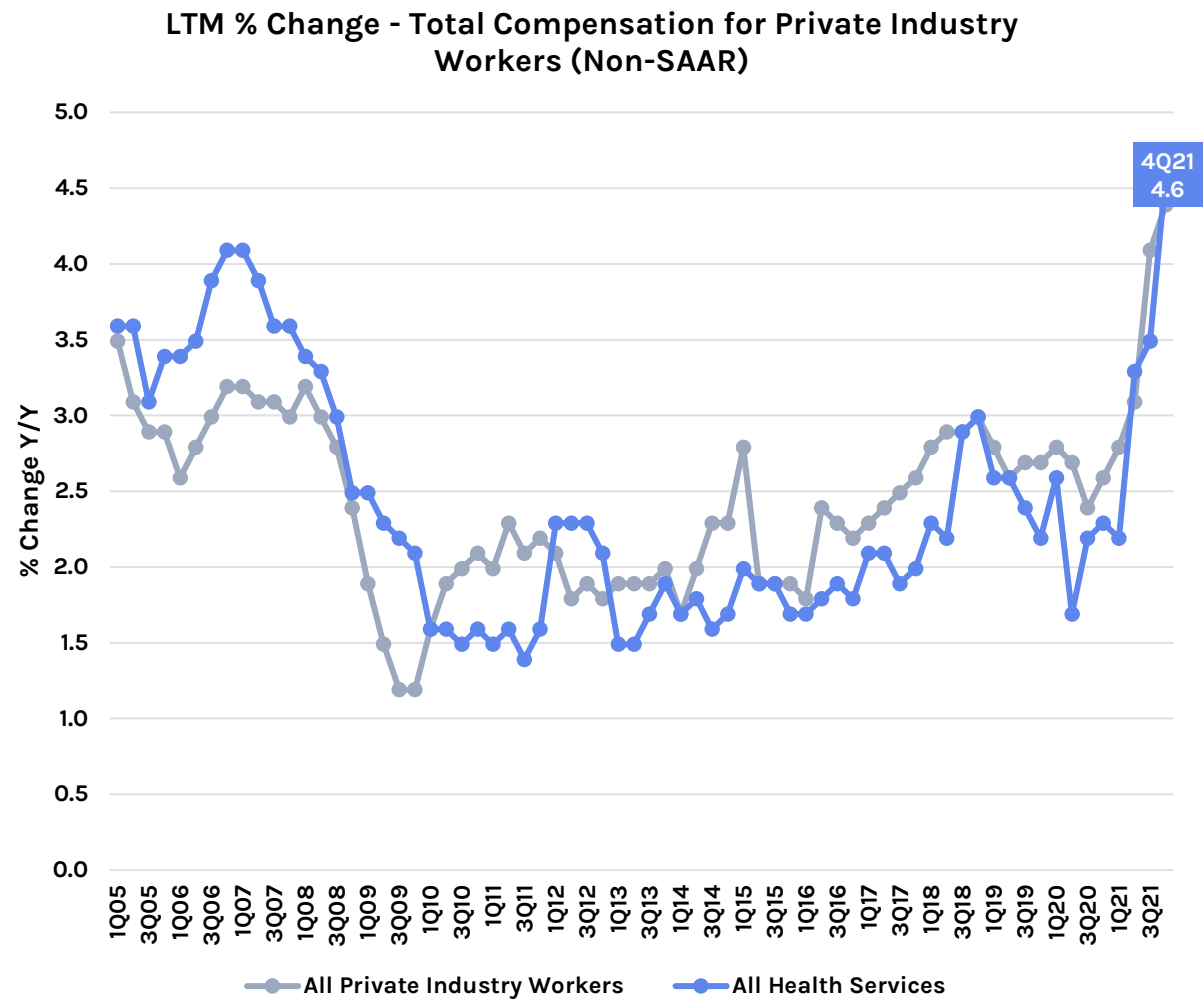
Chart 4.1: Percentage of Hospitals with Negative Total and Operating Margins, 1995 – 2016



Source: Analysis of American Hospital Association Annual Survey data, 2016, for community hospitals.
⁽¹⁾ Total Hospital Margin is calculated as the difference between total net revenue and total expenses divided by total net revenue.
⁽²⁾ Operating Margin is calculated as the difference between operating revenue and total expenses divided by operating revenue.

MPW | LABOR COST INCREASES & EMPLOYEE TURNOVER

Labor represents ~40% of hospital opex on average



MPW | NNN MODEL APPLIED TO HOSPITALS

The following math demonstrates that it is highly likely for NNN hospitals to be struggling to cover rent post-COVID, even among the best operators

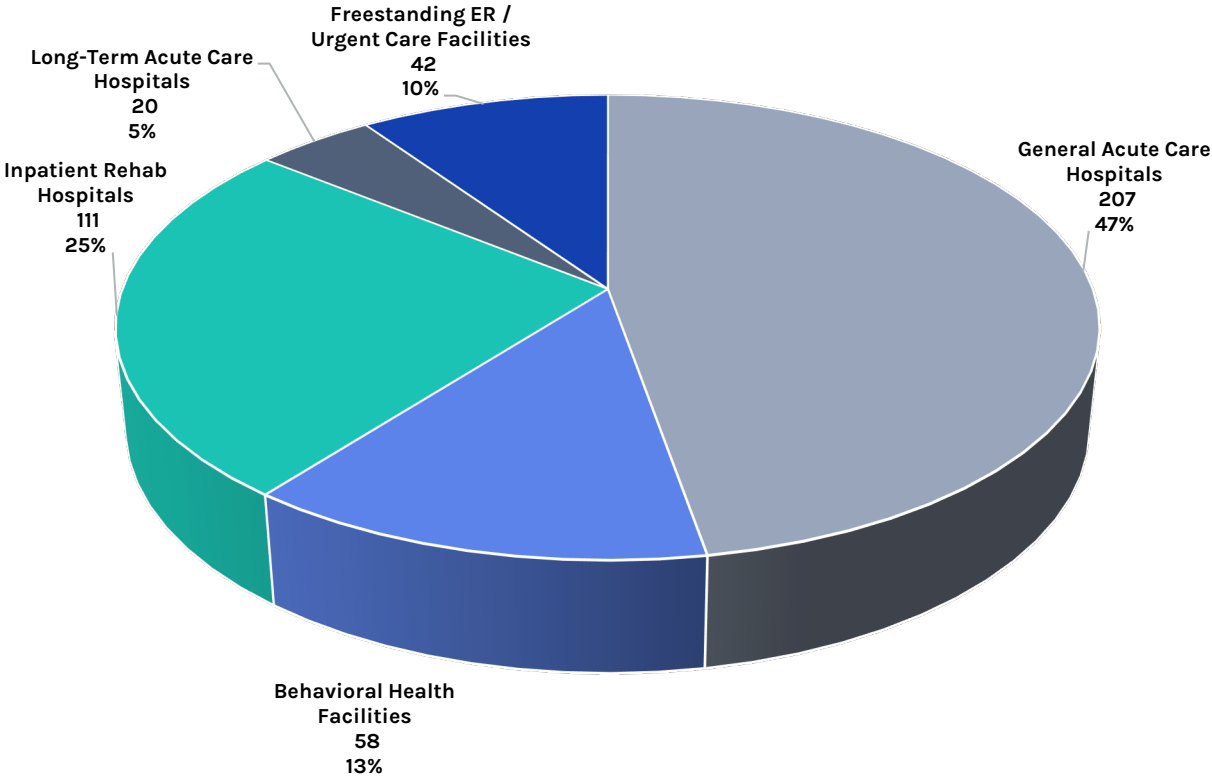
Hospital SLB Example (Pre-COVID)	Case		Notes
	Low	High	
Revenue	100,000	100,000	
Operating Expenses	(90,000)	(88,000)	<-- Assumes 10-12% operating margin excl. G&A.
EBITDARM	10,000	12,000	
G&A Expenses	(1,500)	(1,500)	<-- Assumes ~1-2% of revenue.
EBITDAR	8,500	10,500	
Margin %	8.5%	10.5%	
Rent	(4,000)	(4,000)	<-- Typically ~4-5% of hospital revenue.
EBITDA	4,500	6,500	
Margin %	4.5%	6.5%	
Maintenance Capex	(4,000)	(4,000)	<-- Assumes ~3-5% of revenue.
Free Cash Flow (FCF)	500	2,500	
Margin %	0.5%	2.5%	<-- Hospital model barely supports rent.
Coverage Ratios:			
EBITDARM / Rent	2.50x	3.00x	
EBITDAR / Rent	2.13x	2.63x	
Pre-Rent FCF / Rent	1.13x	1.63x	

Hospital SLB Example (Post-COVID)	Case		Notes
	Low	High	
Revenue	100,000	100,000	
Operating Expenses	(93,600)	(91,520)	<-- Assumes 40% of opex up +10% post-COVID.
EBITDARM	6,400	8,480	
G&A Expenses	(1,500)	(1,500)	
EBITDAR	4,900	6,980	
Margin %	4.9%	7.0%	
Rent	(4,000)	(4,000)	
EBITDA	900	2,980	
Margin %	0.9%	3.0%	
Maintenance Capex	(4,000)	(4,000)	
Free Cash Flow (FCF)	(3,100)	(1,020)	
Margin %	-3.1%	-1.0%	
Coverage Ratios:			
EBITDARM / Rent	1.60x	2.12x	
EBITDAR / Rent	1.23x	1.75x	
Pre-Rent FCF / Rent	0.23x	0.75x	<-- Hospital not covering rent w/ FCF post-COVID.

MPW | PORTFOLIO FACILITY COMPOSITION AT 4Q21

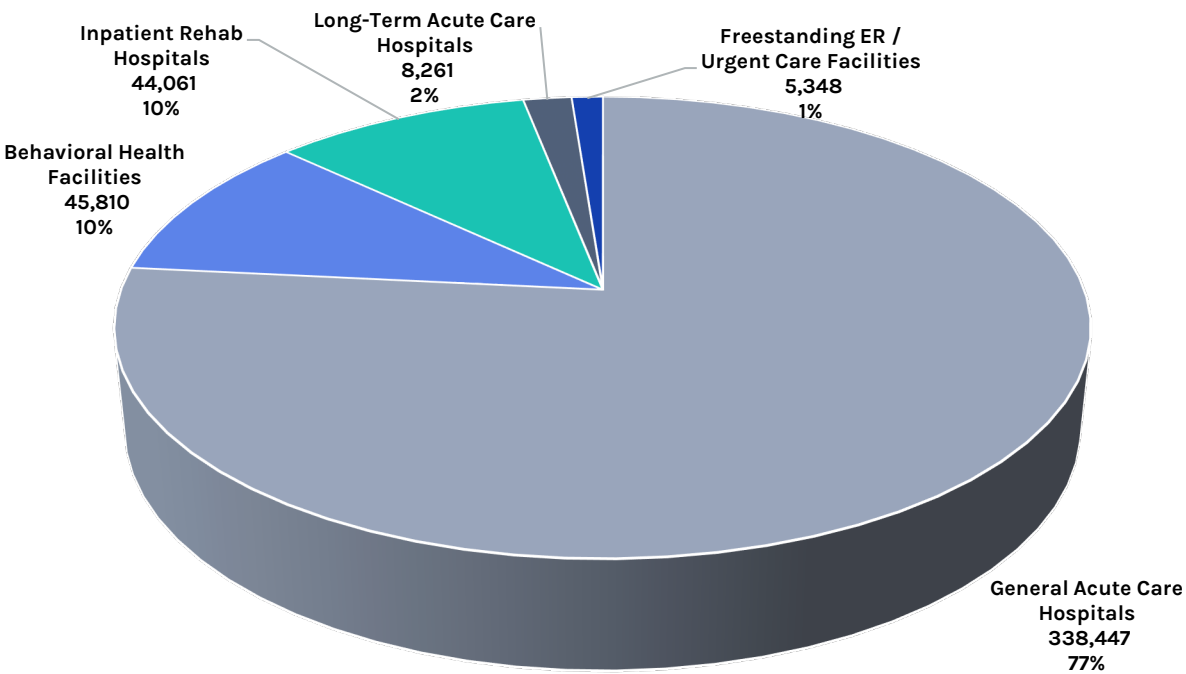
Significantly overweight general acute care Hospitals on a revenue share basis

Portfolio Composition - # of Properties as of 4Q21



- General Acute Care Hospitals
- Behavioral Health Facilities
- Inpatient Rehab Hospitals
- Long-Term Acute Care Hospitals
- Freestanding ER / Urgent Care Facilities

Portfolio Composition - % of Revenue as of 4Q21⁽¹⁾



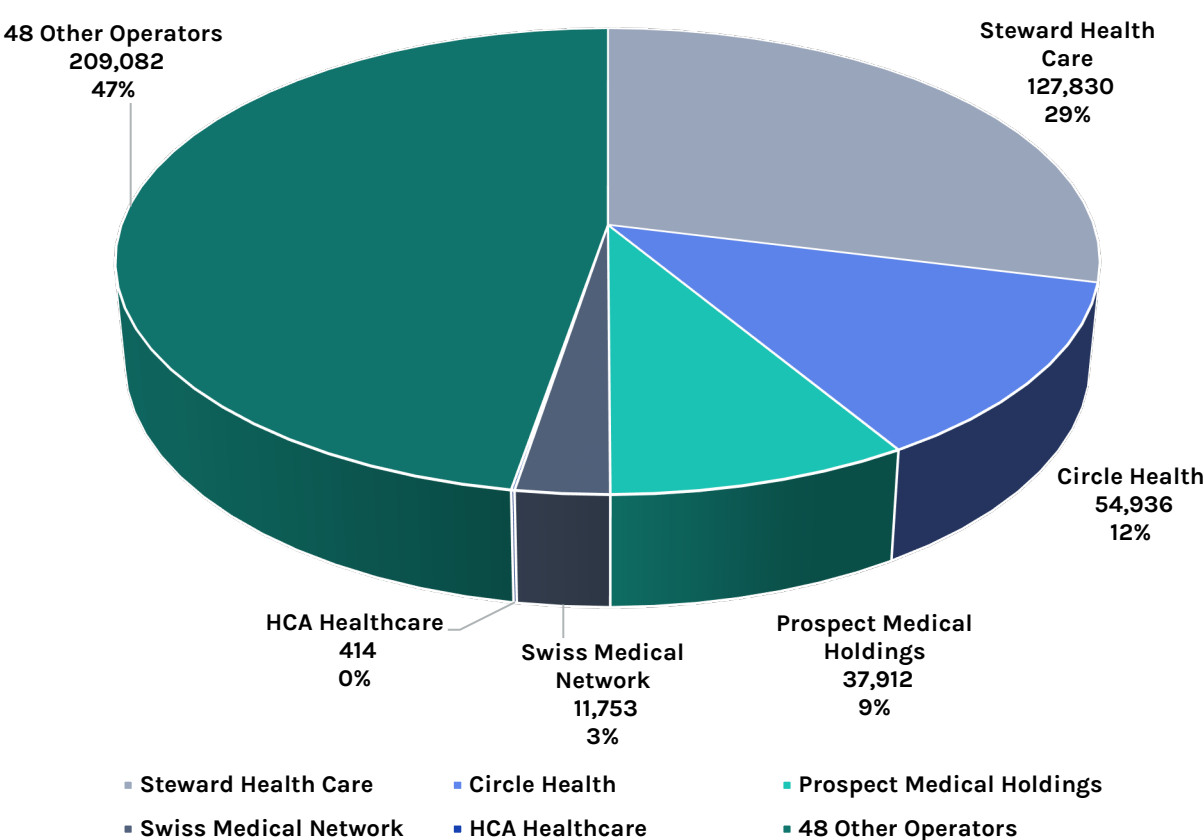
- General Acute Care Hospitals
- Behavioral Health Facilities
- Inpatient Rehab Hospitals
- Long-Term Acute Care Hospitals
- Freestanding ER / Urgent Care Facilities

(1) Includes revenue from properties held in UJVs.

