Ventas Reports Third Quarter Normalized FFO of $0.37 Per Share; FFO Rises 32% Over Third Quarter 2001

October 29, 2002
LOUISVILLE, Ky., Oct 29, 2002 (BUSINESS WIRE) --

Ventas Increases 2002 FFO Guidance to $1.35 - $1.36 Per Share

Ventas, Inc., (NYSE:VTR) ("Ventas" or the "Company") announced today that normalized Funds From Operations ("FFO") for the third quarter of 2002 increased 32 percent over the comparable 2001 period to $26.3 million or $0.37 per diluted share. FFO for the comparable period in 2001 totaled $19.3 million or $0.28 per diluted share. Normalized FFO for the 2002 second quarter was $23.0 million or $0.33 per diluted share.

Net income for the third quarter ended September 30, 2002, was $17.1 million or $0.24 per diluted share, compared with $9.2 million or $0.13 per diluted share for the comparable 2001 period. Third quarter 2002 earnings included a $2.2 million tax benefit as the result of a 2001 recorded federal tax liability that is no longer due based on a change in estimate.

Normalized FFO for the first nine months of 2002 was $71.3 million or $1.02 per diluted share, a 20 percent increase from the same period in the prior year of $59.0 million or $0.85 per diluted share. After income from discontinued operations of $23.8 million or $0.34 per share and an extraordinary loss of $6.9 million or $0.10 per share, net income for the nine months ended September 30, 2002 was $56.3 million or $0.80 per diluted share compared with $27.8 million or $0.40 per diluted shares in the first nine months of 2001.

Normalized FFO excludes the gain on the sale of equity in the Company's primary tenant Kindred Healthcare, Inc. (Nasdaq:KIND) and a one-time net loss on swap breakage incurred in conjunction with the Company's refinancing, which was completed in April 2002.

"The third quarter was significant because we began to fully implement our strategic business plan with our announced investment in 27 healthcare and senior housing assets in Ohio and Maryland and the important appointment of Raymond J. Lewis as our new chief investment officer. We are now looking forward to more diversification activity," Ventas President and CEO Debra A. Cafaro said. "At the same time, our financial performance continues to improve with meaningful balance sheet strengthening and earnings growth."

THIRD QUARTER HIGHLIGHTS AND OTHER RECENT DEVELOPMENTS

- Ventas announced an agreement to invest $120 million with Trans Healthcare, Inc., a privately owned long-term care and hospital company, in a transaction that covers 27 properties in Ohio and Maryland.
- Ventas appointed Raymond J. Lewis as Senior Vice President and Chief Investment Officer.
- The Company reduced its outstanding debt balances to $786 million at September 30, 2002.
- From July 1 through September 30, 2002, Ventas sold a total of 40,000 shares of Kindred common stock at an average price of $41.20 per share. It currently holds 920,814 shares of Kindred stock.
- Kindred announced on October 10, 2002, that it would have substantial increases in its professional liability expenses and is considering withdrawal from the Florida skilled nursing market where it leases 15 facilities from Ventas. Ventas said rent from the facilities is about 4.5 percent of the total $187 million in annualized rent it receives from Kindred. Ventas said it is working with Kindred and potential operators of the Florida facilities to craft a successful outcome for both Ventas and Kindred.
- The 253 skilled nursing facilities and hospitals leased to Kindred produced EBITDAR to rent coverage of 1.85x for the trailing twelve month period ended June 30, 2002.

THIRD QUARTER RESULTS

Rental income for the quarter ended September 30, 2002, was $47.7 million, of which $47.1 million resulted from leases with Kindred. Expenses for the quarter ended September 30, 2002 totaled $34.2 million and included $10.4 million of depreciation expenses; $18.8 million of interest expense on debt financing; and $1.3 million of interest expense on the Company's settlement with the Department of Justice. Professional fees for the third quarter totaled $0.9 million.

NINE MONTH RESULTS

Rental income for the nine months ended September 30, 2002 was $140.9 million, of which $139.3 million resulted from leases with Kindred. Expenses for the nine months ended September 30, 2002 totaled $109.7 million and included $31.2 million of depreciation on real estate assets, $57.7 million of interest expense and $4.2 million of interest on the Department of Justice settlement. In addition, the Company reported a one-time $5.4 million net loss on the $350 million swap breakage incurred in connection with the Company's debt refinancing. Also during the period, the Company reclassified to discontinued operations the results of operations specifically related to assets sold or held for sale on or after January 1, 2002, including the sale of its hospital in Arlington, Virginia in the 2002 second quarter. This reclassification, which is required under the newly effective FAS 144, affects the presentation of results for the current and prior periods, but does not impact the Company's net income or FFO.

