

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2024

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 1-8923

WELLTOWER INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation)

34-1096634

(IRS Employer
Identification No.)

4500 Dorr Street Toledo, Ohio

(Address of principal executive office)

43615

(Zip Code)

(419)-247-2800

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
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Common stock, \$1.00 par value per share	WELL	New York Stock Exchange
Guarantee of 4.800% Notes due 2028 issued by Welltower OP LLC	WELL/28	New York Stock Exchange
Guarantee of 4.500% Notes due 2034 issued by Welltower OP LLC	WELL/34	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically, if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 26, 2024, Welltower Inc. had 609,147,531 shares of common stock outstanding.

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PART I. FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEETS WELLTOWER INC. AND SUBSIDIARIES

(In thousands)

	June 30, 2024 (Unaudited)	December 31, 2023 (Note)
Assets:		
Real estate investments:		
Real property owned:		
Land and land improvements	\$ 4,839,036	\$ 4,697,824
Buildings and improvements	38,540,623	37,796,553
Acquired lease intangibles	2,192,386	2,166,470
Real property held for sale, net of accumulated depreciation	81,033	372,883
Construction in progress	1,474,024	1,304,441
Less accumulated depreciation and amortization	(9,908,007)	(9,274,814)
Net real property owned	37,219,095	37,063,357
Right of use assets, net	360,282	350,969
Real estate loans receivable, net of credit allowance	1,791,202	1,361,587
Net real estate investments	39,370,579	38,775,913
Other assets:		
Investments in unconsolidated entities	1,709,558	1,636,531
Goodwill	68,321	68,321
Cash and cash equivalents	2,776,628	1,993,646
Restricted cash	86,970	82,437
Straight-line rent receivable	420,666	443,800
Receivables and other assets	1,101,215	1,011,518
Total other assets	6,163,358	5,236,253
Total assets	<u>\$ 45,533,937</u>	<u>\$ 44,012,166</u>
Liabilities and equity		
Liabilities:		
Unsecured credit facility and commercial paper	\$ —	\$ —
Senior unsecured notes	12,169,775	13,552,222
Secured debt	1,765,992	2,183,327
Lease liabilities	393,670	383,230
Accrued expenses and other liabilities	1,515,921	1,521,660
Total liabilities	15,845,358	17,640,439
Redeemable noncontrolling interests	262,273	290,605
Equity:		
Common stock	609,859	565,894
Capital in excess of par value	36,693,283	32,741,949
Treasury stock	(114,674)	(111,578)
Cumulative net income	9,526,904	9,145,044
Cumulative dividends	(17,492,484)	(16,773,773)
Accumulated other comprehensive income (loss)	(246,462)	(163,160)
Total Welltower Inc. stockholders' equity	28,976,426	25,404,376
Noncontrolling interests	449,880	676,746
Total equity	29,426,306	26,081,122
Total liabilities and equity	<u>\$ 45,533,937</u>	<u>\$ 44,012,166</u>

Note: The consolidated balance sheet at December 31, 2023 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
WELLTOWER INC. AND SUBSIDIARIES
(In thousands, except per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Revenues:				
Resident fees and services	\$ 1,393,473	\$ 1,159,449	\$ 2,753,747	\$ 2,291,134
Rental income	335,811	383,439	753,463	767,498
Interest income	63,453	38,710	116,117	75,115
Other income	32,147	83,880	61,298	92,460
Total revenues	1,824,884	1,665,478	3,684,625	3,226,207
Expenses:				
Property operating expenses	1,111,297	958,672	2,208,210	1,916,425
Depreciation and amortization	382,045	341,945	747,908	681,057
Interest expense	133,424	152,337	280,742	296,740
General and administrative expenses	55,565	44,287	108,883	88,658
Loss (gain) on derivatives and financial instruments, net	(5,825)	1,280	(8,879)	2,210
Loss (gain) on extinguishment of debt, net	1,705	1	1,711	6
Provision for loan losses, net	5,163	2,456	6,177	3,233
Impairment of assets	2,394	1,086	45,725	13,715
Other expenses	48,684	11,069	62,815	33,814
Total expenses	1,734,452	1,513,133	3,453,292	3,035,858
Income (loss) from continuing operations before income taxes and other items	90,432	152,345	231,333	190,349
Income tax (expense) benefit	(1,101)	(3,503)	(7,292)	(6,548)
Income (loss) from unconsolidated entities	4,896	(40,332)	(2,887)	(47,403)
Gain (loss) on real estate dispositions, net	166,443	(2,168)	171,150	(1,421)
Income (loss) from continuing operations	260,670	106,342	392,304	134,977
Net income (loss)	260,670	106,342	392,304	134,977
Less: Net income (loss) attributable to noncontrolling interests ⁽¹⁾	5,956	3,302	10,444	6,264
Net income (loss) attributable to common stockholders	\$ 254,714	\$ 103,040	\$ 381,860	\$ 128,713
Weighted average number of common shares outstanding:				
Basic	600,545	499,023	587,297	495,561
Diluted	604,563	501,970	591,047	498,305
Earnings per share:				
Basic:				
Income (loss) from continuing operations	\$ 0.43	\$ 0.21	\$ 0.67	\$ 0.27
Net income (loss) attributable to common stockholders	\$ 0.42	\$ 0.21	\$ 0.65	\$ 0.26
Diluted:				
Income (loss) from continuing operations	\$ 0.43	\$ 0.21	\$ 0.66	\$ 0.27
Net income (loss) attributable to common stockholders ⁽²⁾	\$ 0.42	\$ 0.20	\$ 0.65	\$ 0.26
Dividends declared and paid per common share ⁽³⁾	\$ 0.61	\$ 0.61	\$ 1.22	\$ 1.22

⁽¹⁾ Includes amounts attributable to redeemable noncontrolling interests.

⁽²⁾ Includes adjustment to the numerator for income (loss) attributable to OP Units and DownREIT Units.

⁽³⁾ In June, the Board approved to increase the dividend to \$0.67 beginning in the third quarter.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**WELLTOWER INC. AND SUBSIDIARIES**

(In thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Net income (loss)	\$ 260,670	\$ 106,342	\$ 392,304	\$ 134,977
Other comprehensive income (loss):				
Foreign currency translation gain (loss)	(28,340)	119,519	(114,170)	200,284
Derivative and financial instruments designated as hedges gain (loss)	9,096	(85,884)	69,711	(155,622)
Total other comprehensive income (loss)	<u>(19,244)</u>	<u>33,635</u>	<u>(44,459)</u>	<u>44,662</u>
Total comprehensive income (loss)	241,426	139,977	347,845	179,639
Less: Total comprehensive income (loss) attributable to noncontrolling interests ⁽¹⁾	5,258	8,286	2,208	14,127
Total comprehensive income (loss) attributable to common stockholders	<u>\$ 236,168</u>	<u>\$ 131,691</u>	<u>\$ 345,637</u>	<u>\$ 165,512</u>

⁽¹⁾ Includes amounts attributable to redeemable noncontrolling interests.

CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)
WELLTOWER INC. AND SUBSIDIARIES
(In thousands)

	Six Months Ended June 30, 2024							
	Common Stock	Capital in Excess of Par Value	Treasury Stock	Cumulative Net Income	Cumulative Dividends	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
Balances at January 1, 2024	\$ 565,894	\$ 32,741,949	\$ (111,578)	\$ 9,145,044	\$ (16,773,773)	\$ (163,160)	\$ 676,746	\$ 26,081,122
Comprehensive income:				127,146				
Net income (loss)							4,180	131,326
Other comprehensive income (loss)						(17,677)	(6,075)	(23,752)
Total comprehensive income								107,574
Net change in noncontrolling interests		(19,282)					6,191	(13,091)
Adjustment to members' interest from change in ownership in Welltower OP		(18,852)					18,852	—
Redemption of OP Units and DownREIT Units	19	825					(844)	—
Amounts related to stock incentive plans, net of forfeitures	112	11,936	(3,264)					8,784
Net proceeds from issuance of common stock	26,612	2,388,521						2,415,133
Dividends paid:					(352,529)			(352,529)
Common stock dividends								
Balances at March 31, 2024	<u>\$ 592,637</u>	<u>\$ 35,105,097</u>	<u>\$ (114,842)</u>	<u>\$ 9,272,190</u>	<u>\$ (17,126,302)</u>	<u>\$ (180,837)</u>	<u>\$ 699,050</u>	<u>\$ 28,246,993</u>
Comprehensive income:				254,714				
Net income (loss)							5,806	260,520
Other comprehensive income (loss)						(18,656)	(95)	(18,751)
Total comprehensive income								241,769
Net change in noncontrolling interests		(49,943)				(46,969)	(256,613)	(353,525)
Adjustment to members' interest from change in ownership in Welltower OP		(1,833)					1,833	—
Redemption of OP Units and DownREIT Units	476	42,636					(101)	43,011
Amounts related to stock incentive plans, net of forfeitures	36	11,028	168					11,232
Net proceeds from issuance of common stock	16,710	1,586,298						1,603,008
Dividends paid:					(366,182)			(366,182)
Common stock dividends								
Balances at June 30, 2024	<u>\$ 609,859</u>	<u>\$ 36,693,283</u>	<u>\$ (114,674)</u>	<u>\$ 9,526,904</u>	<u>\$ (17,492,484)</u>	<u>\$ (246,462)</u>	<u>\$ 449,880</u>	<u>\$ 29,426,306</u>

CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)
WELLTOWER INC. AND SUBSIDIARIES
(In thousands)

Six Months Ended June 30, 2023

	Common Stock	Capital in Excess of Par Value	Treasury Stock	Cumulative Net Income	Cumulative Dividends	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
Balances at January 1, 2023	\$ 491,919	\$ 26,742,750	\$ (111,001)	\$ 8,804,950	\$ (15,514,097)	\$ (119,707)	\$ 714,739	\$ 21,009,553
Comprehensive income:								
Net income (loss)				25,673			2,688	28,361
Other comprehensive income (loss)						8,148	3,023	11,171
Total comprehensive income								39,532
Net change in noncontrolling interests		(8,304)					29,648	21,344
Adjustment to members' interest from change in ownership in Welltower OP		(6,139)					6,139	—
Redemption of OP Units and DownREIT Units	272	17,515					(432)	17,355
Amounts related to stock incentive plans, net of forfeitures	134	9,330	(1,924)					7,540
Net proceeds from issuance of common stock	5,603	404,862						410,465
Dividends paid:								
Common stock dividends					(301,829)			(301,829)
Balances at March 31, 2023	<u>\$ 497,928</u>	<u>\$ 27,160,014</u>	<u>\$ (112,925)</u>	<u>\$ 8,830,623</u>	<u>\$ (15,815,926)</u>	<u>\$ (111,559)</u>	<u>\$ 755,805</u>	<u>\$ 21,203,960</u>
Comprehensive income:								
Net income (loss)				103,040			3,505	106,545
Other comprehensive income (loss)						28,651	4,410	33,061
Total comprehensive income								139,606
Net change in noncontrolling interests		8,579				(12,686)	(149,013)	(153,120)
Adjustment to members' interest from change in ownership in Welltower OP		(4,794)					4,794	—
Redemption of OP Units and DownREIT Units	1	18					(19)	—
Amounts related to stock incentive plans, net of forfeitures	43	11,088	893					12,024
Net proceeds from issuance of common stock	11,833	910,392						922,225
Dividends paid:								
Common stock dividends					(300,772)			(300,772)
Balances at June 30, 2023	<u>\$ 509,805</u>	<u>\$ 28,085,297</u>	<u>\$ (112,032)</u>	<u>\$ 8,933,663</u>	<u>\$ (16,116,698)</u>	<u>\$ (95,594)</u>	<u>\$ 619,482</u>	<u>\$ 21,823,923</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
WELLTOWER INC. AND SUBSIDIARIES
(In thousands)

	Six Months Ended June 30,	
	2024	2023
Operating activities:		
Net income	\$ 392,304	\$ 134,977
Adjustments to reconcile net income to net cash provided from (used in) operating activities:		
Depreciation and amortization	747,908	681,057
Other amortization expenses	28,106	20,086
Provision for loan losses, net	6,177	3,233
Impairment of assets	45,725	13,715
Stock-based compensation expense	22,398	19,960
Loss (gain) on derivatives and financial instruments, net	(8,879)	2,210
Loss (gain) on extinguishment of debt, net	1,711	6
Loss (income) from unconsolidated entities	2,887	47,403
Rental income less than (in excess of) cash received	13,696	(71,997)
Amortization related to above (below) market leases, net	14	(248)
Loss (gain) on real estate dispositions, net	(171,150)	1,421
Proceeds from (payments on) interest rate swap settlements	(59,555)	(65,485)
Distributions by unconsolidated entities	10,018	6,895
Increase (decrease) in accrued expenses and other liabilities	53,105	(9,380)
Decrease (increase) in receivables and other assets	(72,240)	8,450
Net cash provided from (used in) operating activities	<u>1,012,225</u>	<u>792,303</u>
Investing activities:		
Cash disbursed for acquisitions, net of cash acquired	(607,527)	(424,094)
Cash disbursed for capital improvements to existing properties	(297,602)	(204,978)
Cash disbursed for construction in progress	(459,122)	(474,115)
Capitalized interest	(28,287)	(22,205)
Investment in loans receivable	(580,145)	(76,397)
Principal collected on loans receivable	138,059	46,493
Other investments, net of payments	(37,185)	(95,819)
Contributions to unconsolidated entities	(146,196)	(206,160)
Distributions by unconsolidated entities	21,859	125,176
Net proceeds from net investment hedge settlements	6,631	3,933
Proceeds from sales of real property	129,773	1,950
Net cash provided from (used in) investing activities	<u>(1,859,742)</u>	<u>(1,326,216)</u>
Financing activities:		
Net increase (decrease) under unsecured credit facility and commercial paper	—	—
Net proceeds from issuance of senior unsecured notes	—	1,011,427
Payments to extinguish senior unsecured notes	(1,350,000)	—
Net proceeds from the issuance of secured debt	2,872	373,462
Payments on secured debt	(233,799)	(101,277)
Net proceeds from the issuance of common stock	4,020,345	1,333,908
Payments for deferred financing costs and prepayment penalties	(6)	(6,958)
Contributions by noncontrolling interests ⁽¹⁾	26,569	181,272
Distributions to noncontrolling interests ⁽¹⁾	(85,803)	(80,672)
Cash distributions to stockholders	(718,278)	(603,597)
Other financing activities	(24,215)	(5,254)
Net cash provided from (used in) financing activities	<u>1,637,685</u>	<u>2,102,311</u>
Effect of foreign currency translation on cash and cash equivalents and restricted cash	(2,653)	8,379
Increase (decrease) in cash, cash equivalents and restricted cash	787,515	1,576,777
Cash, cash equivalents and restricted cash at beginning of period	2,076,083	722,292
Cash, cash equivalents and restricted cash at end of period	<u>\$ 2,863,598</u>	<u>\$ 2,299,069</u>
Supplemental cash flow information:		
Interest paid	\$ 280,277	\$ 273,979
Income taxes paid (received), net	9,125	1,157

⁽¹⁾ Includes amounts attributable to redeemable noncontrolling interests.

WELLTOWER INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Business

Welltower Inc., an S&P 500 company headquartered in Toledo, Ohio, is driving the transformation of health care infrastructure. We invest with leading seniors housing operators, post-acute providers and health systems to fund the real estate and infrastructure needed to scale innovative care delivery models and improve people's wellness and overall health care experience. Welltower Inc., a real estate investment trust ("REIT"), owns interests in properties concentrated in major, high-growth markets in the United States ("U.S."), Canada and the United Kingdom ("U.K."), consisting of seniors housing and post-acute communities and outpatient medical properties.

We are structured as an umbrella partnership REIT under which substantially all of our business is conducted through Welltower OP LLC, the day-to-day management of which is exclusively controlled by Welltower Inc. Unless stated otherwise or the context otherwise requires, references to "Welltower" mean Welltower Inc. and references to "Welltower OP" mean Welltower OP LLC. References to "we," "us" and "our" mean collectively Welltower, Welltower OP and those entities/subsidiaries owned or controlled by Welltower and/or Welltower OP. Welltower's weighted average ownership in Welltower OP was 99.737% for the six months ended June 30, 2024. As of June 30, 2024, Welltower owned 99.730% of the issued and outstanding units of Welltower OP, with other investors owning the remaining 0.270% of outstanding units. We adjust the noncontrolling members' interest at the end of each period to reflect their interest in the net assets of Welltower OP.

2. Accounting Policies and Related Matters

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and with instructions to Quarterly Report on Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (such as normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six months ended June 30, 2024 are not necessarily an indication of the results that may be expected for the year ending December 31, 2024. For further information, refer to the financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2023.

New Accounting Standards

In November 2023, the FASB issued Accounting Standards Update No. 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," which is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The guidance is to be applied retrospectively to all periods presented in the financial statements. We are currently evaluating the potential impact of adopting this new guidance on our consolidated financial statements and disclosures.

In December 2023, the FASB issued Accounting Standards Update No. 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures ("ASU 2023-09)," which modifies the rules on income tax disclosures to require entities to disclose (1) specific categories in the rate reconciliation, (2) the income or loss from continuing operations before income tax expense or benefit (separated between domestic and foreign) and (3) income tax expense or benefit from continuing operations (separated by federal, state and foreign). ASU 2023-09 also requires entities to disclose their income tax payments to international, federal, state and local jurisdictions, among other changes. The guidance is effective for annual periods beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. ASU 2023-09 should be applied on a prospective basis, but retrospective application is permitted. We are currently evaluating the potential impact of adopting this new guidance on our consolidated financial statements and disclosures.

3. Real Property Acquisitions and Development

The total purchase price for all properties acquired has been allocated to the tangible and identifiable intangible assets and liabilities at cost on a relative fair value basis. Liabilities assumed and any associated noncontrolling interests are reflected at fair value. The results of operations for these acquisitions have been included in our consolidated results of operations since the date of acquisition and are a component of the appropriate segments. Transaction costs primarily represent costs incurred with acquisitions, including due diligence costs, fees for legal and valuation services, termination of pre-existing relationships computed based on the fair value of the assets acquired, lease termination fees and other acquisition-related costs. Transaction costs directly related to asset acquisitions are capitalized as a component of purchase price and all other non-capitalizable costs are reflected in other expenses on our Consolidated Statements of Comprehensive Income. Our acquisition of properties are at times subject to earn out provisions based on the future operating performance of the acquired properties, which could result in incremental payments in the future. Our policy is to recognize such contingent consideration when the contingency is resolved and the consideration becomes payable.

WELLTOWER INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following is a summary of our real property investment activity by segment for the periods presented (in thousands):

	Six Months Ended							
	June 30, 2024				June 30, 2023			
	Seniors Housing Operating	Triple-net	Outpatient Medical	Totals	Seniors Housing Operating	Triple-net	Outpatient Medical	Totals
Land and land improvements	\$ 68,662	\$ 14,193	\$ 10,160	\$ 93,015	\$ 4,426	\$ 7,370	\$ 60,527	\$ 72,323
Buildings and improvements	422,488	61,914	33,064	517,466	50,172	74,289	256,190	380,651
Acquired lease intangibles	34,827	—	2,193	37,020	970	—	39,090	40,066
Construction in progress	19,397	—	—	19,397	—	—	—	—
Right of use assets, net	—	—	—	—	—	—	927	927
Total net real estate assets	545,374	76,107	45,417	666,898	55,568	81,659	356,734	493,961
Receivables and other assets	1,403	34	112	1,549	2,089	—	358	2,447
Total assets acquired	546,777	76,141	45,529	668,447	57,657	81,659	357,092	496,408
Secured debt	—	—	—	—	(21,767)	—	(40,953)	(62,720)
Lease liabilities	—	—	—	—	—	—	(953)	(953)
Accrued expenses and other liabilities	(11,905)	—	(182)	(12,087)	(570)	—	(8,071)	(8,641)
Total liabilities acquired	(11,905)	—	(182)	(12,087)	(22,337)	—	(49,977)	(72,314)
Noncontrolling interests	(1,149)	—	—	(1,149)	—	—	—	—
Non-cash acquisition related activity ⁽¹⁾	(46,974)	(710)	—	(47,684)	—	—	—	—
Cash disbursed for acquisitions	486,749	75,431	45,347	607,527	35,320	81,659	307,115	424,094
Construction in progress additions	317,468	28	182,290	499,786	295,120	25,646	190,164	510,930
Less: Capitalized interest	(23,712)	—	(4,575)	(28,287)	(16,761)	(2,416)	(3,028)	(22,205)
Accruals ⁽²⁾	474	126	(12,977)	(12,377)	746	(9,384)	(5,972)	(14,610)
Cash disbursed for construction in progress	294,230	154	164,738	459,122	279,105	13,846	181,164	474,115
Capital improvements to existing properties	239,484	11,706	46,412	297,602	165,187	11,784	28,007	204,978
Total cash invested in real property, net of cash acquired	<u>\$ 1,020,463</u>	<u>\$ 87,291</u>	<u>\$ 256,497</u>	<u>\$ 1,364,251</u>	<u>\$ 479,612</u>	<u>\$ 107,289</u>	<u>\$ 516,286</u>	<u>\$ 1,103,187</u>

⁽¹⁾ Primarily relates to the acquisition of assets previously financed as real estate loans receivable and the acquisition of assets previously recognized as investments in unconsolidated entities.

⁽²⁾ Represents non-cash accruals for amounts to be paid in future periods for properties that converted, offset by amounts paid in the current period.

Announced Acquisitions

In February 2024, we entered into a definitive agreement to acquire 25 Seniors Housing Operating properties for a total purchase price of \$969 million, which will be managed under the Affinity brand. The transaction is expected to close in the second half of 2024 and will be funded through a combination of cash and the expected assumption of approximately \$521 million of secured debt, subject to customary closing conditions and lender consents.

In July 2024, we entered into a definitive agreement to acquire a seniors housing portfolio for approximately \$0.9 billion. The transaction is expected to close later in the year, subject to customary closing conditions.

Construction Activity

The following is a summary of the construction projects that were placed into service and began generating revenues during the periods presented (in thousands):

	Six Months Ended	
	June 30, 2024	June 30, 2023
Development projects:		
Seniors Housing Operating	\$ 194,012	\$ 140,865
Triple-net	—	141,142
Outpatient Medical	106,596	21,173
Total development projects	300,608	303,180
Expansion projects	20,229	26,125
Total construction in progress conversions	<u>\$ 320,837</u>	<u>\$ 329,305</u>

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4. Real Estate Intangibles

The following is a summary of our real estate intangibles, excluding those related to ground leases or classified as held for sale, as of the dates indicated (dollars in thousands):

	June 30, 2024	December 31, 2023
Assets:		
In place lease intangibles	\$ 2,016,507	\$ 2,001,827
Above market tenant leases	66,663	66,663
Lease commissions	109,216	97,980
Gross historical cost	2,192,386	2,166,470
Accumulated amortization	(1,743,005)	(1,651,656)
Net book value	<u><u>\$ 449,381</u></u>	<u><u>\$ 514,814</u></u>
Liabilities:		
Below market tenant leases	\$ 70,364	\$ 70,364
Accumulated amortization	(50,325)	(47,939)
Net book value	<u><u>\$ 20,039</u></u>	<u><u>\$ 22,425</u></u>

The following is a summary of real estate intangible amortization income (expense) for the periods presented (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Rental income related to (above)/below market tenant leases, net	\$ (54)	\$ 130	\$ (85)	\$ 175
Amortization related to in place lease intangibles and lease commissions	(60,876)	(53,774)	(107,667)	(109,925)

5. Dispositions, Real Property Held for Sale and Impairment

We periodically sell properties for various reasons, including favorable market conditions, the exercise of tenant purchase options or reduction of concentrations (i.e., property type, relationship or geography). At June 30, 2024, eight Seniors Housing Operating properties and one Outpatient Medical property with an aggregate real estate balance of \$81,033,000 were classified as held for sale. Expected gross sales proceeds related to these held for sale properties are approximately \$95,250,000.