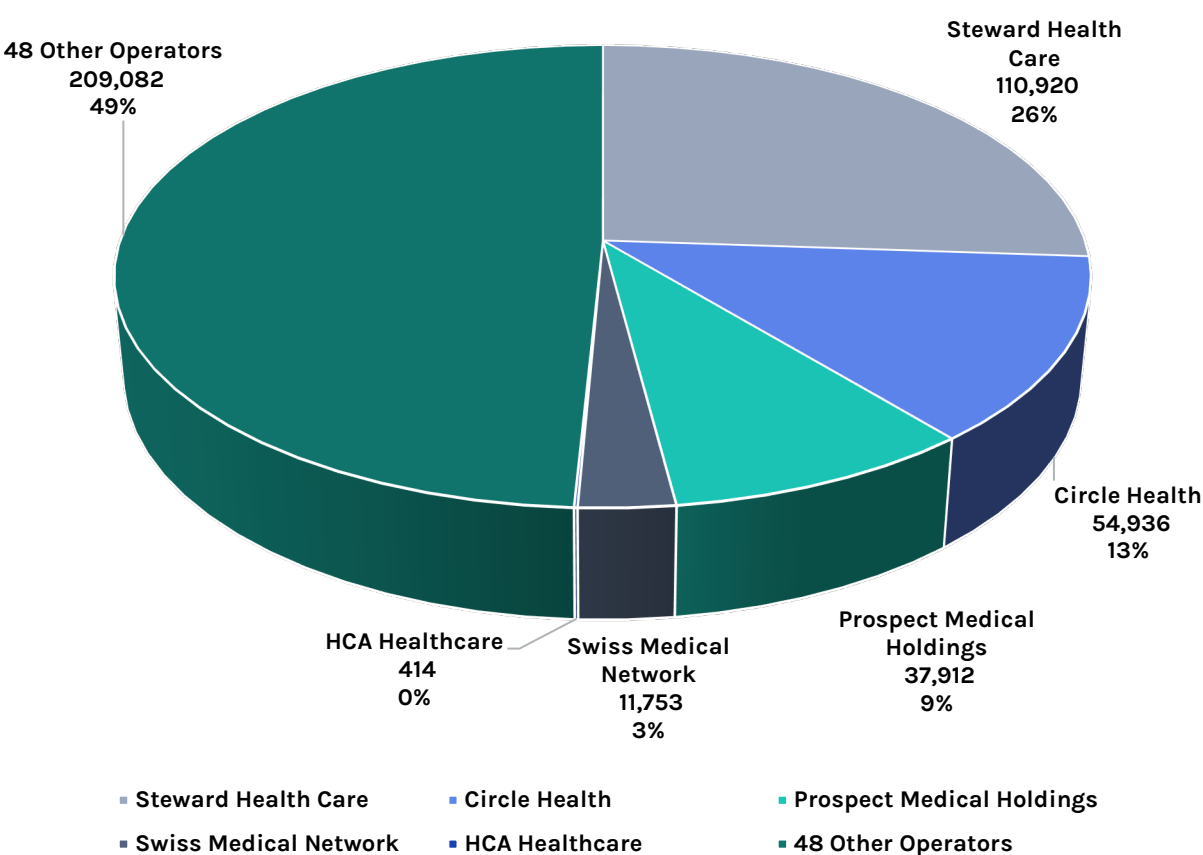
MPW | EXPOSURE BY TENANT / OPERATOR AT 4Q21

Steward Health still comprises ~26% of MPW’s annual revenue after adjusting for the Macquarie transaction and pre-closing of the HCA Utah transaction

MPW 4Q21 Adj. Revenue by Operator



MPW Pro Forma 4Q21 Adj. Revenue by Operator ⁽¹⁾⁽²⁾

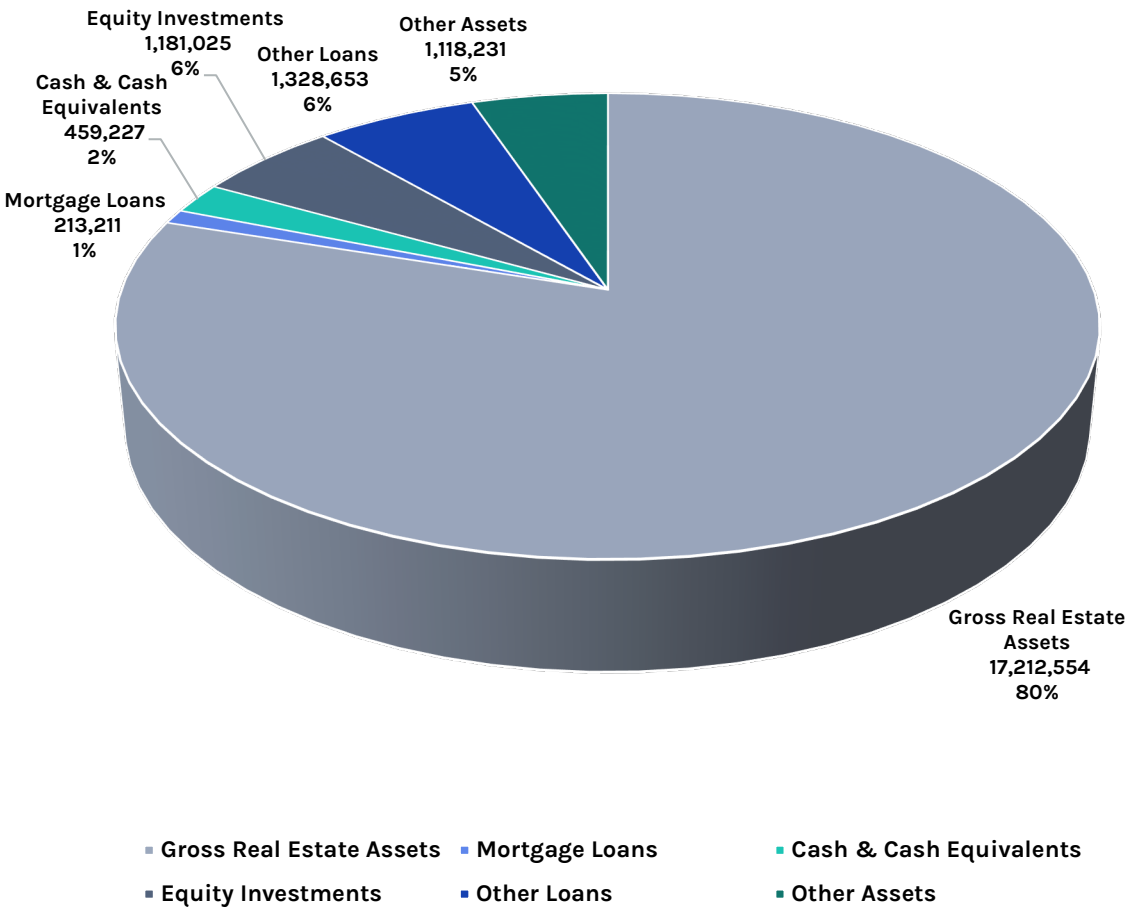


(1) Adjusted for sale of 50% interest in 8 Steward hospitals in MA, executed at 5.6% cash / est. 7.6% GAAP cap rate.
(2) Hedgeye believes this likely excludes MPW’s participation in the international JV.

MPW | ASSET TYPE COMPOSITION AT 4Q21

Overweight physical real estate, but loans and “other” investments have steadily increased over time

MPW 4Q21 Asset Breakdown



MPW Historical "Other Assets" / Gross Assets ⁽¹⁾



(1) Other Assets = Equity Investments + Other Loans + Other Assets as listed on MPW’s balance sheet.

MPW | OTHER ASSET DISCLOSURE

MPW stopped providing this level of detail on other / working capital loans + RIDEA investments after 4Q17 results

OTHER INCOME GENERATING ASSETS AS OF DECEMBER 31, 2017

(\$ amounts in thousands)

Operator	Investment	Annual Interest Rate	YTD RIDEA Income ^(A)	Security / Credit Enhancements
Non-Operating Loans				
Vibra Healthcare acquisition loan ^(B)	\$ 4,332	10.25%		Secured and cross-defaulted with real estate, other agreements and guaranteed by Parent
Alecto working capital	12,500	11.44%		Secured and cross-defaulted with real estate and guaranteed by Parent
IKJG/HUMC working capital	3,002	10.40%		Secured and cross-defaulted with real estate and guaranteed by Parent
Ernest Health	21,854	9.45%		Secured and cross-defaulted with real estate and guaranteed by Parent
Other	15,321			
	\$ 57,009			
Operating Loans				
Ernest Health ^(C)	\$ 93,200	15.00%	\$ 15,617	Secured and cross-defaulted with real estate and guaranteed by Parent
	\$ 93,200		15,617	
Equity investments ^(D)				
Domestic	\$ 164,332		\$ 5,677	
International ^(E)	\$ 124,065		\$ 6,882 ^(F)	

(A) Income earned on operating loans is reflected in the interest income line of the income statement.

(B) Original amortizing acquisition loan was \$41 million; loan matures in 2019.

(C) Due to compounding, effective interest rate is 16.8%.

(D) All earnings in income from equity investments are reported on a one quarter lag basis.

(E) Includes equity investments in Spain, Italy, and Germany.

(F) Excludes our share of real estate depreciation and acquisition expenses of certain unconsolidated joint ventures.

There are some pretty remarkable responses from MPW to this letter, particularly on cap rates

- **SEC Request #1:** In future Exchange Act periodic reports please provide the average effective annual rental per square foot or bed, based on your property type, for the current and preceding reporting periods. If you elect to provide only the base rentals per square foot or bed, please quantify and discuss the impact of tenant concessions, abatements, and allowances on the net rents you would be able to collect.
 - **MPW Response:** Rent per square foot or per bed is not a relevant measure in our business. In almost all cases, our real estate is 100% leased to single operators on a long-term basis at rental amounts that are not determined based on per unit measures. **Instead, the more important criterion for setting rental rates is our total cost and our long-term requirements.**
 - **Hedgeye Response:** The realized cash yields on total cost have been trending lower over time, so either the rents are not being set economically at signing and later need to be amended, or MPW is acquiring newer deals with lower initial cash yields / longer lease terms.
- **SEC Request #2:** To the extent your aggregate acquisitions for the reporting period are material, please disclose, in future Exchange Act periodic reports, the weighted average capitalization rate for such acquisitions and explain how the rate was calculated.
 - **MPW Response:** (1) We consider such information to be proprietary, the disclosure of which would provide a significant advantage to our competitors similar to a manufacturer publishing its confidential pricing structure to its competitors. Because a single hospital facility may be of itself a material acquisition, disclosure of a weighted average rate in a period with only one acquisition may result in disclosure of our pricing. (2) **Our peers may not calculate capitalization rates in the same way that we do** and, as a result, comparison of any capitalization rates that we disclose with those of our competitors would not be meaningful to investors. **Readers of our financial statements are also able to calculate our weighted average periodic return on our acquisition costs** by reference to information readily apparent in our GAAP-basis financial statements.
 - **Hedgeye Response:** Most U.S. equity REITs routinely disclose acquisition and disposition cap rates despite having more peers than MPW. Also, we did calculate the periodic returns on cost and they are deteriorating.

MPW | REVISITING THE NNN RETURN PROFILE

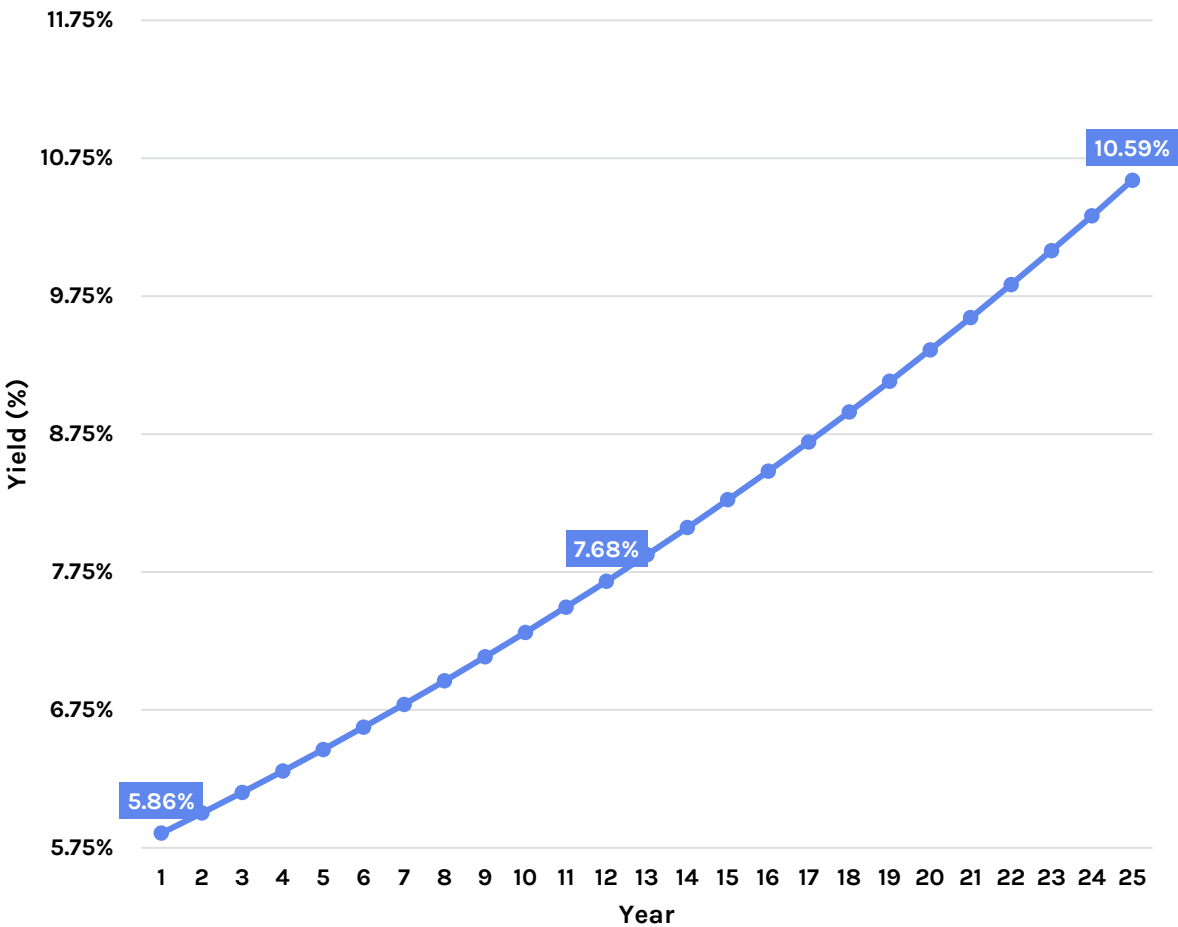
MPW’s realized returns should look something like the profile below if the business is economic, being run appropriately, and tenants can pay rent through to term

What Drives This Return Profile?:

- Net lease (tenant responsible for opex + capex)
- 10+ year lease term, drives compounding
- Strong tenant credit / limited credit issues
- Eliminates need for lease amendments
- Contractual rent escalators drive yield increases, even if / when cap rates compress

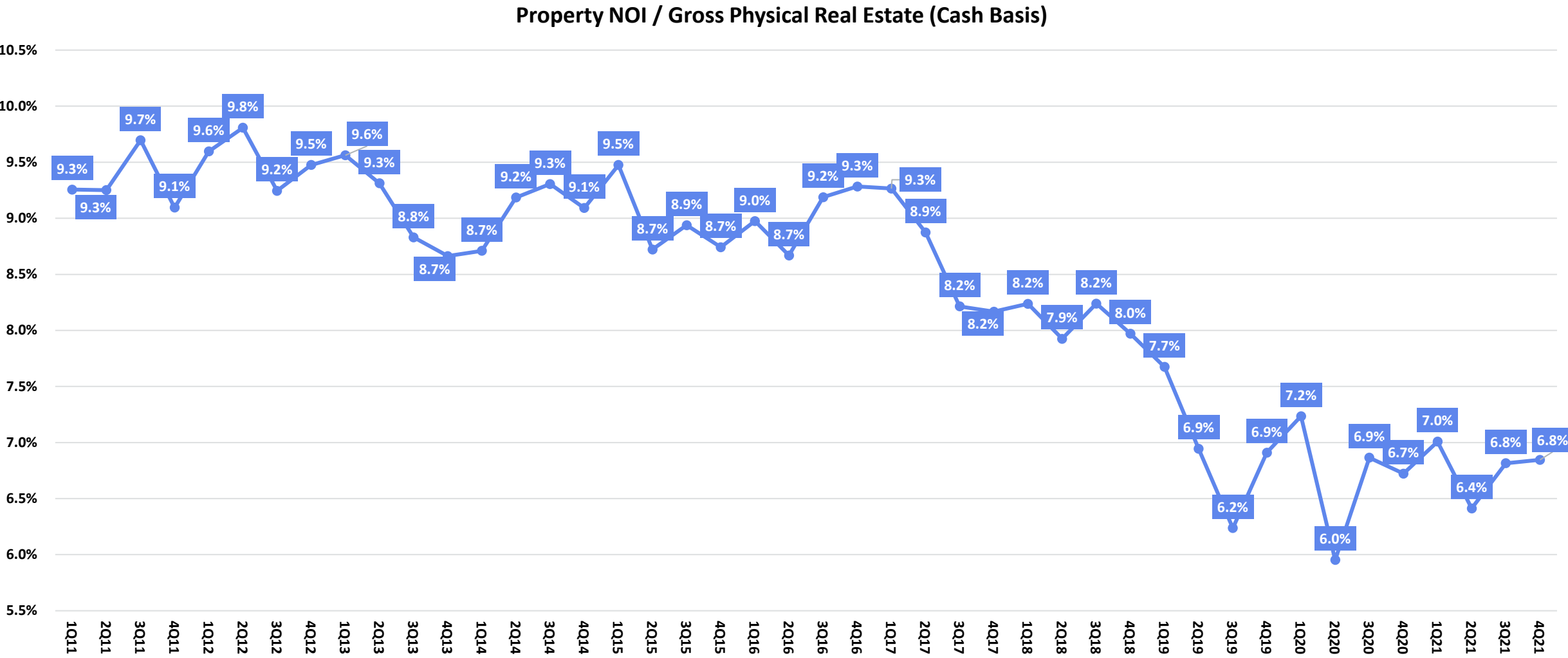
Assumptions		Year	Beginning Capital	Acquisition	Ending Capital	GAAP Rent	Cash Rent	Cash Rent Y/Y Change	Unlevered Cash ROIC
Property Purchase Price (\$000s)	100,000	1	-	100,000	100,000	8,000	5,855		5.86%
Assumed GAAP Yield - Year 1	8.00%	2	100,000	-	100,000	8,000	6,001	2.5%	6.00%
Lease Term	25 Years	3	100,000	-	100,000	8,000	6,151	2.5%	6.15%
Main. Capex % of Revenue	-	4	100,000	-	100,000	8,000	6,305	2.5%	6.31%
Annual Escalator	2.50%	5	100,000	-	100,000	8,000	6,463	2.5%	6.46%
		6	100,000	-	100,000	8,000	6,624	2.5%	6.62%
Calculated Cash Yield - Year 1	5.86%	7	100,000	-	100,000	8,000	6,790	2.5%	6.79%
		8	100,000	-	100,000	8,000	6,960	2.5%	6.96%
		9	100,000	-	100,000	8,000	7,134	2.5%	7.13%
		10	100,000	-	100,000	8,000	7,312	2.5%	7.31%
		11	100,000	-	100,000	8,000	7,495	2.5%	7.49%
		12	100,000	-	100,000	8,000	7,682	2.5%	7.68%
		13	100,000	-	100,000	8,000	7,874	2.5%	7.87%
		14	100,000	-	100,000	8,000	8,071	2.5%	8.07%
		15	100,000	-	100,000	8,000	8,273	2.5%	8.27%
		16	100,000	-	100,000	8,000	8,480	2.5%	8.48%
		17	100,000	-	100,000	8,000	8,692	2.5%	8.69%
		18	100,000	-	100,000	8,000	8,909	2.5%	8.91%
		19	100,000	-	100,000	8,000	9,132	2.5%	9.13%
		20	100,000	-	100,000	8,000	9,360	2.5%	9.36%
		21	100,000	-	100,000	8,000	9,594	2.5%	9.59%
		22	100,000	-	100,000	8,000	9,834	2.5%	9.83%
		23	100,000	-	100,000	8,000	10,080	2.5%	10.08%
		24	100,000	-	100,000	8,000	10,332	2.5%	10.33%
		25	100,000	-	100,000	8,000	10,590	2.5%	10.59%