FFO GUIDANCE

Ventas said today that based on the third quarter results it is increasing its normalized 2002 FFO guidance to $1.35 to $1.36 per diluted share from previous guidance of $1.28 to $1.30 per share. The Company also reaffirmed its 2003 normalized FFO guidance of $1.43 to $1.45 per diluted share. In each case, the guidance excludes gains and losses, the non-cash effect of swap ineffectiveness under FAS 133 and the impact of acquisitions, divestitures and other capital transactions. The Company may from time to time update its publicly announced FFO guidance, but it is not obligated to do so.

The Company's FFO guidance is based on a number of assumptions, which are subject to change and many of which are outside the control of the Company. If any of these assumptions vary, the Company's results may change. There can be no assurance that the Company will achieve these results.

THIRD QUARTER CONFERENCE CALL

Ventas, Inc. will hold a conference call to discuss this earnings release today October 29, 2002, at 10:00 a.m. Eastern Time (9:00 a.m. Central Time). The conference call is being web cast by CCBN and can be accessed at the Ventas website at www.ventasreit.com or www.companyboardroom.com. An online replay of the web cast will be available at approximately 12:00 p.m. Eastern Time and will be archived for thirty (30) days.

Ventas, Inc. is a healthcare real estate investment trust whose properties include 43 hospitals, 215 nursing facilities and eight personal care facilities in 36 states. More information about Ventas can be found at its website at www.ventasreit.com.

This Press Release includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements regarding Ventas, Inc.'s ("Ventas" or the "Company") and its subsidiaries' expected future financial position, results of operations, cash flows, funds from operations, dividends and dividend plans, financing plans, business strategy, budgets, projected costs, capital expenditures, competitive positions, growth opportunities, expected lease income, continued qualification as a real estate investment trust ("REIT"), plans and objectives of management for future operations and statements that include words such as "anticipate," "if," "believe," "plan," "estimate," "expect," "intend," "may," "could," "should," "will" and other similar expressions are forward-looking statements. Such forward-looking statements are inherently uncertain, and stockholders must recognize that actual results may differ from the Company's expectations. The Company does not undertake a duty to update such forward-looking statements.

Actual future results and trends for the Company may differ materially depending on a variety of factors discussed in the Company's filings with the Securities and Exchange Commission (the "Commission"). Factors that may affect the plans or results of the Company include, without limitation, (a) the ability and willingness of Kindred Healthcare, Inc. ("Kindred") and certain of its affiliates to continue to meet and/or perform their obligations under their contractual arrangements with the Company and the Company's subsidiaries, including without limitation the lease agreements and various agreements (the "Spin Agreements") entered into by the Company and Kindred at the time of the Company's spin-off of Kindred on May 1, 1998 (the "1998 Spin Off"), as such agreements may have been amended and restated in connection with Kindred's emergence from bankruptcy on April 20, 2001, (b) the ability and willingness of Kindred to continue to meet and/or perform its obligation to indemnify and defend the Company for all litigation and other claims relating to the healthcare operations and other assets and liabilities transferred to Kindred in the 1998 Spin Off, (c) the ability of Kindred and the Company's other operators to maintain the financial strength and liquidity necessary to satisfy their respective obligations and duties under the leases and other agreements with the Company, and their existing credit agreements, (d) the Company's success in implementing its business strategy, (e) the nature and extent of future competition, (f) the extent of future healthcare reform and regulation, including cost containment measures and changes in reimbursement policies and procedures, (g) increases in the cost of borrowing for the Company, (h) the ability of the Company's operators to deliver high quality care and to attract patients, (i) the results of litigation affecting the Company, (j) changes in general economic conditions and/or economic conditions in the markets in which the Company may, from time to time, compete, (k) the ability of the Company to pay down, refinance, restructure, and/or extend its indebtedness as it becomes due, (l) the movement of interest rates and the resulting impact on the value of the Company's interest rate swap agreements and the ability of the Company to satisfy its obligation to post cash collateral if required to do so under one of these interest rate swap agreements, (m) the ability and willingness of Atria, Inc. ("Atria") to continue to meet and honor its contractual arrangements with the Company and Ventas Realty, Limited Partnership entered into in connection with the Company's spin-off of its assisted living operations and related assets and liabilities to Atria in August 1996, (n) the ability and willingness of the Company to maintain its qualification as a REIT due to economic, market, legal, tax or other considerations, including without limitation, the risk that the Company may fail to qualify as a REIT due to its ownership of common stock in Kindred, (o) the outcome of the audit being conducted by the Internal Revenue Service for the Company's tax years ended December 31, 1997 and 1998, (p) final determination of the Company's taxable net income for the year ending December 31, 2002, (q) the ability and willingness of the Company's tenants to renew their leases with the Company upon expiration of the leases and the Company's ability to relet its properties on the same or better terms in the event such leases expire and are not renewed by the existing tenants (r) the impact on the liquidity, financial condition and results of operations of Kindred and the Company's other operators resulting from increased operating costs and uninsured liabilities for professional liability claims, particularly in the State of Florida, and (s) the value of the Company's common stock in Kindred and the limitations on the ability of the Company to sell, transfer or otherwise dispose of its common stock in Kindred arising out of the