During the six months ended June 30, 2024, we recorded impairment charges of \$41,157,000 related to nine Seniors Housing Operating properties which were disposed of or classified as held for sale for which the carrying value exceeded the estimated fair value less costs to sell and \$4,568,000 related to two Seniors Housing Operating properties and one Triple-net property classified as held for use for which the carrying value exceeded the estimated fair value.

During the six months ended June 30, 2023, we recorded \$13,715,000 of impairment charges related to two Seniors Housing Operating properties and one Triple-net property classified as held for sale for which the carrying value exceeded the estimated fair value less costs to sell, and one Seniors Housing Operating property classified as held for use for which the carrying value exceeded the estimated fair value.

Operating results attributable to properties sold or classified as held for sale which do not meet the definition of discontinued operations are not reclassified on our Consolidated Statements of Comprehensive Income. We recognized income (loss) from continuing operations before income taxes and other items from properties sold or classified as held for sale as of June 30, 2024 of \$(9,271,000) and \$(47,058,000) for the three and six months ended June 30, 2024 and \$61,899,000 and \$46,849,000 for the same periods in 2023, respectively.

The following is a summary of our real property disposition activity for the periods presented (in thousands):

	Six Months Ended	
	June 30, 2024	June 30, 2023
Real estate dispositions:⁽¹⁾		
Seniors Housing Operating	\$ 353,290	\$ 243,695
Triple-net	170	2,028
Outpatient Medical	39,567	—
Total dispositions	<u><u>393,027</u></u>	<u><u>245,723</u></u>
Gain (loss) on real estate dispositions, net		
Net other assets/(liabilities) disposed	171,150	(1,421)
Non-cash consideration	(78)	(624)
Cash proceeds from real estate dispositions	<u><u>\$ 129,773</u></u>	<u><u>\$ 1,950</u></u>

⁽¹⁾ During the six months ended June 30, 2024, includes the disposition of unconsolidated equity method investments that owned six Seniors Housing Operating properties and one Outpatient Medical property.

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Strategic Dissolution of Revera Joint Ventures

During the quarter ended June 30, 2023, we entered into definitive agreements to dissolve our existing Revera joint venture relationships across the U.S., U.K. and Canada. The transactions included acquiring the remaining interests in 110 properties from Revera, while simultaneously selling interests in 31 properties to Revera.

In June 2023, we closed the U.K. portfolio portion of the transaction through the acquisition of the remaining ownership interest in 29 properties previously held in two separate consolidated joint venture structures in which we owned 75% and 90% of the interests in exchange for the disposition to Revera of our interests in four properties. In addition, we received cash from Revera of \$107,341,000 relating to the net settlement of loans previously made to the joint ventures. Operations for the 29 retained properties were transitioned to Avery Healthcare.

Total proceeds related to the four properties disposed were \$222,521,000, which included non-cash consideration from Revera of \$241,728,000, comprised of the fair value of interests received by us of \$198,837,000 and an allocation of Revera's noncontrolling interests of \$42,891,000, partially offset by \$9,049,000 of transaction-related expenses as well as the \$10,158,000 of cash paid to equalize the value exchanged between the parties. We disposed of net real property owned of \$224,208,000, resulting in a loss of \$1,687,000 recognized within gain (loss) on real estate dispositions, net within our Consolidated Statements of Comprehensive Income. Consideration transferred to acquire the additional interests in the 29 properties was comprised of the fair value of interests transferred by us of \$198,837,000 and \$5,776,000 of cash paid for transaction-related expenses. We derecognized \$180,497,000 of noncontrolling interests and \$22,270,000 of liabilities previously due to Revera with an adjustment of \$1,846,000 recognized in capital in excess of par value.

We closed the portion of the transactions predominantly related to the U.S. portfolio during the third quarter of 2023 through (i) the acquisition of the remaining interests in ten properties currently under development or recently developed by Sunrise Senior Living that were previously held within an equity method joint venture owned 34% by us and 66% by Revera, (ii) the disposition of our minority interests in 12 U.S. properties and one Canadian development project and (iii) the disposition of our 34% interest in the Sunrise Senior Living management company. We recorded net real estate investments of \$479,525,000 related to the ten acquired and now consolidated properties, which was comprised of \$31,456,000 of cash consideration and \$448,069,000 of non-cash consideration. Non-cash consideration primarily includes \$270,486,000 of assumed mortgage debt secured by the acquired properties, which was subsequently repaid in full by us immediately following the transaction, \$47,734,000 of carryover investment from our prior 34% equity method ownership interest and \$119,258,000 of fair value interests in the 13 properties transferred by us to Revera. We also derecognized \$56,905,000 of equity method investments related to the 13 properties retained by Revera and recorded a gain on real estate dispositions of \$62,075,000. In conjunction with this transaction, operations for two of the now wholly-owned properties, along with operations for 26 existing wholly-owned properties, transitioned to Oakmont Management Group.

In April 2024, we closed the Canadian portfolio portion of the transaction through the acquisition of the remaining ownership interest in 71 properties previously held in consolidated joint venture structures in which we owned 75% of the interests, in exchange for the disposition to Revera of our interests in 14 properties. In addition, we received cash of \$60,614,000 relating to the net settlement of loans previously made to Revera to fund its share of the pay-off of third party secured debt of the joint ventures. Operations for the 71 retained properties previously transitioned to Cogir Senior Living (53), Levante Living (12) and Optima Living (6) during 2023.

Total net proceeds related to the 14 properties disposed were \$430,898,000, which included non-cash consideration from Revera of \$434,326,000, comprised primarily of the net fair value of interests received by us of \$219,940,000, debt which we were relieved of in the amount of \$164,640,000 and an allocation of Revera's noncontrolling interests in the disposed properties of \$53,174,000. We disposed of net real property owned of \$293,257,000 and paid \$3,428,000 of cash transaction-related expenses for the sale of the 14 properties, resulting in a gain of \$137,641,000 recognized within gain (loss) on real estate dispositions, net within our Consolidated Statements of Comprehensive Income. Consideration transferred to acquire the additional interests in the 71 properties was primarily comprised of the fair value of interests transferred by us of \$219,940,000, a cash payment of \$51,986,000 to equalize the value exchanged between the parties and \$17,258,000 of cash paid for transaction-related expenses. We derecognized \$246,564,000 of Revera's noncontrolling interests in the acquired properties with an adjustment of \$42,619,000 recognized in capital in excess of par value.

The non-cash investing activity with respect to the sale of the properties to Revera and non-cash financing activity with respect to the acquisition of Revera's interests have been excluded from our Consolidated Statement of Cash Flows.

Genesis HealthCare

As part of the substantial exit of the Genesis HealthCare ("Genesis") operating relationship, which we disclosed on March 2, 2021, we transitioned the sublease of a portfolio of seven facilities from Genesis to Complete Care Management in the second quarter of 2021. As part of the March 2021 transaction, we entered into a forward sale agreement for the seven properties valued at \$182,618,000, which was expected to close when the Welltower-held purchase option became exercisable. As of March 31, 2023, the right of use assets related to the properties were \$115,359,000 and were reflected as held for sale with the corresponding lease liabilities of \$66,530,000 on our Consolidated Balance Sheet.

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On May 1, 2023, we executed a series of transactions that included the assignment of the leasehold interest to a newly formed tri-party unconsolidated joint venture together with Aurora Health Network, Peace Capital (an affiliate of Complete Care Management) and us, and culminated with the closing of the purchase option by the joint venture. The transactions resulted in net cash proceeds to us of \$104,240,000 (excluded from the dispositions table above) after our retained interest of \$11,571,000 in the joint venture and a gain from the loss of control and derecognition of the leasehold interest of \$65,485,000, which we recorded in other income within our Consolidated Statements of Comprehensive Income.

6. Leases

We lease land, buildings, office space and certain equipment. Many of our leases include a renewal option to extend the term from one to 25 years or more. Renewal options that we are reasonably certain to exercise are recognized in our right-of-use assets and lease liabilities.

The components of lease expense were as follows for the periods presented (in thousands):

	Classification	Six Months Ended	
		June 30, 2024	June 30, 2023
Operating lease cost: ⁽¹⁾			
Real estate lease expense	Property operating expenses	\$ 11,830	\$ 11,093
Non-real estate investment lease expense	General and administrative expenses	3,084	3,586
Finance lease cost:			
Amortization of leased assets	Property operating expenses	2,165	3,628
Interest on lease liabilities	Interest expense	1,747	1,980
Sublease income	Rental income	—	(3,933)
Total		\$ 18,826	\$ 16,354

⁽¹⁾ Includes short-term leases which are immaterial.

Supplemental balance sheet information related to leases in which we are the lessee is as follows (in thousands):

	Classification	June 30, 2024	December 31, 2023
Right of use assets:			
Operating leases - real estate	Right of use assets, net	\$ 281,313	\$ 283,293
Finance leases - real estate	Right of use assets, net	78,969	67,676
Real estate right of use assets, net		360,282	350,969
Operating leases - non-real estate investments	Receivables and other assets	9,660	11,338
Total right of use assets, net		\$ 369,942	\$ 362,307
Lease liabilities:			
Operating leases		\$ 302,309	\$ 303,553
Finance leases		91,361	79,677
Total		\$ 393,670	\$ 383,230

Substantially all of our operating leases in which we are the lessor contain escalating rent structures. Leases with fixed annual rental escalators are generally recognized on a straight-line basis over the initial lease period, subject to a collectability assessment. Rental income related to leases with contingent rental escalators is generally recorded based on the contractual cash rental payments due for the period. During the six months ended June 30, 2024, we wrote off previously recognized straight-line rent receivable and unamortized lease incentive balances of \$97,665,000 through a reduction of rental income, which relate to leases for which the collection of substantially all contractual lease payments was no longer probable due primarily to agreements reached to convert Triple-net leased properties to Seniors Housing Operating RIDEA structures (see Note 19).

Leases in our Triple-net and Outpatient Medical portfolios recognized under ASC 842, "Leases" (ASC 842), typically include some form of operating expense reimbursement by the tenant. For the six months ended June 30, 2024, we recognized \$753,463,000 of rental income related to operating leases, of which \$109,607,000 was for variable lease payments that primarily represents the reimbursement of operating costs such as common area maintenance expenses, utilities, insurance and real estate taxes. For the six months ended June 30, 2023, we recognized \$767,498,000 of rental income related to operating leases, of which \$108,566,000 was for variable lease payments.

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For the majority of our Seniors Housing Operating segment, revenue from resident fees and services is predominantly service-based, and as such, resident agreements are accounted for under ASC 606, "Revenue from Contracts with Customers." Within that reportable segment, we also recognize revenue from residential seniors apartment leases in accordance with ASC 842. The amount of revenue related to these leases was \$265,959,000 and \$222,452,000 for the six months ended June 30, 2024 and 2023, respectively.

7. Loans Receivable

Loans receivable are recorded on our Consolidated Balance Sheets in real estate loans receivable, net of allowance for credit losses, or for non-real estate loans receivable, in receivables and other assets. Real estate loans receivable consists of mortgage loans and other real estate loans, which are primarily collateralized by a first, second or third mortgage lien, a leasehold mortgage on, or an assignment of the partnership interest in, the related properties, as well as corporate guarantees and/or personal guarantees. Non-real estate loans are generally corporate loans with no real estate backing. Interest income on loans is recognized as earned based upon the principal amount outstanding subject to an evaluation of the risk of credit loss. Accrued interest receivable was \$35,569,000 and \$31,798,000 as of June 30, 2024 and December 31, 2023, respectively, and is included in receivables and other assets on the Consolidated Balance Sheets. The following is a summary of our loans receivable (in thousands):

	June 30, 2024	December 31, 2023
Mortgage loans	\$ 1,511,008	\$ 1,057,516
Other real estate loans	306,399	324,660
Allowance for credit losses on real estate loans receivable	(26,205)	(20,589)
Real estate loans receivable, net of credit allowance	1,791,202	1,361,587
Non-real estate loans	519,513	503,993
Allowance for credit losses on non-real estate loans receivable	(171,888)	(173,874)
Non-real estate loans receivable, net of credit allowance	347,625	330,119
Total loans receivable, net of credit allowance	<u>\$ 2,138,827</u>	<u>\$ 1,691,706</u>

The following is a summary of our loan activity for the periods presented (in thousands):

	Six Months Ended	
	June 30, 2024	June 30, 2023
Advances on loans receivable	\$ 580,145	\$ 76,397
Less: Receipts on loans receivable	138,059	46,493
Net cash advances (receipts) on loans receivable	<u>\$ 442,086</u>	<u>\$ 29,904</u>

During the six months ended June 30, 2024, we provided a first mortgage loan collateralized by a portfolio of seniors housing communities for \$456,199,000. The loan bears interest at 10% per annum.

The allowance for credit losses on loans receivable is maintained at a level believed adequate to absorb potential losses in our loans receivable. The determination of the credit allowance is based on a quarterly evaluation of each of these loans, including general economic conditions and estimated collectability of loan payments. We evaluate the collectability of our loans receivable based on a combination of credit quality indicators, including, but not limited to, payment status, historical loan charge-offs, financial strength of the borrower and guarantors, and nature, extent, and value of the underlying collateral.

A loan is considered to have deteriorated credit quality when, based on current information and events, it is probable that we will be unable to collect all amounts due as scheduled according to the contractual terms of the loan agreement. For those loans we identified as having deteriorated credit quality, we determine the amount of credit loss on an individual basis. Placement on non-accrual status may be required. Consistent with this definition, all loans on non-accrual are deemed to have deteriorated credit quality. To the extent circumstances improve and the risk of collectability is diminished, we will return these loans to income accrual status. While a loan is on non-accrual status, any cash receipts are applied against the outstanding principal balance.

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For the remaining loans we assess credit loss on a collective pool basis and use our historical loss experience for similar loans to determine the reserve for credit losses. The following is a summary of our loans by credit loss category (in thousands):

Loan category	Years of Origination	June 30, 2024			
		Loan Carrying Value	Allowance for Credit Loss	Net Loan Balance	No. of Loans
Deteriorated loans	2007 - 2023	\$ 196,211	\$ (169,808)	\$ 26,403	6
Collective loan pool	2010 - 2019	230,146	(3,021)	227,125	16
Collective loan pool	2020	33,415	(439)	32,976	5
Collective loan pool	2021	867,202	(11,566)	855,636	10
Collective loan pool	2022	115,338	(1,514)	113,824	16
Collective loan pool	2023	343,267	(4,507)	338,760	13
Collective loan pool	2024	551,341	(7,238)	544,103	8
Total loans		\$ 2,336,920	\$ (198,093)	\$ 2,138,827	74

During the three months ended June 30, 2024, certain secured and unsecured indebtedness payable by Genesis to us, which has a carrying value of \$202,434,000, was modified to extend the maturity date to June 30, 2025, with no other changes to the terms.

The total allowance for credit losses balance is deemed sufficient to absorb expected losses relating to our loan portfolio. The following is a summary of the allowance for credit losses on loans receivable for the periods presented (in thousands):

	Six Months Ended	
	June 30, 2024	June 30, 2023
Balance at beginning of period	\$ 194,463	\$ 164,249
Provision for loan losses, net ⁽¹⁾	6,177	3,233
Purchased deteriorated loan	—	19,077
Loan write-offs	(2,399)	—
Foreign currency translation	(148)	(219)
Balance at end of period	\$ 198,093	\$ 186,340

⁽¹⁾ Excludes the provision for loan loss on held-to-maturity debt securities.

8. Investments in Unconsolidated Entities

We participate in a number of joint ventures, which generally invest in seniors housing and health care real estate. Our share of the results of operations for these properties has been included in our consolidated results of operations from the date of acquisition by the joint ventures and are reflected in our Consolidated Statements of Comprehensive Income as income or loss from unconsolidated entities. The following is a summary of our investments in unconsolidated entities (dollars in thousands):

	Percentage Ownership ⁽¹⁾	June 30, 2024	December 31, 2023
	10% to 95%	\$ 1,334,483	\$ 1,248,774
Seniors Housing Operating	10% to 95%	\$ 1,334,483	\$ 1,248,774
Triple-net	10% to 88%	130,745	147,679
Outpatient Medical	15% to 50%	244,330	240,078
Total		\$ 1,709,558	\$ 1,636,531

⁽¹⁾ As of June 30, 2024 and includes ownership of investments classified as liabilities and excludes ownership of in substance real estate.

At June 30, 2024, the aggregate unamortized basis difference of our joint venture investments of \$146,562,000 is primarily attributable to the difference between the amount for which we purchased our interest in the entity, including transaction costs, and the historical carrying value of the net assets of the joint venture. This difference is being amortized over the remaining useful life of the related properties and included in the reported amount of income from unconsolidated entities.

We have made loans related to 24 properties as of June 30, 2024 for the development and construction of certain properties that have a carrying value of \$872,746,000. We believe that such borrowers typically represent variable interest entities ("VIE" or "VIEs") in accordance with ASC 810, "Consolidation." VIEs are required to be consolidated by their primary beneficiary, which is the enterprise that has both: (i) the power to direct the activities of the VIE that most significantly impacts the entity's economic performance; and (ii) the obligation to absorb losses or the right to receive benefits of the VIE that could be significant to the entity. We have concluded that we are not the primary beneficiary of such borrowers, therefore, the loan arrangements were assessed based on, among other factors, the amount and timing of expected residual profits, the estimated fair value of the collateral and the significance of the borrower's equity in the project. Based on these assessments, the arrangements have been classified as in substance real estate investments. We are obligated to fund an additional \$170,752,000 related to these investments.

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9. Credit Concentration

We use consolidated net operating income ("NOI") as our credit concentration metric. See Note 18 for additional information and reconciliation. The following table summarizes certain information about our credit concentration for the six months ended June 30, 2024, excluding our share of NOI in unconsolidated entities (dollars in thousands):

Concentration by relationship: ⁽¹⁾	Number of Properties	Total NOI	Percent of NOI ⁽²⁾
Cogir Management Corporation	105	\$ 113,019	8%
Integra Healthcare Properties	147	107,548	7%
Sunrise Senior Living	88	83,943	6%
Avery Healthcare	84	68,183	5%
Oakmont Management Group	65	66,470	5%
Remaining portfolio	1,415	1,037,252	69%
Totals	1,904	\$ 1,476,415	100%

⁽¹⁾ Cogir Management Corporation, Sunrise Senior Living and Oakmont Management Group are in our Seniors Housing Operating segment. Integra Healthcare Properties is in our Triple-net segment. Avery Healthcare operates assets in both our Seniors Housing Operating and Triple-net segments.

⁽²⁾ NOI with our top five relationships comprised 26% of total NOI for the year ended December 31, 2023.

In April 2024, we reached an agreement to transition 89 Atria Senior Living properties to six of our existing operating partners in tranches. In conjunction with the termination of the property management agreements, we recognized \$26 million within other expenses on our Consolidated Statements of Comprehensive Income during the second quarter in excess of amounts already accrued. During the three months ended June 30, 2024, we transitioned 27 properties and during July 2024 we transitioned an additional 42 properties. The remaining properties are expected to transition operations during the third quarter.

10. Borrowings Under Credit Facilities and Commercial Paper Program

At June 30, 2024, we had a primary unsecured credit facility with a consortium of 31 banks that included a \$4,000,000,000 unsecured revolving credit facility, a \$1,000,000,000 unsecured term credit facility and a \$250,000,000 Canadian-denominated unsecured term credit facility. The unsecured revolving credit facility is comprised of a \$1,000,000,000 tranche that matures on June 4, 2026 (none outstanding at June 30, 2024) and a \$3,000,000,000 tranche that matures on June 4, 2025 (none outstanding at June 30, 2024). The term credit facilities mature on July 19, 2026. Each tranche of the revolving facility and term loans may be extended for two successive terms of six months at our option. We have an option, through an accordion feature, to upsize the unsecured revolving credit facility and the \$1,000,000,000 unsecured term credit facility by up to an additional \$1,250,000,000, in the aggregate, and the \$250,000,000 Canadian-denominated unsecured term credit facility by up to an additional \$250,000,000. The primary unsecured credit facility also allows us to borrow up to \$1,000,000,000 in alternate currencies (none outstanding at June 30, 2024). Borrowings under the unsecured revolving credit facility are subject to interest payable at the applicable margin over the secured overnight financing rate ("SOFR") interest rate. Based on our current credit ratings, the loans under the unsecured revolving credit facility currently bear interest at 0.775% over the adjusted SOFR rate at June 30, 2024. In addition, we pay a facility fee quarterly to each bank based on the bank's commitment amount. The facility fee depends on our debt ratings and was 0.15% at June 30, 2024.

Under the terms of our commercial paper program, we may issue unsecured commercial paper notes with maturities that vary, but do not exceed 397 days from the date of issue, up to a maximum aggregate face or principal amount outstanding at any time of \$1,000,000,000 (none outstanding at June 30, 2024).

The following information relates to aggregate borrowings under the unsecured revolving credit facility and commercial paper program for the periods presented (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Balance outstanding at quarter end	\$ —	\$ —	\$ —	\$ —
Maximum amount outstanding at any month end	\$ —	\$ —	\$ —	\$ 205,000
Average amount outstanding (total of daily principal balances divided by days in period)	\$ —	\$ —	\$ —	\$ 32,735
Weighted average interest rate (actual interest expense divided by average borrowings outstanding)	— %	— %	— %	5.05 %

In July 2024, we closed on an expanded \$5,000,000,000 unsecured revolving credit facility, which replaced our \$4,000,000,000 existing line of credit. The new facility is comprised of a \$3,000,000,000 revolving line of credit maturing in June 2028 that can be extended for an additional year and a \$2,000,000,000 revolving line of credit maturing in June 2029. The revolving lines of credit will bear interest at a borrowing rate of 0.725% over the adjusted SOFR rate and includes an annual facility fee of 0.125%.

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11. Senior Unsecured Notes and Secured Debt

At June 30, 2024, the annual principal payments due on our debt obligations were as follows (in thousands):

	Senior Unsecured Notes ^(1,2)	Secured Debt ⁽³⁾	Totals
2024	\$ —	\$ 106,622	\$ 106,622
2025	1,260,000	319,175	1,579,175
2026	700,000	151,137	851,137
2027 ^(4,5)	1,901,929	182,536	2,084,465
2028 ⁽⁶⁾	2,480,200	102,640	2,582,840
Thereafter ⁽⁷⁾	5,982,000	938,574	6,920,574
Total principal balance	12,324,129	1,800,684	14,124,813
Unamortized discounts and premiums, net	(24,484)	—	(24,484)
Unamortized debt issuance costs, net	(65,257)	(16,542)	(81,799)
Fair value adjustments and other, net	(64,613)	(18,150)	(82,763)
Total carrying value of debt	<u>\$ 12,169,775</u>	<u>\$ 1,765,992</u>	<u>\$ 13,935,767</u>

⁽¹⁾ Annual interest rates range from 2.05% to 6.50%. The ending weighted average interest rate, after considering the effects of interest rate swaps, was 3.94% and 4.00% as of June 30, 2024 and June 30, 2023, respectively.