Illustrative Unlevered Cash Yield (ROIC)



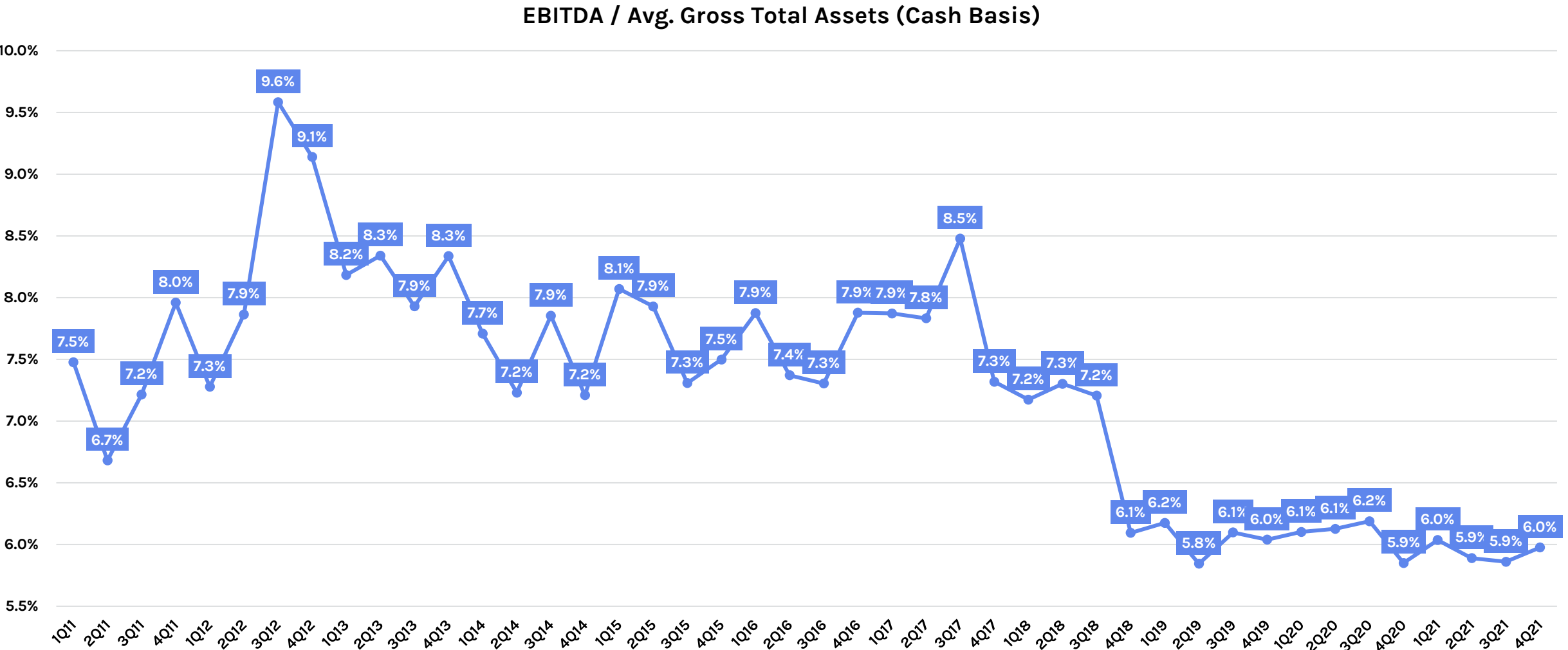
MPW | REVERSE ENGINEERING MPW'S RETURNS

Owned Real Estate Return = Annualized Cash NOI / (Gross Investment in Real Estate – Mortgage Loans)



MPW | REVERSE ENGINEERING MPW'S RETURNS (CONT'D)

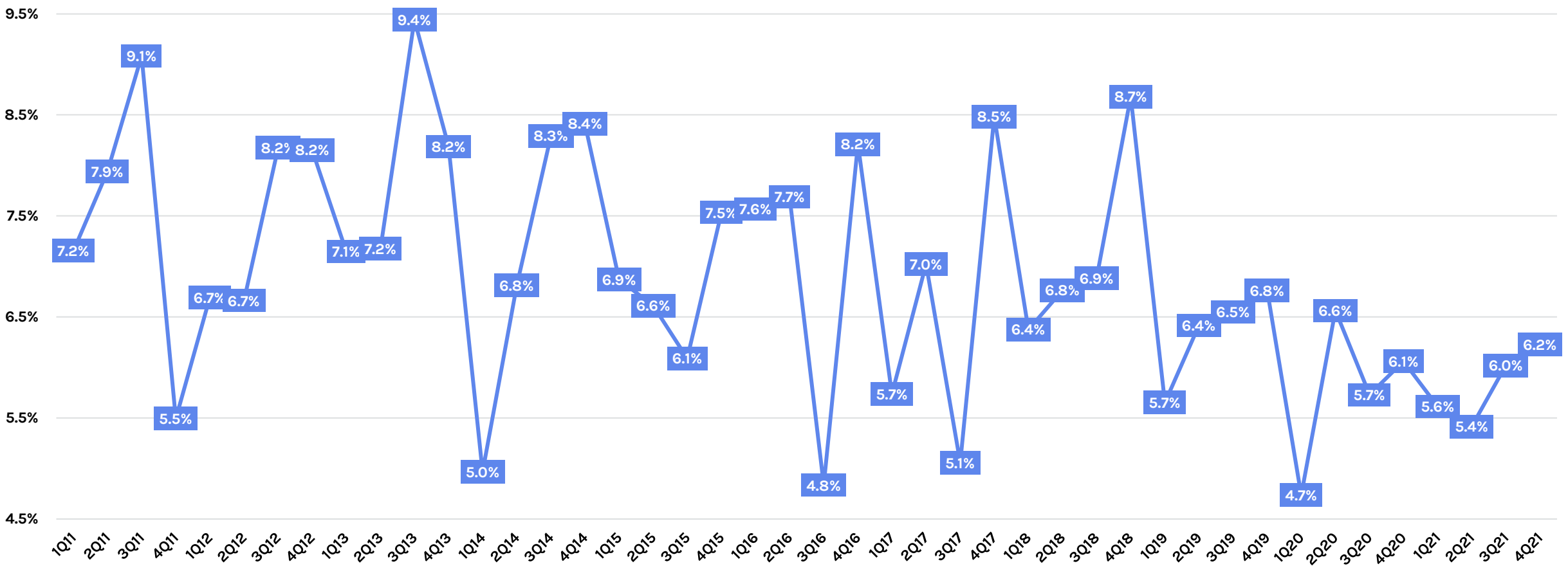
Total Investment Return = Annualized Cash EBITDA / (Total Assets + Accumulated D&A)



MPW | REVERSE ENGINEERING MPW’S RETURNS (CONT’D)

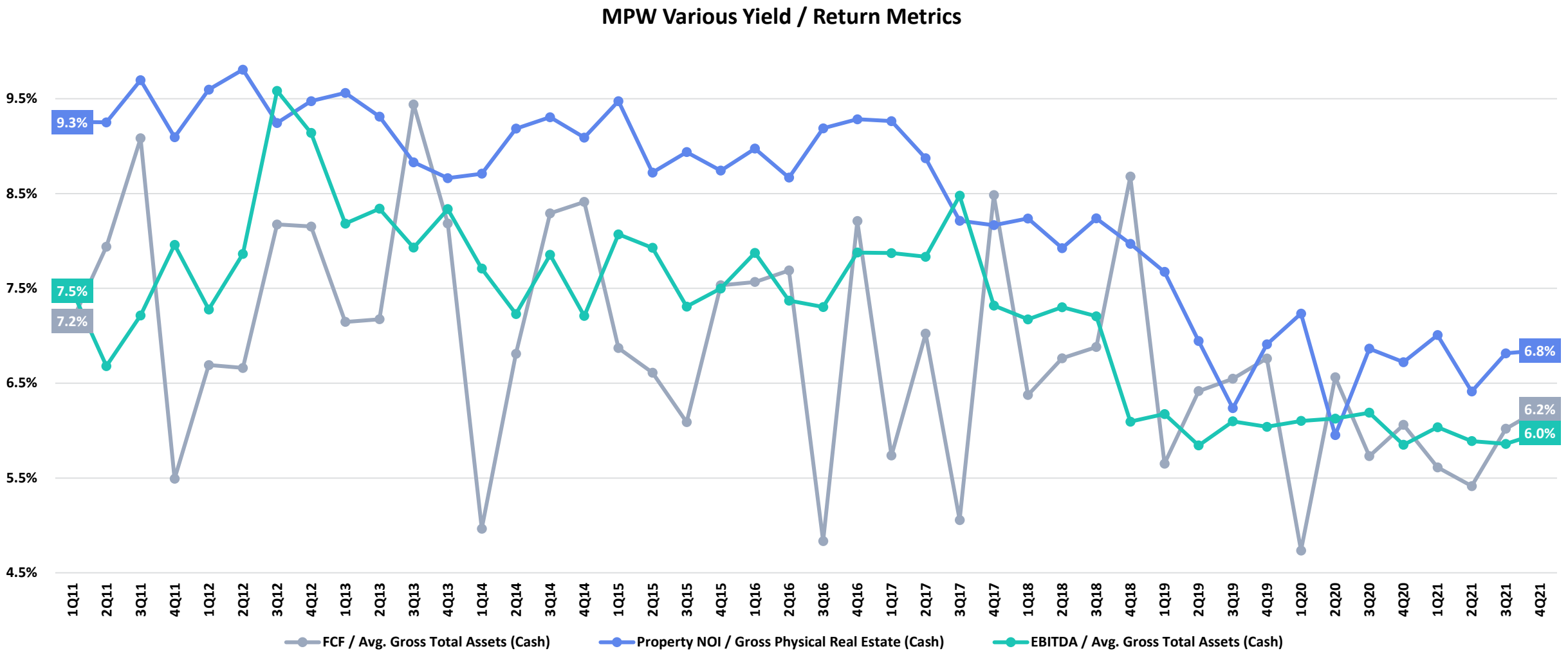
Total Investment Return = (Operating Cash Flow + Int. Exp.) / (Total Assets + Accumulated D&A)

MPW Historical Unlevered FCF / Avg. Total Gross Assets



MPW | REVERSE ENGINEERING MPW'S RETURNS (CONT'D)

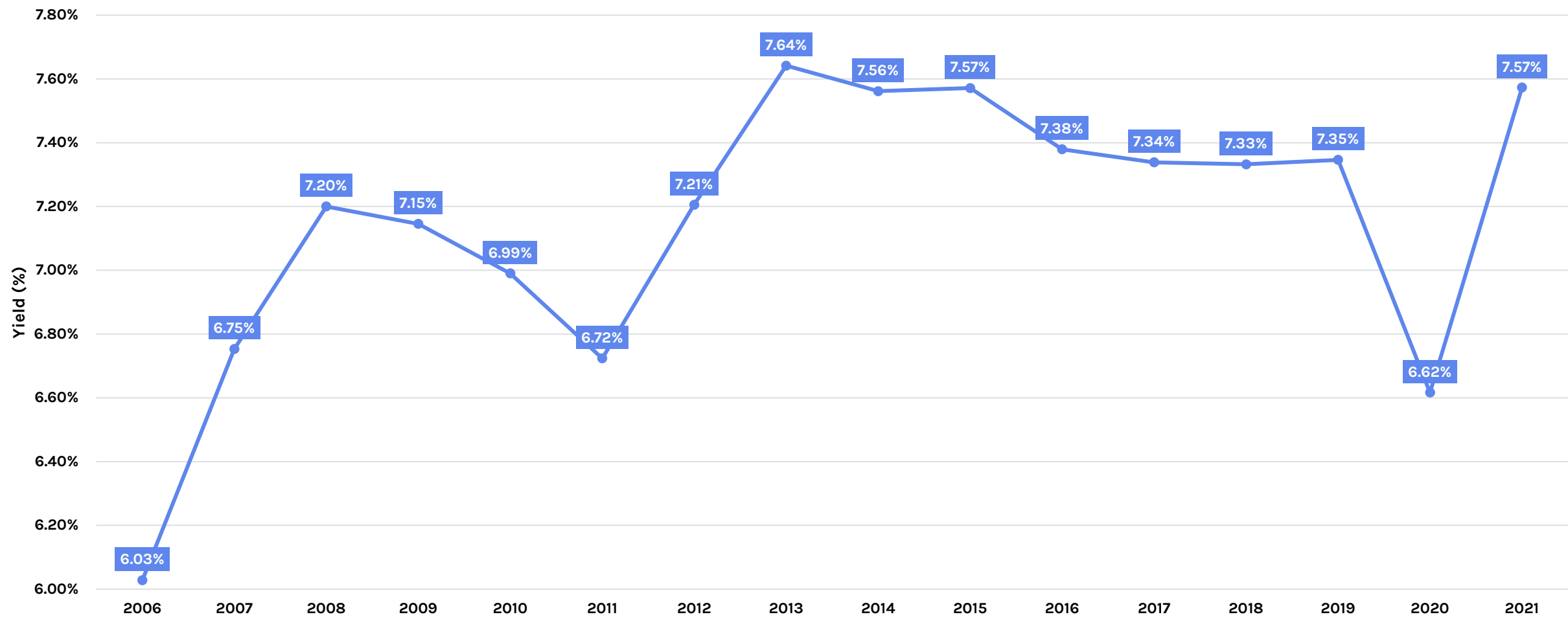
All trending down and to the right; MPW's marginal unlevered returns appear to converge to the ~6% range



MPW | COMPARISON TO OTHER NNN REITS

Total Investment Return = Annualized Cash EBITDA / (Total Assets + Accumulated D&A)

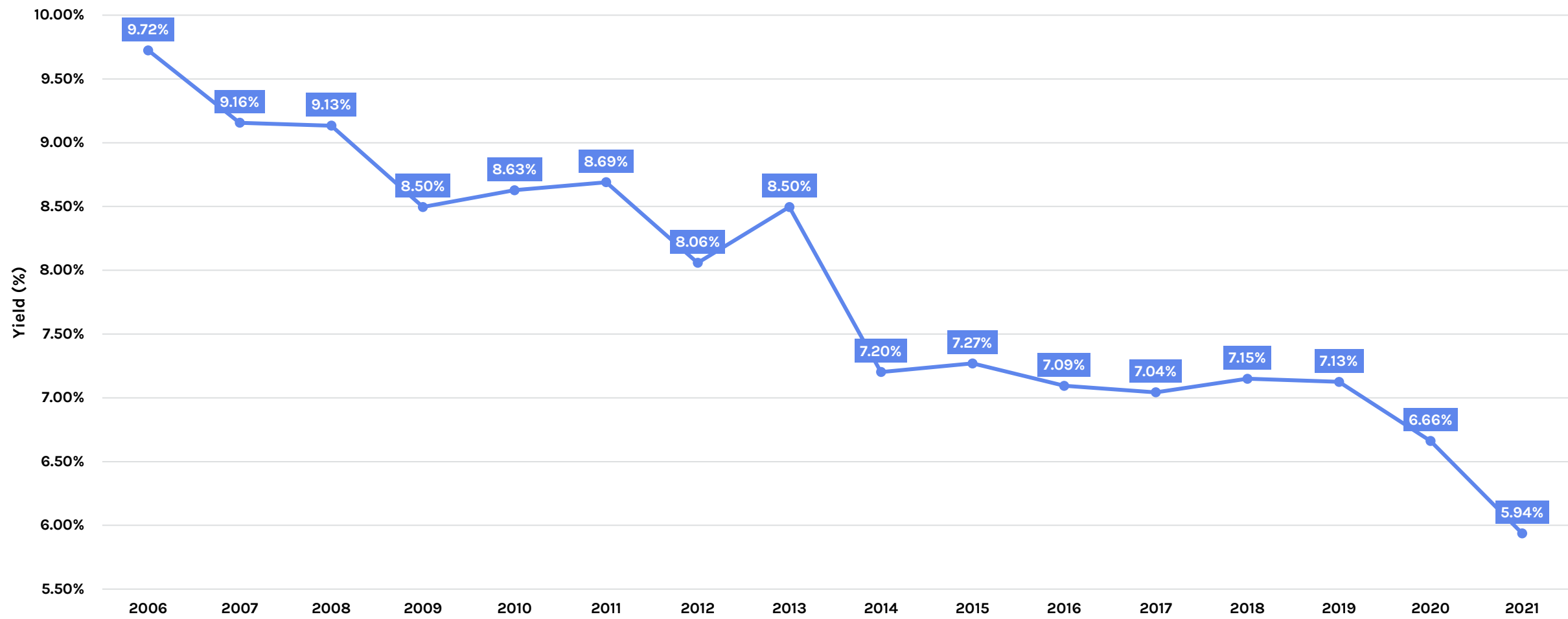
National Retail Properties, Inc. - EBITDA / Avg. Gross Total Assets (Cash Basis)



MPW | COMPARISON TO OTHER NNN REITS (CONT'D)

Total Investment Return = Annualized Cash EBITDA / (Total Assets + Accumulated D&A)

Realty Income - EBITDA / Avg. Gross Total Assets (Cash Basis)



