

## **Land & Buildings Sends Letter to Ventas Board of Directors**

*Intends to Vote Against Lead Independent Director James Shelton and Chair Debra Cafaro and Believes Further Change is Needed*

*Ventas' Total Shareholder Returns, Earnings Growth and Senior Housing Operating NOI Growth Have Continued to Significantly Underperform its Closest Peer*

*Company's Discounted Valuation Has Only Widened Since Land & Buildings Initially Highlighted Concerns*

**Stamford, CT** (April 24, 2023) – Today Land & Buildings Investment Management, LLC (together with its affiliates, “Land & Buildings”), a significant shareholder of Ventas, Inc. (NYSE: VTR) (“Ventas”, “VTR”, or the “Company”), issued an open letter to the Ventas Board of Directors (the “Board”) detailing Land & Buildings’ continued dissatisfaction with the Company’s long-term underperformance and undervaluation. Land & Buildings believes further action is necessary to address the lackluster returns shareholders have experienced under the current Board and intends to vote against the election of Lead Independent Director James Shelton and Board Chair Debra Cafaro at VTR’s upcoming Annual Meeting of Shareholders (the “Annual Meeting”).

The full text of the letter is below:

Dear Board of Directors,

As we approach Ventas’ (NYSE: VTR) Annual Meeting to be held on May 16, 2023, we are disappointed by the continued poor performance of the Company, especially against a backdrop of positive senior housing tailwinds. These positive indicators include: increasing demographic-driven needs-based demand, declining new competitive supply growth and waning expense headwinds. Shareholders had expressed their displeasure with several directors at the 2022 Annual Meeting, as Lead Independent Director James Shelton and Chair Debra Cafara received poor vote totals of 79% and 86%, respectively.

When we first highlighted – over a year ago – the significant undervaluation and underperformance of Ventas and our suggestions for how to improve the Company (see: [CureVentas.com/curing-a-decade-of-underperformance](https://www.cureventas.com/curing-a-decade-of-underperformance)), VTR was trading at a 16% lower cash flow (AFFO) multiple and a 80bps higher implied cap rate to its closest peer Welltower Inc. (“Welltower”) (NYSE: WELL). Both those spreads have now widened and are near all-time highs, with VTR trading at a 26% multiple discount to Welltower and 130bps higher cap rate.

Ventas’ consistent earnings (FFO per share) growth underperformance compared to Welltower has also failed to reverse, with VTR’s 2022 earnings growth lagging Welltower once again. Further, due to a combination of slower senior housing net operating income (NOI) growth than Welltower, a series of new and legacy poor capital allocation issues and a more levered balance sheet, Ventas is guiding to a decline in FFO in 2023 – while Welltower expects continued growth.

Total shareholder returns have also lagged behind Welltower since Land & Buildings initially highlighted its wide-ranging concerns about the Company in March of last year. And despite the continued senior housing strength and recovery, VTR has failed to outperform the Healthcare REIT Index (which is also comprised of more troubled sectors such as skilled nursing and hospitals) and REITs overall.<sup>1</sup>

This underperformance is perhaps not surprising given that Ventas failed to act on Land & Buildings recommendations, instead adopting reactive cosmetic board and governance changes. At best, the Company has merely resisted its worst impulses on capital allocation. However, there has been a lack of material change in the Company's strategy, investor communication and leadership. This status quo is unacceptable. Increased accountability is clearly required in the boardroom.

The Company's forced conversion of its \$486 million Santerre mezzanine loan into equity just a few weeks ago further exemplifies what is wrong with Ventas: 1) poor oversight by the Board of management's capital allocation and 2) poor investor communication. The failure of the investment itself can be added to the number of underwhelming capital allocation decisions Ventas has made over the years. And while it was clear to parties closely following the investment that it was likely to fail due to the underperformance of the assets and the high leverage, Ventas did not properly communicate these risk factors to investors. Instead, the announcement of the Company taking ownership of the underlying pool of healthcare assets was met with market surprise and derision, causing VTR to underperform Welltower by more than 5% in the days following the disclosure.

To improve and drive value for the benefit of shareholders, the Board of Ventas must:

- 1) Refresh the Investment Committee with truly independent and credible directors to instill capital allocation discipline and disclose the Investment Committee Charter;
- 2) Focus on operating as a beat and raise the Company by revamping its investor communications policy to clearly communicate to all investors at the same time achievable goals and potential issues;
- 3) Operate senior housing at best-in-class margins with a diversified group of operators; and
- 4) Enact real governance changes, including refreshing the Board and bolstering senior leadership.

In April 2022, Institutional Shareholder Services ("ISS"), a leading proxy voting advisory firm, wrote in regard to our proxy contest at Ventas, that, "...it is preferable to allow the incumbent board an opportunity to close the multiple gap over the next year...*Should the efforts of the company's leadership to close the multiple gap fall short, shareholders have the potential solution of supporting more substantive changes at next year's annual meeting...*" (emphasis added).<sup>2</sup>

These efforts have clearly come up short. Therefore, we intend to vote against Lead Independent Director James Shelton and Board Chair Debra Cafaro, the two longest-serving directors on Ventas' Board who we see as most directly responsible for the long-term underperformance and lack of accountability at the Company.

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<sup>1</sup> Data through 4/5/2023; Nareit Healthcare Index defined as FTSE Nareit Equity Health Care Index or FNHEATR Index; REITs defined as MSCI U.S. REIT Index or RMSG Index.

<sup>2</sup> Permission to quote ISS was neither sought nor obtained. Emphases added.

Land & Buildings will keep all options open in regard to its ongoing engagement with Ventas and remains open to working constructively with the Company to help drive value for the benefit of all VTR shareholders.

Sincerely,

Jonathan Litt

Land & Buildings Investment Management, LLC

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