⁽²⁾ All senior unsecured notes with the exception of the \$300,000,000 Canadian-denominated 2.95% senior unsecured notes due 2027 have been issued by Welltower OP and are fully and unconditionally guaranteed by Welltower. The \$300,000,000 Canadian-denominated 2.95% senior unsecured notes due 2027 have been issued through private placement by a wholly-owned subsidiary of Welltower OP and are fully and unconditionally guaranteed by Welltower OP.

⁽³⁾ Annual interest rates range from 1.31% to 8.13%. The ending weighted average interest rate, after considering the effects of interest rate swaps and caps, was 4.64% and 4.70% as of June 30, 2024 and June 30, 2023, respectively. Gross real property value of the properties securing the debt totaled \$4,966,345,000 at June 30, 2024.

⁽⁴⁾ Includes a \$1,000,000,000 unsecured term loan and a \$250,000,000 Canadian-denominated unsecured term loan (approximately \$182,695,000 based on the Canadian/U.S. Dollar exchange rate on June 30, 2024). Both term loans mature on July 19, 2026 and may be extended for two successive terms of six months at our option. The loans bear interest at adjusted SOFR plus 0.85% (6.28% at June 30, 2024) and adjusted Canadian Overnight Repo Rate Average plus 0.85% (5.93% at June 30, 2024), respectively.

⁽⁵⁾ Includes a \$300,000,000 Canadian-denominated 2.95% senior unsecured notes due 2027 (approximately \$219,234,000 based on the Canadian/U.S. Dollar exchange rate on June 30, 2024).

⁽⁶⁾ Includes a £500,000,000 4.80% senior unsecured notes due 2028 (approximately \$695,200,000 based on the Pounds Sterling/U.S. Dollar exchange rate in effect on June 30, 2024).

⁽⁷⁾ Includes a £500,000,000 4.50% senior unsecured notes due 2034 (approximately \$632,000,000 based on the Pounds Sterling/U.S. Dollar exchange rate in effect on June 30, 2024).

The following is a summary of our senior unsecured notes principal activity during the periods presented (dollars in thousands):

	Six Months Ended	
	June 30, 2024	June 30, 2023
Beginning balance	\$ 13,699,619	\$ 12,584,529
Debt issued	—	1,035,000
Debt extinguished	(1,350,000)	—
Foreign currency	(25,490)	75,575
Ending balance	<u>\$ 12,324,129</u>	<u>\$ 13,695,104</u>

Welltower, the parent entity that consolidates Welltower OP and all other subsidiaries, fully and unconditionally guarantees to each holder of all series of senior unsecured notes issued by Welltower OP that the principal of and premium, if any, and interest on the notes will be promptly paid in full when due, whether at the applicable maturity date, by acceleration or redemption or otherwise, and interest on the overdue principal of and interest on the notes, if any, if lawful, and all other obligations of Welltower OP to the holders of the notes will be promptly paid in full or performed. Welltower's guarantees of such notes are its senior unsecured obligation and rank equally with all of Welltower's other future unsecured senior indebtedness and guarantees from time to time outstanding. Welltower's guarantees of such notes are effectively subordinated to all liabilities of its subsidiaries and to its secured indebtedness to the extent of the assets securing such indebtedness. Because Welltower conducts substantially all of its business through its subsidiaries, Welltower's ability to make required payments with respect to the guarantees depends on the financial results and condition of its subsidiaries and its ability to receive funds from its subsidiaries, whether by dividends, loans, distributions or other payments.

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We may repurchase, redeem or refinance senior unsecured notes from time to time, taking advantage of favorable market conditions when available. We may purchase senior notes for cash through open market purchases, privately negotiated transactions, a tender offer or, in some cases, through the early redemption of such securities pursuant to their terms. The senior unsecured notes are redeemable at our option, at any time in whole or from time to time in part, subject to certain contractual restrictions, at a redemption price equal to the sum of: (i) the principal amount of the notes (or portion of such notes) being redeemed plus accrued and unpaid interest thereon up to the redemption date and (ii) any "make-whole" amount due under the terms of the notes in connection with early redemptions. Redemptions and repurchases of debt, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors.

Exchangeable Senior Unsecured Notes

In May 2023, Welltower OP issued \$1,035,000,000 aggregate principal amount of 2.750% exchangeable senior unsecured notes maturing May 15, 2028 (the "2028 Exchangeable Notes") unless earlier exchanged, purchased or redeemed. The 2028 Exchangeable Notes will pay interest semi-annually in arrears on May 15 and November 15 of each year. We recognized contractual interest expense on the Exchangeable Notes of approximately \$7,116,000 and \$14,232,000 for the three and six months ended June 30, 2024, and \$3,953,000 for the same periods in 2023, respectively. Additionally, amortization of related issuance costs were \$1,167,000 and \$2,332,000 for the three and six ended June 30, 2024, and \$693,000 for the same periods in 2023, respectively. Unamortized issuance costs were \$17,958,000 as of June 30, 2024 and \$20,245,000 as of December 31, 2023.

In July 2024, Welltower OP issued \$1,035,000,000 aggregate principal amount of 3.125% exchangeable senior unsecured notes maturing July 15, 2029 (the "2029 Exchangeable Notes") unless earlier exchanged, purchased or redeemed. The 2029 Exchangeable Notes will pay interest semi-annually in arrears on January 15 and July 15 of each year.

The following is a summary of our secured debt principal activity for the periods presented (dollars in thousands):

	Six Months Ended	
	June 30, 2024	June 30, 2023
Beginning balance	\$ 2,222,445	\$ 2,129,954
Debt issued	2,872	373,462
Debt assumed	—	73,671
Debt extinguished	(211,805)	(72,496)
Debt disposed ⁽¹⁾	(164,640)	—
Principal payments	(21,994)	(28,781)
Foreign currency	(26,194)	20,781
Ending balance	\$ 1,800,684	\$ 2,496,591

(1) Please see Note 5 for additional information.

Our debt agreements contain various covenants, restrictions and events of default. Certain agreements require us to maintain certain financial ratios and minimum net worth and impose certain limits on our ability to incur indebtedness, create liens and make investments or acquisitions. As of June 30, 2024, we were in compliance in all material respects with all of the covenants under our debt agreements.

12. Derivative Instruments

We are exposed to, among other risks, the impact of changes in foreign currency exchange rates as a result of our non-U.S. investments and interest rate risk related to our capital structure. Our risk management program is designed to manage the exposure and volatility arising from these risks, and utilizes foreign currency forward contracts, cross currency swap contracts, interest rate swaps, interest rate locks and debt issued in foreign currencies to offset a portion of these risks.

Cash Flow Hedges and Fair Value Hedges of Interest Rate Risk

We enter into interest rate swaps in order to maintain a capital structure containing targeted amounts of fixed and floating-rate debt and manage interest rate risk. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for our fixed-rate payments. These interest rate swap agreements are used to hedge the variable cash flows associated with variable-rate debt.

Interest rate swaps designated as fair value hedges involve the receipt of fixed amounts from a counterparty in exchange for our variable-rate payments. These interest rate swap agreements hedge the exposure to changes in the fair value of fixed-rate debt attributable to changes in the designated benchmark interest rate. For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative instrument, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk, are recognized in earnings. We record the gain or loss on the hedged items in interest expense,

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the same line item as the offsetting loss or gain on the related interest rate swaps. In March 2022, we entered into a \$550,000,000 fixed to floating swap in connection with our March 2022 senior note issuance. This swap was terminated in January 2024 resulting in a loss of \$(59,555,000). As of June 30, 2024, the unamortized loss amount was \$(56,489,000). In January 2024, we entered into a \$550,000,000 forward-starting fixed to floating swap which converts a portion of cash flows on our \$750,000,000 2.8% senior unsecured notes to floating rate. The swap is effective beginning in June 2025 and matures in December 2030. As of June 30, 2024, the carrying amount of the notes, exclusive of the hedge, is \$743,143,000. The fair value of the swap as of June 30, 2024 was \$(8,125,000) and was recorded as a derivative liability with an offset to senior unsecured notes on our Consolidated Balance Sheets.

Periodically, we enter into and designate interest rate locks to partially hedge the risk of changes in interest payments attributable to increases in the benchmark interest rate during the period leading up to the probable issuance of fixed-rate debt. We designate our interest rate locks as cash flow hedges. Gains and losses when we settle our interest rate locks are amortized into earnings over the life of the related debt, except where a material amount is deemed to be ineffective, which would be immediately recognized in the Consolidated Statements of Comprehensive Income. Approximately \$2,562,000 of losses, which are included in other comprehensive income ("OCI"), are expected to be reclassified into earnings in the next 12 months.

Cash flows from derivatives accounted for as a fair value or cash flow hedge are classified in the same category as the cash flows from the items being hedged in the Consolidated Statement of Cash Flows.

Foreign Currency Forward Contracts and Cross Currency Swap Contracts Designated as Net Investment Hedges

We use foreign currency forward and cross currency forward swap contracts to hedge a portion of the net investment in foreign subsidiaries against fluctuations in foreign exchange rates. For instruments that are designated and qualify as net investment hedges, the variability in the foreign currency to U.S. Dollar of the instrument is recorded as a cumulative translation adjustment component of OCI.

During the six months ended June 30, 2024 and 2023, we settled certain net investment hedges generating cash proceeds of \$5,131,000 and \$1,994,000, respectively. The balance of the cumulative translation adjustment will be reclassified to earnings if the hedged investment is sold or substantially liquidated.

Derivative Contracts Undesignated

We use foreign currency exchange contracts to manage existing exposures to foreign currency exchange risk. Gains and losses resulting from the changes in fair value of these instruments are recorded in interest expense on the Consolidated Statements of Comprehensive Income and are substantially offset by net revaluation impacts on foreign currency denominated balance sheet exposures.

Equity Warrants

We received equity warrants through our lending activities, which were accounted for as loan origination fees. The warrants provide us the right to participate in the capital appreciation of the underlying HC-One Group real estate portfolio above a designated price upon liquidation and contain net settlement terms qualifying as derivatives under ASC Topic 815. The warrants are classified within receivables and other assets on our Consolidated Balance Sheets. These warrants are measured at fair value with changes in fair value being recognized within loss (gain) on derivatives and financial instruments in our Consolidated Statements of Comprehensive Income.

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The following presents the notional amount of derivatives and other financial instruments as of the dates indicated (in thousands):

	June 30, 2024	December 31, 2023
Derivatives designated as net investment hedges:		
Denominated in Canadian Dollars	\$ 2,700,000	\$ 2,025,000
Denominated in Pound Sterling	£ 1,660,708	£ 1,660,708
Financial instruments designated as net investment hedges:		
Denominated in Canadian Dollars	\$ 250,000	\$ 250,000
Denominated in Pound Sterling	£ 1,050,000	£ 1,050,000
Interest rate swaps and caps designated as cash flow hedges:		
Denominated in U.S Dollars ⁽¹⁾	\$ 522,601	\$ 872,601
Interest rate swaps designated as fair value hedges:		
Denominated in U.S Dollars	\$ 550,000	\$ 550,000
Derivative instruments not designated:		
Foreign currency exchange contracts denominated in Canadian Dollars	\$ 80,000	\$ 80,000

⁽¹⁾ At June 30, 2024, the maximum maturity date was September 1, 2028.

The following presents the impact of derivative instruments on the Consolidated Statements of Comprehensive Income for the periods presented (in thousands):

Description	Location	Three Months Ended June 30,		Six Months Ended June 30,	
		2024	2023	2024	2023
Gain (loss) on derivative instruments designated as hedges recognized in income	Interest expense	\$ 5,833	\$ 4,759	\$ 10,651	\$ 9,378
Gain (loss) on derivative instruments not designated as hedges recognized in income	Interest expense	\$ 615	\$ (1,175)	\$ 1,916	\$ (1,429)
Gain (loss) on equity warrants recognized in income	Gain (loss) on derivatives and financial instruments, net	\$ 5,825	\$ (1,242)	\$ 8,879	\$ (2,127)
Gain (loss) on derivative and financial instruments designated as hedges recognized in OCI	OCI	\$ 9,096	\$ (85,884)	\$ 69,711	\$ (155,622)

13. Commitments and Contingencies

At June 30, 2024, we had 23 outstanding letter of credit obligations totaling \$61,443,000 and expiring between 2024 and 2025. At June 30, 2024, we had outstanding construction in progress of \$1,474,024,000 and were committed to providing additional funds of approximately \$697,515,000 to complete construction. Additionally, at June 30, 2024, we had outstanding investments classified as in substance real estate of \$872,746,000 and were committed to provide additional funds of \$170,752,000 (see Note 8 for additional information). Purchase obligations at June 30, 2024 also include \$32,002,000 of contingent purchase obligations to fund capital improvements. Rents due from the tenants are increased to reflect the additional investment in the property.

14. Stockholders' Equity

The following is a summary of our stockholders' equity capital accounts as of the dates indicated:

	June 30, 2024	December 31, 2023
Preferred Stock, \$1.00 par value:		
Authorized shares	50,000,000	50,000,000
Issued shares	—	—
Outstanding shares	—	—
Common Stock, \$1.00 par value:		
Authorized shares	1,400,000,000	700,000,000
Issued shares	609,933,670	566,001,632
Outstanding shares	608,150,705	564,241,181

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Common Stock

In April 2024, we entered into an equity distribution agreement whereby we can offer and sell up to \$3,500,000,000 aggregate amount of our common stock ("ATM Program"). Our prior equity distribution agreement dated February 15, 2024, allowing us to sell up to \$3,500,000,000 aggregate amount of our common stock, was terminated as a result. The ATM Program allows us to enter into forward sale agreements (none outstanding at June 30, 2024). As of June 30, 2024, we had \$2,469,193,000 of remaining capacity under the ATM Program. During July 2024, we sold 988,814 shares of common stock under our ATM Program.

The following is a summary of our common stock issuances during the six months ended June 30, 2024 and 2023 (dollars in thousands, except shares and average price amounts):

	Shares Issued	Average Price	Gross Proceeds	Net Proceeds
2023 Option exercises	1,708	\$ 63.65	\$ 109	\$ 109
2023 ATM Program issuances	17,435,154	76.90	1,340,727	1,333,799
2023 Redemption of OP Units and DownREIT Units	272,494		—	—
2023 Stock incentive plans, net of forfeitures	(58,840)		—	—
2023 Totals	17,650,516		\$ 1,340,836	\$ 1,333,908
2024 Option exercises	5,390	\$ 62.34	\$ 336	\$ 336
2024 ATM Program issuances	43,315,945	93.31	4,041,776	4,020,009
2024 Redemption of OP Units and DownREIT Units	494,941		—	—
2024 Stock incentive plans, net of forfeitures	93,248		—	—
2024 Totals	43,909,524		\$ 4,042,112	\$ 4,020,345

Dividends

The following is a summary of our dividend payments (in thousands, except per share amounts):

	Six Months Ended			
	June 30, 2024		June 30, 2023	
	Per Share	Amount	Per Share	Amount
Common stock	\$ 1.22	\$ 718,711	\$ 1.22	\$ 602,601

On July 29, 2024, the Board of Directors declared a cash dividend for the quarter ended June 30, 2024 of \$0.67 per share, an increase of 10% from the prior quarter.

Accumulated Other Comprehensive Income

The following is a summary of accumulated other comprehensive income (loss) as of the dates presented (in thousands):

	June 30, 2024	December 31, 2023
Foreign currency translation	\$ (1,066,688)	\$ (913,675)
Derivative and financial instruments designated as hedges	820,226	750,515
Total accumulated other comprehensive income (loss)	\$ (246,462)	\$ (163,160)

15. Stock Incentive Plans

In March 2022, our Board of Directors approved the 2022 Long-Term Incentive Plan ("2022 Plan"), which authorizes up to 10,000,000 shares of common stock or units to be issued at the discretion of the Compensation Committee of the Board of Directors. Awards granted after March 28, 2022 are issued out of the 2022 Plan. The awards granted under the 2016 Long-Term Incentive Plan continue to vest and options expire ten years from the date of grant. Our non-employee directors, officers and key employees are eligible to participate in the 2022 Plan. The 2022 Plan allows for the issuance of, among other things, stock options, stock appreciation rights, restricted stock units, deferred stock units, performance units and dividend equivalent rights. Vesting periods for options, deferred stock units and restricted stock units generally range from three to five years. Options expire ten years from the date of grant. Stock-based compensation expense totaled \$10,350,000 and \$22,398,000 for the three and six months ended June 30, 2024, and \$10,504,000 and \$19,960,000 for the same periods in 2023, respectively.

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16. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	\$ 254,714	\$ 103,040	\$ 381,860	\$ 128,713
Numerator for basic earnings per share - net income (loss) attributable to common stockholders				
Adjustment for net income (loss) attributable to OP Units and DownREIT Units	339	(157)	14	(167)
Numerator for diluted earnings per share	\$ 255,053	\$ 102,883	\$ 381,874	\$ 128,546
Denominator for basic earnings per share - weighted average shares	600,545	499,023	587,297	495,561
Effect of dilutive securities:				
Employee stock options	103	28	86	16
Non-vested restricted shares and units	1,483	1,044	1,273	882
OP Units and DownREIT Units	2,124	1,850	2,226	1,818
Employee stock purchase program	22	25	22	28
2028 Exchangeable Notes	286	—	143	—
Dilutive potential common shares	4,018	2,947	3,750	2,744
Denominator for diluted earnings per share - adjusted weighted average shares	604,563	501,970	591,047	498,305
Basic earnings per share	\$ 0.42	\$ 0.21	\$ 0.65	\$ 0.26
Diluted earnings per share	\$ 0.42	\$ 0.20	\$ 0.65	\$ 0.26

The 2028 Exchangeable Notes were not included in the computation of diluted earnings per share for the three and six months ended June 30, 2023 as they were anti-dilutive.

17. Disclosure about Fair Value of Financial Instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A three-level valuation hierarchy exists for disclosures of fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Please see Note 2 to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2023 for additional information. The three levels are defined below:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

Mortgage Loans, Other Real Estate Loans and Non-real Estate Loans Receivable — The fair value of mortgage loans, other real estate loans and non-real estate loans receivable is generally estimated by using Level 2 and Level 3 inputs such as discounting the estimated future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Cash and Cash Equivalents and Restricted Cash — The carrying amount approximates fair value.

Equity Warrants — The fair value of equity warrants is estimated using Level 3 inputs and includes data points such as enterprise value of the underlying HC-One Group real estate portfolio, marketability discount for private company warrants, dividend yield, volatility and risk-free rate. The enterprise value is driven by projected cash flows, weighted average cost of capital and a terminal capitalization rate.

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Borrowings Under Primary Unsecured Credit Facility and Commercial Paper Program — The carrying amount of the primary unsecured credit facility and commercial paper program approximates fair value because the borrowings are interest rate adjustable.

Senior Unsecured Notes — The fair value of the senior unsecured notes payable is estimated based on Level 1 publicly available trading prices. The carrying amount of the variable rate senior unsecured notes approximates fair value because they are interest rate adjustable.

Secured Debt — The fair value of fixed rate secured debt is estimated using Level 2 inputs by discounting the estimated future cash flows using the current rates at which similar loans would be made with similar credit ratings and for the same remaining maturities. The carrying amount of variable rate secured debt approximates fair value because the borrowings are interest rate adjustable.

Foreign Currency Forward Contracts, Interest Rate Swaps and Cross Currency Swaps — Foreign currency forward contracts, interest rate swaps and cross currency swaps are recorded in other assets or other liabilities on the balance sheet at fair value that is derived from Level 2 observable market data, including yield curves and foreign exchange rates.

Redeemable DownREIT Unitholder Interests — Our redeemable DownREIT Unitholder interests are recorded on the balance sheet at fair value using Level 2 inputs unless the fair value is below the initial amount, in which case the redeemable DownREIT Unitholder interests are recorded at the initial amount adjusted for distributions to the unitholders and income or loss attributable to the unitholders. The fair value is measured using the closing price of our common stock, as units may be redeemed at the election of the holder for cash or, at our option, one share of our common stock per unit, subject to adjustment in certain circumstances.

The carrying amounts and estimated fair values of our financial instruments are as follows (in thousands):

	June 30, 2024		December 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Mortgage loans receivable	\$ 1,490,989	\$ 1,541,399	\$ 1,043,252	\$ 1,105,260
Other real estate loans receivable	300,213	306,204	318,335	319,905
Cash and cash equivalents	2,776,628	2,776,628	1,993,646	1,993,646
Restricted cash	86,970	86,970	82,437	82,437
Non-real estate loans receivable	347,625	330,645	330,119	312,985
Foreign currency forward contracts, interest rate swaps and cross currency swaps	46,242	46,242	37,118	37,118
Equity warrants	44,316	44,316	35,772	35,772
Financial liabilities:				
Senior unsecured notes	\$ 12,169,775	\$ 11,811,256	\$ 13,552,222	\$ 13,249,247
Secured debt	1,765,992	1,723,219	2,183,327	2,144,059
Foreign currency forward contracts, interest rate swaps and cross currency swaps	17,818	17,818	96,023	96,023
Redeemable DownREIT Unitholder interests	\$ 40,719	\$ 40,719	\$ 77,928	\$ 77,928

Items Measured at Fair Value on a Recurring Basis

The market approach is utilized to measure fair value for our financial assets and liabilities reported at fair value on a recurring basis. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The following summarizes items measured at fair value on a recurring basis (in thousands):

	Fair Value Measurements as of June 30, 2024			
	Total	Level 1	Level 2	Level 3
Equity warrants	\$ 44,316	\$ —	\$ —	\$ 44,316
Foreign currency forward contracts, interest rate swaps and cross currency swaps, net asset (liability) ⁽¹⁾	28,424	—	28,424	—
Totals	\$ 72,740	\$ —	\$ 28,424	\$ 44,316

⁽¹⁾ Please see Note 12 for additional information.

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The following table summarizes the change in fair value for equity warrants using unobservable Level 3 inputs for the periods presented (in thousands):

	Six Months Ended	
	June 30, 2024	June 30, 2023
Beginning balance	\$ 35,772	\$ 30,436
Mark-to-market adjustment	8,879	(2,126)
Foreign currency	(335)	1,542
Ending balance	<u>\$ 44,316</u>	<u>\$ 29,852</u>

The most significant assumptions utilized in the valuation of the equity warrants are the cash flows of the underlying HC-One Group enterprise, as well as the terminal capitalization rate which was 10.0% and 11.0% at June 30, 2024 and 2023, respectively.

Items Measured at Fair Value on a Nonrecurring Basis

In addition to items that are measured at fair value on a recurring basis, we also have assets and liabilities in our balance sheet that are measured at fair value on a nonrecurring basis that are not included in the tables above. Assets, liabilities and noncontrolling interests that are measured at fair value on a nonrecurring basis include those acquired, exchanged or assumed. Asset impairments (if applicable, see Note 5 for impairments of real property and Note 7 for impairments of loans receivable) are also measured at fair value on a nonrecurring basis. We have determined that the fair value measurements included in each of these assets and liabilities rely primarily on company-specific inputs and our assumptions about the use of the assets and settlement of liabilities, as observable inputs are not available. As such, we have determined that each of these fair value measurements generally resides within Level 3 of the fair value hierarchy. We estimate the fair value of real estate and related intangibles using the income approach and unobservable data such as net operating income and estimated capitalization and discount rates. We also consider local and national industry market data including comparable sales, and commonly engage an external real estate appraiser to assist us in our estimation of fair value. We estimate the fair value of assets held for sale based on current sales price expectations or, in the absence of such price expectations, Level 3 inputs described above. We estimate the fair value of loans receivable using projected payoff valuations based on the expected future cash flows and/or the estimated fair value of collateral, net of sales costs, if the repayment of the loan is expected to be provided solely by the collateral. We estimate the fair value of secured debt assumed in asset acquisitions using current interest rates at which similar borrowings could be obtained on the transaction date.