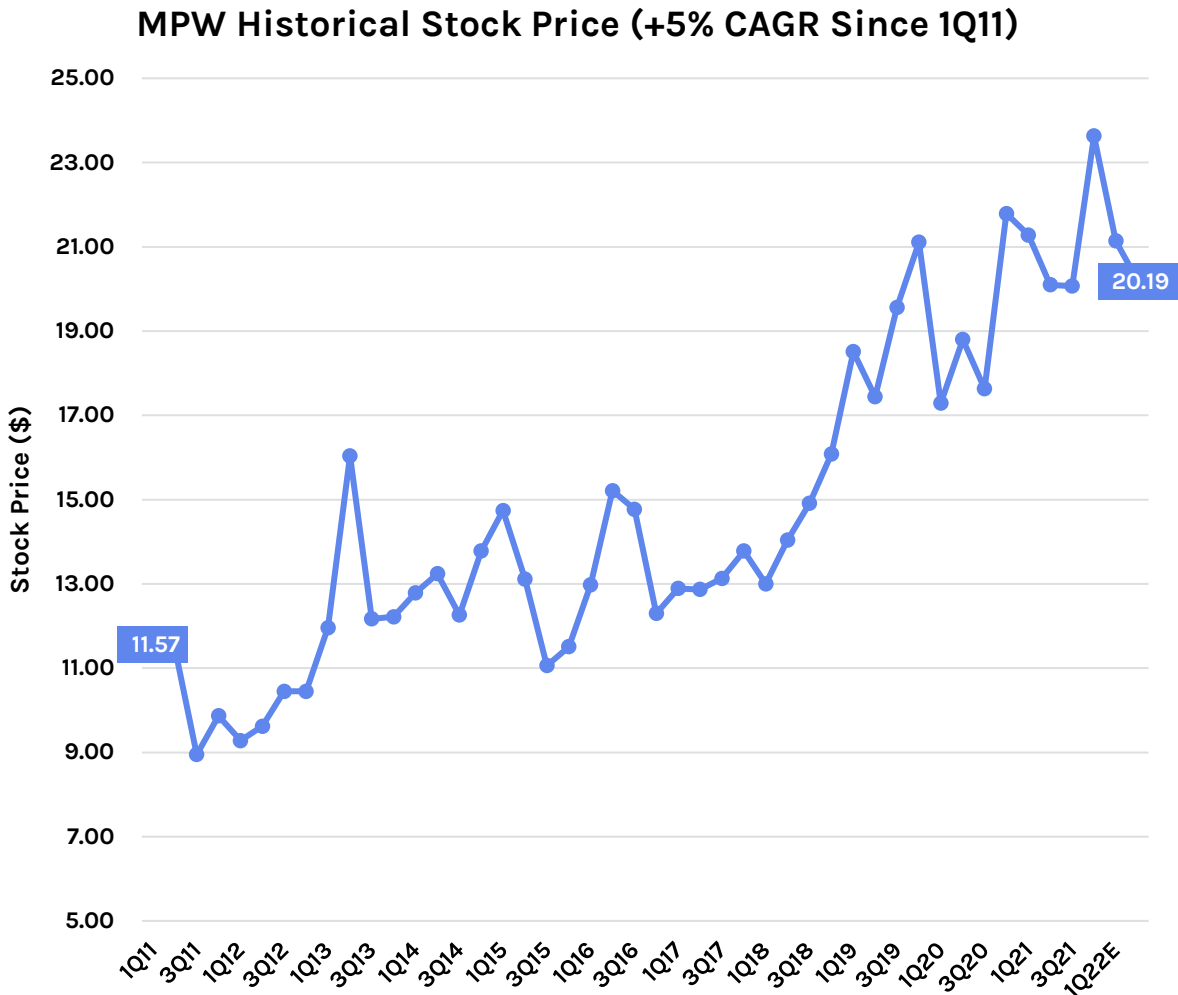
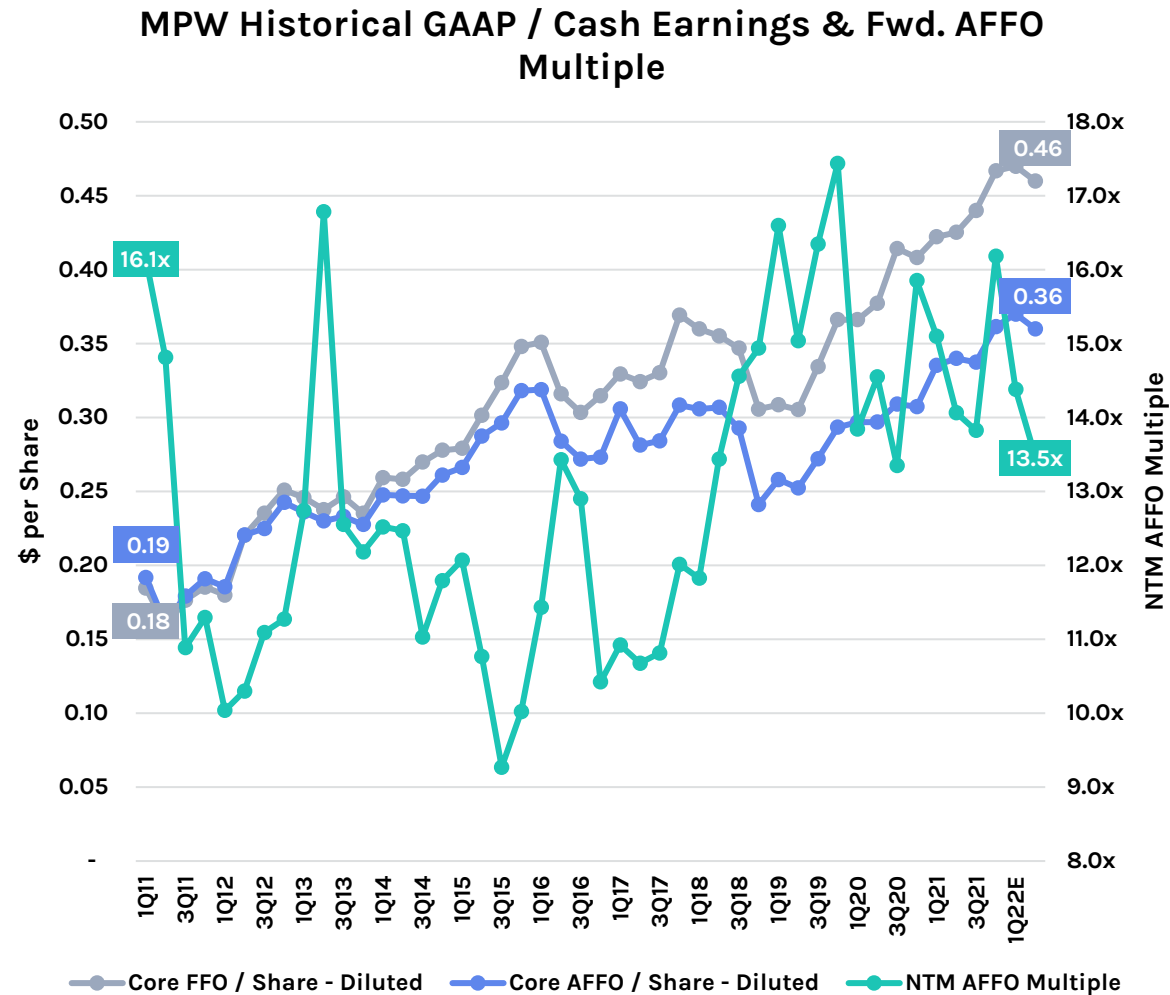
MPW | WHY THIS DECLINE IN RETURNS CAN OCCUR

There are a few reasons, some better than others; tenant's ability to pay through to term is the linchpin

- Aggressively acquiring as market cash cap rates move lower over time, outpacing the compounding effect of escalators on rent (O).
- Aggressively acquiring in international markets at lower cash cap rates vs. the U.S., blending down the average (clearly MPW).
- Selling assets at higher cash cap rates vs. the blend of the portfolio measured against historical cost.
- Lease amendments & tenant credit issues – recutting leases with some combination of lower rent / longer term (MPW? – not clear). MPW recognizes straight-line rent write-offs in nearly every reporting period.
- Outright tenant default.
- Alternatively, a gradual pace of external growth + internal rent escalators allows for a return profile converging to that of a single lease (NNN).
- **Key point as it relates to MPW: In order for the NNN return profile to materialize, the tenant must remain in place and be able to pay through the lease term. Otherwise, equity capital is better allocated elsewhere.**

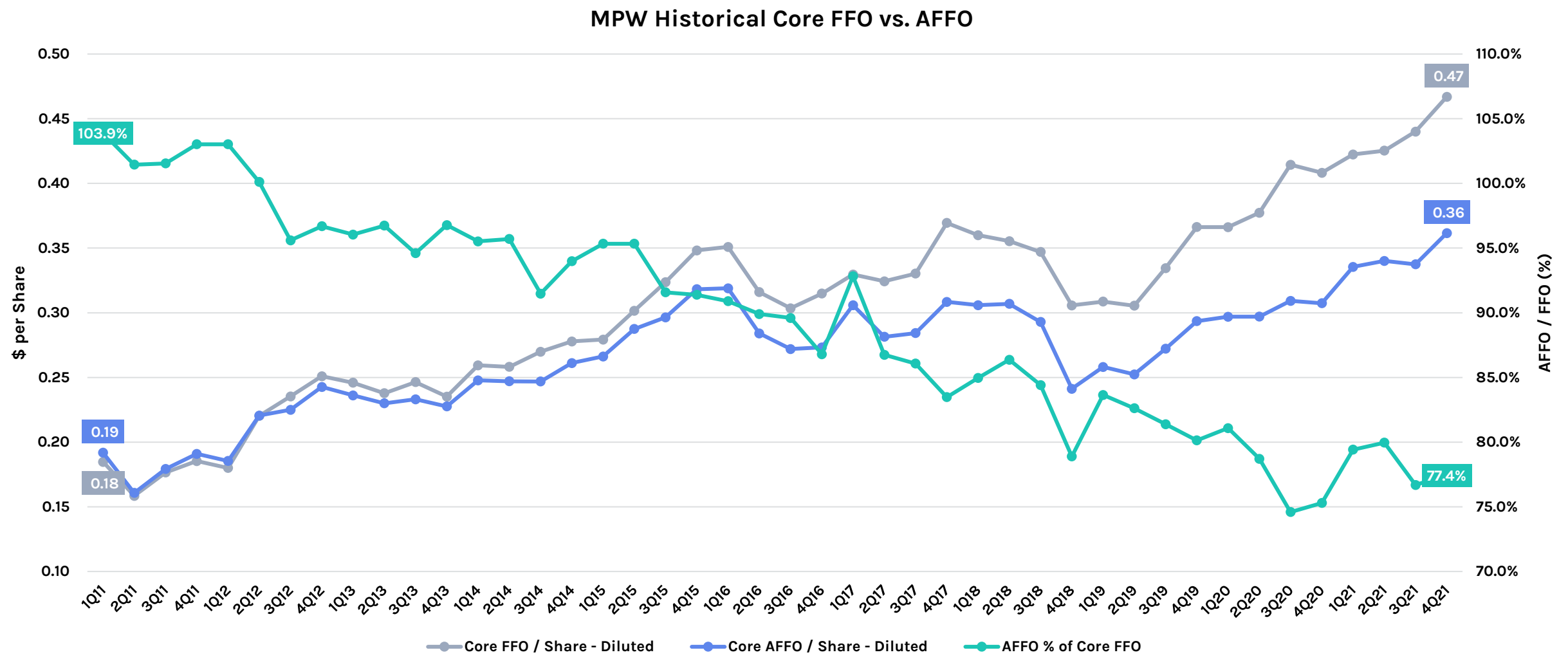
MPW | EARNINGS & SHARE PRICE PERFORMANCE

Despite the declining return profile, MPW has grown both reported earnings and its share price without the benefit of multiple expansion...



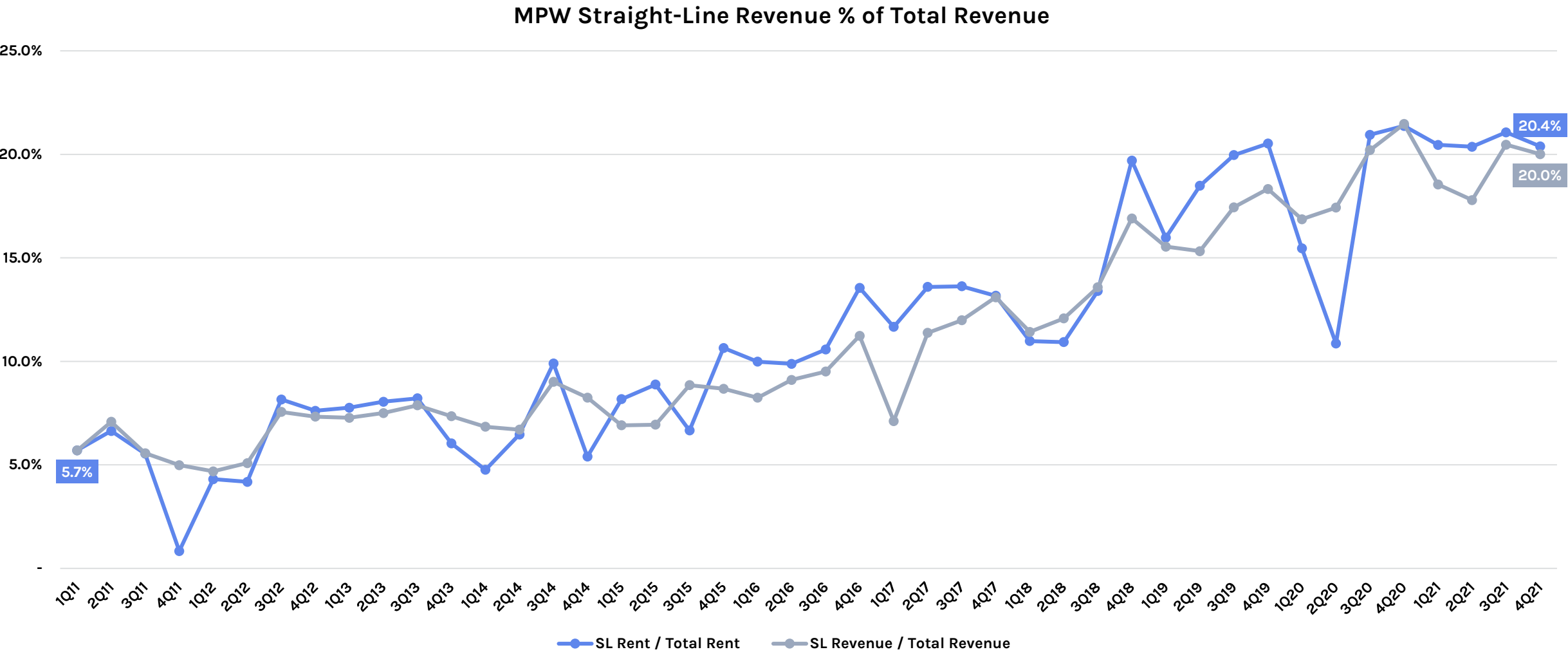
MPW | STOCK BEING VALUED ON STRAIGHT-LINED RESULTS

... but there has been a clear and consistent decline in earnings quality over time; ideally the green line would be flat or trending higher



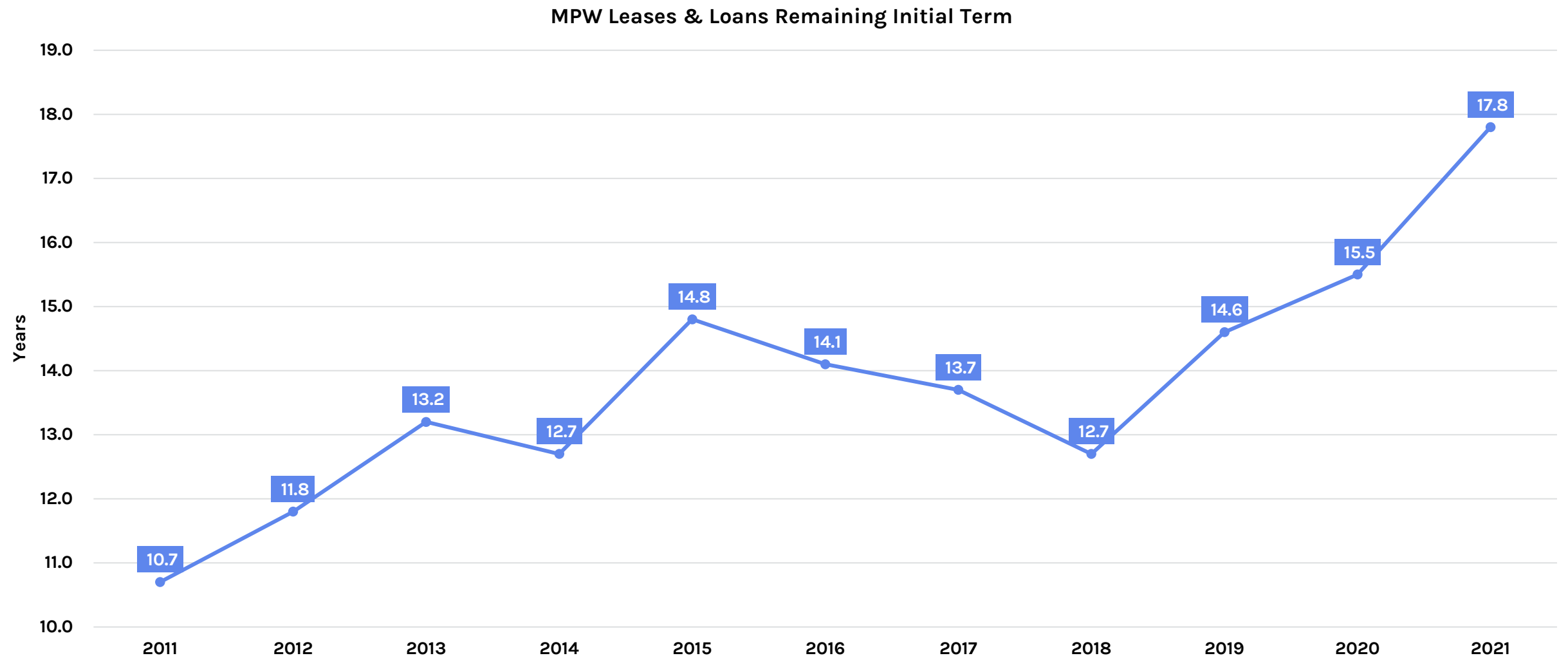
MPW | INCREASING STRAIGHT-LINE REV. CONTRIBUTION

Appears to be due to acquisition / lending activity at longer terms with larger aggregate dollar amounts but lower cash cap rates; potential lease amendments although not clear from the disclosure



