

Medical Properties Trust to Invest \$950 Million in Behavioral Health Platform

June 15, 2021

Includes Purchase and Leaseback of 18 Inpatient Behavioral Hospital Facilities Valued at \$760 Million and Acquisition of Interests in \$190 Million Operating Company

Year-to-Date Investment Total Exceeds \$2.5 Billion

BIRMINGHAM, AL.--(BUSINESS WIRE)--Jun. 15, 2021-- Medical Properties Trust, Inc. (the "Company" or "MPT") (NYSE: MPW) today announced that it has entered into definitive agreements to acquire 18 inpatient behavioral health hospital facilities and an interest in the operations of Springstone, LLC ("Springstone") from Welsh, Carson, Anderson & Stowe ("WCAS") for total consideration of \$950 million. Springstone, based in Louisville, Kentucky, is a leading provider of behavioral health services in the United States distinguished by its purpose-built, inpatient facilities in carefully selected markets and care delivery across the full behavioral care acuity spectrum.

The hospitals, along with additional facilities that Springstone expects to develop and acquire, are expected to be master leased pursuant to terms that are anticipated to provide a GAAP-basis yield exceeding 9.0% and lease payment coverage of approximately 1.75x in the near-term. The lease is expected to include an initial 20-year term with CPI-based annual rent escalators subject to a 2% floor. The Company expects to initially fund the total cash consideration using cash on hand and borrowings under its revolving credit facility and additional financing arrangements, which may include issuances of debt and equity securities, placement of new secured loans on the acquired real estate, or a combination thereof. The sources of financing actually used will depend upon a variety of factors, including market conditions. The transactions are expected to close during the second half of 2021, subject to customary closing conditions, including certain regulatory approvals.

"The Springstone investments give MPT a major presence in the rapidly expanding United States behavioral health care market, which has been underserved in our society despite importance on the same level as acute and post-acute care hospitals," said Edward K. Aldag, Jr., MPT's Chairman, President, and CEO. "MPT's acquisition of the 18 purpose-built inpatient facilities, much like our recent investment in the Priory portfolio in the United Kingdom, appropriately targets the highest level of acuity within the behavioral care continuum, and we believe that our investment in the operating company will result in additional attractive real estate opportunities."

MPT anticipates that Springstone will continue to be operated by the same senior management team that has created this distinct portfolio of entirely de novo, purpose-built inpatient and outpatient behavioral health facilities in carefully selected markets. It is expected that these highly experienced individuals, led by Executive Chairman Bill Wilcox, CEO Phil Spencer and CFO Greg Miller, will co-invest alongside MPT in the operating company and be responsible for the day-to-day operations of Springstone, which will be essentially unchanged going forward.

"We're so appreciative of the job the management team did to build this business. We started this company from scratch 10 years ago and are incredibly proud to have built over 50 facilities, created more than 4,000 jobs, and treated tens of thousands of patients with the highest quality care," said Brian T. Regan, Head of Healthcare and Partner at WCAS. "It was important to us that the management team has the opportunity to be part of Springstone's ownership and to continue leading the company and its employees to the next phases of growth."

Philip Spencer, Springstone's CEO, added, "Over the past decade, Springstone has helped tens of thousands who struggle with mental health and addiction challenges, thanks to the support of Welsh, Carson, Anderson & Stowe and the dedication of our team of compassionate professionals. We look forward to working with MPT to expand our behavioral healthcare model to serve even more communities."

Benefits of Transaction

- **Expected to Achieve Immediate Accretion.** The strong cash and GAAP returns related to the sale-leaseback transaction and an accretive cash return on MPT's investments in the operating company, along with MPT's attractive cost of capital, are expected to result at closing in immediate improvement in per share net income and funds from operations.
- **Projected to Create an Unmatched Competitive Advantage in Accelerating United States Behavioral Health Care Market.** Springstone provides a full continuum of behavioral care including inpatient, partial hospitalization, and intensive outpatient programs and has targeted diversified geographies with positive demographic trends and a commercial-heavy payor mix. These factors, along with its scale and the purpose-built nature of its facilities, differentiate Springstone from competing operators. The COVID-19 pandemic has accelerated growth in demand for mental health services in the U.S., evidenced by improving Springstone operations throughout 2020. Like in the U.K., the U.S. government and payors alike acknowledge the need for incremental funding for behavioral health care.
- **Multiple Avenues for Growth Including Development and Expansion Projects.** Increasing demand for behavioral health services is expected to continue to generate additional attractive development and expansion projects not underwritten in this transaction.
- **Improved Portfolio Diversification.** MPT's largest individual property investment now represents only 2.6% of pro forma total gross assets.

The consummation of the Springstone transaction is subject to customary closing conditions, including applicable regulatory approvals and the finalization of agreements with current management. MPT cannot give assurances that the transactions will be successfully consummated as described above or at all. Barclays and Guggenheim Securities, LLC acted as financial advisors to MPT.

About Medical Properties Trust, Inc.

Medical Properties Trust, Inc. is a self-advised real estate investment trust formed in 2003 to acquire and develop net-leased hospital facilities. From its inception in Birmingham, Alabama, the Company has grown to become one of the world's largest owners of hospitals with 442 facilities and roughly 45,000 licensed beds in nine countries and across four continents on a pro forma basis. MPT's financing model facilitates acquisitions and recapitalizations and allows operators of hospitals to unlock the value of their real estate assets to fund facility improvements, technology upgrades and other investments in operations. For more information (including additional details related to the Springstone investment as part of an updated investor presentation), please visit the Company's website at www.medicalpropertiestrust.com.

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