18. Segment Reporting

We invest in seniors housing and health care real estate. We evaluate our business and make resource allocations on our three operating segments: Seniors Housing Operating, Triple-net and Outpatient Medical. Our Seniors Housing Operating properties include seniors apartments, assisted living, independent living/continuing care retirement communities, independent supportive living communities (Canada), care homes with and without nursing (U.K.) and combinations thereof that are generally owned and/or operated through RIDEA structures (see Note 19). Our Triple-net properties include the property types described above as well as long-term/post-acute care facilities. Under the Triple-net segment, we invest in seniors housing and health care real estate through acquisition and financing of primarily single tenant properties. Properties acquired are primarily leased under triple-net leases and we are not involved in the management of the property. Our Outpatient Medical properties are typically leased to multiple tenants and generally require a certain level of property management by us.

We evaluate performance based upon consolidated NOI of each segment. We define NOI as total revenues, including tenant reimbursements, less property operating expenses. We believe NOI provides investors relevant and useful information as it measures the operating performance of our properties at the property level on an unleveraged basis. We use NOI to make decisions about resource allocations and to assess the property level performance of our properties.

Non-segment revenue consists mainly of interest income on cash investments recorded in other income. Non-segment assets consist of corporate assets including cash, deferred loan expenses and corporate offices and equipment among others. Non-property specific revenues and expenses are not allocated to individual segments in determining NOI.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies (see Note 2 to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2023). The results of operations for all acquisitions described in Note 3 are included in our consolidated results of operations from the acquisition dates and are components of the appropriate segments. All inter-segment transactions are eliminated.

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Summary information for the reportable segments (which excludes unconsolidated entities) is as follows (in thousands):

<u>Three Months Ended June 30, 2024</u>	Seniors Housing Operating	Triple-net	Outpatient Medical	Non- segment/Corporate	Total
Resident fees and services	\$ 1,393,473	\$ —	\$ —	\$ —	\$ 1,393,473
Rental income	—	141,151	194,660	—	335,811
Interest income	16,077	46,528	848	—	63,453
Other income	1,900	931	2,577	26,739	32,147
Total revenues	<u>1,411,450</u>	<u>188,610</u>	<u>198,085</u>	<u>26,739</u>	<u>1,824,884</u>
Property operating expenses	1,034,906	10,495	61,185	4,711	1,111,297
Consolidated net operating income (loss)	<u>376,544</u>	<u>178,115</u>	<u>136,900</u>	<u>22,028</u>	<u>713,587</u>
Depreciation and amortization	253,531	61,766	66,748	—	382,045
Interest expense	7,326	352	1,310	124,436	133,424
General and administrative expenses	—	—	—	55,565	55,565
Loss (gain) on derivatives and financial instruments, net	—	(5,825)	—	—	(5,825)
Loss (gain) on extinguishment of debt, net	1,705	—	—	—	1,705
Provision for loan losses, net	6,142	(962)	(17)	—	5,163
Impairment of assets	1,778	616	—	—	2,394
Other expenses	<u>37,724</u>	<u>8,420</u>	<u>331</u>	<u>2,209</u>	<u>48,684</u>
Income (loss) from continuing operations before income taxes and other items	68,338	113,748	68,528	(160,182)	90,432
Income tax (expense) benefit	—	—	—	(1,101)	(1,101)
Income (loss) from unconsolidated entities	(2,526)	2,614	4,808	—	4,896
Gain (loss) on real estate dispositions, net	137,061	21,268	8,114	—	166,443
Income (loss) from continuing operations	<u>202,873</u>	<u>137,630</u>	<u>81,450</u>	<u>(161,283)</u>	<u>260,670</u>
Net income (loss)	<u>\$ 202,873</u>	<u>\$ 137,630</u>	<u>\$ 81,450</u>	<u>\$ (161,283)</u>	<u>\$ 260,670</u>
Total assets	<u>\$ 26,007,665</u>	<u>\$ 9,454,889</u>	<u>\$ 7,487,100</u>	<u>\$ 2,584,283</u>	<u>\$ 45,533,937</u>
<u>Three Months Ended June 30, 2023</u>	Seniors Housing Operating	Triple-net	Outpatient Medical	Non- segment/Corporate	Total
Resident fees and services	\$ 1,159,449	\$ —	\$ —	\$ —	\$ 1,159,449
Rental income	—	198,916	184,523	—	383,439
Interest income	2,095	36,520	95	—	38,710
Other income	2,895	66,692	1,574	12,719	83,880
Total revenues	<u>1,164,439</u>	<u>302,128</u>	<u>186,192</u>	<u>12,719</u>	<u>1,665,478</u>
Property operating expenses	885,187	10,598	58,697	4,190	958,672
Consolidated net operating income (loss)	<u>279,252</u>	<u>291,530</u>	<u>127,495</u>	<u>8,529</u>	<u>706,806</u>
Depreciation and amortization	220,428	55,234	66,283	—	341,945
Interest expense	16,136	(795)	3,152	133,844	152,337
General and administrative expenses	—	—	—	44,287	44,287
Loss (gain) on derivatives and financial instruments, net	—	1,280	—	—	1,280
Loss (gain) on extinguishment of debt, net	—	—	1	—	1
Provision for loan losses, net	1,867	591	(2)	—	2,456
Impairment of assets	—	1,086	—	—	1,086
Other expenses	<u>8,060</u>	<u>818</u>	<u>647</u>	<u>1,544</u>	<u>11,069</u>
Income (loss) from continuing operations before income taxes and other items	32,761	233,316	57,414	(171,146)	152,345
Income tax (expense) benefit	—	—	—	(3,503)	(3,503)
Income (loss) from unconsolidated entities	(39,445)	(630)	(257)	—	(40,332)
Gain (loss) on real estate dispositions, net	(2,096)	(72)	—	—	(2,168)
Income (loss) from continuing operations	<u>(8,780)</u>	<u>232,614</u>	<u>57,157</u>	<u>(174,649)</u>	<u>106,342</u>
Net income (loss)	<u>\$ (8,780)</u>	<u>\$ 232,614</u>	<u>\$ 57,157</u>	<u>\$ (174,649)</u>	<u>\$ 106,342</u>

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<u>Six Months Ended June 30, 2024</u>	Seniors Housing Operating	Triple-net	Outpatient Medical	Non-segment / Corporate	Total
Resident fees and services	\$ 2,753,747	\$ —	\$ —	\$ —	\$ 2,753,747
Rental income	—	362,895	390,568	—	753,463
Interest income	21,100	93,317	1,700	—	116,117
Other income	3,363	2,130	4,979	50,826	61,298
Total revenues	2,778,210	458,342	397,247	50,826	3,684,625
Property operating expenses	2,054,253	21,312	123,648	8,997	2,208,210
Consolidated net operating income (loss)	723,957	437,030	273,599	41,829	1,476,415
Depreciation and amortization	490,327	124,301	133,280	—	747,908
Interest expense	18,512	710	3,028	258,492	280,742
General and administrative expenses	—	—	—	108,883	108,883
Loss (gain) on derivatives and financial instruments, net	—	(8,879)	—	—	(8,879)
Loss (gain) on extinguishment of debt, net	1,711	—	—	—	1,711
Provision for loan losses, net	7,710	(1,529)	(4)	—	6,177
Impairment of assets	45,109	616	—	—	45,725
Other expenses	46,481	9,625	940	5,769	62,815
Income (loss) from continuing operations before income taxes and other items	114,107	312,186	136,355	(331,315)	231,333
Income tax (expense) benefit	—	—	—	(7,292)	(7,292)
Income (loss) from unconsolidated entities	(6,793)	(539)	4,445	—	(2,887)
Gain (loss) on real estate dispositions, net	141,663	21,294	8,193	—	171,150
Income (loss) from continuing operations	248,977	332,941	148,993	(338,607)	392,304
Net income (loss)	<u>\$ 248,977</u>	<u>\$ 332,941</u>	<u>\$ 148,993</u>	<u>\$ (338,607)</u>	<u>\$ 392,304</u>
<u>Six Months Ended June 30, 2023</u>	Seniors Housing Operating	Triple-net	Outpatient Medical	Non-segment / Corporate	Total
Resident fees and services	\$ 2,291,134	\$ —	\$ —	\$ —	\$ 2,291,134
Rental income	—	401,335	366,163	—	767,498
Interest income	4,646	70,283	186	—	75,115
Other income	5,340	68,575	4,674	13,871	92,460
Total revenues	2,301,120	540,193	371,023	13,871	3,226,207
Property operating expenses	1,768,971	22,321	117,062	8,071	1,916,425
Consolidated net operating income (loss)	532,149	517,872	253,961	5,800	1,309,782
Depreciation and amortization	440,835	109,762	130,460	—	681,057
Interest expense	27,623	(810)	7,256	262,671	296,740
General and administrative expenses	—	—	—	88,658	88,658
Loss (gain) on derivatives and financial instruments, net	—	2,210	—	—	2,210
Loss (gain) on extinguishment of debt, net	—	—	6	—	6
Provision for loan losses, net	1,794	1,441	(2)	—	3,233
Impairment of assets	12,629	1,086	—	—	13,715
Other expenses	25,639	3,285	1,194	3,696	33,814
Income (loss) from continuing operations before income taxes and other items	23,629	400,898	115,047	(349,225)	190,349
Income tax (expense) benefit	—	—	—	(6,548)	(6,548)
Income (loss) from unconsolidated entities	(55,034)	7,802	(171)	—	(47,403)
Gain (loss) on real estate dispositions, net	(1,263)	448	(606)	—	(1,421)
Income (loss) from continuing operations	(32,668)	409,148	114,270	(355,773)	134,977
Net income (loss)	<u>\$ (32,668)</u>	<u>\$ 409,148</u>	<u>\$ 114,270</u>	<u>\$ (355,773)</u>	<u>\$ 134,977</u>

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Our portfolio of properties and other investments are located in the United States, the United Kingdom and Canada. Revenues and assets are attributed to the country in which the property is physically located. The following is a summary of geographic information for the periods presented (dollars in thousands):

	Three Months Ended				Six Months Ended			
	June 30, 2024		June 30, 2023		June 30, 2024		June 30, 2023	
	Amount	%	Amount	%	Amount ⁽¹⁾	%	Amount	%
Revenues:								
United States	\$ 1,530,174	83.9 %	\$ 1,392,512	83.7 %	\$ 3,077,070	83.5 %	\$ 2,688,534	83.3 %
United Kingdom	163,264	8.9 %	154,028	9.2 %	324,772	8.8 %	301,904	9.4 %
Canada	131,446	7.2 %	118,938	7.1 %	282,783	7.7 %	235,769	7.3 %
Total	\$ 1,824,884	100.0 %	\$ 1,665,478	100.0 %	\$ 3,684,625	100.0 %	\$ 3,226,207	100.0 %
Resident Fees and Services:								
United States	\$ 1,148,809	82.4 %	\$ 929,997	80.2 %	\$ 2,246,148	81.6 %	\$ 1,838,941	80.3 %
United Kingdom	117,794	8.5 %	113,585	9.8 %	234,673	8.5 %	222,597	9.7 %
Canada	126,870	9.1 %	115,867	10.0 %	272,926	9.9 %	229,596	10.0 %
Total	\$ 1,393,473	100.0 %	\$ 1,159,449	100.0 %	\$ 2,753,747	100.0 %	\$ 2,291,134	100.0 %
As of								
	June 30, 2024		December 31, 2023					
Assets:	Amount	%	Amount	%				
United States	\$ 38,799,436	85.2 %	\$ 36,929,186	83.9 %				
United Kingdom	3,604,871	7.9 %	3,587,230	8.2 %				
Canada	3,129,630	6.9 %	3,495,750	7.9 %				
Total	\$ 45,533,937	100.0 %	\$ 44,012,166	100.0 %				

19. Income Taxes and Distributions

We elected to be taxed as a REIT commencing with our first taxable year. To qualify as a REIT for federal income tax purposes, at least 90% of taxable income (excluding 100% of net capital gains) must be distributed to stockholders. REITs that do not distribute a certain amount of taxable income in the current year are also subject to a 4% federal excise tax. The main differences between undistributed net income for federal income tax purposes and financial statement purposes are the recognition of straight-line rent for reporting purposes, basis differences in acquisitions, recording of impairments, differing useful lives and depreciation and amortization methods for real property and the provision for loan losses for reporting purposes versus bad debt expense for tax purposes.

Under the provisions of the REIT Investment Diversification and Empowerment Act of 2007 ("RIDEA"), for taxable years beginning after July 30, 2008, a REIT may lease "qualified health care properties" on an arm's-length basis to a taxable REIT subsidiary ("TRS") if the property is operated on behalf of such TRS by a person who qualifies as an "eligible independent contractor." Generally, the rent received from the TRS will meet the related party rent exception and will be treated as "rents from real property." A "qualified health care property" includes real property and any personal property that is, or is necessary or incidental to the use of, a hospital, nursing facility, assisted living facility, congregate care facility, qualified continuing care facility, or other licensed facility which extends medical or nursing or ancillary services to patients. We have entered into various joint ventures that were structured under RIDEA. Resident level rents and related operating expenses for these facilities are reported in the unaudited consolidated financial statements and are subject to federal and state income taxes as the operations of such facilities are included in TRS entities. Certain net operating loss carryforwards could be utilized to offset taxable income in future years.

Income taxes reflected in the financial statements primarily represents U.S. federal, state and local income taxes as well as non-U.S. income based or withholding taxes on certain investments located in jurisdictions outside the U.S. The provision for income taxes for the six months ended June 30, 2024 and 2023 was primarily due to operating income or losses, offset by certain discrete items at our TRS entities. In 2014, we established certain wholly-owned direct and indirect subsidiaries in Luxembourg and Jersey and transferred interests in certain foreign investments into this holding company structure. The structure includes a property holding company that is tax resident in the United Kingdom. No material adverse current tax consequences in Luxembourg, Jersey or the United Kingdom resulted from the creation of this holding company structure and most of the subsidiary entities in the structure are treated as disregarded entities of the company for U.S. federal income tax purposes. Subsequent to 2014, we transferred certain subsidiaries to the United Kingdom, while some wholly-owned direct and indirect subsidiaries remain in Luxembourg and Jersey. We reflect current and deferred tax liabilities for any such withholding

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taxes incurred from this holding company structure in its consolidated financial statements. Generally, given current statutes of limitations, we are subject to audit by the foreign, federal, state and local taxing authorities under applicable local laws.

The Organization for Economic Co-operation and Development has proposed a global minimum tax of 15% of reported profits ("Pillar 2") that has been agreed upon in principle by over 140 countries. During 2023, many countries incorporated Pillar 2 model rules into their laws and will continue to do so in 2024. The model rules provide a framework for applying the minimum tax and some countries have adopted Pillar 2 effective January 1, 2024; however, countries must individually enact Pillar 2 which may result in variation in the application of the model rules and timelines. We continue to evaluate the potential consequences of Pillar 2 on our longer-term financial position.

20. Variable Interest Entities

We have entered into joint ventures and have certain subsidiaries that are either wholly owned by us or by consolidated joint ventures which own real estate investments and are deemed to be VIEs. Our VIEs primarily hold real estate assets within our Seniors Housing Operating and Triple-net portfolios, the nature and risk of which are consistent with our overall portfolio. We have concluded that we are the primary beneficiary of these VIEs based on a combination of operational control of the entities and the rights to receive residual returns or the obligation to absorb losses arising from the entities. Except for capital contributions associated with the initial entity formations, the entities have been and are expected to be funded from the ongoing operations of the underlying properties. Accordingly, such entities have been consolidated, and the table below summarizes the balance sheets of consolidated VIEs in the aggregate (in thousands):

	June 30, 2024	December 31, 2023
Assets:		
Net real estate investments	\$ 3,277,895	\$ 3,277,741
Cash and cash equivalents	23,158	19,529
Receivables and other assets	75,432	43,513
Total assets ⁽¹⁾	\$ 3,376,485	\$ 3,340,783
 Liabilities and equity:		
Secured debt	\$ 65,724	\$ 76,507
Lease liabilities	2,537	2,539
Accrued expenses and other liabilities	16,893	13,850
Total equity	3,291,331	3,247,887
Total liabilities and equity	\$ 3,376,485	\$ 3,340,783

⁽¹⁾ Note that assets of the consolidated VIEs can only be used to settle obligations relating to such VIEs. Liabilities of the consolidated VIEs represent claims against the specific assets of the VIEs and the VIE's creditors do not have recourse to Welltower.

We recognized revenues from consolidated VIEs in the aggregate of \$111,654,000 and \$221,584,000 for the three and six months ended June 30, 2024, and \$47,302,000 and \$97,086,000 for the same periods in 2023, respectively.

In addition, we have certain entities that qualify as unconsolidated VIEs including borrowers of loans receivable and in substance real estate investments. Our maximum exposure on these entities is limited to the net carrying value of the investments. Refer to Note 7 and Note 8 for additional details.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read together with the Consolidated Financial Statements and related Notes thereto included in Item 1 of this Quarterly Report on Form 10-Q. Other important factors are identified in our Annual Report on Form 10-K for the year ended December 31, 2023, including factors identified under the headings "Business," "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

We are structured as an umbrella partnership REIT under which substantially all of our business is conducted through Welltower OP LLC, the day-to-day management of which is exclusively controlled by Welltower Inc. Welltower Inc. has no material assets or liabilities other than its investment in Welltower OP LLC. Welltower OP LLC is the borrower under, and Welltower Inc. is the guarantor of, all of the unsecured notes described in Note 11 to our unaudited consolidated financial statements.

Unless stated otherwise or the context otherwise requires, references to "Weltower" mean Welltower Inc. and references to "Weltower OP" mean Welltower OP LLC. References to "we," "us" and "our" mean collectively Welltower, Welltower OP and those entities/subsidiaries owned or controlled by Welltower and/or Welltower OP.

Executive Summary

Company Overview

Weltower Inc. (NYSE:WELL), a real estate investment trust ("REIT") and S&P 500 company headquartered in Toledo, Ohio, is driving the transformation of health care infrastructure. Weltower invests with leading seniors housing operators, post-acute providers and health systems to fund the real estate and infrastructure needed to scale innovative care delivery models and improve people's wellness and overall health care experience. Weltower owns interests in properties concentrated in major, high-growth markets in the United States ("U.S."), Canada and the United Kingdom ("U.K."), consisting of seniors housing and post-acute communities and outpatient medical properties.

Weltower is the initial member and majority owner of Welltower OP, with an approximate ownership interest of 99.730% as of June 30, 2024. All of our property ownership, development and related business operations are conducted through Welltower OP and Weltower has no material assets or liabilities other than its investment in Welltower OP. Weltower issues equity from time to time, the net proceeds of which it is obligated to contribute as additional capital to Welltower OP. All debt including credit facilities, senior notes and secured debt is incurred by Welltower OP and its subsidiaries, and Weltower has fully and unconditionally guaranteed all existing senior unsecured notes.

The following table summarizes our consolidated portfolio for the three months ended June 30, 2024 (dollars in thousands):

Type of Property	NOI ⁽¹⁾	Percentage of NOI	Number of Properties
Seniors Housing Operating	\$ 376,544	54.4 %	929
Triple-net	178,115	25.8 %	605
Outpatient Medical	136,900	19.8 %	370
Totals	\$ 691,559	100.0 %	1,904

⁽¹⁾ Represents consolidated NOI and excludes our share of investments in unconsolidated entities. Entities in which we have a joint venture with a minority partner are shown at 100% of the joint venture amount. See "Non-GAAP Financial Measures" below for additional information and reconciliation.

Business Strategy

Our primary objectives are to protect stockholder capital and enhance stockholder value. We seek to pay consistent cash dividends to stockholders and create opportunities to increase dividend payments to stockholders as a result of annual increases in NOI and portfolio growth. To meet these objectives, we invest across the full spectrum of seniors housing and health care real estate and diversify our investment portfolio by property type, relationship and geographic location.

Substantially all of our revenues are derived from operating lease rentals, resident fees and services, interest earned on outstanding loans receivable and interest earned on short-term deposits. These items represent our primary sources of liquidity to fund distributions and depend upon the continued ability of our obligors to make contractual rent and interest payments to us and the profitability of our operating properties. To the extent that our obligors/partners experience operating difficulties and become unable to generate sufficient cash to make payments or operating distributions to us, there could be a material adverse impact on our consolidated results of operations, liquidity and/or financial condition.

To mitigate this risk, we monitor our investments through a variety of methods determined by the type of property. Our asset management process for seniors housing properties generally includes review of monthly financial statements and other operating data for each property, review of obligor/partner creditworthiness, property inspections and review of covenant compliance relating to licensure, real estate taxes, letters of credit and other collateral. Our internal property management division manages and monitors the outpatient medical portfolio with a comprehensive process including review of tenant relations, lease expirations, the mix of health service providers, hospital/health system relationships, property performance, capital improvement needs and market conditions among other things. We evaluate the operating environment in each

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

property's market to determine the likely trend in operating performance of the facility. When we identify unacceptable trends, we seek to mitigate, eliminate or transfer the risk. Through these efforts, we generally aim to intervene at an early stage to address any negative trends, and in so doing, support both the collectability of revenue and the value of our investment.

In addition to our asset management and research efforts, we aim to structure our relevant investments to mitigate payment risk. Operating leases and loans are normally credit enhanced by guarantees and/or letters of credit. Also, operating leases are typically structured as master leases and loans are generally cross-defaulted and cross-collateralized with other real estate loans, operating leases or agreements between us and the obligor and its affiliates.

For the six months ended June 30, 2024, resident fees and services and rental income represented 75% and 20%, respectively, of total revenues. Substantially all of our operating leases are designed with escalating rent structures. Leases with fixed annual rental escalators are generally recognized on a straight-line basis over the initial lease period, subject to a collectability assessment. Rental income related to leases with contingent rental escalators is generally recorded based on the contractual cash rental payments due for the period. Our yield on loans receivable depends upon a number of factors, including the stated interest rate, the average principal amount outstanding during the term of the loan and any interest rate adjustments.

Our primary sources of cash include resident fees and services, rent and interest receipts, interest earned on short-term deposits, borrowings under our unsecured revolving credit facility and commercial paper program, public issuances of debt and equity securities, proceeds from investment dispositions and principal payments on loans receivable. Our primary uses of cash include dividend distributions, debt service payments (including principal and interest), real property investments (including acquisitions, capital expenditures, construction advances and transaction costs), loan advances, property operating expenses, general and administrative expenses and other expenses. Depending upon the availability and cost of external capital, we believe our liquidity is sufficient to fund these uses of cash.

We also continuously evaluate opportunities to finance future investments. New investments are generally funded from temporary borrowings under our unsecured revolving credit facility and commercial paper program, internally generated cash and the proceeds from investment dispositions. Our investments generate cash from NOI and principal payments on loans receivable. Permanent financing for future investments, which replaces funds drawn under our unsecured revolving credit facility and commercial paper program, has historically been provided through a combination of the issuance of public debt and equity securities and the incurrence or assumption of secured debt. Given the general economic conditions during 2023 and into 2024, investments were generally funded proactively via issuances of common stock.