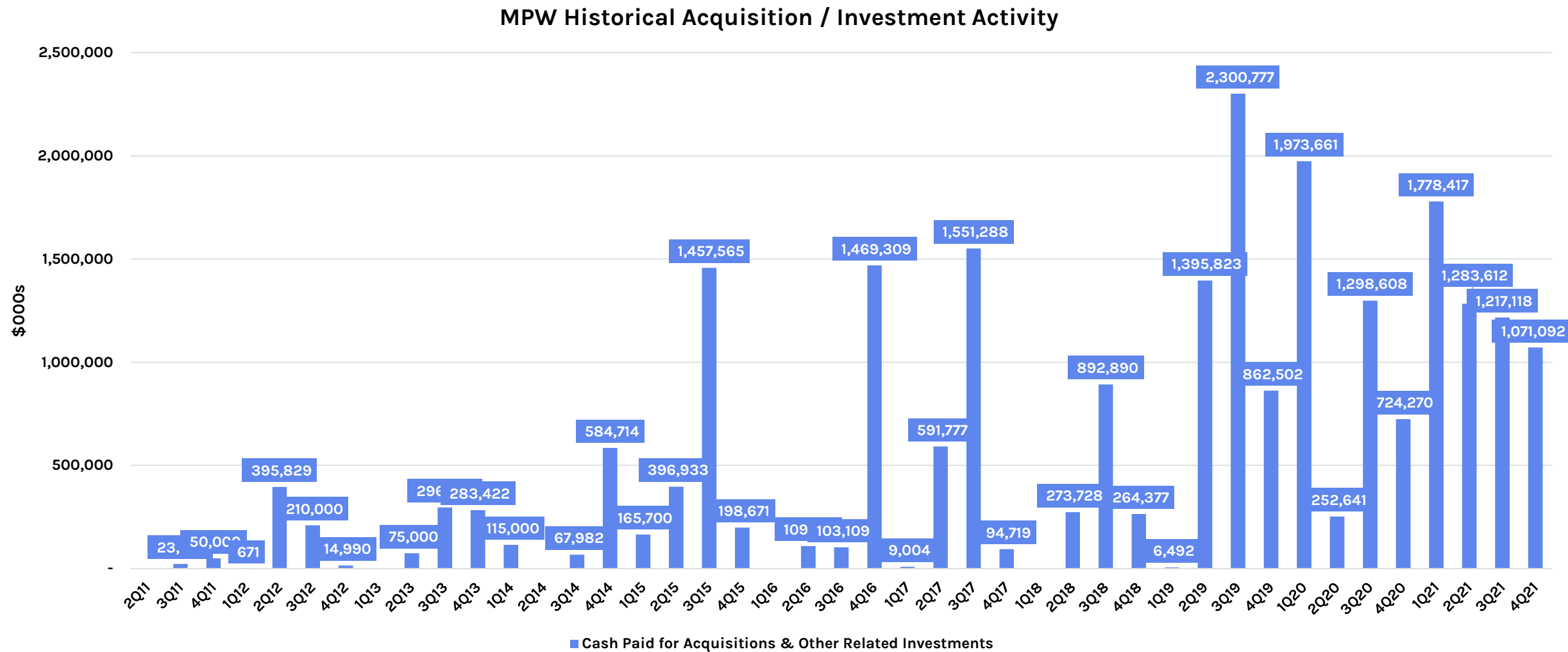
MPW | AVERAGE INVESTMENT TERM LENGTHENING

MPW is essentially placing bets that thin-margin / potentially money-losing operators will pay rent without issue over longer durations = increased credit risk



MPW | HISTORICAL EXTERNAL INVESTMENT ACTIVITY

A massive amount of capital has been externally deployed since 4Q16, resulting in a tripling MPW’s balance sheet



MPW | KEY TRANSACTIONS EXECUTED SINCE 2016

HEDGEYE

It is difficult to piece together given disclosure, but we estimate MPW has invested AT LEAST ~\$16 billion on a gross basis since 1Q16 versus a ~\$5.6 billion balance sheet at that time. Key transactions / relationships highlighted

\$ in 000s

2016:

Steward - Acquired 5 hospitals, lent against 4 hospitals, invested minority equity	1,250,000
Acquired inpatient rehab hospitals in Germany leased to MEDIAN	298,770
Acquired acute care hospital from Prime, also advanced capital	93,000
Acquired 2 acute care hospitals leased to RCCH	105,000
Subtotal	1,746,770

2017:

Acquired 17 inpatient rehab hospitals in Germany leased to MEDIAN	315,100
Steward - Acquired 17 hospitals, lent against 2 hospitals, invested minority equity	1,800,000
Acquired one acute care hospital leased to RCCH	87,500
Acquired acute care hospitals leased to Alecto	40,000
Executed agreements to develop two hospitals with Circle & Surgery Partners	150,000
Subtotal	2,392,600

2018:

Acquired 3 inpatient rehab hospitals in Germany leased to MEDIAN	19,895
Steward - Acquired 5 hospitals for a reduction of mortgage loans plus cash	764,000
Acquired one acute care hospital leased to LifePoint	17,500
Subtotal	801,395

2019:

Invested in 3 hospitals and one IRF	135,000
Infracore acquisition	297,780
Acquired 11 hospitals in Australia leased to Healthscope	906,600
Acquired 7 hospitals in Kansas leased to St. Luke's	145,400
Acquired 16 facilities leased to Prospect	1,550,000
Acquired 8 hospitals in England leased to Ramsay Health Care	451,100
Acquired 10 post-acute facilities leased to Vibra	268,000
Commenced development of hospital in Houston leased to NeuroPsychiatric	27,500
Acquired on hospital in Portugal leased to Jose de Mello	31,020
Acquired two hospitals in Spain via a JV leased to HM Hospitals	129,030
Acquired 10 hospitals leased to LifePoint	700,000
Subtotal	4,641,430

2020:

Acquired 30 hospitals in the U.K. leased to Circle	1,920,000
Int'l JV w/ Steward Management	205,000
Commenced development of 2 IRFs leased to Ernest Health	95,600
Steward - Acquired 2 hospitals in Utah for reduction of mortgages + cash	200,000
Acquired inpatient rehab hospital in Germany leased to MEDIAN	14,625
Acquired 2 hospitals in the U.K. leased to Circle	147,200
Acquired hospital in CA leased to Prime	300,000
Acquired hospital in the U.K. leased to Royal Marsden	64,000
Financed 3 Colombia hotels within Int'l JV	135,000
Acquired 2 rehab facilities leased to Curahealth	58,000
Additional Infracore equity investment	216,825
Acquired IRF leased to Ernest Health	17,000
Subtotal	3,373,250

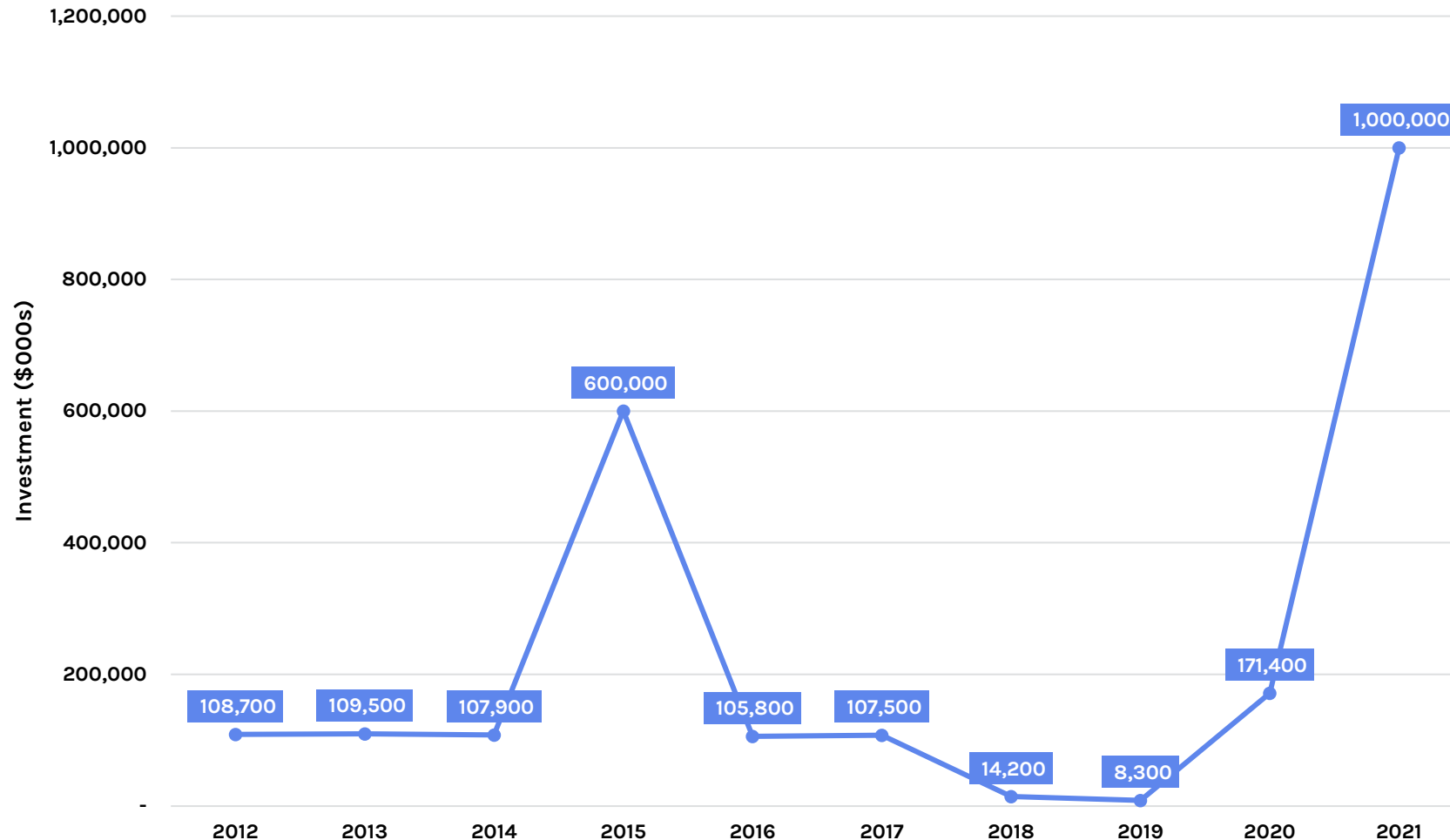
2021:

Acquired 35 behavioral health facilities leased to Priory + 9.9% equity interest	1,096,000
Acquired 18 behavioral health facilities leased to Springstone + an equity interest	950,000
Steward - Acquired 5 facilities in South Florida leased to Steward	900,000
Made CHF 145 million investment in Swiss Medical Network	158,050
Acquired 4 acute care facilities and 2 MOBs leased to Pipeline	215,000
Subtotal	3,319,050

Total	16,274,495
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MPW | RIDEA EXPOSURE INCREASED MASSIVELY AT 4Q21

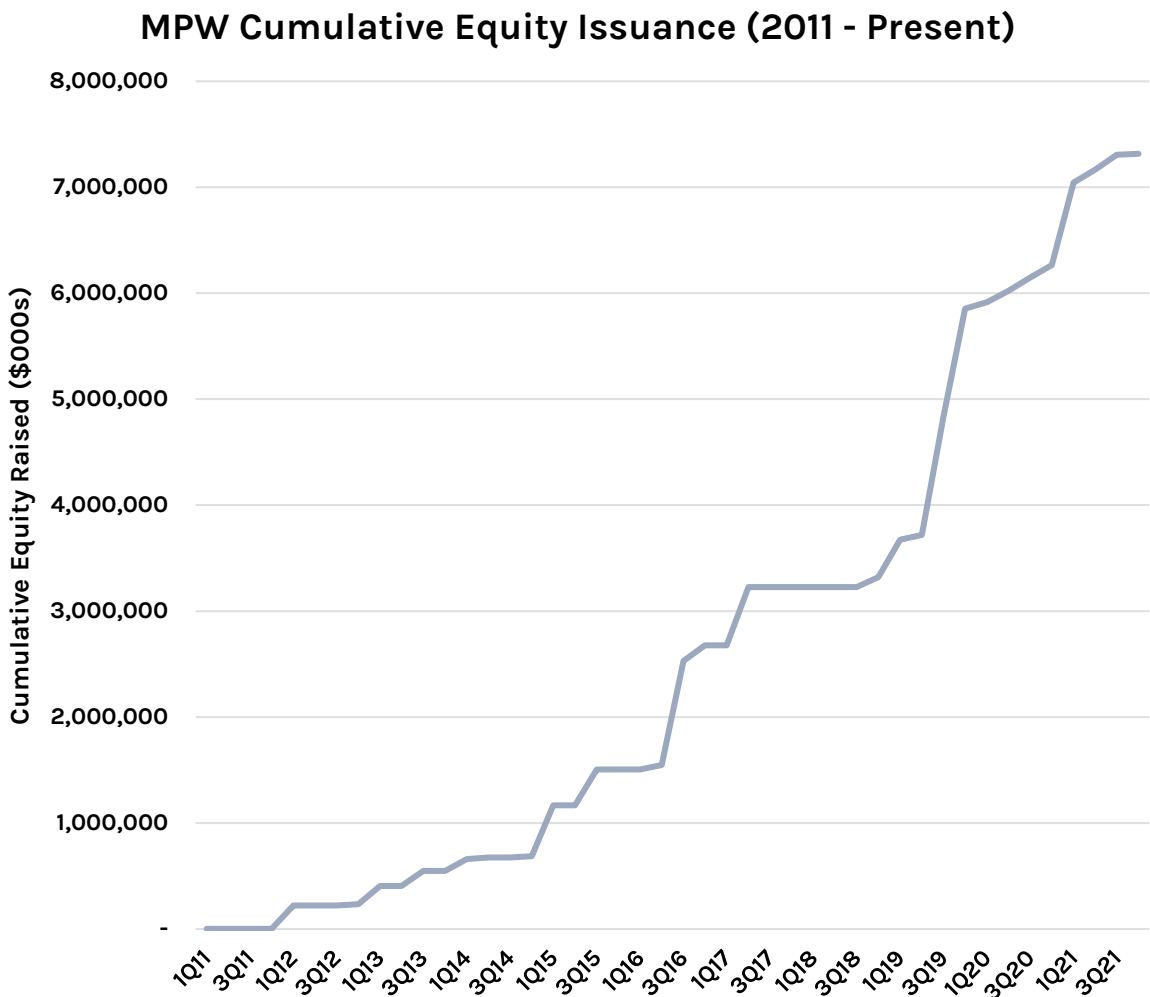
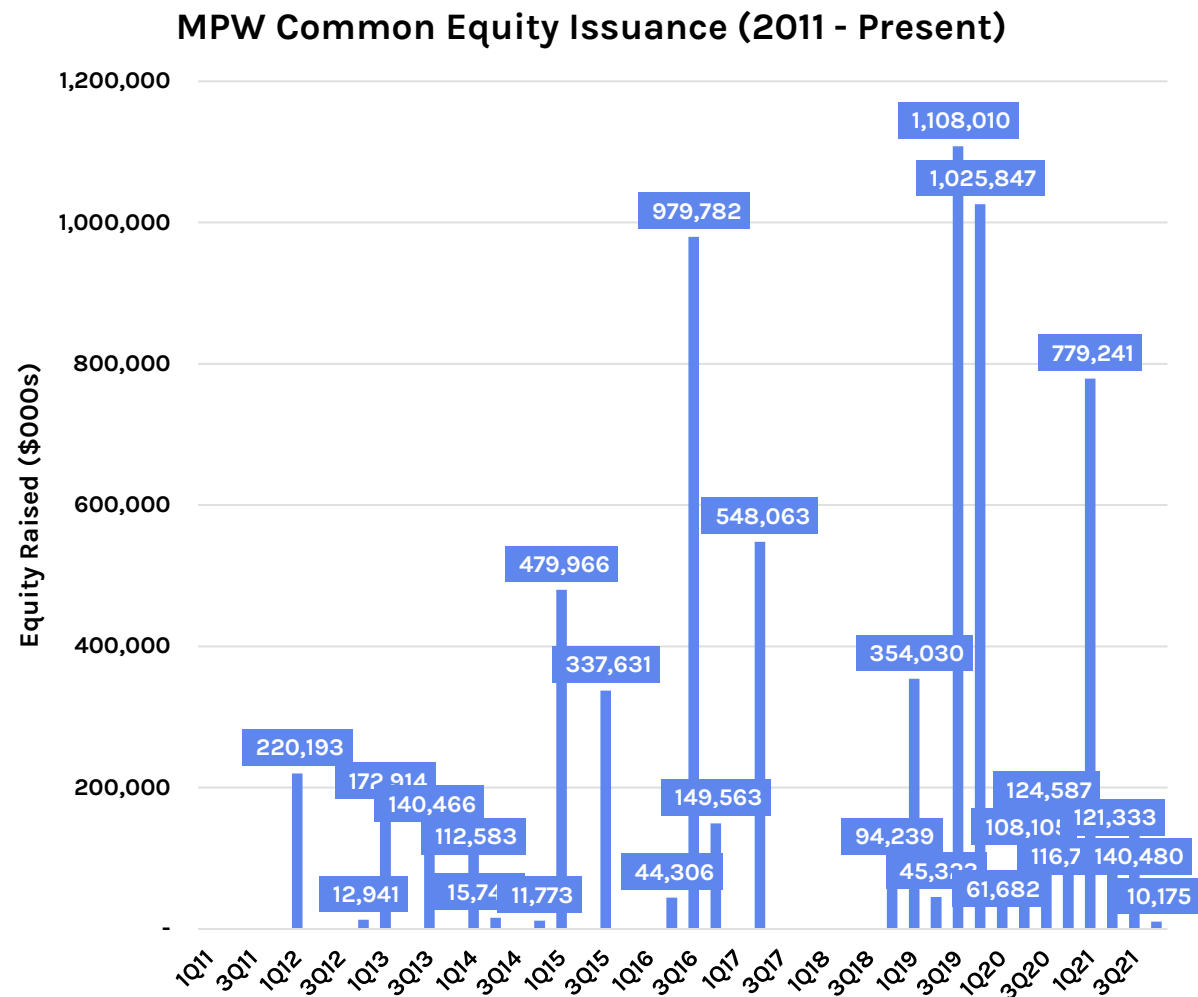
MPW Reported RIDEA Investments



- MPW has made equity investments, loans (with equity-like returns) and obtained profits interests in certain of their tenants under the “RIDEA” provisions permitted by the Housing & Economic Recovery Act of 2008.
- Thinking through this, MPW is not just investing in the real estate, rather the real estate + direct investments in the hospital operations.
- The dollar value of RIDEA investments has fluctuated wildly year-to-year, and most recently stood at ~\$1 billion as of 12/31/21.
- More data required, not clear what is in the \$1 billion reported in the 2021 10-K.
- MPW on both sides of the deal = adverse selection?