securities laws and the registration rights agreement the Company entered into with Kindred and certain of the holders of common stock in Kindred. Many of such factors are beyond the control of the Company and its management.

VENTAS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	September 30, 2002 (Unaudited)	December 31, 2001 (Audited)
Assets		
Real estate investments:		
Land	$ 116,625	$ 119,771
Building and improvements	1,051,781	1,056,067
	1,168,406	1,175,838
Accumulated depreciation	(398,425)	(369,502)
Total real estate investments	769,981	806,336
Cash and cash equivalents	4,121	18,596
Restricted cash	19,656	20,773
Deferred financing costs, net	19,678	14,153
Investment in Kindred Healthcare, Inc. common stock	34,098	55,118
Kindred Healthcare, Inc. common stock reserved for distribution	--	17,086
Notes receivable from employees	4,186	3,635
Other	5,523	6,162
Total assets	$ 857,243	$ 941,859
Liabilities and stockholders' equity		
Liabilities:		
Notes payable and other debt	$ 785,924	$ 848,368
United States Settlement	46,789	54,747
Deferred revenue	19,029	21,027
Interest rate swap agreements	47,620	27,430
Accrued dividend	--	17,910
Accrued interest	17,817	591
Accounts payable and other accrued liabilities	20,873	17,563
Other liabilities--disputed federal, state and local tax refunds	14,422	14,903
Deferred income taxes	30,394	30,394
Total liabilities	982,868	1,032,933
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, unissued	--	--
Common stock	18,402	18,402
Capital in excess of par value	105,315	122,468
Unearned compensation on restricted stock	(1,155)	(1,000)
Accumulated other comprehensive income (loss)	(10,232)	36,174
Retained earnings (deficit)	(127,126)	(134,088)
	(14,796)	41,956
Treasury stock	(110,829)	(133,030)
Total stockholders' equity (deficit)	(125,625)	(91,074)
Total liabilities and		

stockholders' equity	$ 857,243	$ 941,859

VENTAS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Revenues:				
Rental income	$ 47,650	$ 46,063	$140,903	$137,242
Interest and other income	237	939	952	3,507
Gain on sale of Kindred Common Stock	1,192	--	5,014	--
	49,079	47,002	146,869	140,749
Expenses:				
General and administrative	2,410	2,598	7,322	7,740
Professional fees	900	699	2,401	3,595
Amortization of restricted stock grants	354	444	1,491	1,286
Depreciation	10,414	10,447	31,233	31,326
Net loss on swap breakage	--	--	5,407	--
Swap ineffectiveness	118	--	298	--
Interest	18,659	21,886	57,363	64,540
Interest on United States Settlement	1,331	1,605	4,204	3,053
Total expenses	34,186	37,679	109,719	111,540
Income before income taxes, discontinued operations and extraordinary loss	14,893	9,323	37,150	29,209
Provision (benefit) for income taxes	(2,200)	469	(2,200)	2,322
Income before discontinued operations and extraordinary loss	17,093	8,854	39,350	26,887
Discontinued operations (including gain on sale of assets)	--	303	23,831	954
Income before extraordinary loss	17,093	9,157	63,181	27,841
Extraordinary loss on extinguishment of debt	--	--	(6,919)	--
Net income	$ 17,093	$ 9,157	$ 56,262	$ 27,841
Earnings Per Share:				
Basic:				
Income before discontinued operations and extraordinary loss	$ 0.25	$ 0.13	$ 0.57	$ 0.40