Depending upon market conditions, we believe that new investments will be available in the future with spreads over our cost of capital that will generate appropriate returns to our stockholders. It is also likely that investment dispositions may occur in the future. To the extent that investment dispositions exceed new investments, our revenues and cash flows from operations could be adversely affected. We expect to reinvest the proceeds from any investment dispositions in new investments. To the extent that new investment requirements exceed our available cash on-hand, we expect to borrow under our unsecured revolving credit facility and commercial paper program. At June 30, 2024, we had \$2,776,628,000 of cash and cash equivalents, \$86,970,000 of restricted cash and \$4,000,000,000 of available borrowing capacity under our unsecured revolving credit facility.

Key Transactions

Capital The following summarizes key capital transactions that occurred during the six months ended June 30, 2024:

- In April 2024, we entered into the ATM Program (as defined below) pursuant to which we may offer and sell up to \$3,500,000,000 of common stock of Welltower from time to time. Our prior equity distribution agreement dated February 15, 2024, allowing us to sell up to \$3,500,000,000 aggregate amount of our common stock, was terminated. During the six months ended June 30, 2024, we sold 43,315,945 shares of common stock under our current and previous ATM Programs generating gross proceeds of approximately \$4,041,776,000.
- In January 2024, we repaid our \$400,000,000 4.5% senior unsecured notes at maturity. In March 2024, we repaid our \$950,000,000 3.625% senior unsecured notes at maturity.
- During the six months ended June 30, 2024, we extinguished \$211,805,000 of secured debt at a blended average interest rate of 6.68% and disposed \$164,640,000 of secured debt at a blended average interest rate of 4.64%.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Investments The following summarizes our property acquisitions and joint venture investments completed during the six months ended June 30, 2024 (dollars in thousands):

	Properties	Book Amount ⁽¹⁾	Capitalization Rates ⁽²⁾
Seniors Housing Operating	16	\$ 545,374	6.7 %
Triple-net	4	76,107	7.7 %
Outpatient Medical	1	45,417	7.7 %
Totals	21	\$ 666,898	6.9 %

⁽¹⁾ Represents amounts recorded in net real estate investments including fair value adjustments pursuant to U.S. GAAP. See Note 3 to our unaudited consolidated financial statements for additional information.

⁽²⁾ Represents annualized contractual or projected NOI to be received in cash divided by investment amounts.

Dispositions The following summarizes property dispositions completed during the six months ended June 30, 2024 (dollars in thousands):

	Properties	Proceeds ⁽¹⁾	Book Amount ⁽²⁾	Capitalization Rates ⁽³⁾
Seniors Housing Operating ⁽⁴⁾	25	\$ 495,676	\$ 353,290	4.6 %
Triple-net	1	21,509	170	— %
Outpatient Medical ⁽⁴⁾	3	46,914	39,567	6.8 %
Totals	29	\$ 564,099	\$ 393,027	4.6 %

⁽¹⁾ Represents net proceeds received upon disposition.

⁽²⁾ Represents carrying value of net real estate assets at time of disposition. See Note 5 to our unaudited consolidated financial statements for additional information.

⁽³⁾ Represents annualized contractual income that was being received in cash at date of disposition divided by stated purchase price.

⁽⁴⁾ Includes the disposition of unconsolidated equity method investments that owned six Seniors Housing Operating properties and one Outpatient Medical property.

Strategic Dissolution of Revera Joint Ventures

During the second quarter of 2023, we entered into definitive agreements to dissolve our existing Revera joint venture relationships across the U.S., U.K. and Canada. The transactions included acquiring the remaining interests in 110 properties from Revera while simultaneously selling interests in 31 properties to Revera. See Note 5 to our unaudited consolidated financial statements for additional information regarding the transactions.

Dividends Our Board of Directors declared a cash dividend for the quarter ended June 30, 2024 of \$0.67 per share, an increase of 10% from the prior quarter. On August 21, 2024, we will pay our 213th consecutive quarterly cash dividend to stockholders of record on August 12, 2024.

Key Performance Indicators, Trends and Uncertainties

We utilize several key performance indicators to evaluate the various aspects of our business. These indicators are discussed below and relate to operating performance, credit strength and concentration risk. Management uses these key performance indicators to facilitate internal and external comparisons to our historical operating results, in making operating decisions and for budget planning purposes.

Operating Performance We believe that net income and net income attributable to common stockholders ("NICS") per the Consolidated Statements of Comprehensive Income are the most appropriate earnings measures. Other useful supplemental measures of our operating performance include funds from operations attributable to common stockholders ("FFO") and consolidated net operating income ("NOI"); however, these supplemental measures are not defined by U.S. GAAP. Please refer to the section entitled "Non-GAAP Financial Measures" for further discussion and reconciliations. These earnings measures are widely used by investors and analysts in the valuation, comparison and investment recommendations of companies.

The following table reflects the recent historical trends of our operating performance measures for the periods presented (in thousands):

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

	Three Months Ended					
	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Net income (loss)	\$ 260,670	\$ 131,634	\$ 88,440	\$ 134,722	\$ 106,342	\$ 28,635
NICS	254,714	127,146	83,911	127,470	103,040	25,673
FFO	493,773	556,703	491,859	419,124	466,182	386,062
NOI	713,587	762,828	713,697	666,740	706,806	602,976

Credit Strength We measure our credit strength both in terms of leverage ratios and coverage ratios. The leverage ratios indicate how much of our balance sheet capitalization is related to long-term debt, net of cash and restricted cash. The coverage ratios indicate our ability to service interest and fixed charges (interest and secured debt principal amortization). We expect to maintain capitalization ratios and coverage ratios sufficient to maintain a capital structure consistent with our current profile. The coverage ratios are based on earnings before interest, taxes, depreciation and amortization ("EBITDA") and adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"). Please refer to the section entitled "Non-GAAP Financial Measures" for further discussion and reconciliation of these measures. Leverage ratios and coverage ratios are widely used by investors, analysts and rating agencies in the valuation, comparison, investment recommendations and rating of companies. The following table reflects the recent historical trends for our credit strength measures for the periods presented:

	Three Months Ended					
	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Net debt to book capitalization ratio	27%	29%	34%	36%	38%	40%
Net debt to undepreciated book capitalization ratio	22%	24%	28%	29%	31%	32%
Net debt to enterprise value ratio	15%	17%	21%	23%	25%	28%
Interest coverage ratio	5.59x	4.29x	3.79x	3.88x	3.81x	3.44x
Fixed charge coverage ratio	5.21x	3.98x	3.52x	3.60x	3.51x	3.13x

Concentration Risk We evaluate our concentration risk in terms of NOI by property mix, relationship mix and geographic mix. Concentration risk is a valuable measure in understanding what portion of our NOI could be at risk if certain sectors were to experience downturns. Property mix measures the portion of our NOI that relates to our various property types. Relationship mix measures the portion of our NOI that relates to our current top five relationships. Geographic mix measures the portion of our NOI that relates to our current top five states (or countries outside the United States).

The following table reflects our recent historical trends of concentration risk by NOI for the periods indicated below:

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	Three Months Ended					
	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Property mix:⁽¹⁾						
Seniors Housing Operating	54%	47%	43%	45%	40%	42%
Triple-net ⁽²⁾	26%	35%	37%	35%	42%	37%
Outpatient Medical	20%	18%	20%	20%	18%	21%
Relationship mix: ⁽¹⁾						
Cogir Management Corporation	8%	8%	6%	4%	3%	4%
Integra Healthcare Properties	8%	7%	8%	8%	8%	9%
Sunrise Senior Living	6%	5%	5%	5%	7%	6%
Avery Healthcare	5%	5%	5%	4%	3%	3%
Oakmont Management Group	5%	4%	4%	4%	3%	3%
Remaining relationships	68%	71%	72%	75%	76%	75%
Geographic mix:⁽¹⁾						
California	13%	11%	11%	11%	11%	13%
United Kingdom	10%	10%	9%	9%	8%	10%
Florida	9%	8%	8%	5%	4%	5%
Texas	9%	8%	8%	8%	7%	8%
Canada	7%	7%	7%	6%	5%	6%
Remaining geographic areas	52%	56%	57%	61%	65%	58%

⁽¹⁾ Excludes our share of investments in unconsolidated entities and non-segment/corporate NOI. Entities in which we have a joint venture with a minority partner are shown at 100% of the joint venture amount.

⁽²⁾ During the three months ended June 30, 2024, we wrote off previously recognized straight-line rent receivable and unamortized lease incentive balances of \$88,319,000 through a reduction of rental income, which relates to leases for which the collection of substantially all contractual lease payments was no longer probable due to agreements reached to convert Triple-net properties to Seniors Housing Operating RIDEA structures.

Lease Expirations The following table sets forth information regarding lease expirations for certain portions of our portfolio as of June 30, 2024 (dollars in thousands):

	Expiration Year ⁽¹⁾										
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Thereafter
Triple-net:											
Properties	4	16	10	1	5	5	34	5	127	42	345
Base rent ⁽²⁾	\$ 13,495	\$ 8,016	\$ 12,467	\$ 1,259	\$ 6,404	\$ 1,051	\$ 40,930	\$ 11,002	\$ 102,099	\$ 55,517	\$ 463,577
% of base rent	1.9 %	1.1 %	1.7 %	0.2 %	0.9 %	0.1 %	5.7 %	1.5 %	14.3 %	7.8 %	64.8 %
Units/beds	692	521	1,557	80	616	257	3,669	423	6,163	3,267	39,443
% of units/beds	1.2 %	0.9 %	2.7 %	0.1 %	1.1 %	0.5 %	6.5 %	0.7 %	10.9 %	5.8 %	69.6 %
Outpatient Medical:											
Square feet	1,397,576	1,168,708	1,540,435	1,566,825	1,611,343	1,508,762	1,327,692	1,542,936	1,606,995	1,215,520	5,018,944
Base rent ⁽²⁾	\$ 41,702	\$ 36,467	\$ 42,635	\$ 46,776	\$ 45,699	\$ 44,174	\$ 39,624	\$ 44,562	\$ 49,018	\$ 32,006	\$ 146,951
% of base rent	7.3 %	6.4 %	7.5 %	8.2 %	8.0 %	7.8 %	7.0 %	7.8 %	8.6 %	5.6 %	25.8 %
Leases	309	260	254	250	278	188	119	93	163	105	182
% of leases	14.0 %	11.8 %	11.5 %	11.4 %	12.6 %	8.5 %	5.4 %	4.2 %	7.4 %	4.8 %	8.4 %

⁽¹⁾ Excludes our share of investments in unconsolidated entities, developments, land parcels, loans receivable and sub-leases. Investments classified as held for sale are included in the current year.

⁽²⁾ The most recent monthly cash base rent annualized. Base rent does not include tenant recoveries or amortization of above and below market lease intangibles or other non-cash income.

We evaluate our key performance indicators in conjunction with current expectations to determine if historical trends are indicative of future results. Our expected results may not be achieved, and actual results may differ materially from our expectations. Factors that may cause actual results to differ from expected results are described in more detail in "Cautionary Statement Regarding Forward-Looking Statements" and other sections of this Quarterly Report on Form 10-Q. Management regularly monitors economic and other factors to develop strategic and tactical plans designed to improve performance and maximize our competitive position. Our ability to achieve our financial objectives is dependent upon our ability to effectively execute these plans and to appropriately respond to emerging economic and company-specific trends. Please refer to our

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Annual Report on Form 10-K for the year ended December 31, 2023, under the headings "Business," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Corporate Governance

Maintaining investor confidence and trust is important in today's business environment. Our Board of Directors and management are strongly committed to policies and procedures that reflect the highest level of ethical business practices. Our corporate governance guidelines provide the framework for our business operations and emphasize our commitment to increase stockholder value while meeting all applicable legal requirements. These guidelines meet the listing standards adopted by the New York Stock Exchange and are available on the Internet at www.welltower.com/investors/governance. The information on our website is not incorporated by reference in this Quarterly Report on Form 10-Q, and our web address is included as an inactive textual reference only.

Liquidity and Capital Resources

Sources and Uses of Cash

Our primary sources of cash include resident fees and services, rent and interest receipts, interest earned on short-term deposits, borrowings under our unsecured revolving credit facility and commercial paper program, public issuances of debt and equity securities, proceeds from investment dispositions and principal payments on loans receivable. Our primary uses of cash include dividend distributions, debt service payments (including principal and interest), real property investments (including acquisitions, capital expenditures, construction advances and transaction costs), loan advances, property operating expenses, general and administrative expenses and other expenses. Depending upon the availability and cost of external capital, we believe our liquidity is sufficient to fund these uses of cash. These sources and uses of cash are reflected in our Consolidated Statements of Cash Flows and are discussed in further detail below.

The following is a summary of our sources and uses of cash flows for the periods presented (dollars in thousands):

	Six Months Ended		Change	
	June 30, 2024	June 30, 2023	\$	%
Cash, cash equivalents and restricted cash at beginning of period	\$ 2,076,083	\$ 722,292	\$ 1,353,791	187 %
Cash provided from (used in) operating activities	1,012,225	792,303	219,922	28 %
Cash provided from (used in) investing activities	(1,859,742)	(1,326,216)	(533,526)	(40)%
Cash provided from (used in) financing activities	1,637,685	2,102,311	(464,626)	(22)%
Effect of foreign currency translation	(2,653)	8,379	(11,032)	(132)%
Cash, cash equivalents and restricted cash at end of period	<u>\$ 2,863,598</u>	<u>\$ 2,299,069</u>	<u>\$ 564,529</u>	<u>25 %</u>

Operating Activities Please see "Results of Operations" for discussion of net income fluctuations. For the six months ended June 30, 2024 and 2023, cash flows provided from operations exceeded cash distributions to stockholders.

Investing Activities The changes in net cash provided from/used in investing activities are primarily attributable to net changes in real property investments and dispositions, loans receivable and investments in unconsolidated entities, which are summarized above in "Key Transactions." Please refer to Notes 3 and 5 of our unaudited consolidated financial statements for additional information. The following is a summary of cash used in non-acquisition capital improvement activities for the periods presented (dollars in thousands):

	Six Months Ended		Change	
	June 30, 2024	June 30, 2023	\$	%
New development	\$ 459,122	\$ 474,115	\$ (14,993)	-3 %
Recurring capital expenditures, tenant improvements and lease commissions	118,964	77,608	41,356	53 %
Renovations, redevelopments and other capital improvements	178,638	127,370	51,268	40 %
Total	<u>\$ 756,724</u>	<u>\$ 679,093</u>	<u>\$ 77,631</u>	<u>11 %</u>

The change in new development is primarily due to the number and size of construction projects on-going during the relevant periods. Renovations, redevelopments and other capital improvements include expenditures to maximize property value, increase net operating income, maintain a market-competitive position and/or achieve property stabilization. The increase in renovations, redevelopments and other capital improvements is due primarily to portfolio growth.

Financing Activities The changes in net cash provided from/used in financing activities are primarily attributable to changes related to our long-term debt arrangements, the issuances of common stock and dividend payments which are summarized above in "Key Transactions." Please refer to Notes 10, 11 and 14 to our unaudited consolidated financial statements for additional information.

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In May 2023, we issued \$1,035,000,000 aggregate principal amount of 2.75% exchangeable senior unsecured notes maturing May 15, 2028. In January 2024, we repaid our \$400,000,000 4.5% senior unsecured notes at maturity. In March 2024, we repaid our \$950,000,000 3.625% senior unsecured notes at maturity.

In July 2024, we issued \$1,035,000,000 aggregate principal amount of 3.125% exchangeable senior unsecured notes maturing July 15, 2029.

Also in July 2024, we closed on an expanded \$5,000,000,000 unsecured revolving credit facility, which replaced our \$4,000,000,000 existing line of credit. The new facility is comprised of a \$3,000,000,000 revolving line of credit maturing in June 2028 that can be extended for an additional year and a \$2,000,000,000 revolving line of credit maturing in June 2029. The revolving lines of credit will bear interest at a borrowing rate of 0.725% over the adjusted SOFR rate and includes an annual facility fee of 0.125%.

Off-Balance Sheet Arrangements

At June 30, 2024, we had investments in unconsolidated entities with our ownership generally ranging from 10% to 95%. We use financial derivative instruments to hedge interest rate and foreign currency exchange rate exposure. At June 30, 2024, we had 23 outstanding letter of credit obligations. Please see Notes 8, 12 and 13 to our unaudited consolidated financial statements for additional information.

Contractual Obligations

The following table summarizes our payment requirements under contractual obligations as of June 30, 2024 (in thousands):

Contractual Obligations	Payments Due by Period				
	Total	2024	2025-2026	2027-2028	Thereafter
Senior unsecured notes and term credit facilities: ⁽¹⁾					
U.S. Dollar senior unsecured notes	\$ 9,585,000	\$ —	\$ 1,950,000	\$ 2,285,000	\$ 5,350,000
Canadian Dollar senior unsecured notes ⁽²⁾	219,234	—	—	219,234	—
Pounds Sterling senior unsecured notes ⁽²⁾	1,327,200	—	—	695,200	632,000
U.S. Dollar term credit facility	1,010,000	—	10,000	1,000,000	—
Canadian Dollar term credit facility ⁽²⁾	182,695	—	—	182,695	—
Secured debt: ^(1,2)					
Consolidated	1,800,684	106,622	470,312	285,176	938,574
Unconsolidated	1,020,570	104,167	566,389	149,570	200,444
Contractual interest obligations: ⁽³⁾					
Senior unsecured notes and term loans ⁽²⁾	3,254,972	279,739	884,280	647,200	1,443,753
Consolidated secured debt ⁽²⁾	401,272	41,863	124,310	99,174	135,925
Unconsolidated secured debt ⁽²⁾	112,446	18,677	33,649	16,053	44,067
Financing lease liabilities ⁽⁴⁾	428,391	2,188	9,414	9,299	407,490
Operating lease liabilities ⁽⁴⁾	947,546	10,626	33,987	32,946	869,987
Purchase obligations ⁽⁵⁾	900,270	428,415	458,440	401	13,014
Total contractual obligations	\$ 21,190,280	\$ 992,297	\$ 4,540,781	\$ 5,621,948	\$ 10,035,254

⁽¹⁾ Amounts represent principal amounts due and do not reflect unamortized premiums/discounts or other fair value adjustments as reflected on the balance sheet.

⁽²⁾ Based on foreign currency exchange rates in effect as of the balance sheet date.

⁽³⁾ Based on variable interest rates in effect as of the balance sheet date.

⁽⁴⁾ See Note 6 to our unaudited consolidated financial statements for additional information.

⁽⁵⁾ See Note 13 to our unaudited consolidated financial statements for additional information. Excludes amounts related to asset acquisitions under contract that have not yet closed as of June 30, 2024, including the acquisitions described in Note 3.

Capital Structure

Please refer to "Credit Strength" above for a discussion of our leverage and coverage ratio trends. Our debt agreements contain various covenants, restrictions and events of default. Certain agreements require us to maintain financial ratios and minimum net worth and impose certain limits on our ability to incur indebtedness, create liens and make investments or acquisitions. As of June 30, 2024, we were in compliance in all material respects with the covenants under our debt agreements. None of our debt agreements contain provisions for acceleration which could be triggered by our debt ratings. However, under our primary unsecured credit facility, the ratings on our senior unsecured notes are used to determine the fees and interest

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charged. We plan to manage the company to maintain compliance with our debt covenants and with a capital structure consistent with our current profile. Any downgrades in terms of ratings or outlook by any or all of the rating agencies could have a material adverse impact on our cost and availability of capital, which could have a material adverse impact on our consolidated results of operations, liquidity and/or financial condition.

On April 1, 2022, Welltower and Welltower OP jointly filed with the Securities and Exchange Commission (the "SEC") an open-ended automatic or "universal" shelf registration statement on Form S-3 (the "Shelf Form S-3") covering an indeterminate amount of future offerings of Welltower's debt securities, common stock, preferred stock, depositary shares, guarantees of debt securities issued by Welltower OP, warrants and units and Welltower OP's debt securities and guarantees of debt securities issued by Welltower. On April 1, 2022, Welltower also filed with the SEC a registration statement in connection with its enhanced dividend reinvestment plan ("DRIP") under which it may issue up to 15,000,000 shares of common stock. On May 3, 2023, Welltower and Welltower OP filed post-effective amendment no. 1 to the Shelf Form S-3 pursuant to which Welltower OP expressly adopted the Shelf Form S-3 as its own registration statement following its statutory conversion from a corporation to a limited liability company. As of July 26, 2024, 15,000,000 shares of common stock remained available for issuance under the DRIP registration statement.

On April 30, 2024, Welltower and Welltower OP entered into an equity distribution agreement (the "EDA") with (i) Barclays Capital Inc., BMO Capital Markets Corp., BNP Paribas Securities Corp., BNY Mellon Capital Markets, LLC, BofA Securities, Inc., BOK Financial Securities, Inc., Capital One Securities, Inc., Citigroup Global Markets Inc., Citizens JMP Securities, LLC, Credit Agricole Securities (USA) Inc., Deutsche Bank Securities Inc., Fifth Third Securities, Inc., Goldman Sachs & Co. LLC, Jefferies LLC, J.P. Morgan Securities LLC, KeyBanc Capital Markets Inc., Loop Capital Markets LLC, Mizuho Securities USA LLC, Morgan Stanley & Co. LLC, MUFG Securities Americas Inc., RBC Capital Markets, LLC, Regions Securities LLC, Robert W. Baird & Co. Incorporated, Scotia Capital (USA) Inc., Synovus Securities, Inc., TD Securities (USA) LLC, Truist Securities, Inc. and Wells Fargo Securities, LLC as sales agents and forward sellers and (ii) the forward purchasers named therein relating to issuances, offers and sales from time to time of up to \$3,500,000,000 aggregate amount of common stock of Welltower (together with the existing master forward sale confirmations relating thereto, the "ATM Program"). The ATM Program also allows Welltower to enter into forward sale agreements. As of July 26, 2024, we had \$2,366,084,000 of remaining capacity under the ATM Program and there were no outstanding forward sales agreements. Depending upon market conditions, we anticipate issuing securities under our registration statements to invest in additional properties and to repay borrowings under our unsecured revolving credit facility and commercial paper program.

In connection with the filing of the Shelf Form S-3, Welltower also filed with the SEC a prospectus supplement that will continue an offering that was previously covered by a prior registration statement relating to the registration of up to 475,327 shares of common stock of Welltower Inc. (the "DownREIT II Shares") that may be issued from time to time if, and to the extent that, certain holders of Class A units (the "DownREIT II Units") of HCN G&L DownREIT II LLC, a Delaware limited liability company (the "DownREIT II"), tender such DownREIT II Units for redemption by the DownREIT II, and HCN DownREIT Member, LLC, a majority-owned indirect subsidiary of Welltower (including its permitted successors and assigns, the "Managing Member"), or a designated affiliate of the Managing Member, elects to assume the redemption obligations of the DownREIT II and to satisfy all or a portion of the redemption consideration by issuing DownREIT II Shares to the holders instead of or in addition to paying a cash amount. On July 22, 2022, Welltower filed with the SEC a prospectus supplement relating to the registration of up to 300,026 shares of common stock of Welltower Inc. that may be issued from time to time if, and to the extent that, certain holders of Class A Common Units (the "OP Units") of Welltower OP tender the OP Units for redemption by Welltower OP, and Welltower Inc. elects to assume the redemption obligations of Welltower OP and to satisfy all or a portion of the redemption consideration by issuing shares of its common stock to the holders instead of or in addition to paying a cash amount. On August 9, 2023, Welltower filed with the SEC a prospectus supplement relating to the registration of up to 13,559,535 shares of common stock of Welltower Inc. (the "Exchanged Shares") that may, under certain circumstances, be issuable upon exchange of 2.750% exchangeable senior notes due 2028 of Welltower OP and the resale from time to time by the recipients of the Exchanged Shares.