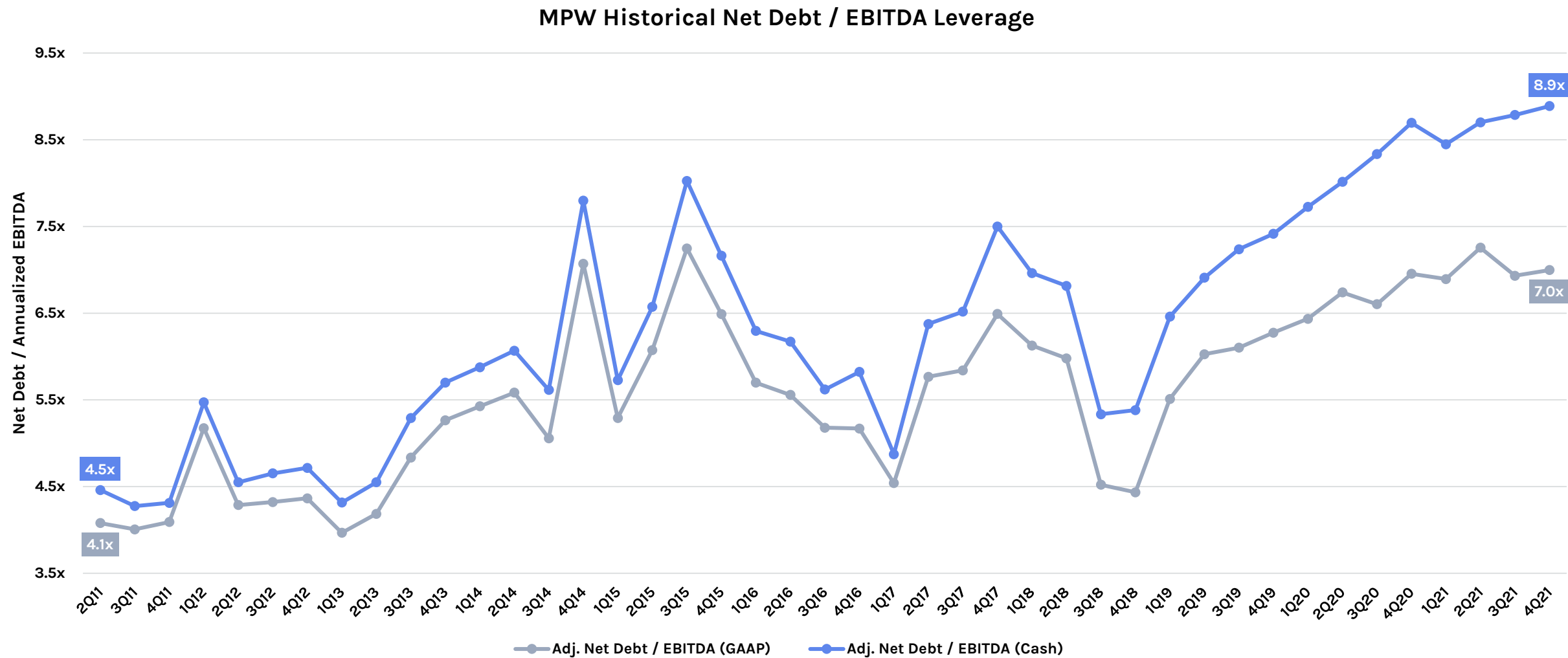
MPW | HISTORICAL COMMON EQUITY ISSUANCE

Public market investors have essentially financed external growth into a variety of investments at increasingly poor economics



MPW | SECULAR UPTREND IN LEVERAGE

Reported leverage on a GAAP basis understates how bad the situation looks; MPW’s share of UJV debt was not officially reported until 4Q20



MPW | STRUCTURE REMAINS SIGNIFICANTLY OVERLEVERED

Macquarie transaction barely moved the needle; reported leverage also understated as it excludes MPW’s share of UJV debt

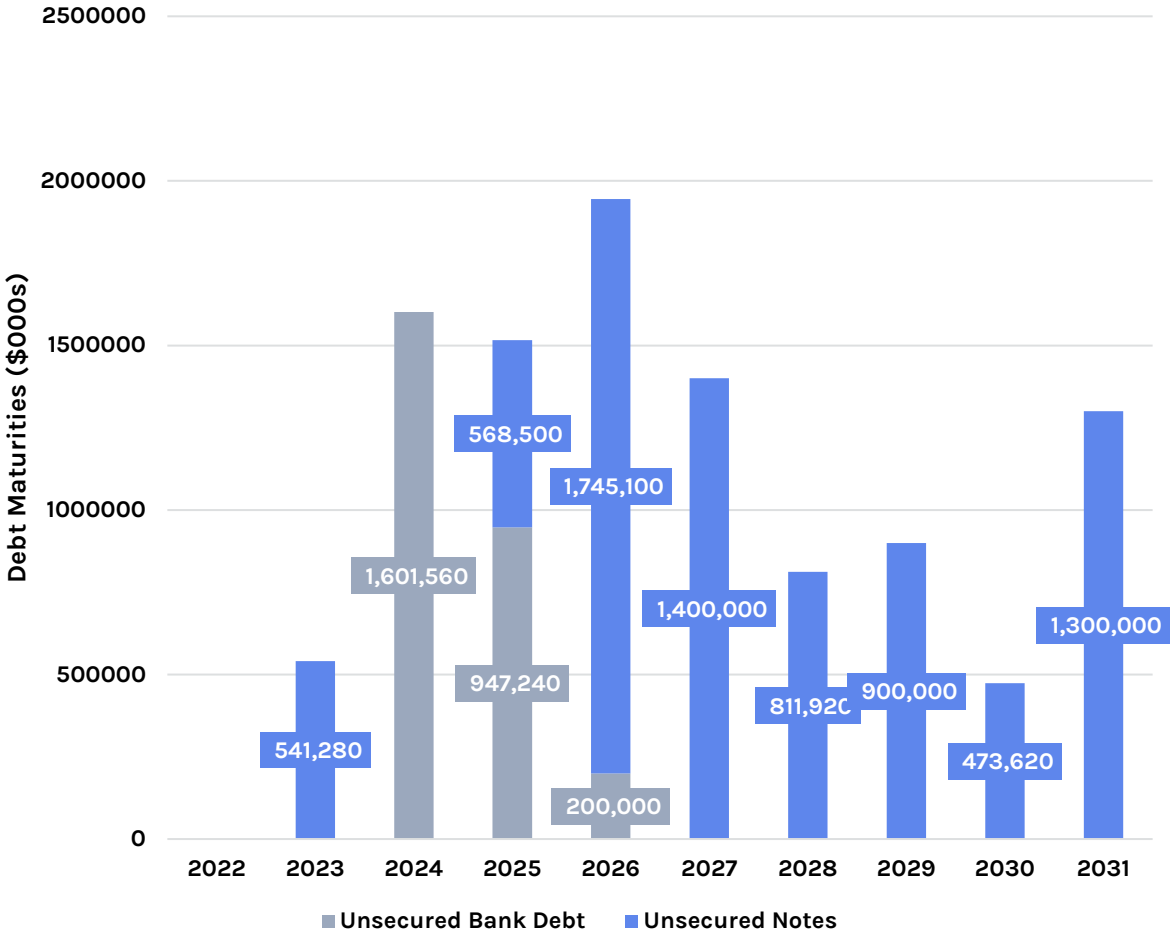
Amounts in 000s, Except per Share Data

	Maturity Date	Rate Type	Interest Rate	12/31/22 Debt Balances	Pro Forma Adjustments (+) (-) ⁽⁵⁾	Pro Forma Debt Balances
Unsecured Bank Debt:						
2024 Credit Facility Revolver ⁽¹⁾	2/1/24	Variable	1.310%	730,000		730,000
Interim Credit Facility ^{(2) (3)}	7/28/22	Variable	1.610%	869,606	(869,606)	-
2026 Term Loan	2/1/26	Variable	1.560%	200,000		200,000
2024 AUB Term Loan	5/23/24	Fixed	2.450%	871,560		871,560
2025 GBP Term Loan	1/15/25	Fixed	1.949%	947,240		947,240
Subtotal			1.838%	3,618,406	- (869,606)	2,748,800
Senior Unsecured Notes:						
2.550% GBP Notes due 2023	12/5/23	Fixed	2.550%	541,280		541,280
3.325% EUR Notes due 2025	3/24/25	Fixed	3.325%	568,500		568,500
0.993% EUR Notes due 2026	10/15/26	Fixed	0.993%	568,500		568,500
5.250% Notes due 2026	3/24/26	Fixed	5.250%	500,000		500,000
2.500% GBP Notes due 2026	8/1/26	Fixed	2.500%	676,600		676,600
5.000% Notes due 2027	10/15/27	Fixed	5.000%	1,400,000		1,400,000
3.692% GBP Notes due 2028	6/5/28	Fixed	3.692%	811,920		811,920
4.625% Notes due 2029	8/1/29	Fixed	4.625%	900,000		900,000
3.375% GBP Notes due 2030	4/24/30	Fixed	3.375%	473,620		473,620
3.500% Notes due 2031	3/15/31	Fixed	3.500%	1,300,000		1,300,000
Subtotal			3.677%	7,740,420	- -	7,740,420
Total Consolidated Debt Principal				3.091% 11,358,826	- (869,606)	10,489,220
Cash & Cash Equivalents ⁽⁴⁾				(459,227)	(129,573)	(588,800)
Restricted Cash				(2,655)		(2,655)
Net Consolidated Debt				10,896,944	(129,573) (869,606)	9,897,765
MPW's Share of UJV Debt ⁽⁶⁾				877,324		877,324
MPW's Share of Net Debt				11,774,268	(129,573) (869,606)	10,775,089
4Q Annualized Adj. EBITDA				1,587,512	(47,544)	1,539,968
Straight-Line Rent Revenue & Other				(327,636)		(327,636)
4Q Annualized Adj. Cash EBITDA				1,259,876		1,212,332
Net Debt / EBITDA (GAAP)				7.4x		7.0x
Net Debt / EBITDA (Cash)				9.3x		8.9x

Notes:

- (1) Can be extended for additional 12 months at MPW's option.
- (2) MPW used facility to partially fund acquisition of 5 South Florida facilities in Aug. 2021 and Springstone investments in Oct. 2021.
- (3) Interim facilities paid down with Macquarie transaction proceeds.
- (4) Reflects other investments and property sales executed post-4Q21, as per the supplemental.
- (5) Reflects 50% sale of eight MA facilities to Macquarie Asset Management and leasing of Utah facilities to HCA.
- (6) Listed on page 18 of the 4Q21 supplemental.

MPW Pro Forma Debt Maturity Profile



MPW | MPW WARRANTS A DISCOUNT TO “BOOK”

Amounts in 000s, Except per Share Data

Justified Multiple on Invested Capital

Assumed ROIC / ROA	6.50%
Assumed Perpetual Growth Rate	1.50%
Assumed Required Return / Cost of Capital ⁽¹⁾	7.40%

Justified Multiple	0.85x
Trading Multiple	1.13x

MPW Est. Adj. Assets excl. Cash ⁽²⁾	20,257,919
"Justified" Enterprise Value	17,155,556
(-) Net Debt	(10,775,089)
Equity Value	6,380,467
(/) Total Shares / Units	597,084
Equity Value / Share (A)	10.69
Implied Fwd. Cash EBITDA Multiple	15.1x
Current Share Price	20.19
Potential Upside / (Downside)	-47.1%
Current Dividend Yield	5.55%

Justified Fwd. Cash EBITDA Multiple

Annual Adj. Cash EBITDA (t0)	1,212,332
Assumed Perpetual Growth Rate	1.50%
Assumed Required Return / Cost of Capital	7.40%

Justified Multiple	16.9x
Trading Multiple	20.1x

MPW Est. Fwd. Adj. Cash EBITDA	1,137,200
"Justified" Enterprise Value	19,260,911
(-) Net Debt	(10,775,089)
Equity Value	8,485,822
(/) Total Shares / Units	597,084
Equity Value / Share (B)	14.21
Implied "Book" Multiple	0.95x
Current Share Price	20.19
Potential Upside / (Downside)	-29.6%
Current Dividend Yield	5.55%

Avg. Equity Value / Share ((A + B) / 2)	12.45
Implied Fwd. Cash EBITDA Multiple	16.0x
Implied "Book" Multiple	0.90x
Current Share Price	20.19
Potential Upside / (Downside)	-38.3%
Current Dividend Yield	5.55%

Notes:

- (1) Assumes 10% equity and 4.5% debt at 55/45% split.
- (2) Estimated post-MAM transaction.

- MPW’s historical performance clearly shows a marginal unlevered cash yield profile in the ~6-6.5% range today, which is below the company’s blended cost of capital.
- This warrants a discounted multiple on invested capital/assets, i.e. shareholders are handing the company a dollar which is being turned into \$0.85.
- We calculate a “justified” ~0.85x multiple, which when applied and run through MPW’s cap structure, implies ~\$10-11/share or 45%+ downside from current levels.
- A “justified” EV/EBITDA multiple approach is less punitive, but still implies meaningful downside from here.
- A simple average of these two valuation methodologies implies ~40% downside from current levels under “status quo” economics.
- But what is the catalyst?

[3] STEWARD HEALTH – A DOWNSIDE CATALYST?

MPW | SOME BACKGROUND ON STEWARD

Over time Steward became MPW's largest and most important tenant, and we believe could be a significant downside catalyst for MPW in the near-to-intermediate term

- Steward leases 39 facilities across six U.S. states pursuant to a single master lease agreement – average remaining lease term of 19.8 years with annual inflation-based escalators.
- In 2010 Cerberus Capital Management acquired non-for-profit Caritas Christi Health Care System for \$830 million and immediately rebranded the company as for-profit Steward Health Care System.
- Beginning in 2016 as we have shown in prior sections, Cerberus began monetizing the real estate out of the system via sale-leaseback transactions with MPW. Over 2016-2021 and based on available disclosure, MPW acquired 34 hospitals and leased the assets back to the system, burdening the OpCo with over ~\$385 million of annualized rent payments as per the 2020 Steward audited financials. Based on legal filings Cerberus collected a ~\$484 million dividend for one of its private equity funds in 2016, presumably paid from the \$1.25 billion MPW transaction.
- In January 2021 MPW effectively financed Cerberus' exit and a change of control transaction with Steward's management team (see following slides), via an unsecured loan with equity participation issued directly to the management team.
- As it stands today MPW is essentially Steward's only landlord, holds a \$44 million promissory note, and also holds a 9.9% direct equity interest in Steward.

MPW attempted to not disclose Steward's financials by arguing an accounting loophole, and appears to be doing everything it can to avoid providing any meaningful disclosure on Steward

- **SEC Request #1:** We note your disclosure in footnote (1) to the table that Steward operates \$1.86 billion of triple net leased gross assets. Please tell us whether properties leased to Steward represent more than 20% of your total assets as of December 31, 2017. To the extent you lease more than 20% of your total assets to Steward, please tell us what consideration you gave to providing audited financial statements of Steward.
 - **MPW Response:** As of December 31, 2017, properties leased to Steward represented 21.2% of our total assets. We did not provide audited financial statements of Steward as part of our 2017 Form 10-K **because we knew that this spike (above 20%) in lease concentration as of December 31, 2017 was short-term... we believe this lease concentration will continue to decrease** based on our intent to sell certain additional Steward properties, including by way of a potential joint venture transaction.
 - **Hedgeye Response:** **The spike in concentration was not short-term.** As recently as 4Q20, total Steward assets excluding one promissory note exceeded ~20% of total assets as per the 2020 10-K.
- **SEC Request #2:** Notwithstanding the above comment and in light of your total asset concentration in Steward (i.e. leased assets, mortgage loans and equity investment), please tell us what consideration you gave to providing audited financial statements of Steward. In your response, please tell us how you determined such information is not necessary for your investors to make an investment decision.
 - **MPW Response:** ... we believe facility concentration (i.e. concentration of an individual property to our total portfolio) is the primary concentration risk in our business, rather than that of any particular tenant/operator. The reason for this is that if a tenant defaults under one of our leases or related investments, we believe we will be able to readily find one or more third-party operators to lease and operate the relevant facility(ies)... Given we believe facility concentration is the primary concentration risk in our business, **we determined that voluntarily providing audited financial statements of Steward was not necessary for our investors to make an investment decision.**
 - **Hedgeye Response:** Considering what was actually requested by the SEC, **MPW's total exposure was closer to 35-54% of total assets.** Additionally, investors CANNOT ignore the creditworthiness of the operator.