Net income	$ 0.25	$ 0.13	$ 0.82	$ 0.41
Diluted:				
Income before discontinued operations and extraordinary loss	$ 0.24	$ 0.13	$ 0.56	$ 0.39
Net income	$ 0.24	$ 0.13	$ 0.80	$ 0.40
Shares used in computing earnings per common share:				
Basic	69,098	68,491	68,895	68,375
Diluted	70,047	69,584	69,978	69,255
Dividend declared per common share	$ 0.2375	$ 0.2200	$0.7125	$ 0.6600

VENTAS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Nine Months Ended	
	September 30, 2002	September 30, 2001
Cash flows from operating activities:		
Net income	$ 56,262	$ 27,841
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation (including discontinued operations)	31,332	31,515
Amortization of deferred financing costs	2,685	1,836
Amortization of restricted stock grants	1,491	1,286
Normalized rents	(144)	7
Extraordinary loss on extinguishment of debt	6,919	--
Gain on sale of assets ($23.5 million included in discontinued operations in 2002)	(28,464)	(290)
Amortization of deferred revenue	(1,998)	(1,045)
Net loss on swap breakage	5,407	--
Other	110	13
Changes in operating assets and liabilities:		
Decrease in restricted cash	1,117	8,154
Increase in other assets	(1,379)	(1,513)
Increase (decrease) in accrued interest	17,226	(244)
Increase (decrease) in accounts payable and accrued and other liabilities	6,123	(6,236)
Net cash provided by operating activities	96,687	61,324
Cash flows from investing activities:		
Proceeds from sale of real estate	28,620	670
Proceeds from sale of Kindred common stock	6,950	--
Purchase of furniture and		

equipment	(236)	(220)
Increase in notes receivable from employees	(551)	(167)
Net cash provided by investing activities	34,783	283
Cash flows from financing activities:		
Net change in borrowings under Revolving Credit Facility	(57,651)	--
Proceeds from Senior Notes Offering and Revolving Credit Facility	620,300	--
Repayment of long-term debt	(17,987)	(36,369)
Repayment of long-term debt through refinancing	(607,106)	--
Payment of deferred financing costs	(15,127)	--
Payment of swap breakage fee	(12,837)	--
Payment on United States Settlement	(7,958)	(39,231)
Proceeds from issuance of stock	2,546	537
Cash dividends to stockholders	(50,125)	(50,118)
Net cash used in financing activities	(145,945)	(125,181)
Decrease in cash and cash equivalents	(14,475)	(63,574)
Cash and cash equivalents--beginning of period	18,596	87,401
Cash and cash equivalents--end of period	$ 4,121	$ 23,827
Supplemental schedule and noncash activities:		
Receipt of Kindred Healthcare, Inc. common stock	$ -	$ 18,200

Funds from Operations

FFO for the three months and nine months ended September 30, 2002 and 2001 is summarized in the following table (in thousands):

	Three Months Ended		Nine Months Ended	
	Sept. 30, 2002	Sept. 30, 2001	Sept. 30, 2002	Sept. 30, 2001
Net income	$ 17,093	$ 9,157	$ 56,262	$ 27,841
Depreciation on real estate investments	10,359	10,476	31,184	31,427
Extraordinary loss on extinguishment of debt	--	--	6,919	--
Gain on sale of assets	--	(290)	(23,450)	(290)
FFO	27,452	19,343	70,915	58,978
Gain on sale of Kindred Common Stock	(1,192)	--	(5,014)	--
Net loss on swap breakage	--	--	5,407	--
Normalized FFO	$ 26,260	$ 19,343	$ 71,308	$ 58,978

The Company considers FFO an appropriate measure of performance of an equity REIT, and the Company uses the National Association of Real Estate Investment Trust's, or NAREIT's, definition of FFO. NAREIT defines FFO as net income (computed in

accordance with accounting principles generally accepted in the United States ("GAAP")), excluding gains (or losses) from sales of property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. FFO presented herein is not necessarily comparable to FFO presented by other real estate companies due to the fact that not all real estate companies use the same definition. FFO should not be considered as an alternative to net income (determined in accordance with GAAP) as an indicator of the Company's financial performance or as an alternative to cash flow from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity, nor is FFO necessarily indicative of sufficient cash flow to fund all of the Company's needs. The Company believes that in order to facilitate a clear understanding of the consolidated historical operating results of the Company, FFO should be examined in conjunction with net income as presented in the Condensed Consolidated Financial Statements and data included elsewhere in this Press Release.

CONTACT: Ventas, Inc., Louisville
Debra A. Cafaro, 502/357-9000

URL: http://www.businesswire.com
Today's News On The Net - Business Wire's full file on the Internet
with Hyperlinks to your home page.

Copyright (C) 2002 Business Wire. All rights reserved.