Supplemental Guarantor Information

Welltower OP has issued the unsecured notes described in Note 11 to our unaudited consolidated financial statements. All unsecured notes are fully and unconditionally guaranteed by Welltower, and Welltower OP is 99.730% owned by Welltower as of June 30, 2024. Effective January 4, 2021, the SEC adopted amendments to the financial disclosure requirements applicable to registered debt offerings that include certain credit enhancements. We have adopted these new rules, which permits subsidiary issuers of obligations guaranteed by the parent to omit separate financial statements if the consolidated financial statements of the parent company have been filed, the subsidiary obligor is a consolidated subsidiary of the parent company, the guaranteed security is debt or debt-like, and the security is guaranteed fully and unconditionally by the parent. Accordingly, separate consolidated financial statements of Welltower OP have not been presented. Furthermore, Welltower and Welltower OP have no material assets, liabilities, or operations other than financing activities and their investments in non-guarantor subsidiaries. Therefore, we meet the criteria in Rule 13-01 of Regulation S-X to omit the summarized financial information from our disclosures.

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Results of Operations
Summary

Our primary sources of revenue include resident fees and services, rent, interest income and interest earned on short-term deposits. Our primary expenses include property operating expenses, depreciation and amortization, interest expense, general and administrative expenses and other expenses. We evaluate our business and make resource allocations on our three business segments: Seniors Housing Operating, Triple-net and Outpatient Medical. The primary performance measures for our properties are NOI and same store NOI ("SSNOI") and other supplemental measures include FFO and Adjusted EBITDA, which are further discussed below. Please see Non-GAAP Financial Measures for additional information and reconciliations related to these supplemental measures.

	Three Months Ended		Change		Six Months Ended		Change	
	June 30,		Amount	%	June 30,		Amount	%
	2024	2023			2024	2023		
Net income (loss)	\$ 260,670	\$ 106,342	\$ 154,328	145 %	\$ 392,304	\$ 134,977	\$ 257,327	191 %
NICS	254,714	103,040	151,674	147 %	381,860	128,713	253,147	197 %
FFO	493,773	466,182	27,591	6 %	1,050,476	852,244	198,232	23 %
EBITDA	777,240	604,127	173,113	29 %	1,428,246	1,119,322	308,924	28 %
NOI	713,587	706,806	6,781	1 %	1,476,415	1,309,782	166,633	13 %
SSNOI	532,202	491,584	40,618	8 %	1,040,377	941,325	99,052	11 %
Per share data (fully diluted):								
NICS	\$ 0.42	\$ 0.20	\$ 0.22	110 %	\$ 0.65	\$ 0.26	\$ 0.39	150 %
FFO	\$ 0.82	\$ 0.93	\$ (0.11)	(12)%	\$ 1.78	\$ 1.71	\$ 0.07	4 %
Interest coverage ratio	5.59 x	3.81 x	1.78 x	47 %	4.91 x	3.63 x	1.28 x	35 %
Fixed charge coverage ratio	5.21 x	3.51 x	1.70 x	48 %	4.57 x	3.32 x	1.25 x	38 %

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**Seniors Housing Operating**

The following is a summary of our results of operations for the Seniors Housing Operating segment (dollars in thousands):

	Three Months Ended		Change		Six Months Ended		Change	
	June 30,				June 30,			
	2024	2023	\$	%	2024	2023	\$	%
Revenues:								
Resident fees and services	\$ 1,393,473	\$ 1,159,449	\$ 234,024	20 %	\$ 2,753,747	\$ 2,291,134	\$ 462,613	20 %
Interest income	16,077	2,095	13,982	667 %	21,100	4,646	16,454	354 %
Other income	1,900	2,895	(995)	(34)%	3,363	5,340	(1,977)	(37)%
Total revenues	1,411,450	1,164,439	247,011	21 %	2,778,210	2,301,120	477,090	21 %
Property operating expenses	1,034,906	885,187	149,719	17 %	2,054,253	1,768,971	285,282	16 %
NOI ⁽¹⁾	376,544	279,252	97,292	35 %	723,957	532,149	191,808	36 %
Other expenses:								
Depreciation and amortization	253,531	220,428	33,103	15 %	490,327	440,835	49,492	11 %
Interest expense	7,326	16,136	(8,810)	(55)%	18,512	27,623	(9,111)	(33)%
Loss (gain) on extinguishment of debt, net	1,705	—	1,705	n/a	1,711	—	1,711	n/a
Provision for loan losses, net	6,142	1,867	4,275	229 %	7,710	1,794	5,916	330 %
Impairment of assets	1,778	—	1,778	n/a	45,109	12,629	32,480	257 %
Other expenses	37,724	8,060	29,664	368 %	46,481	25,639	20,842	81 %
	308,206	246,491	61,715	25 %	609,850	508,520	101,330	20 %
Income (loss) from continuing operations before income taxes and other items	68,338	32,761	35,577	109 %	114,107	23,629	90,478	383 %
Income (loss) from unconsolidated entities	(2,526)	(39,445)	36,919	94 %	(6,793)	(55,034)	48,241	88 %
Gain (loss) on real estate dispositions, net	137,061	(2,096)	139,157	n/a	141,663	(1,263)	142,926	n/a
Income (loss) from continuing operations	202,873	(8,780)	211,653	n/a	248,977	(32,668)	281,645	862 %
Net income (loss)	202,873	(8,780)	211,653	n/a	248,977	(32,668)	281,645	862 %
Less: Net income (loss) attributable to noncontrolling interests	(442)	(2,872)	2,430	85 %	(1,444)	(6,189)	4,745	77 %
Net income (loss) attributable to common stockholders	\$ 203,315	\$ (5,908)	\$ 209,223	n/a	\$ 250,421	\$ (26,479)	\$ 276,900	n/a

⁽¹⁾ See "Non-GAAP Financial Measures" below for additional information and reconciliations.

Resident fees and services and property operating expenses increased for the three and six month periods ended June 30, 2024 compared to the same periods in the prior year primarily due to acquisitions outpacing dispositions during 2023 and year to date 2024. Additionally, our Seniors Housing Operating revenues are dependent on occupancy and rate growth, both of which have continued to steadily increase from prior year. Average occupancy is as follows:

	Three Months Ended ⁽¹⁾			
	March 31,		June 30,	
	2023	79.0 %	2024	82.5 %

⁽¹⁾ Average occupancy includes our minority ownership share related to unconsolidated properties and excludes the minority partners' noncontrolling ownership share related to consolidated properties. Also excludes land parcels and properties under development.

Interest income increased for the three and six month periods ended June 30, 2024 compared to the same periods in the prior year primarily due to an increase in third party real estate loans in connection with the various transactions that occurred during 2023 and year to date 2024.

The following is a summary of our SSNOI at Welltower's share for the Seniors Housing Operating segment (dollars in thousands):

	QTD Pool				YTD Pool			
	Three Months Ended		Change		Six Months Ended		Change	
	June 30,				June 30,			
	2024	2023	\$	%	2024	2023	\$	%
SSNOI ⁽¹⁾	\$ 257,009	\$ 223,244	\$ 33,765	15.1 %	\$ 501,642	\$ 417,923	\$ 83,719	20.0 %

⁽¹⁾ For the QTD Pool and YTD Pool, amounts relate to 584 and 575 same store properties, respectively. Please see "Non-GAAP Financial Measures" below for additional information and reconciliations.

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Depreciation and amortization fluctuates as a result of acquisitions, dispositions and transitions. To the extent that we acquire or dispose of additional properties in the future, our provision for depreciation and amortization will change accordingly.

During the six months ended June 30, 2024, we recorded \$41,157,000 of impairment charges related to nine Seniors Housing Operating properties which were disposed of or classified as held for sale for which the carrying value exceeded the estimated fair value less costs to sell. Also, we recorded \$3,952,000 related to two held for use properties for which the carrying value exceeded the estimated fair value. During the six months ended June 30, 2023, we recorded impairment charges of \$12,252,000 related to two held for sale properties for which the carrying values exceeded the estimated fair value less costs to sell and \$377,000 related to one held for use property for which the carrying value exceeded the estimated fair value.

Transaction costs related to asset acquisitions are capitalized as a component of the purchase price. The fluctuation in other expenses is primarily due to the timing of noncapitalizable transaction costs associated with acquisitions and operator transitions, including \$26 million of expense recognized during the three months ended June 30, 2024 in excess of amounts already accrued as part of the transition of 89 Atria properties to other existing Welltower operators discussed in Note 9 to our unaudited consolidated financial statements. Changes in the gain on sales of properties are related to the volume and timing of property sales and the sales prices. The fluctuation in the gain on sales of properties is primarily related to the disposal of the Revera Canadian portfolio, which is further discussed in Note 5 to our unaudited consolidated financial statements.

During the six months ended June 30, 2024, we completed construction conversions representing \$194,012,000 or \$314,444 per unit. The following is a summary of our consolidated Seniors Housing Operating construction projects in process, excluding expansions (dollars in thousands):

As of June 30, 2024					
Expected Conversion Year ⁽¹⁾	Properties	Units/Beds	Anticipated Remaining Funding	Construction in Progress Balance	
2024	13	1,997	\$ 75,266	\$	639,908
2025	8	2,047	240,169		365,426
2026	4	740	147,573		47,548
TBD ⁽²⁾	5				67,266
Total	30			\$	1,120,148

⁽¹⁾ Properties expected to be converted in phases over multiple years are reflected in the last expected year.

⁽²⁾ Represents projects for which a final budget or expected conversion date are not yet known.

Interest expense represents secured debt interest expense, which fluctuates based on the net effect and timing of assumptions, segment transitions, fluctuations in foreign currency rates, extinguishments and principal amortizations. The provisions for loan losses will fluctuate based on our third party loan activity. The fluctuations in loss (gain) on extinguishment of debt is primarily attributable to the volume of extinguishments and terms of the related secured debt.

The following is a summary of our Seniors Housing Operating segment property secured debt principal activity (dollars in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Beginning balance	\$ 1,804,419	\$ 2,058,618	\$ 1,955,048	\$ 1,701,939
Debt issued	1,493	10,562	2,872	373,462
Debt assumed	—	20,448	—	26,930
Debt extinguished	(75,993)	(3,315)	(196,939)	(3,315)
Debt disposed ⁽¹⁾	(164,640)	—	(164,640)	—
Principal payments	(9,136)	(11,997)	(19,983)	(25,004)
Foreign currency	(5,979)	20,477	(26,194)	20,781
Ending balance	\$ 1,550,164	\$ 2,094,793	\$ 1,550,164	\$ 2,094,793
Ending weighted average interest	4.53 %	4.71 %	4.53 %	4.71 %

⁽¹⁾ Please see Note 5 for additional information.

The majority of our Seniors Housing Operating properties are formed through partnership interests. Income (loss) from unconsolidated entities represents our share of net income or losses from partnerships where we are the noncontrolling partner. Income (loss) from unconsolidated entities during the six months ended June 30, 2023 includes an impairment charge of \$28,708,000 related to an unconsolidated management company. Net income attributable to noncontrolling interests represents our partners' share of net income (loss) related to joint ventures.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**Triple-net**

The following is a summary of our results of operations for the Triple-net segment (dollars in thousands):

	Three Months Ended		Change		Six Months Ended		Change	
	June 30,		\$	%	June 30,		\$	%
	2024	2023			2024	2023		
Revenues:								
Rental income	\$ 141,151	\$ 198,916	\$ (57,765)	(29)%	\$ 362,895	\$ 401,335	\$ (38,440)	(10)%
Interest income	46,528	36,520	10,008	27 %	93,317	70,283	23,034	33 %
Other income	931	66,692	(65,761)	(99)%	2,130	68,575	(66,445)	(97)%
Total revenues	188,610	302,128	(113,518)	(38)%	458,342	540,193	(81,851)	(15)%
Property operating expenses	10,495	10,598	(103)	(1)%	21,312	22,321	(1,009)	(5)%
NOI⁽¹⁾	178,115	291,530	(113,415)	(39)%	437,030	517,872	(80,842)	(16)%
Other expenses:								
Depreciation and amortization	61,766	55,234	6,532	12 %	124,301	109,762	14,539	13 %
Interest expense	352	(795)	1,147	144 %	710	(810)	1,520	188 %
Loss (gain) on derivatives and financial instruments, net	(5,825)	1,280	(7,105)	(555)%	(8,879)	2,210	(11,089)	(502)%
Provision for loan losses, net	(962)	591	(1,553)	(263)%	(1,529)	1,441	(2,970)	(206)%
Impairment of assets	616	1,086	(470)	(43)%	616	1,086	(470)	(43)%
Other expenses	8,420	818	7,602	929 %	9,625	3,285	6,340	193 %
	64,367	58,214	6,153	11 %	124,844	116,974	7,870	7 %
Income (loss) from continuing operations before income taxes and other items	113,748	233,316	(119,568)	(51)%	312,186	400,898	(88,712)	(22)%
Income (loss) from unconsolidated entities	2,614	(630)	3,244	515 %	(539)	7,802	(8,341)	(107)%
Gain (loss) on real estate dispositions, net	21,268	(72)	21,340	n/a	21,294	448	20,846	n/a
Income (loss) from continuing operations	137,630	232,614	(94,984)	(41)%	332,941	409,148	(76,207)	(19)%
Net income (loss)	137,630	232,614	(94,984)	(41)%	332,941	409,148	(76,207)	(19)%
Less: Net income (loss) attributable to noncontrolling interests	5,473	6,187	(714)	(12)%	10,971	12,090	(1,119)	(9)%
Net income attributable to common stockholders	\$ 132,157	\$ 226,427	\$ (94,270)	(42)%	\$ 321,970	\$ 397,058	\$ (75,088)	(19)%

⁽¹⁾ See "Non-GAAP Financial Measures" below for additional information and reconciliations.

Rental income decreased primarily due to the write-off of straight-line receivable and unamortized lease incentive balances of \$97,665,000 during the six months ended June 30, 2024, which relate to leases for which the collection of substantially all contractual lease payments was no longer deemed probable due primarily to agreements reached to convert Triple-net properties to Seniors Housing Operating RIDEA structures. This decrease was partially offset by increases in rent primarily due to acquisitions during the second half of 2023.

Certain of our leases contain annual rental escalators that are contingent upon changes in the Consumer Price Index and/or changes in the gross operating revenues of the tenant's properties. These escalators are not fixed, so no straight-line rent is recorded; however, rental income is recorded based on the contractual cash rental payments due for the period. If gross operating revenues at our facilities and/or the Consumer Price Index do not increase, a portion of our revenues may not continue to increase. For the six months ended June 30, 2024, we had leases with rental rate increases ranging from 0.05% to 20.05% in our Triple-net portfolio.

The increase in interest income is primarily driven by increased advances on loans receivable during the second half of 2023.

As part of the substantial exit of the Genesis HealthCare operating relationship, which we disclosed on March 2, 2021, we transitioned the sublease of a portfolio of seven facilities from Genesis HealthCare to Complete Care Management in the second quarter of 2021. As part of the March 2021 transaction, we entered into a forward sale agreement for the seven properties valued at \$182,618,000, which was expected to close when the Welltower-held purchase option became exercisable. As of March 31, 2023, the right of use assets related to the properties were \$115,359,000 and were reflected as held for sale with the corresponding lease liabilities of \$66,530,000 on our Consolidated Balance Sheet.

On May 1, 2023, we executed a series of transactions that included the assignment of the leasehold interest to a newly formed tri-party unconsolidated joint venture together with Aurora Health Network, Peace Capital (an affiliate of Complete Care Management) and us, and culminated with the closing of the purchase option by the joint venture. The transactions resulted in net cash proceeds to us of \$104,240,000 after our retained interest of \$11,571,000 in the joint venture and a gain from the loss of control and derecognition of the leasehold interest of \$65,485,000, which we recorded in other income within our Consolidated Statements of Comprehensive Income during the six months ended June 30, 2023.

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The following is a summary of our SSNOI at Welltower's share for the Triple-net segment (dollars in thousands):

SSNOI ⁽¹⁾	QTD Pool				YTD Pool			
	Three Months Ended		Change		Six Months Ended		Change	
	June 30,				June 30,			
	2024	2023	\$	%	2024	2023	\$	%
SSNOI ⁽¹⁾	\$ 150,087	\$ 144,917	\$ 5,170	3.6 %	\$ 299,290	\$ 287,907	\$ 11,383	4.0 %

⁽¹⁾ For the QTD Pool and YTD Pool, amounts relate to 523 and 515 same store properties, respectively. Please see "Non-GAAP Financial Measures" below for additional information and reconciliations.

Depreciation and amortization fluctuates as a result of the acquisitions, dispositions and segment transitions of Triple-net properties. To the extent we acquire or dispose of additional properties in the future, our provision for depreciation and amortization will change accordingly.

During the six months ended June 30, 2024, we recorded an impairment charge of \$616,000 related to one held for use property for which the carrying value exceeded the estimated fair value. During the six months ended June 30, 2023, we recorded impairment charges of \$1,086,000 related to one held for sale property for which the carrying values exceeded the estimated fair value less costs to sell. Transaction costs related to asset acquisitions are capitalized as a component of purchase price. The fluctuation in other expenses is primarily due to noncapitalizable transaction costs from acquisitions and segment transitions. Changes in the gain on sales of properties are related to the volume and timing of property sales and the sales prices.

Loss (gain) on derivatives and financial instruments, net is primarily attributable to the mark-to-market of the equity warrants received as part of the HC-One transactions that closed in 2021 and 2023.

Interest expense represents secured debt interest expense and related fees. The change in secured debt interest expense is due to the net effect and timing of assumptions, segment transitions, fluctuations in foreign currency rates, extinguishments and principal amortizations. The following is a summary of our Triple-net secured debt principal activity for the periods presented (dollars in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Beginning balance	\$ 38,023	\$ 38,949	\$ 38,260	\$ 39,179
Principal payments	(236)	(226)	(473)	(456)
Ending balance	\$ 37,787	\$ 38,723	\$ 37,787	\$ 38,723
Ending weighted average interest	4.39 %	4.39 %	4.39 %	4.39 %

A portion of our Triple-net properties were formed through partnerships. Income (loss) from unconsolidated entities represents our share of net income or losses from partnerships where we are the noncontrolling partner. The fluctuation in income (loss) from unconsolidated entities from the prior year relates primarily to the timing and amount of hypothetical liquidation at book value adjustments related to in substance real estate investments. Net income attributable to noncontrolling interests represents our partners' share of net income relating to those partnerships where we are the controlling partner.

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The following is a summary of our results of operations for the Outpatient Medical segment for the periods presented (dollars in thousands):

	Three Months Ended				Change		Six Months Ended				Change	
	June 30,				\$	%	June 30,				\$	%
	2024	2023					2024	2023				
Revenues:												
Rental income	\$ 194,660	\$ 184,523	\$ 10,137	5 %	\$ 390,568	\$ 366,163	\$ 24,405	7 %				
Interest income	848	95	753	793 %	1,700	186	1,514	814 %				
Other income	2,577	1,574	1,003	64 %	4,979	4,674	305	7 %				
Total revenues	198,085	186,192	11,893	6 %	397,247	371,023	26,224	7 %				
Property operating expenses	61,185	58,697	2,488	4 %	123,648	117,062	6,586	6 %				
NOI ⁽¹⁾	136,900	127,495	9,405	7 %	273,599	253,961	19,638	8 %				
Other expenses:												
Depreciation and amortization	66,748	66,283	465	1 %	133,280	130,460	2,820	2 %				
Interest expense	1,310	3,152	(1,842)	(58)%	3,028	7,256	(4,228)	(58)%				
Loss (gain) on extinguishment of debt, net	—	1	(1)	(100)%	—	6	(6)	(100)%				
Provision for loan losses, net	(17)	(2)	(15)	(750)%	(4)	(2)	(2)	(100)%				
Other expenses	331	647	(316)	(49)%	940	1,194	(254)	(21)%				
	68,372	70,081	(1,709)	(2)%	137,244	138,914	(1,670)	(1)%				
Income (loss) from continuing operations before income taxes and other items	68,528	57,414	11,114	19 %	136,355	115,047	21,308	19 %				
Income (loss) from unconsolidated entities	4,808	(257)	5,065	n/a	4,445	(171)	4,616	n/a				
Gain (loss) on real estate dispositions, net	8,114	—	8,114	n/a	8,193	(606)	8,799	n/a				
Income (loss) from continuing operations	81,450	57,157	24,293	43 %	148,993	114,270	34,723	30 %				
Net income (loss)	81,450	57,157	24,293	43 %	148,993	114,270	34,723	30 %				
Less: Net income (loss) attributable to noncontrolling interests	218	309	(91)	(29)%	(134)	991	(1,125)	(114)%				
Net income (loss) attributable to common stockholders	\$ 81,232	\$ 56,848	\$ 24,384	43 %	\$ 149,127	\$ 113,279	\$ 35,848	32 %				

⁽¹⁾ See "Non-GAAP Financial Measures" below for additional information and reconciliations.

Rental income has increased due primarily to acquisitions and construction conversions that occurred during 2023 and year to date in 2024. Certain of our leases contain annual rental escalators that are contingent upon changes in the Consumer Price Index. These escalators are not fixed, so no straight-line rent is recorded; however, rental income is recorded based on the contractual cash rental payments due for the period. If the Consumer Price Index does not increase, a portion of our revenues may not continue to increase. Our leases could renew above or below current rental rates, resulting in an increase or decrease in rental income. For the six months ended June 30, 2024, our consolidated Outpatient Medical portfolio signed 170,090 square feet of new leases and 832,359 square feet of renewals. The weighted-average term of these leases was seven years, with a rate of \$42.90 per square foot and tenant improvement and lease commission costs of \$31.38 per square foot. Substantially all of these leases contain an annual fixed or contingent escalation rent structure ranging from 2.0% to 5.0%.

The fluctuation in property operating expenses and depreciation and amortization are primarily attributable to acquisitions and construction conversions that occurred during 2023 and year to date in 2024. To the extent we acquire or dispose of additional properties in the future, these expenses will change accordingly. Changes in the gain on sales of properties are related to the volume and timing of property sales and the sales prices.

The following is a summary of our SS NOI at Welltower's share for the Outpatient Medical segment (dollars in thousands):

	QTD Pool						YTD Pool					
	Three Months Ended				Change		Six Months Ended				Change	
	June 30,				\$		June 30,				\$	
	2024	2023	\$	%	2024	2023	2024	2023	\$	%	2024	2023
SS NOI ⁽¹⁾	\$ 125,106	\$ 123,423	\$ 1,683	1.4 %	\$ 239,445	\$ 235,495	\$ 3,950	1.7 %				

⁽¹⁾ For the QTD Pool and YTD, amounts relate to 410 and 380 same store properties, respectively. Please see "Non-GAAP Financial Measures" below for additional information and reconciliations.