Here's where they tell you that 35%+ asset exposure to a single operator is not material

- **SEC Request #1:** Specifically, we note you disclose that the properties leased to Steward are subject to a master lease agreement. Additionally, you disclose that the terms and provisions of your mortgage loan on six facilities are substantially similar to the master lease agreement. Further, we refer you to the Master Lease Agreement and the Real Estate Loan Agreement filed as Exhibits 10.33 and 10.34 to your Form 10-K for the year ended December 31, 2016. Based on these agreements, it appears that Steward Health guarantees the master lease and the loan. In making your determination that it is unnecessary to provide audited financial statements of Steward, please tell us how you considered the master lease agreement, the loan agreement with attributes similar to the master lease agreement, and that Steward Health appears to provide guarantees for both agreements.
 - **MPW Response:** As addressed in our previous comment letter response, we then considered if we should voluntarily include Steward's audited financial statements in our annual filing, and **we ultimately determined that access to the audited financial statements of Steward would not be material to our investors in making investment decisions, because we believe facility concentration is the primary concentration risk of our business rather than that of any particular tenant/operator.**
 - **Hedgeye Response:** In a triple-net lease agreement, tenant creditworthiness is of paramount importance in gauging the sustainability of the lease stream to the landlord. **Higher tenant concentration increases risk to the NNN landlord, all else the same, particularly when the tenant is of poor credit quality and guarantees a master lease agreement.** Investors routinely seek and pay a premium cap rate for NNN vehicles with tenant diversification. **At the time of this letter, Steward accounted for ~35.7% of MPW's total assets (19.5% from leased assets and 16.2% from mortgage loans), yet MPW determined that providing audited financial statements for Steward would not be material for investors.** Typically this would be required if the tenant makes up more than ~20% of assets. More on this later.

MPW has a history of playing games with its largest tenant exposures

- SEC Request #1: You have disclosed that Prime represented or exceeded 20% of your total assets as of December 31, 2014 and 2013. These assets are leased to Prime under master lease agreements on a long-term, triple net-lease basis. As a result, it appears that financial information related to Prime would be relevant to investors given Prime’s concentration to your business. It appears such information was provided in previous years. Please clarify your basis for no longer providing such information and/or amend your 10-K to include such financial information.
 - **MPW Response:** Our concentration disclosure about Prime on page 90 includes both our investment in properties leased backed to Prime on a triple net-lease basis and our investment in properties for which we hold a mortgage loan. In total, these investments made up 20.0% and 24.5% of our total assets at December 31, 2014 and 2013, respectively; however, **our investment in properties leased to Prime on a triple net-lease basis represents, in the aggregate, significantly less than 20% of our total assets as follows.**

Investment Type	Concentration %	
	December 31, 2014	December 31, 2013
Triple-net leases	12.6%	15.3%
Mortgage loans	7.4%	9.2%
Total	20.0%	24.5%

Pursuant to SEC Staff Training Manual, Topic II.B – Properties Subject to Net Lease, “the disclosure pertaining to a material lessee, including its audited financial statements if the investment exceeds 20% of total assets, should be provided in filings made under both the Securities Act and the Exchange Act.” Since our investments under a triple-net lease basis to Prime are below 20% of our total assets at December 31, 2014 or 2013, **we do not believe Prime’s financial statements are required to be filed with our 2014 Form 10-K.**

- **Hedgeye Response:** Both NNN leases and mortgage loans are forms of secured financing. MPW was playing games here, and they either do or should know it. This might be consistent with the letter of the law, but is definitely not done in the spirit of it. We would not trust a management team that demonstrates a pattern of obfuscating risks around tenant concentration. Investors and, by extension, a well-intentioned and independent Board, should all be concerned.

STEWARD | THIS BROUGHT MPW TO OUR ATTENTION

HEDGEYE

It is pretty clear that a whistleblower(s) has been talking to the WSJ; “Former employees familiar with the company...”

◆ WSJ NEWS EXCLUSIVE | FINANCE

PE-Backed Hospital Chain Got Help From Major Landlord as Losses Mounted

Medical Properties Trust helps private-equity firms profit from hospital deals, but it is heavily exposed to financial issues at Steward Health Care

By [Brian Spegele](#) [Follow](#) and [Laura Cooper](#) [Follow](#)

June 18, 2021 7:00 am ET

How a Small Alabama Company Fueled Private Equity's Push Into Hospitals

Buying binge made Medical Properties Trust one of the biggest owners of U.S. hospitals; but its largest tenant piled up \$800 million in losses

By [Brian Spegele](#) [Follow](#)

Feb. 14, 2022 9:56 am ET

Hospital Deal Gone Bust Puts Real-Estate Firm in Spotlight

The failure of a California city's only hospital sets off a scramble to raise as much as \$70 million to keep it open

By [Brian Spegele](#) [Follow](#)

March 31, 2022 9:41 am ET

STEWARD | SUSPECT RECENT TRANSACTIONS

A series of transactions executed between MPW and Steward appear intended to funnel liquidity directly to Steward as well as its management team, potentially supporting Steward's ability to pay rent

- **May 2020:** MPW formed a 49/51% JV with Steward's CEO Ralph de la Torre and other Steward executives, who were acting in their personal investing capacity apart from their leadership positions at Steward. Not really, but sure!
 - MPW extended a \$205 million loan to the JV, financed by MPW's balance sheet.
 - The JV then purchased Steward's international operations and rights to future international growth opportunities, with Steward receiving \$200 million in cash for the sale.
 - The book value of the international operations was just ~\$27 million at the time, and the consideration was accounted for on the Steward side as a contribution of equity.
 - **Effectively and demonstrably, MPW financed a ~\$200 million cash transfer directly into Steward.**
- **July 2020:** MPW acquired fee simple interests of two general acute care hospitals, Davis Hospital & Medical Center and Jordan Valley Medical Center, in the Salt Lake City area for the cancellation of two mortgage loans totaling approximately ~\$700 million and additional cash consideration of ~\$200 million. Total MPW investment stands at ~\$950 million – MPW 2020 10-K.
 - These two hospitals were originally acquired by Steward in September 2017 as part of the IASIS Healthcare Transaction, which saw MPW acquire eight acute care hospitals and one behavioral health facility for approximately ~\$700 million, originate ~\$700 million of mortgage loans, and make a ~\$100 million minority equity contribution into Steward – MPW 2017 10-K
 - At ~\$950 million of total investment, this implies MPW effectively paid ~\$2.4 billion / bed.
 - **MPW effectively transferred another ~\$200 million of cash into Steward.**

- **November 2020:** Through the international JV with Steward, MPW invested another ~\$135 million to acquire three general acute care hospitals in Colombia.
 - It is unclear whether and how much capital the other JV partners invested.
 - There is no mention of the transaction in Steward's 2020 financial statements.
- **January 2021:** MPW originated a ~\$335 million loan to de la Torre and other members of Steward management, who then used the proceeds to repay debt with Cerberus Capital.
 - Cerberus was the former private equity owner of Steward, and had transferred ownership of the company to management via a note-for-equity swap (we believe it was a convert).
 - In addition to being Steward's largest landlord and a 9.9% owner, MPW has now become a significant direct lender to Steward's new investors including de la Torre.
 - Our understanding is that Steward's management team may have pledged equity as security against the loan from MPW, and MPW has "opportunities for participation in the value of Steward's growth." There appear to be no assets remaining in Steward other than working capital and medical equipment, so presumably Steward's cash flows are supporting the debt service.
 - Once again, a case of not nearly enough disclosure.
 - **MPW effectively financed a change of control after the fact and completion of Cerberus' exit from Steward.**
- **In summary, since early 2020 MPW has transferred roughly ~\$400 million of cash directly into Steward and another ~\$335 million to Cerberus via Steward's management team.**


- **March 2022:** Finally, MPW completed a previously announced 50/50% JV with Macquarie Asset Management (“MAM”) in which MPW sold an interest in eight Massachusetts hospitals run by Steward.
 - MPW netted \$1.3 billion of cash proceeds to reduce MPW leverage, including the payoff of an interim / bridge facility to finance the company’s Springstone investments in Oct. 2021.
 - To be fair, and without the benefit of all the transaction details / potential incentives offered to MAM, it appears like a solid execution for MPW maxing out proceeds. We are not clear how MAM could possibly make money on the deal, but regardless they got it done.
 - Concurrently, HCA is under contract to acquire the operations of Steward’s five Utah hospitals, with an agreement in place to lease the real estate from MPW. Assuming this transaction is completed, MPW’s asset exposure to Steward would drop below ~20% once again, excluding the international JV.
 - **Now coming full circle with the concepts from the August 2018 SEC comment letter, with Steward potentially comprising less than ~20% of MPW’s assets on a pro forma basis, MPW once again would no longer be obligated to file audited Steward financial statements = obfuscation?**

STEWARD | LETS TALK ABOUT THOSE STEWARD FINANCIALS

- MPW filed Steward’s audited 2020 financial statements with a 10-K/A on 6/9/21.
- MPW reported ~2.4x Consolidated Adj. EBITDA coverage for Steward in the June 2021 Investor Presentation [HERE](#).
- There are a few issues here.
- First, it appears MPW may be using total Steward Adj. EBITDAR and comparing to interest and rent expense for just MPW loans and properties.
- Just eyeballing the 2020 operating lease expense of \$385.2 million, however, it is not clear how MPW is deriving ~\$300 million of interest and rent given MPW’s ownership of the majority of the assets. More info needed, as could be a GAAP vs. cash issue.
- Further, we believe actual entity-level coverage at Steward is much lower on a recurring basis. See following slide.

OPERATOR UPDATE

STEWARD HEALTH




- Strong liquidity position, \$600 million as of March 2021
- Admissions have remained between 93-108% of prior-year levels since June of 2020 (thru March '21)
- Largest physician-owned private, tax-paying health care system in the U.S.
- Diversified across six distinct markets
- No individual market represents more than 33% of Steward’s total revenue
- No individual hospital represents more than 8% of Steward’s total revenue


2020 EBITDAR Reconciliation

(\$ in millions)	
Net loss	\$ (407.6)
Income tax benefit	(58.2)
Non-operating Income/(loss), net	14.7
Gain on sale	(3.8)
Depreciation and amortization	206.3
Interest	72.6
Operating leases	385.2
EBITDAR	\$ 209.2
Staffing optimization	63.7
Electronic health record conversion impact	92.1
Integration/Rationalization cost	78.7
COVID-19 inflationary and response costs	199.8
Other non-recurring	79.5
Adjusted EBITDAR	\$ 723.0
MPT Coverage Rent/Interest	\$ 300.1
Consolidated Adjusted EBITDAR Coverage	2.41x

Note: Steward Health Care System information provided by Steward Health Care System. MPT did not participate in the preparation of this information.

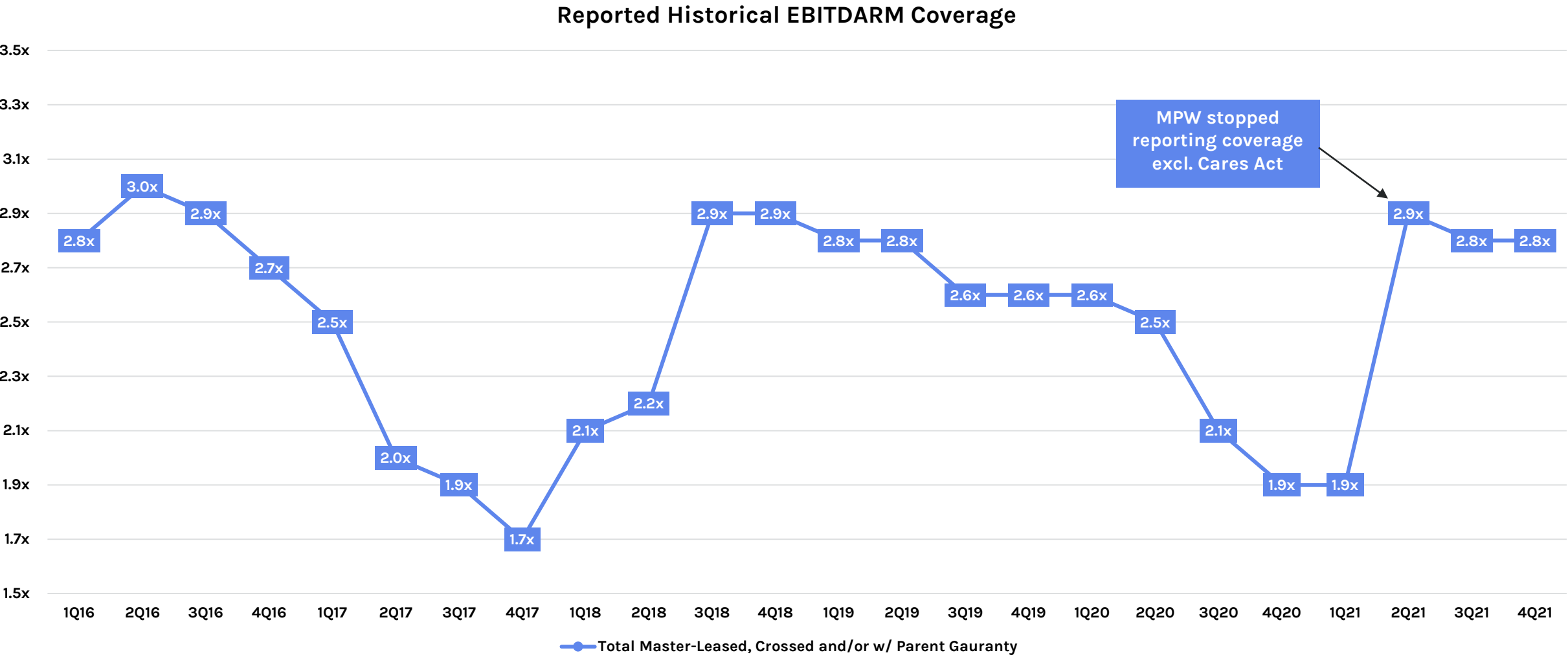


MPT Total Investment	\$4.5 billion (3/31/2021)
# of Beds	6,300+ (5,978 at MPT facilities)
# of Facilities	39 (36 MPT-owned)
Percentage of MPT Total Gross Assets – Largest Facility	2.8%

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STEWARD | MPW’S REPORTED EBITDARM COVERAGE

Steward sits in the “Total Master Leased, Cross-Defaulted and/or w/ Parent Guaranty” bucket reported in the quarterly supplemental



STEWARD | STEWARD LIKELY IS NOT COVERING RENT

MPW gives credit for “one-time” add-backs but also includes COVID relief revenue = some double counting. We estimate “recurring” or “normalized” EBITDAR was probably closer to ~\$200 million for 2020

Amounts in 000s, Except per Share Data

Steward Reported Income Statement	Actual	
	2020	2019
Revenues:		
Patient Service Revenue	4,453,490	4,980,593
Premium Revenue	276,093	1,331,808
Pandemic Relief Fund Revenue	389,485	-
Other Revenue	294,836	415,120
Total Revenue	5,413,904	6,727,521
Expenses:		
Salaries, Wages & Fringe Benefits	2,717,230	2,804,907
Supplies & Other Expenses	2,657,213	2,695,879
Medical Claims Expense	203,541	1,179,682
Depreciation & Amortization	206,290	186,879
Interest	72,590	112,618
Gain on Sale of Assets & Business	(3,799)	(387,254)
Reorganization Expenses	-	9,497
Total Expenses	5,853,065	6,602,208
Operating Income	(439,161)	125,313
Other Non-Operating Income	14,733	(8,799)
Income Before Taxes	(453,894)	134,112
Income Tax Provision	(58,224)	51,955
Net Income	(395,670)	82,157
Noncontrolling Interest	(11,923)	336
Net Income Attributable to Steward	(407,593)	82,493
Income Tax Provision	(58,224)	51,955
Other Non-Operating Income	14,733	(8,799)
Gain on Sale of Assets & Business	(3,799)	(387,254)
Depreciation & Amortization	206,290	186,879
Interest	72,590	112,618
Operating Leases	385,200	383,800
Reported EBITDAR	209,197	421,692

Reported EBITDAR Coverage	Actual
	2020
Reported EBITDAR	209,197
Staffing Optimization	63,700
Electronic Health Record Conversion Impact	92,100
Integration / Rationalization Cost	78,700
COVID-19 Inflationary & Response Costs	199,800
Other Non-Recurring	79,500
Reported Adj. EBITDAR	722,997

<-- Always staffing changes / high contract labor usage.
 <-- Related to 2017 acquisition of IASIS Healthcare Corp.
 <-- No acquisitions since 2016 / 2017?
 <-- Added back, but PHSSEF revenue included.

Reported MPW Rent / Interest	300,100
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<-- Not clear what this is derived from.

Reported EBITDAR Coverage	2.41x
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<-- Appears overstated.

Hedgeye EBITDAR Coverage	Adjusted
	2020
Reported EBITDAR	209,197
Pandemic Relief Fund Revenue	(389,485)
COVID-19 Inflationary & Response Costs	199,800
Electronic Health Record Conversion Impact	92,100
Other Non-Recurring	79,500
Noncontrolling Interest	11,923
Hedgeye Adj. EBITDAR	203,035

Total Rent / Interest	457,790
Reported MPW Rent / Interest	300,100

Hedgeye EBITDAR Coverage - Total	0.44x
Hedgeye EBITDAR Coverage - MPW Reported	0.68x

<-- Steward clearly not covering rent on recurring basis.

STEWARD | LIQUIDITY SITUATION APPEARS DIRE

Amounts in 000s, Except per Share Data

		Notes
Pro Forma 2021E Liquidity:		
Cash & Cash Equivalents - Beginning	406,580	
2021E EBITDAR	300,000	<-- Illustrative assumption; could be worse.
Operating Lease Payments	(392,904)	<-- 2020 payments increased by +2%.
2021E Debt Payments	(18,713)	<-- Current portion listed in 2020 Steward financials.
2021E Interest Expense	(6,813)	<-- 2.4375% multiplied by the revolver balance.
Est. 2021 Capex	(162,417)	<-- Assumes 3% of 2020 revenues.
PF Cash & Cash Equivalents	125,733	
Unused Revolver Capacity	253,500	
PF Total Liquidity	379,233	

2021E Cash Burn	280,847
Months Remaining at Current Burn Rate	16.2

Pro Forma 2021E Debt Balances:

MPW Unsecured Loan to HoldCo	335,000	<-- Secured by pledge of Steward equity; MPW participation.
Revolving Credit Agreement, due 2022	279,500	
Capital Lease Obligation	52,819	<-- Reduced by current portion reported in 2020 financials.
Other Long-Term Debt	45,669	<-- Promissory note from MPW?
Pro Forma Total Debt	712,988	
PF Cash & Cash Equivalents	(125,733)	
Net Debt	587,255	
Net Debt excl. MPW Unsecured Loan	252,255	<-- Net debt if \$335 million loan not treated as unsecured claim.

