

MPW One Page Summary

Earnings Quality

- SL rent + interest > 15% of cons. total revenue
- Secular increase in non-cash revenue since 2011
- No breakout between non-cash rent vs. interest
- Widening gap between FFO & AFFO since 2011
- Different FFO figures in reported earnings vs. Proxy
- Change in definition of AFFO add-backs Q/Q
- Write-off of SL rent after end of lease term (Prime) - booking rent from tenant extension options
- Poor EBITDA disclosure and reconciliations
- Lengthening average lease / loan terms
- Accrued but unpaid rent included in 4Q22 AFFO
- No maintenance capex included in AFFO calc. despite above-average annual capex burden

Corporate Governance

- CFO on the Board
- No separation of CEO / Chairman roles
- "Lead Independent" Director a former officer and partner of current management team
- "Lead Independent" Director also on comp committee
- No external whistleblower hotline or 3rd-party service
- COO and co-founder (together with CEO & CFO) is "Code of Ethics Contact Person" for ethics reporting
- Family / children of NEOs in management roles
- No change in management team since IPO in 2005
- CEO and COO work history changes in Proxy bios
- Corporate hangar and 3 aircraft
- Unnecessary NYC office space where MPW has no hospitals

Unusual Transactions - Part 1

- 100% financed 2020 acquisition of largest tenant Steward by loaning \$335 million to its CEO, secured by non-MPW equity in Steward; loan originated day after secondary offering; transaction not fully-disclosed for several quarters
- Provided 100% of capital in exchange for a minority ~49% interest in "Int'l JV"; RDLT given ~51% stake in entity; acquired assets worth ~\$27 million from Steward U.S. for ~\$200 million; \$205 million loan currently accruing principal
- Provided all ~\$1.1 billion (\$900 million SLB + \$200 million for the OpCo) to acquire 5 Miami hospitals into Steward from Tenet
- Transferred development responsibilities for Wadley Texarkana to Steward (tenant); in late-2021 contributed ~\$50 million to Steward but no activity at site for over a year

Returns / Investment Yields

- Secularly declining unlevered cash yields
- Realized cash yields materially below GAAP yields due to longer investment terms & poor tenant credit
- Blended cash yields "triangulate" to ~5.5-6%
- Management routinely quotes ~7-8% yields
- Cash yields materially below company's cost of capital
- Lengthening lease / loan terms offset power of compounding embedded in leases
- 2x'd the size of the balance sheet since 1Q19
- Refusal to disclose acquisition cap rates due to "proprietary" or "competitive" information
- Unchanged returns for foreseeable future

Compensation

- No market purchases by top-3 officers
- Top-3 officers have sold ~76% of vested grants over last 5 years
- CEO has sold ~96% of vested grants over last 5 years
- Questionable peer group selection in proxy
- 70% of NEO base salary determined by "Norm. FFO" and EBITDA/Int. Exp. - both receive benefit of MPW's above-average non-cash rev. (see earnings quality)
- "Norm. FFO" in Proxy always different and higher than figures reported in supplementals; no rec. provided
- Perf.-based share awards based on \$ acquisition volume - incentivizes "asset gathering at highest price"
- Non true cash flow-based comp modifiers
- Comp. consultant as SVP / advisor to CEO

Unusual Transactions - Part 2

- In 2018 sold St. Joseph's Medical Center back to Steward for ~\$148 million gross, received ~\$30 million mortgage in lieu of cash for share of the equity - widely understood as done to get under 20% asset disclosure test with SEC
- In July 2020 acquired 2 Steward Utah hospitals for ~\$950 million; disclosed later that consideration was cancellation of ~\$700 million mortgage + ~\$200 million incremental cash to Steward = >\$2 million per bed and ~\$200 million liquidity sent to Steward
- In April 2022 paid ~\$60 million for Florida shell hospital under construction and not slated to pay rent until 2024.
- Directly lent ~\$150 million to Steward in 2Q/3Q22, secured by Utah OpCo proceeds, while telling investors operational performance improving

Leverage

- Pro-rata net debt / cash EBITDA of ~8-9x; difficult to be certain given poor EBITDA disclosure
- Understated company-reported leverage using GAAP EBITDA, which receives the benefit of MPW's above-average non-cash revenue
- "Apples-Oranges" between net debt & reported EBITDA
- Secularly increasing cash leverage since 2011 - increased from ~4.5x as of 1Q11 to ~9.5x currently
- Higher leverage on the cons. corporate BS vs. at UJVs
- ~\$450mm GBP-denominated notes @ 2.55% maturing December 2023
- Weighted-average interest rate of ~3.5%
- Not covering dividend with internally-generated CF

Tenant Issues / Concentration

- ~30% cash EBITDA exposure to Steward Health
- Has invested >\$1.1 billion (over ~ 2 years of total rent) in Steward outside of SLBs
- 100% financed creation of "3rd-party" entity controlled by Steward's CEO; received minority interest
- 100% financed change of control by lending to Steward mgmt team to refinance out Cerberus; facilitated ~\$111 million divided out of Steward in same quarter
- Nearly ~40% exposure to top-2 tenants
- "Poor" disclosure around 4Q22 loans to Steward
- None of top tenants publicly-traded - disclosure
- #2 tenant Prospect Medical undergoing restructuring; did not pay cash rent in 4Q22 / 1Q23
- >\$1.4bn (~7% of assets) invested in OpCos

Unusual Transactions - Part 3

- Full terms of MAM JV for 8 Steward MA hospitals not disclosed, including what we believe to be a likely subordination of MPW's equity = 5.6% disclosed cash cap rate not "real"
- Loaned Prospect ~\$100 million in 2Q22, but did not disclose and claimed no expectation to lend funds on 2Q22 earnings call; later disclosed in 10-Q filing
- Announced sale of Prospect CT assets to Yale in Oct. 2022 at "book value" of ~\$457 million; later told analyst consideration would be ~\$355 million cash + a ~\$103 million equity interest in PHP. Also took 1L mortgage on PA assets + equity interests to cover canceled loans + deferred rent + other investments.
- Originated Priory acquisition loan, and later forced to take a piece of syndicated term loan
- **Questions around REIT status / TRS elections / EIKs - see REIT Status deck published 7.16.23**