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During the six months ended June 30, 2024, we completed construction conversions representing \$106,596,000 or \$484 per square foot. The following is a summary of our consolidated Outpatient Medical construction projects in process, excluding expansions (dollars in thousands):

Expected Conversion Year	Properties	As of June 30, 2024			Construction in Progress Balance
		Square Feet	Anticipated Remaining Funding	Remaining Construction in Progress	
2024	7	486,763	\$ 107,500	\$ 203,386	
2025	3	290,559	127,007	38,751	
TBD ⁽¹⁾	1			33,702	
Total	11			\$ 275,839	

⁽¹⁾ Represents projects for which a final budget or expected conversion date are not yet known.

Total interest expense represents secured debt interest expense. The change in secured debt interest expense is primarily due to the net effect and timing of assumptions, extinguishments and principal amortizations. The following is a summary of our Outpatient Medical secured debt principal activity (dollars in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Beginning balance	\$ 228,334	\$ 409,241	\$ 229,137	\$ 388,836
Debt assumed	—	—	—	46,741
Debt extinguished	(14,866)	(44,550)	(14,866)	(69,181)
Principal payments	(735)	(1,616)	(1,538)	(3,321)
Ending balance	\$ 212,733	\$ 363,075	\$ 212,733	\$ 363,075
Ending weighted average interest	5.51 %	4.68 %	5.51 %	4.68 %

A portion of our Outpatient Medical properties were formed through partnerships. Income or loss from unconsolidated entities represents our share of net income or losses from partnerships where we are the noncontrolling partner. Net income attributable to noncontrolling interests represents our partners' share of net income or loss relating to those partnerships where we are the controlling partner.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**Non-Segment/Corporate**

The following is a summary of our results of operations for the Non-Segment/Corporate activities for the periods presented (dollars in thousands):

	Three Months Ended				Change		Six Months Ended				Change	
	June 30,						June 30,					
	2024	2023	\$	%	2024	2023	\$	%	2024	2023	\$	%
Revenues:												
Other income	\$ 26,739	\$ 12,719	\$ 14,020	110 %	\$ 50,826	\$ 13,871	\$ 36,955	266 %				
Total revenues	26,739	12,719	14,020	110 %	50,826	13,871	36,955	266 %				
Property operating expenses	4,711	4,190	521	12 %	8,997	8,071	926	11 %				
Consolidated net operating income (loss) ⁽¹⁾	22,028	8,529	13,499	158 %	41,829	5,800	36,029	621 %				
Expenses:												
Interest expense	124,436	133,844	(9,408)	(7)%	258,492	262,671	(4,179)	(2)%				
General and administrative expenses	55,565	44,287	11,278	25 %	108,883	88,658	20,225	23 %				
Other expenses	2,209	1,544	665	43 %	5,769	3,696	2,073	56 %				
	182,210	179,675	2,535	1 %	373,144	355,025	18,119	5 %				
Income (loss) from continuing operations before income taxes and other items	(160,182)	(171,146)	10,964	6 %	(331,315)	(349,225)	17,910	5 %				
Income tax benefit (expense)	(1,101)	(3,503)	2,402	69 %	(7,292)	(6,548)	(744)	(11)%				
Income (loss) from continuing operations	(161,283)	(174,649)	13,366	8 %	(338,607)	(355,773)	17,166	5 %				
Net income (loss)	(161,283)	(174,649)	13,366	8 %	(338,607)	(355,773)	17,166	5 %				
Less: Net income (loss) attributable to noncontrolling interests	707	(322)	1,029	320 %	1,051	(628)	1,679	267 %				
Net income (loss) attributable to common stockholders	\$ (161,990)	\$ (174,327)	\$ 12,337	7 %	\$ (339,658)	\$ (355,145)	\$ 15,487	4 %				

⁽¹⁾ See "Non-GAAP Financial Measures" below for additional information and reconciliations.

The increase in other income for six month periods ended June 30, 2024 is primarily due to interest earned on deposits. Property operating expenses represent insurance costs related to our captive insurance company, which acts as a direct insurer of property level insurance coverage for our portfolio.

The following is a summary of our Non-Segment/Corporate interest expense for the periods presented (dollars in thousands):

	Three Months Ended				Change		Six Months Ended				Change	
	June 30,						June 30,					
	2024	2023	\$	%	2024	2023	\$	%	2024	2023	\$	%
Senior unsecured notes												
Senior unsecured notes	\$ 118,212	\$ 125,451	\$ (7,239)	(6)%	\$ 246,172	\$ 246,265	\$ (93)	— %				
Unsecured credit facility and commercial paper program	1,533	1,467	66	5 %	3,068	3,873	(805)	(21)%				
Loan expense	4,691	6,926	(2,235)	(32)%	9,252	12,533	(3,281)	(26)%				
Totals	\$ 124,436	\$ 133,844	\$ (9,408)	(7)%	\$ 258,492	\$ 262,671	\$ (4,179)	(2)%				

The change in interest expense on senior unsecured notes is due to the net effect of issuances and extinguishments, as well as the movement in foreign exchange rates and related hedge activity. Please refer to Note 11 to our unaudited consolidated financial statements for additional information. The change in interest expense on our unsecured revolving credit facility and commercial paper program is due primarily to the net effect and timing of draws, paydowns and variable interest rate changes. Please refer to Note 10 to our unaudited consolidated financial statements for additional information regarding our unsecured revolving credit facility and commercial paper program. Loan expenses represent the amortization of costs incurred in connection with senior unsecured notes issuances.

General and administrative expenses as a percentage of consolidated revenues for the six months ended June 30, 2024 and 2023 were 2.96% and 2.75%, respectively. The increase during the six month period is primarily driven by compensation costs associated with increased employee headcount.

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Other

Non-GAAP Financial Measures

We believe that net income and net income attributable to common stockholders, as defined by U.S. GAAP, are the most appropriate earnings measurements. However, we consider FFO, NOI, SSNOI, EBITDA and Adjusted EBITDA to be useful supplemental measures of our operating performance. Historical cost accounting for real estate assets in accordance with U.S. GAAP implicitly assumes that the value of real estate assets diminishes predictably over time as evidenced by the provision for depreciation. However, since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered presentations of operating results for real estate companies that use historical cost accounting to be insufficient. In response, the National Association of Real Estate Investment Trusts ("NAREIT") created funds from operations attributable to common stockholders ("FFO") as a supplemental measure of operating performance for REITs that excludes historical cost depreciation from net income. FFO, as defined by NAREIT, means NICS, computed in accordance with U.S. GAAP, excluding gains (or losses) from sales of real estate and impairment of depreciable assets, plus depreciation and amortization, and after adjustments for unconsolidated entities and noncontrolling interests.

NOI is used to evaluate the operating performance of our properties. We define NOI as total revenues, including tenant reimbursements, less property operating expenses. Property operating expenses represent costs associated with managing, maintaining and servicing tenants for our properties. These expenses include, but are not limited to, property-related payroll and benefits, property management fees paid to managers, marketing, housekeeping, food service, maintenance, utilities, property taxes and insurance. General and administrative expenses represent general overhead costs that are unrelated to property operations and unallocable to the properties. These expenses include, but are not limited to, payroll and benefits related to corporate employees, professional services, office expenses and depreciation of corporate fixed assets. Same store NOI ("SSNOI") is used to evaluate the operating performance of our properties using a consistent population which controls for changes in the composition of our portfolio. We believe the drivers of property level NOI for both consolidated properties and unconsolidated properties are generally the same and therefore, we evaluate SSNOI based on our ownership interest in each property ("Welltower Share"). To arrive at Welltower's Share, NOI is adjusted by adding our minority ownership share related to unconsolidated properties and by subtracting the minority partners' noncontrolling ownership interests for consolidated properties. We do not control investments in unconsolidated properties and while we consider disclosures at Welltower Share to be useful, they may not accurately depict the legal and economic implications of our joint venture arrangements and should be used with caution. As used herein, same store is generally defined as those revenue-generating properties in the portfolio for the relevant year-over-year reporting periods. Acquisitions and development conversions are included in SSNOI five full quarters or six full quarters after acquisition or being placed into service for the QTD Pool and YTD Pool, respectively. Land parcels, loans and sub-leases, as well as any properties sold or classified as held for sale during the respective periods are excluded from SSNOI. Redeveloped properties (including major refurbishments of a Seniors Housing Operating property where 20% or more of units are simultaneously taken out of commission for 30 days or more or Outpatient Medical properties undergoing a change in intended use) are excluded from SSNOI until five full quarters or six full quarters post completion of the redevelopment for the QTD Pool and YTD Pool, respectively. Properties undergoing operator transitions and/or segment transitions are also excluded from SSNOI until five full quarters or six full quarters post completion of the transition for the QTD Pool and YTD Pool, respectively. In addition, properties significantly impacted by force majeure, acts of God, or other extraordinary adverse events are excluded from SSNOI until five full quarters or six full quarters after the properties are placed back into service for the QTD Pool and YTD Pool, respectively. SSNOI excludes non-cash NOI and includes adjustments to present consistent ownership percentages and to translate Canadian properties and U.K. properties using a consistent exchange rate. We believe NOI and SSNOI provide investors relevant and useful information because they measure the operating performance of our properties at the property level on an unleveraged basis. We use NOI and SSNOI to make decisions about resource allocations and to assess the property level performance of our properties.

EBITDA is defined as earnings (net income) before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA excluding unconsolidated entities and including adjustments for stock-based compensation expense, provision for loan losses, gains/losses on extinguishment of debt, gains/losses/impairments on properties, gains/losses on derivatives and financial instruments, other expenses, other impairment charges and other adjustments as deemed appropriate. We believe that EBITDA and Adjusted EBITDA, along with net income, are important supplemental measures because they provide additional information to assess and evaluate the performance of our operations. We primarily use these measures to determine our interest coverage ratio, which represents EBITDA and Adjusted EBITDA divided by total interest, and our fixed charge coverage ratio, which represents EBITDA and Adjusted EBITDA divided by fixed charges. Fixed charges include total interest and secured debt principal amortization. Covenants in our unsecured senior notes and primary credit facility contain financial ratios based on a definition of EBITDA and Adjusted EBITDA that is specific to those agreements. Our leverage ratios are defined as the proportion of net debt to total capitalization and include book capitalization, undepreciated book capitalization and enterprise value. Book capitalization represents the sum of net debt (defined as total long-term debt, excluding operating lease liabilities, less cash and cash equivalents and restricted cash), total equity and redeemable noncontrolling interests. Undepreciated book capitalization represents book capitalization adjusted for accumulated

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depreciation and amortization. Enterprise value represents book capitalization adjusted for the fair market value of our common stock.

Our supplemental reporting measures and similarly entitled financial measures are widely used by investors, equity and debt analysts and rating agencies in the valuation, comparison, rating and investment recommendations of companies. Management uses these financial measures to facilitate internal and external comparisons to our historical operating results and in making operating decisions. Additionally, these measures are utilized by the Board of Directors to evaluate management. None of our supplemental measures represent net income or cash flow provided from operating activities as determined in accordance with U.S. GAAP and should not be considered as alternative measures of profitability or liquidity. Finally, the supplemental measures, as defined by us, may not be comparable to similarly entitled items reported by other real estate investment trusts or other companies.

The tables below reflect the reconciliation of FFO to NICS, the most directly comparable U.S. GAAP measure, for the periods presented. Noncontrolling interest and unconsolidated entity amounts represent adjustments to reflect our share of depreciation and amortization, gains/loss on real estate dispositions and impairment of assets. Amounts are in thousands except for per share data.

	Three Months Ended					
	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
FFO Reconciliation:						
Net income (loss) attributable to common stockholders	\$ 254,714	\$ 127,146	\$ 83,911	\$ 127,470	\$ 103,040	\$ 25,673
Depreciation and amortization	382,045	365,863	380,730	339,314	341,945	339,112
Impairment of assets	2,394	43,331	14,994	7,388	1,086	12,629
Loss (gain) on real estate dispositions, net	(166,443)	(4,707)	1,783	(71,102)	2,168	(747)
Noncontrolling interests	(6,348)	(11,996)	(11,436)	(8,789)	(12,841)	(13,327)
Unconsolidated entities	27,411	37,066	21,877	24,843	30,784	22,722
FFO	<u>\$ 493,773</u>	<u>\$ 556,703</u>	<u>\$ 491,859</u>	<u>\$ 419,124</u>	<u>\$ 466,182</u>	<u>\$ 386,062</u>
Average diluted shares outstanding	604,563	577,530	552,380	525,138	501,970	494,494

Per diluted share data:

Net income attributable to common stockholders ⁽¹⁾	\$ 0.42	\$ 0.22	\$ 0.15	\$ 0.24	\$ 0.20	\$ 0.05
FFO	\$ 0.82	\$ 0.96	\$ 0.89	\$ 0.80	\$ 0.93	\$ 0.78

⁽¹⁾ Includes adjustment to the numerator for income (loss) attributable to OP Unitholders.

	Six Months Ended	
	2024	2023
FFO Reconciliations:		
Net income attributable to common stockholders	\$ 381,860	\$ 128,713
Depreciation and amortization	747,908	681,057
Impairment of assets	45,725	13,715
Loss (gain) on real estate dispositions, net	(171,150)	1,421
Noncontrolling interests	(18,344)	(26,168)
Unconsolidated entities	64,477	53,506
FFO	<u>\$ 1,050,476</u>	<u>\$ 852,244</u>
Average diluted common shares outstanding:	591,047	498,305
Per diluted share data:		
Net income attributable to common stockholders ⁽¹⁾	\$ 0.65	\$ 0.26
FFO	\$ 1.78	\$ 1.71

⁽¹⁾ Includes adjustment to the numerator for income (loss) attributable to OP unitholders.

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The tables below reflect the reconciliation of consolidated NOI to net income, the most directly comparable U.S. GAAP measure, for the periods presented (dollars in thousands):

	Three Months Ended					
	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
NOI Reconciliations:						
Net income (loss)	\$ 260,670	\$ 131,634	\$ 88,440	\$ 134,722	\$ 106,342	\$ 28,635
Loss (gain) on real estate dispositions, net	(166,443)	(4,707)	1,783	(71,102)	2,168	(747)
Loss (income) from unconsolidated entities	(4,896)	7,783	2,008	4,031	40,332	7,071
Income tax expense (benefit)	1,101	6,191	(4,768)	4,584	3,503	3,045
Other expenses	48,684	14,131	36,307	38,220	11,069	22,745
Impairment of assets	2,394	43,331	14,994	7,388	1,086	12,629
Provision for loan losses, net	5,163	1,014	2,517	4,059	2,456	777
Loss (gain) on extinguishment of debt, net	1,705	6	—	1	1	5
Loss (gain) on derivatives and financial instruments, net	(5,825)	(3,054)	(7,215)	2,885	1,280	930
General and administrative expenses	55,565	53,318	44,327	46,106	44,287	44,371
Depreciation and amortization	382,045	365,863	380,730	339,314	341,945	339,112
Interest expense	133,424	147,318	154,574	156,532	152,337	144,403
Consolidated net operating income (NOI)	<u>\$ 713,587</u>	<u>\$ 762,828</u>	<u>\$ 713,697</u>	<u>\$ 666,740</u>	<u>\$ 706,806</u>	<u>\$ 602,976</u>

NOI by segment:

Seniors Housing Operating	\$ 376,544	\$ 347,413	\$ 301,077	\$ 284,909	\$ 279,252	\$ 252,897
Triple-net	178,115	258,915	256,985	226,278	291,530	226,342
Outpatient Medical	136,900	136,699	135,484	129,754	127,495	126,466
Non-segment/corporate	22,028	19,801	20,151	25,799	8,529	(2,729)
Total NOI	<u>\$ 713,587</u>	<u>\$ 762,828</u>	<u>\$ 713,697</u>	<u>\$ 666,740</u>	<u>\$ 706,806</u>	<u>\$ 602,976</u>

NOI Reconciliations:

	Six Months Ended	
	June 30, 2024	2023
NOI Reconciliations:		
Net income (loss)	\$ 392,304	\$ 134,977
Loss (gain) on real estate dispositions, net	(171,150)	1,421
Loss (income) from unconsolidated entities	2,887	47,403
Income tax expense (benefit)	7,292	6,548
Other expenses	62,815	33,814
Impairment of assets	45,725	13,715
Provision for loan losses, net	6,177	3,233
Loss (gain) on extinguishment of debt, net	1,711	6
Loss (gain) on derivatives and financial instruments, net	(8,879)	2,210
General and administrative expenses	108,883	88,658
Depreciation and amortization	747,908	681,057
Interest expense	280,742	296,740
Consolidated net operating income (NOI)	<u>\$ 1,476,415</u>	<u>\$ 1,309,782</u>

NOI by segment:

Seniors Housing Operating	\$ 723,957	\$ 532,149
Triple-net	437,030	517,872
Outpatient Medical	273,599	253,961
Non-segment/corporate	41,829	5,800
Total NOI	<u>\$ 1,476,415</u>	<u>\$ 1,309,782</u>

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The following is a reconciliation of the properties included in our QTD Pool and YTD Pool for SSNOI:

	QTD Pool				YTD Pool			
	Seniors Housing Operating	Triple-net	Outpatient Medical	Total	Seniors Housing Operating	Triple-net	Outpatient Medical	Total
SSNOI Property Reconciliations:								
Consolidated properties	929	605	370	1,904	929	605	370	1,904
Unconsolidated properties	76	39	76	191	76	39	76	191
Total properties	1,005	644	446	2,095	1,005	644	446	2,095
Recent acquisitions/development conversions ⁽¹⁾	(80)	(62)	(12)	(154)	(89)	(70)	(42)	(201)
Under development	(33)	—	(11)	(44)	(33)	—	(11)	(44)
Under redevelopment ⁽²⁾	(4)	(4)	—	(8)	(4)	(4)	—	(8)
Current held for sale	(24)	(28)	(1)	(53)	(24)	(28)	(1)	(53)
Land parcels, loans and subleases	(15)	(4)	(9)	(28)	(15)	(4)	(9)	(28)
Transitions ⁽³⁾	(256)	(18)	—	(274)	(256)	(18)	—	(274)
Other ⁽⁴⁾	(9)	(5)	(3)	(17)	(9)	(5)	(3)	(17)
Same store properties	<u>584</u>	<u>523</u>	<u>410</u>	<u>1,517</u>	<u>575</u>	<u>515</u>	<u>380</u>	<u>1,470</u>

⁽¹⁾ Acquisitions and development conversions will enter the QTD Pool after five full quarters and YTD Pool after six full quarters of acquisition or certificate of occupancy.

⁽²⁾ Redevelopment properties will enter the QTD Pool after five full quarters and YTD Pool after six full quarters of operations post redevelopment completion.

⁽³⁾ Transitioned properties will enter the QTD Pool after five full quarters and YTD Pool after six full quarters of operations with the new operator in place or under the new structure.

⁽⁴⁾ Represents properties that are either closed or being closed.

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The following is a reconciliation of our consolidated NOI to same store NOI for the periods presented for the QTD Pool and YTD Pool (dollars in thousands):

	QTD Pool		YTD Pool	
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
SSNOI Reconciliations:	2024	2023	2024	2023
Seniors Housing Operating:				
Consolidated NOI	\$ 376,544	\$ 279,252	\$ 723,957	\$ 532,149
NOI attributable to unconsolidated investments	23,041	13,629	44,822	25,756
NOI attributable to noncontrolling interests	(12,085)	(15,974)	(29,443)	(32,235)
NOI attributable to non-same store properties	(130,203)	(53,574)	(238,057)	(108,118)
Non-cash NOI attributable to same store properties	(230)	(1,047)	111	(1,634)
Currency and ownership adjustments ⁽¹⁾	(58)	958	252	2,005
SSNOI at Welltower Share	257,009	223,244	501,642	417,923
Triple-net:				
Consolidated NOI	178,115	291,530	437,030	517,872
NOI attributable to unconsolidated investments	5,366	6,864	10,962	16,158
NOI attributable to noncontrolling interests	(8,042)	(7,723)	(16,047)	(15,332)
NOI attributable to non-same store properties	(95,455)	(122,551)	(186,040)	(186,663)
Non-cash NOI attributable to same store properties	70,336	(23,070)	53,952	(44,401)
Currency and ownership adjustments ⁽¹⁾	(233)	(133)	(567)	273
SSNOI at Welltower Share	150,087	144,917	299,290	287,907
Outpatient Medical:				
Consolidated NOI	136,900	127,495	273,599	253,961
NOI attributable to unconsolidated investments	4,313	4,657	9,024	9,592
NOI attributable to noncontrolling interests	(2,301)	(4,708)	(5,024)	(9,896)
NOI attributable to non-same store properties	(9,795)	(1,556)	(30,970)	(13,553)
Non-cash NOI attributable to same store properties	(4,040)	(4,771)	(7,247)	(9,924)
Currency and ownership adjustments ⁽¹⁾	29	2,306	63	5,315
SSNOI at Welltower Share	125,106	123,423	239,445	235,495
SSNOI at Welltower Share:				
Seniors Housing Operating	257,009	223,244	501,642	417,923
Triple-net	150,087	144,917	299,290	287,907
Outpatient Medical	125,106	123,423	239,445	235,495
Total	<u>\$ 532,202</u>	<u>\$ 491,584</u>	<u>\$ 1,040,377</u>	<u>\$ 941,325</u>

⁽¹⁾ Includes adjustments to reflect consistent property ownership percentages, to translate Canadian properties at a USD/CAD rate of 1.36 and to translate U.K. properties at a GBP/USD rate of 1.25.