- We conservatively estimate that Steward may have burned through ~\$250 to \$300 million of cash during 2021, leaving an estimated ~\$125 million of cash on the balance sheet at 12/31/21 for total liquidity of ~\$380 million.
- This would imply ~5-6 months of available cash and ~16 months of available liquidity, given the current burn rate.
- Unfortunately we do not, and probably will not following the Macquarie transaction, have access to Steward's financials for 2021 and beyond. Analysis requires some assumptions.
- Steward's revolver matures later this year on 9/29/22.
- The true liquidity situation is likely worse, given current and quick ratios <1x as of 12/31/20 and the fact that some cash is needed for working capital purposes.

STEWARD | HOSPITAL FINANCIALS SUPPORT OUR VIEW

HEDGEYE

	Fiscal Years ⁽¹⁾				
	2020	2019	2018	2017	2016
Net Patient Revenue ⁽²⁾	4,526,768,514	4,582,650,171	4,565,136,315	4,705,166,664	4,765,870,446
(-) Other Operating Expenses	(4,485,733,455)	(4,520,825,429)	(4,375,448,542)	(4,481,110,453)	(4,420,818,136)
(-) Depreciation & Amortization	(112,153,340)	(115,539,245)	(146,085,608)	(173,896,534)	(168,793,282)
Operating Income (EBIT)	(71,118,281)	(53,714,503)	43,602,165	50,159,677	176,259,028
(+) Depreciation & Amortization	112,153,340	115,539,245	146,085,608	173,896,534	168,793,282
EBITDA	41,035,059	61,824,742	189,687,773	224,056,211	345,052,310
(+) Est. Rent Expense ⁽³⁾	5.00% 226,338,426	220,817,976	215,432,172	210,177,729	205,051,443
Est. EBITDAR	267,373,485	282,642,718	405,119,945	434,233,940	550,103,753
(-) Est. Maintenance Capex ⁽⁴⁾	4.00% (181,070,741)	(183,306,007)	(182,605,453)	(188,206,667)	(190,634,818)
Est. FCF	86,302,744	99,336,711	222,514,492	246,027,273	359,468,935

Coverage Ratios:

Est. EBITDAR / Rent	1.18x	1.28x	1.88x	2.07x	2.68x
Est. FCF / Rent	0.38x	0.45x	1.03x	1.17x	1.75x

Higher Labor Sensitivity:

Assumed Labor % of Total Opex	40.0%	40.0%
Assumed Salaries, Wages & Benefits	1,794,293,382	1,808,330,172
Assumed Labor Inflation ⁽⁵⁾	10.0%	179,429,338
Est. Adj. EBITDAR	87,944,147	101,809,701
Est. Adj. FCF	(93,126,594)	(81,496,306)

Coverage Ratios:

Est. EBITDAR / Rent	0.39x	0.46x
Est. FCF / Rent	-0.41x	-0.37x

Notes:

- (1) Not all Steward hospitals report on a 12/31 fiscal year.
- (2) Texas Vista Hospital in San Antonio, TX FY16 revenue adjusted for what appears to be a \$1bn one-time gain/benefit.
- (3) Rent assumed to be ~5% of net revenues; typically in the range of 4-5% for hospitals.
- (4) Maintenance capex assumed to be ~4% of net revenues; typically in the range of 3-5% for hospitals.
- (5) Analysis assumes "normalized" labor expense is up at least +10% post-COVID.

- We pulled and aggregated 2016-2020 hospital-level financial data for 30 MPW-owned Steward hospitals, comprising roughly ~80-90% of the portfolio.
- The data supports (1) that Steward hospitals are highly unlikely to be covering rent in the aggregate using FCF, and (2) the trend was clearly worsening pre-COVID.
- Furthermore, sensitizing for likely labor inflation post-COVID, Steward is likely failing to cover rent with hospital-level EBITDAR as well.
- 2021 financials should be available in the coming weeks.

MPW | WHAT DOES THIS MEAN FOR VALUE?

- Given that Steward is for all intents and purposes insolvent in our view, we believe MPW has three options:
 - Issue equity and transfer liquidity into Steward via an unsecured loan – **unlikely**
 - Foreclose on Steward when it defaults – **least likely and potentially existential for MPW**
 - Recut the Steward lease to better support rent payments – **most likely in our view**
- Under the third scenario, and assuming (1) post-COVID recovery in premium revenue, (2) a 10% increase in labor expenses and (3) 2.0x targeted rent coverage, **the math supports a valuation range (\$9-11/share) consistent with our prior analysis.**
- With that said, we believe investors need to think about a scenario where Steward has negative recurring EBITDAR today, which by definition means a default and a very messy BK with MPW as a creditor.

Amounts in 000s, Except per Share Data

Illustrative Steward Lease Restructuring	Pro Forma 2020
Pro Forma Rent Calculation:	
Total Revenue	5,413,904
(+) Incr. Premium Revenue	725,000
(+) Other Revenue	100,000
(-) Pandemic Relief Fund Revenue	(389,485)
Adj. Total Revenue	5,849,419
Total Opex (excl. Rent)	5,192,784
(+) Assumed Labor Cost Increase	10.0% 271,723
Adj. Total Opex (excl. Rent)	5,464,507
PF EBITDAR	384,912
(/) Target Coverage Ratio	2.00x
PF Rent to MPW	192,456
Pro Forma Cash EBITDA:	
2022E Cash EBITDA	1,137,200
(-) Reduction in Steward Rent	(192,744)
PF 2022E Cash EBITDA	944,456
Pro Forma AFFO:	
2022E AFFO	865,772
(-) Reduction in Steward Rent	(192,744)
PF 2022E AFFO	673,028

Illustrative Valuation	
EV / EBITDA Multiple Method:	
PF 2022E Cash EBITDA	944,456
(x) Justified Multiple	17.0x
Ent. Value	16,055,752
MPW's Share of Net Debt	(10,775,089)
Equity Value	5,280,663
Total Shares / Units	597,084
Equity Value / Share	8.84
Current Share Price	20.19
Potential Upside / (Downside)	-56.2%
AFFO Multiple Method:	
Target Payout Ratio	80.0%
Sustainable Growth Rate	2.00%
Required Return	10.00%
Justified Multiple	10.2x
PF 2022E AFFO	673,028
(x) Justified Multiple	10.0x
Equity Value	6,730,278
Total Shares / Units	597,084
Equity Value / Share	11.27
Current Share Price	20.19
Potential Upside / (Downside)	-44.2%

MPW | WHAT DOES THIS MEAN FOR THE DIVIDEND?

- Bringing the conversation back to the original question we received: “Will MPW have to cut its dividend?”
- If the rent payment from Steward gets resized / restructured, the answer is most assuredly “Yes.”
- Depending on the targeted / required AFFO payout ratio, **we estimate MPW would likely need to reduce the dividend somewhere between ~15-25%, which would obviously have very negative consequences for the share price.**

Amounts in 000s, Except per Share Data

Potential Dividend Impact	
PF 2022E AFFO	673,028
(x) Target Payout Ratio	80.0%
Est. Annual Dividend Payment	538,422
Total Shares / Units	597,084
Est. Dividend / Share	0.90
Current Annualized Dividend	1.16
Potential Reduction	-22.3%
Implied Current Yield	5.75%

	Dividend Sensitivity				
	Target AFFO Payout Ratio				
	75.0%	77.5%	80.0%	82.5%	85.0%
Div. / Share	0.85	0.87	0.90	0.93	0.96
% Reduction	-27.1%	-24.7%	-22.3%	-19.8%	-17.4%

[4] OTHER POTENTIAL OPERATOR ISSUES

OPERATORS | PROSPECT LOOKS WORSE THAN STEWARD

	Fiscal Years ⁽¹⁾				
	2020	2019	2018	2017	2016
Net Patient Revenue	1,567,125,187	1,541,406,599	1,475,688,266	1,509,591,954	1,484,439,655
(-) Other Operating Expenses	(1,657,597,429)	(1,544,701,631)	(1,643,631,683)	(1,519,817,321)	(1,417,270,513)
(-) Depreciation & Amortization	(53,671,672)	(56,251,233)	(58,917,654)	(69,730,274)	(58,142,857)
Operating Income (EBIT)	(144,143,914)	(59,546,265)	(226,861,071)	(79,955,641)	9,026,285
(+) Depreciation & Amortization	53,671,672	56,251,233	58,917,654	69,730,274	58,142,857
EBITDA	(90,472,242)	(3,295,032)	(167,943,417)	(10,225,367)	67,169,142
(+) Est. Rent Expense ⁽²⁾	5.00% 78,356,259	76,445,131	74,580,616	72,761,576	70,986,904
Est. EBITDAR	(12,115,983)	73,150,099	(93,362,801)	62,536,209	138,156,046
(-) Est. Maintenance Capex ⁽³⁾	4.00% (62,685,007)	(61,656,264)	(59,027,531)	(60,383,678)	(59,377,586)
Est. FCF	(74,800,990)	11,493,835	(152,390,332)	2,152,531	78,778,459

Coverage Ratios:

Est. EBITDAR / Rent	-0.15x	0.96x	-1.25x	0.86x	1.95x
Est. FCF / Rent	-0.95x	0.15x	-2.04x	0.03x	1.11x

Higher Labor Sensitivity:

Assumed Labor % of Total Opex	40.0%	40.0%
Assumed Salaries, Wages & Benefits	663,038,972	617,880,652
Assumed Labor Inflation ⁽⁴⁾	10.0%	66,303,897
Est. Adj. EBITDAR	(78,419,880)	11,362,034
Est. Adj. FCF	(141,104,887)	(50,294,230)

Coverage Ratios:

Est. EBITDAR / Rent	-1.00x	0.15x
Est. FCF / Rent	-1.80x	-0.66x

Notes:

- (1) All included Propsect hospitals report on a 12/31 fiscal year.
- (2) Rent assumed to be ~5% of net revenues in FY20; typically in the range of 4-5% for hospitals.
- (3) Maintenance capex assumed to be ~4% of net revenues; typically in the range of 3-5% for hospitals.
- (4) Analysis assumes "normalized" labor expense is up at least +10% post-COVID.

- We estimate that Prospect Medical Holdings ("Prospect") represents another ~9% of MPW's pro forma revenue.
- Prospect leases 13 facilities from MPW pursuant to two master leases, and MPW also holds a \$51.3 million first mortgage loan and a \$112.9 million term loan.
- The master leases, mortgage loan and term loan are all cross-defaulted – again, MPW has invested in the hospital system, not just the real estate.
- Like Steward, hospital-level EBITDAR and FCF coverages appear to have been deteriorating pre-COVID, with post-COVID cost increases likely to make the situation worse.
- "Any adverse result to our tenants (particularly Steward, Circle, Prospect, Swiss Medical Network, and HCA) in regulatory proceedings or financial or operational setbacks may have a material adverse effect on the relevant tenant's operations and on its ability to make required lease and loan payments to us." – MPW 2021 10-K, pg. 20

OPERATORS | OTHER POTENTIAL ISSUES

What is clear is that MPW has NOT just invested in hospital real estate, rather the real estate + entire hospital system in several cases

- **Swiss Medical Network / Infracore** – MPW made a CHF 145 million investment in April 2021 and acquired an additional equity ownership stake in 2020 for CHF 206.5 million.
- **Priory Group** – Acquired a 9.9% passive equity stake in 2021 in Waterland Private Equity Fund VI C.V. that indirectly owns Priory.
- **Springstone, LLC** – Acquired an interest in the operations of Springstone, as part of a broader \$950 million investment in 18 health facilities leased to Springstone.
- **Aevis** – MPW acquired a 4.9% equity stake in Aevis in 2019 for CHF 47 million.

OPERATORS | HOSPITAL OPERATOR COMPS

What if MPW has effectively paid real estate valuations for well-below best-in-class hospital operations? HCA as the best-in-class operator is valued at 9-9.5x forward EBITDA

(Amounts in Millions, Except per Share Data)

Company Name	Ticker	Share Price	Equity Mkt. Cap.	Ent. Value (AV)	EBITDA Multiples		
					LTM	2022E	2023E
HCA Healthcare Inc	HCA	275.16	84,055	119,605	9.5x	9.3x	8.9x
Universal Health Services, Inc. Class B	UHS	155.55	11,992	16,187	8.7x	8.6x	8.1x
Tenet Healthcare Corporation	THC	89.01	9,541	26,052	7.5x	7.5x	7.1x
Community Health Systems, Inc.	CYH	11.68	1,543	13,738	7.0x	7.3x	6.9x
High					9.5x	9.3x	8.9x
Mean					8.2x	8.2x	7.7x
Median					8.1x	8.1x	7.6x
Low					7.0x	7.3x	6.9x

[5] MANAGEMENT COMPENSATION

COMP | RECENT NEO SHARE SALE ACTIVITY

Top-3 officers and co-founders have collectively sold ~76% of vested grants in the open market over the last 5 years aggregating ~\$75 million; collectively own just ~1.4% of outstanding shares

	Edward K. Aldag, Jr. Chairman, President & CEO	R. Steven Hamner EVP, CFO & Director	Emmett E. McLean EVP, COO & Secretary	Total
Total Share Grants / Awards	5,073,225	2,536,622	1,953,073	9,562,920
Vested Grants / Awards	2,540,920	1,270,466	1,064,686	4,876,072
(+) Open Market Purchases	-	-	-	-
(-) Open Market Sales	(2,437,613)	(737,500)	(550,000)	(3,725,113)
Vested - Remaining	103,307	532,966	514,686	1,150,959
% of Vested Grants Sold - Last 5 Years	95.9%	58.0%	51.7%	76.4%
Current Shares Held	4,112,206	2,246,214	1,917,386	8,275,806
% of Total Outstanding Shares	0.69%	0.38%	0.32%	1.39%

COMP | CASH BONUS PROGRAM

MPW Performance Metric	Year	Reported in 10K / Supplemental	Reported in Proxy	Proxy vs. Reported	Notes
Normalized FFO	2020	1.57	>1.56	?	- 50% weighting, \$1.56 max. payout threshold; no reconciliation provided; "mitigates risk of non-profitable acquisitions or low-quality growth"
Normalized FFO	2019	1.30	1.48	13.8%	- 50% weighting, \$1.48 max. payout threshold; no reconciliation provided; "Comp committee set target at midpoint of the estimated range of normalized FFO... publicly disclosed in early 2019"
Normalized FFO	2018	1.37	1.46	6.6%	- 50% weighting, \$1.46 max. payout threshold; no reconciliation provided
Normalized FFO	2017	1.35	1.45	7.4%	- 45% weighting, \$1.39 max. payout threshold; no reconciliation provided; also a 15% weighting on completing a targeted \$750 million of acquisitions, actual completed was \$2.3 billion
Normalized FFO	2016	1.28	1.34	4.7%	- 36% weighting, \$1.33 max. payout threshold; no reconciliation provided for "pre-determined normalization adjustments"
Norm. FFO Growth Y/Y	2015	18.9%	18.9%	-	- 36% weighting, +15% max. payout threshold; in this case reported and proxy Core FFO match; also a 15% weighting for \$600 million of targeted acquisitions
FFO Growth Y/Y	2014	10.4%	23.4%	13.0%	- 20% weighting, +20% max. payout threshold; no reconciliation provided as reported Core FFO grew just +10.4% y/y
FFO Growth Y/Y	2013	6.7%	23.0%	16.3%	- 20% weighting, +18% max. payout threshold; no reconciliation provided as reported Core FFO grew just +6.7% y/y
No FFO Goal	2012	0.90	N/A	NM	
No FFO Goal	2011	0.71	N/A	NM	
Normalized FFO	2010	0.66	0.94	42.4%	- 25% weighting, \$0.92 max. payout threshold; no reconciliation provided
Normalized FFO	2009	0.79	1.01	27.8%	- 35% weighting, \$0.93 max. payout threshold; no reconciliation provided

Comparison to AVB	Year	Reported in 10K / Supplemental	Reported in Proxy	Proxy vs. Reported
Core FFO / Share	2020	8.69	8.69	-
Core FFO / Share	2019	9.34	9.34	-
Core FFO / Share	2018	9.00	9.00	-
Core FFO / Share	2017	8.62	8.62	-
Core FFO / Share	2016	8.19	8.19	-
Core FFO / Share	2015	7.55	7.55	-
Core FFO / Share	2014	6.78	6.78	-
Core FFO / Share	2013	6.23	6.23	-

- We took a detailed look at the Board/Comp Committee's method for determining cash bonuses for NEOs.
- We would encourage investors to read this section, including the notes, in detail numerous times, and come to their own conclusions.
- **Hedgeye Conclusion:** Inconsistent and poorly disclosed cash bonus compensation metrics. Varying standards year-to-year. Acquisition volume targets create a potential conflict / perverse incentive to "do any deal." Proxy metrics are always higher than reported in supplementals and hit max. payout thresholds. 2013-2015 "cherry picking."
- For comparison purposes we performed a similar exercise for AvalonBay Communities, Inc. (AVB), which showed consistency year-to-year and no variation between 10-K/supplementals and Proxy.

OPEN ITEMS FOR FURTHER INVESTIGATION

- 2021 hospital-level financials when available
- Litany of Steward lawsuits
- History of Prospect legal / tax issues
- Watsonville, CA hospital bankruptcy from WSJ article
- Capella sale to LifePoint – related party transaction
- Ernest sale to Vibra – related party transaction
- History of OpCo investments in Vibra, Prime, Ernest, Capella (now part of LifePoint) and Median
- Role and history of Joshua Putter, who we believe is now in his third stint at MPW
- Brockton Urology / Steward pay-for-referral case
- Easton Hospital sale to St. Luke's
- Historical failure rate and current vacancies of certain acquired hospitals – Steward, Aleco, Adeptus & St. Luke's

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