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The tables below reflect the reconciliation of EBITDA to net income, the most directly comparable U.S. GAAP measure, for the periods presented (dollars in thousands):

	Three Months Ended					
	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
EBITDA Reconciliations:						
Net income (loss)	\$ 260,670	\$ 131,634	\$ 88,440	\$ 134,722	\$ 106,342	\$ 28,635
Interest expense	133,424	147,318	154,574	156,532	152,337	144,403
Income tax expense (benefit)	1,101	6,191	(4,768)	4,584	3,503	3,045
Depreciation and amortization	382,045	365,863	380,730	339,314	341,945	339,112
EBITDA	<u>\$ 777,240</u>	<u>\$ 651,006</u>	<u>\$ 618,976</u>	<u>\$ 635,152</u>	<u>\$ 604,127</u>	<u>\$ 515,195</u>
Interest Coverage Ratio:						
Interest expense	\$ 133,424	\$ 147,318	\$ 154,574	\$ 156,532	\$ 152,337	\$ 144,403
Capitalized interest	14,478	13,809	14,547	13,947	11,870	10,335
Non-cash interest expense	(8,953)	(9,284)	(5,871)	(6,716)	(5,824)	(5,083)
Total interest	138,949	151,843	163,250	163,763	158,383	149,655
EBITDA	<u>\$ 777,240</u>	<u>\$ 651,006</u>	<u>\$ 618,976</u>	<u>\$ 635,152</u>	<u>\$ 604,127</u>	<u>\$ 515,195</u>
Interest coverage ratio	5.59 x	4.29 x	3.79 x	3.88 x	3.81 x	3.44 x
Fixed Charge Coverage Ratio:						
Total interest	\$ 138,949	\$ 151,843	\$ 163,250	\$ 163,763	\$ 158,383	\$ 149,655
Secured debt principal payments	10,107	11,887	12,430	12,865	13,839	14,942
Total fixed charges	149,056	163,730	175,680	176,628	172,222	164,597
EBITDA	<u>\$ 777,240</u>	<u>\$ 651,006</u>	<u>\$ 618,976</u>	<u>\$ 635,152</u>	<u>\$ 604,127</u>	<u>\$ 515,195</u>
Fixed charge coverage ratio	5.21 x	3.98 x	3.52 x	3.60 x	3.51 x	3.13 x

	Six Months Ended	
	June 30,	2023
EBITDA Reconciliations:		
Net income (loss)	\$ 392,304	\$ 134,977
Interest expense	280,742	296,740
Income tax expense (benefit)	7,292	6,548
Depreciation and amortization	747,908	681,057
EBITDA	<u>\$ 1,428,246</u>	<u>\$ 1,119,322</u>
Interest Coverage Ratio:		
Interest expense	\$ 280,742	\$ 296,740
Non-cash interest expense	(18,237)	(10,907)
Capitalized interest	28,287	22,205
Total interest	290,792	308,038
EBITDA	<u>\$ 1,428,246</u>	<u>\$ 1,119,322</u>
Interest coverage ratio	4.91 x	3.63 x
Fixed Charge Coverage Ratio:		
Total interest	\$ 290,792	\$ 308,038
Secured debt principal payments	21,994	28,781
Total fixed charges	312,786	336,819
EBITDA	<u>\$ 1,428,246</u>	<u>\$ 1,119,322</u>
Fixed charge coverage ratio	4.57 x	3.32 x

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The table below reflects the reconciliation of Adjusted EBITDA to net income, the most directly comparable U.S. GAAP measure, for the periods presented (dollars in thousands):

	Twelve Months Ended					
	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Adjusted EBITDA Reconciliations:						
Net income	\$ 615,466	\$ 461,138	\$ 358,139	\$ 271,497	\$ 134,122	\$ 123,452
Interest expense	591,848	610,761	607,846	593,663	576,813	552,226
Income tax expense (benefit)	7,108	9,510	6,364	7,044	5,717	5,279
Depreciation and amortization	1,467,952	1,427,852	1,401,101	1,362,657	1,377,042	1,345,392
EBITDA	2,682,374	2,509,261	2,373,450	2,234,861	2,093,694	2,026,349
Loss (income) from unconsolidated entities	8,926	54,154	53,442	56,084	58,751	25,477
Stock-based compensation expense	38,364	38,829	36,611	34,762	32,299	27,709
Loss (gain) on extinguishment of debt, net	1,712	8	7	94	95	697
Loss (gain) on real estate dispositions, net	(240,469)	(71,858)	(67,898)	(65,258)	4,780	6,144
Impairment of assets	68,107	66,799	36,097	34,249	31,217	30,131
Provision for loan losses, net	12,753	10,046	9,809	17,761	14,192	11,098
Loss (gain) on derivatives and financial instruments, net	(13,209)	(6,104)	(2,120)	5,353	9,373	5,751
Other expenses	137,342	99,727	108,341	96,988	74,249	98,346
Lease termination and leasehold interest adjustment ⁽¹⁾	—	(65,485)	(65,485)	(65,485)	(65,485)	(56,397)
Casualty losses, net of recoveries	6,163	7,778	10,107	16,446	15,760	14,865
Other impairment ⁽²⁾	114,316	25,998	16,642	12,309	—	(620)
Adjusted EBITDA	\$ 2,816,379	\$ 2,669,153	\$ 2,509,003	\$ 2,378,164	\$ 2,268,925	\$ 2,189,550
Adjusted Interest Coverage Ratio:						
Interest expense	\$ 591,848	\$ 610,761	\$ 607,846	\$ 593,663	\$ 576,813	\$ 552,226
Capitalized interest	56,781	54,173	50,699	45,914	40,830	35,347
Non-cash interest expense	(30,824)	(27,695)	(23,494)	(21,903)	(21,946)	(22,728)
Total interest	617,805	637,239	635,051	617,674	595,697	564,845
Adjusted EBITDA	\$ 2,816,379	\$ 2,669,153	\$ 2,509,003	\$ 2,378,164	\$ 2,268,925	\$ 2,189,550
Adjusted interest coverage ratio	4.56 x	4.19 x	3.95 x	3.85 x	3.81 x	3.88 x
Adjusted Fixed Charge Coverage Ratio:						
Total interest	\$ 617,805	\$ 637,239	\$ 635,051	\$ 617,674	\$ 595,697	\$ 564,845
Secured debt principal payments	47,289	51,021	54,076	55,635	56,545	57,088
Total fixed charges	665,094	688,260	689,127	673,309	652,242	621,933
Adjusted EBITDA	\$ 2,816,379	\$ 2,669,153	\$ 2,509,003	\$ 2,378,164	\$ 2,268,925	\$ 2,189,550
Adjusted fixed charge coverage ratio	4.23 x	3.88 x	3.64 x	3.53 x	3.48 x	3.52 x

⁽¹⁾ Primarily relates to the derecognition of leasehold interests and the gain recognized in other income.

⁽²⁾ Represents the write-off or recovery of straight-line rent receivable and unamortized lease incentive balances relating to leases placed on cash recognition.

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Our leverage ratios include book capitalization, undepreciated book capitalization and enterprise value. Book capitalization represents the sum of net debt (defined as total long-term debt excluding operating lease liabilities less cash and cash equivalents and restricted cash), total equity and redeemable noncontrolling interests. Undepreciated book capitalization represents book capitalization adjusted for accumulated depreciation and amortization. Enterprise value represents book capitalization adjusted for the fair market value of our common stock. Our leverage ratios are defined as the proportion of net debt to total capitalization.

The table below reflects the reconciliation of our leverage ratios to our balance sheets for the periods presented. Amounts are in thousands, except share price.

	As of					
	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Book capitalization:						
Unsecured credit facility and commercial paper	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term debt obligations ⁽¹⁾	14,027,128	14,285,686	15,815,226	15,899,420	16,040,530	15,074,320
Cash and cash equivalents and restricted cash	(2,863,598)	(2,478,335)	(2,076,083)	(2,686,711)	(2,299,069)	(638,796)
Total net debt	11,163,530	11,807,351	13,739,143	13,212,709	13,741,461	14,435,524
Total equity and noncontrolling interests ⁽²⁾	29,688,579	28,547,908	26,371,727	23,818,619	22,193,114	21,596,155
Book capitalization	\$ 40,852,109	\$ 40,355,259	\$ 40,110,870	\$ 37,031,328	\$ 35,934,575	\$ 36,031,679
Net debt to book capitalization ratio	27%	29%	34%	36%	38%	40%
Undepreciated book capitalization:						
Total net debt	\$ 11,163,530	\$ 11,807,351	\$ 13,739,143	\$ 13,212,709	\$ 13,741,461	\$ 14,435,524
Accumulated depreciation and amortization	9,908,007	9,537,562	9,274,814	8,868,627	8,599,622	8,417,151
Total equity and noncontrolling interests ⁽²⁾	29,688,579	28,547,908	26,371,727	23,818,619	22,193,114	21,596,155
Undepreciated book capitalization	\$ 50,760,116	\$ 49,892,821	\$ 49,385,684	\$ 45,899,955	\$ 44,534,197	\$ 44,448,830
Net debt to undepreciated book capitalization ratio	22%	24%	28%	29%	31%	32%
Enterprise value:						
Common shares outstanding	608,151	590,934	564,241	532,268	508,159	496,295
Period end share price	\$ 104.25	\$ 93.44	\$ 90.17	\$ 81.92	\$ 80.89	\$ 71.69
Common equity market capitalization	\$ 63,399,742	\$ 55,216,873	\$ 50,877,611	\$ 43,603,395	\$ 41,104,982	\$ 35,579,389
Total net debt	11,163,530	11,807,351	13,739,143	13,212,709	13,741,461	14,435,524
Noncontrolling interests ⁽²⁾	712,153	999,965	967,351	864,583	988,673	1,148,000
Consolidated enterprise value	\$ 75,275,425	\$ 68,024,189	\$ 65,584,105	\$ 57,680,687	\$ 55,835,116	\$ 51,162,913
Net debt to consolidated enterprise value ratio	15%	17%	21%	23%	25%	28%

⁽¹⁾ Amounts include senior unsecured notes, secured debt and lease liabilities related to financing leases, as reflected on our Consolidated Balance Sheets. Operating lease liabilities related to the ASC 842 adoption are excluded.

⁽²⁾ Includes amounts attributable to both redeemable noncontrolling interests and noncontrolling interests as reflected on our Consolidated Balance Sheets.

Critical Accounting Policies and Estimates

Our unaudited consolidated financial statements are prepared in accordance with U.S. GAAP, which requires us to make estimates and assumptions. Management considers an accounting estimate or assumption critical if:

- the nature of the estimates or assumptions is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change; and
- the impact of the estimates and assumptions on financial condition or operating performance is material.

Management has discussed the development and selection of its critical accounting policies and estimates with the Audit Committee of the Board of Directors. Management believes the current assumptions and other considerations used to estimate amounts reflected in our unaudited consolidated financial statements are appropriate and are not reasonably likely to change in the future. However, since these estimates require assumptions to be made that were uncertain at the time the estimate was made, they bear the risk of change. If actual experience differs from the assumptions and other considerations used in estimating amounts reflected in our unaudited consolidated financial statements, the resulting changes could have a material adverse effect on our consolidated results of operations, liquidity and/or financial condition. Please refer to Note 2 to our financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2023 for further information on significant accounting policies that impact us. There have been no material changes to these policies in 2024.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q may contain "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When Welltower uses words such as "may," "will," "intend," "should," "believe," "expect," "anticipate," "project," "pro forma," "estimate" or similar expressions that do not relate solely to historical matters, Welltower is making forward-looking statements. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties that may cause Welltower's actual results to differ materially from Welltower's expectations discussed in the forward-looking statements. This may be a result of various factors, including, but not limited to: the status of the economy; the status of capital markets, including availability and cost of capital; issues facing the health care industry, including compliance with, and changes to, regulations and payment policies, responding to government investigations and punitive settlements and operators'/tenants' difficulty in cost effectively obtaining and maintaining adequate liability and other insurance; changes in financing terms; competition within the health care and seniors housing industries; negative developments in the operating results or financial condition of operators/tenants, including, but not limited to, their ability to pay rent and repay loans; Welltower's ability to transition or sell properties with profitable results; the failure to make new investments or acquisitions as and when anticipated; natural disasters, health emergencies (such as the COVID-19 pandemic) and other acts of God affecting Welltower's properties; Welltower's ability to re-lease space at similar rates as vacancies occur; Welltower's ability to timely reinvest sale proceeds at similar rates to assets sold; operator/tenant or joint venture partner bankruptcies or insolvencies; the cooperation of joint venture partners; government regulations affecting Medicare and Medicaid reimbursement rates and operational requirements; liability or contract claims by or against operators/tenants; unanticipated difficulties and/or expenditures relating to future investments or acquisitions; environmental laws affecting Welltower's properties; changes in rules or practices governing Welltower's financial reporting; the movement of U.S. and foreign currency exchange rates; Welltower's ability to maintain its qualification as a REIT; key management personnel recruitment and retention; and other risks described in Welltower's reports filed from time to time with the SEC. Other important factors are identified in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, including factors identified under the headings "Business," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Finally, Welltower undertakes no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events or otherwise, or to update the reasons why actual results could differ from those projected in any forward-looking statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to various market risks, including the potential loss arising from adverse changes in interest rates and foreign currency exchange rates. We seek to mitigate the underlying foreign currency exposures with gains and losses on derivative contracts hedging these exposures. We seek to mitigate the effects of fluctuations in interest rates by matching the terms of new investments with new long-term fixed rate borrowings to the extent possible. We may or may not elect to use financial derivative instruments to hedge interest rate exposure. These decisions are principally based on our policy to match our variable rate investments with comparable borrowings, but are also based on the general trend in interest rates at the applicable dates and our perception of the future volatility of interest rates. This section is presented to provide a discussion of the risks associated with potential fluctuations in interest rates and foreign currency exchange rates. For more information, see Notes 12 and 17 to our consolidated financial statements.

We historically borrow on our unsecured revolving credit facility and commercial paper program to acquire, construct or make loans relating to health care and seniors housing properties. Then, as market conditions dictate, we will issue equity or long-term fixed rate debt to repay the borrowings under our unsecured revolving credit facility and commercial paper program. We are subject to risks associated with debt financing, including the risk that existing indebtedness may not be refinanced or that the terms of refinancing may not be as favorable as the terms of current indebtedness. The majority of our borrowings were completed under indentures or contractual agreements that limit the amount of indebtedness we may incur. Accordingly, in the event that we are unable to raise additional equity or borrow money because of these limitations, our ability to acquire additional properties may be limited.

A change in interest rates will not affect the interest expense associated with our fixed rate debt. Interest rate changes, however, will affect the fair value of our fixed rate debt. Changes in the interest rate environment upon maturity of this fixed rate debt could have an effect on our future cash flows and earnings, depending on whether the debt is replaced with other fixed rate debt, variable rate debt or equity or repaid by the sale of assets. To illustrate the impact of changes in the interest rate markets, we performed a sensitivity analysis on our fixed rate debt instruments after considering the effects of interest rate swaps, whereby we modeled the change in net present values arising from a hypothetical 1% increase in interest rates to determine the instruments' change in fair value. The following table summarizes the analysis performed as of the dates indicated (in thousands):

Item 3. Quantitative and Qualitative Disclosures About Market Risk

	June 30, 2024		December 31, 2023	
	Principal balance	Change in fair value	Principal balance	Change in fair value
Senior unsecured notes	\$ 11,631,434	\$ (494,286)	\$ 12,800,253	\$ (515,723)
Secured debt	1,436,784	(51,078)	1,625,364	(58,066)
Totals	<u>\$ 13,068,218</u>	<u>\$ (545,364)</u>	<u>\$ 14,425,617</u>	<u>\$ (573,789)</u>

Our variable rate debt, including our unsecured revolving credit facility and commercial paper program, is reflected at fair value. At June 30, 2024, we had \$1,056,595,000 outstanding related to our variable rate debt after considering the effects of interest rate swaps. Assuming no changes in outstanding balances, a 1% increase in interest rates would result in increased annual interest expense of \$10,566,000. At December 31, 2023, we had \$1,496,447,000 outstanding under our variable rate debt. Assuming no changes in outstanding balances, a 1% increase in interest rates would have resulted in increased annual interest expense of \$14,964,000.

We are subject to currency fluctuations that may, from time to time, affect our financial condition and results of operations. Increases or decreases in the value of the Canadian Dollar or British Pounds Sterling relative to the U.S. Dollar impact the amount of net income we earn from our investments in Canada and the United Kingdom. Based solely on our results for the three months ended June 30, 2024, including the impact of existing hedging arrangements, if these exchange rates were to increase or decrease by 10%, our annualized net income from these investments would increase or decrease, as applicable, by less than \$19,000,000. We will continue to mitigate these underlying foreign currency exposures with non-U.S. denominated borrowings and gains and losses on derivative contracts. If we increase our international presence through investments in, or acquisitions or development of, seniors housing and health care properties outside the U.S., we may also decide to transact additional business or borrow funds in currencies other than U.S. Dollars, Canadian Dollars or British Pounds Sterling. To illustrate the impact of changes in foreign currency markets, we performed a sensitivity analysis on our derivative portfolio whereby we modeled the change in net present values arising from a hypothetical 1% increase in foreign currency exchange rates to determine the instruments' change in fair value. The following table summarizes the results of the analysis performed (dollars in thousands):

	June 30, 2024		December 31, 2023	
	Carrying Value	Change in fair value	Carrying Value	Change in fair value
Foreign currency exchange contracts	\$ 35,763	\$ 471	\$ 10,811	\$ 5,087
Debt designated as hedges	1,509,895	15,099	1,527,380	15,274
Totals	<u>\$ 1,545,658</u>	<u>\$ 15,570</u>	<u>\$ 1,538,191</u>	<u>\$ 20,361</u>

For additional information regarding fair values of financial instruments, see "Item 2 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies" and Notes 12 and 17 to our unaudited consolidated financial statements.

Item 4. Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective in providing reasonable assurance that information required to be disclosed by us in the reports we file with or submit to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. No changes in our internal control over financial reporting occurred during the fiscal quarter covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, there are various legal proceedings pending against us that arise in the ordinary course of our business. Management does not believe that the resolution of any of these legal proceedings either individually or in the aggregate will have a material adverse effect on our business, results of operations or financial condition. Further, from time to time, we are party to certain legal proceedings for which third parties, such as tenants, operators and/or managers are contractually obligated to indemnify, defend and hold us harmless. In some of these matters, the indemnitors have insurance for the potential damages. In other matters, we are being defended by tenants and other obligated third parties and these indemnitors may not have sufficient insurance, assets, income or resources to satisfy their defense and indemnification obligations to us. The unfavorable resolution of such legal proceedings could, individually or in the aggregate, materially adversely affect the indemnitors' ability to satisfy their respective obligations to us, which, in turn, could have a material adverse effect on our business, results of operations or financial condition. It is management's opinion that there are currently no such legal proceedings pending that will, individually or in the aggregate, have such a material adverse effect. Despite management's view of the ultimate resolution of these legal proceedings, we may have significant legal expenses and costs associated with the defense of such matters. Further, management cannot predict the outcome of these legal proceedings and if management's expectation regarding such matters is not correct, such proceedings could have a material adverse effect on our business, results of operations or financial condition.

Item 1A. Risk Factors

There have been no material changes from the risk factors identified under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the three months ended June 30, 2024, we acquired shares of our common stock held by employees who tendered shares to satisfy tax withholding obligations upon the vesting of previously issued restricted stock awards. Specifically, the number of shares of common stock acquired from employees and the average prices paid per share for each month in the three months ended June 30, 2024 are as shown in the table below.

Period	Issuer Purchases of Equity Securities			Total Number of Shares Purchased as Part of Publicly Announced Repurchase Program	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Repurchase Program
	Total Number of Shares Purchased	Average Price Paid Per Share			
April 1, 2024 through April 30, 2024	700	\$ 90.46		—	\$ 3,000,000,000
May 1, 2024 through May 31, 2024	239	94.22		—	3,000,000,000
June 1, 2024 through June 30, 2024	6,577	103.86		—	3,000,000,000
Totals	7,516	\$ 102.31		—	\$ 3,000,000,000

Under the terms of various partnership agreements of certain of our affiliated limited partnerships, the interest of limited partners may be redeemed, subject to certain conditions, for cash or common shares, at our option. During the three months ended June 30, 2024, we redeemed 2,199 OP Units for common shares.

On November 7, 2022, our Board of Directors approved a share repurchase program for up to \$3,000,000,000 of common stock (the "Stock Repurchase Program"). Under the Stock Repurchase Program, we are not required to purchase shares but may choose to do so in the open market or through privately-negotiated transactions, through block trades, by effecting a tender offer, by way of an accelerated share repurchase program, through the purchase of call options or the sale of put options, or otherwise, or by any combination of the foregoing. We expect to finance any share repurchases using available cash and may use proceeds from borrowings or debt offerings. The Stock Repurchase Program has no expiration date and does not obligate us to repurchase any specific number of shares. We did not repurchase any shares of our common stock through the Stock Repurchase Program during the three months ended June 30, 2024.

Item 5. Other Information

(c) Trading Plans

During the three months ended June 30, 2024, no director or Section 16 officer adopted or terminated any Rule 10b5-1 trading arrangements or non-Rule 10b5-1 trading arrangements (in each case, as defined in Item 408(a) of Regulation S-K).

Item 6. Exhibits

- 3.1 Certificate of Amendment of the Amended and Restated Certificate of Incorporation of Welltower Inc. (filed with the Commission as Exhibit 3.1 to the Form 8-K filed on May 24, 2024 (File No. 001-08923), and incorporated herein by reference thereto).
- 3.2 Restated Certificate of Incorporation of Welltower Inc. (filed with the Commission as Exhibit 3.2 to the Form 8-K filed on May 24, 2024 (File No. 001-08923), and incorporated herein by reference thereto).
- 4.1 Indenture, dated July 11, 2024, among Welltower OP LLC, as issuer, the Company, as guarantor, and the Bank of New York Mellon Trust Company, N.A., as trustee (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K filed July 11, 2024 (File No. 001-08923), and incorporated herein by reference thereto).
- 10.1 Equity Distribution Agreement, dated as of February 15, 2024, among Welltower Inc., Welltower OP LLC, the sales agents and the related forward purchasers (filed with the Commission as Exhibit 1.1 to the Company's Form 8-K filed February 15, 2024 (File No. 001-08923), and incorporated herein by reference thereto).
- 10.2 Equity Distribution Agreement, dated as of April 30, 2024, among Welltower Inc., Welltower OP LLC, the sales agents and the related forward purchasers (filed with the Commission as Exhibit 1.1 to the Company's Form 8-K filed April 30, 2024 (File No. 001-08923), and incorporated herein by reference thereto).
- 10.3 Amendment No. 3 to Credit Agreement, dated as of June 14, 2024, by and among the Company; the lenders therein; KeyBank National Association, as administrative agent and L/C issuer; BofA Securities, Inc., JPMorgan Chase Bank, N.A. and Wells Fargo Securities LLC, as joint book runners; BofA Securities, as book runner; BofA Securities, Inc., JPMorgan Chase Bank, N.A., Wells Fargo Securities LLC, as U.S. joint lead arrangers; BofA Securities, Inc., JPMorgan Chase Bank, N.A., KeyBanc Capital Markets Inc. and RBC Capital Markets, as Canadian joint lead arrangers; Bank of America, N.A., JPMorgan Chase Bank, N.A. and Wells Fargo Securities LLC as co-syndication agents; Bank of America, N.A. , as syndication agent; MUFG Bank, Ltd., Barclays Bank PLC, Citibank, N.A., Credit Agricole Corporate and Investment Bank, Deutsche Bank Securities Inc., Goldman Sachs Bank USA, Mizuho Bank, Ltd., Morgan Stanley Senior Funding, Inc., PNC Bank, National Association and Royal Bank of Canada, as co-documentation agents; BNP Paribas, Citizens Bank, N.A., Fifth Third Bank, National Association, The Huntington National Bank, Regions Bank, The Bank of Nova Scotia, The Toronto-Dominion Bank, New York Branch, TD Bank, NA, Truist Bank, The Bank of New York Mellon, Banco Bilbao Vizcaya Argentaria, S.A., New York Branch and Bank of Montreal, as co-senior managing agents, Capital One, National Association, as managing agent and Credit Agricole Corporate and Investment Bank, as sustainability structuring agent.
- 31.1 [Rule 13a-14\(a\)/15d-14\(a\) Certification of Chief Executive Officer.](#)
- 31.2 [Rule 13a-14\(a\)/15d-14\(a\) Certification of Chief Financial Officer.](#)
- 32.1 [Certification pursuant to 18 U.S.C. Section 1350 by Chief Executive Officer.](#)
- 32.2 [Certification pursuant to 18 U.S.C. Section 1350 by Chief Financial Officer.](#)
- 101.INS XBRL Instance Document. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 104 The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2024, formatted in Inline XBRL

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the under signed thereunto duly authorized.

WELLTOWER INC.

Date: July 30, 2024 By: /s/ SHANKH MITRA
Shankh Mitra,
Chief Executive Officer
(Principal Executive Officer)

Date: July 30, 2024 By: /s/ TIMOTHY G. MCHUGH
Timothy G. McHugh,
Executive Vice President - Chief Financial Officer
(Principal Financial Officer)

Date: July 30, 2024 By: /s/ JOSHUA T. FIEWEGER
Joshua T. Fieweger,
Chief Accounting Officer
(Principal Accounting Officer)