



RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES

Annualized Cash NOI by Facility Type

(in thousands)

Three months ended September 30, 2017

	Senior Housing			Total Senior Housing	Specialty Hospitals and Other	Interest and Other Income	Corporate	Total
	Skilled Nursing/ Transitional Care	Senior Housing - Leased	Senior Housing - Managed					
Net Income (loss)	\$ 55,673	\$ 13,007	\$ 1,248	\$ 14,255	\$ 5,524	\$ 4,090	\$ (64,473)	\$ 15,069
Adjustments:								
Depreciation and amortization	15,172	7,696	1,204	8,900	1,644	-	217	25,933
Interest	1,529	482	-	482	-	-	22,557	24,568
General and administrative	-	-	-	-	-	-	12,944	12,944
Merger and acquisitions costs	-	-	-	-	-	-	23,299	23,299
Provision for doubtful accounts and loan losses	-	-	-	-	-	-	5,149	5,149
Loss on extinguishment of debt	-	-	-	-	-	-	553	553
Other income	-	-	-	-	-	-	(51)	(51)
Net gain on sale of real estate	(582)	-	-	-	-	-	-	(582)
Income tax benefit	-	-	-	-	-	-	(195)	(195)
Net operating income	\$ 71,792	\$ 21,185	\$ 2,452	\$ 23,637	\$ 7,168	\$ 4,090	\$ -	\$ 106,687
Non-cash rental income adjustments	(4,809)	(2,491)	-	(2,491)	(746)	-	-	(8,046)
Cash net operating income	\$ 66,983	\$ 18,694	\$ 2,452	\$ 21,146	\$ 6,422	\$ 4,090	\$ -	\$ 98,641
Annualizing adjustments	365,046	65,389	7,509	72,898	40,281	11,147	-	489,372
Annualized Cash Net Operating Income	\$ 432,029	\$ 84,083	\$ 9,961	\$ 94,044	\$ 46,703	\$ 15,237	\$ -	\$ 588,013
Adjustments for:								
Cash net operating income from remaining CCP rent reductions	(13,944)	(24)	-	(24)	-	-	-	(13,968)
Cash net operating income from sale of CCP facilities	(16,089)	(3,501)	-	(3,501)	-	-	-	(19,590)
Cash net operating income from pending Genesis dispositions (33 facilities)	(17,927)	(492)	-	(492)	-	-	-	(18,419)
Cash net operating income from Enlivant joint ventures	-	-	50,581	50,581	-	-	-	50,581
Cash net operating income from North American Healthcare portfolio acquisition	3,422	-	-	-	-	-	-	3,422
Cash net operating income from Genesis Exodus (43 facilities)	(53,305)	(6,717)	-	(6,717)	-	-	-	(60,022)
Pro forma, as adjusted, Q3 2017 Annualized Cash Net Operating Income (Sabra 3.0)	\$ 334,186	\$ 73,349	\$ 60,542	\$ 133,891	\$ 46,703	\$ 15,237	\$ -	\$ 530,017



RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES

Annualized Cash NOI by Relationship

(in thousands)

	Three months ended September 30, 2017									
	Genesis	Holiday	Senior Care Centers	Avamere Family of Companies	Signature Healthcare	North American Healthcare	Enlivant	All Other Relationships	Corporate	Total
Net Income (loss)	\$ 20,260	\$ 9,813	\$ 4,844	\$ 5,682	\$ 4,553	\$ 1,136	\$ -	\$ 33,254	\$ (64,473)	\$ 15,069
Adjustments:										
Depreciation and amortization	4,054	3,796	1,480	871	1,204	-	-	14,311	217	25,933
Interest	1,001	-	-	-	-	-	-	1,010	22,557	24,568
General and administrative	-	-	-	-	-	-	-	-	12,944	12,944
Merger and acquisitions costs	-	-	-	-	-	-	-	-	23,299	23,299
Provision for doubtful accounts and loan losses	-	-	-	-	-	-	-	-	5,149	5,149
Loss on extinguishment of debt	-	-	-	-	-	-	-	-	553	553
Other income	-	-	-	-	-	-	-	-	(51)	(51)
Net gain on sale of real estate	(614)	-	-	-	4	-	-	28	-	(582)
Income tax benefit	-	-	-	-	-	-	-	-	(195)	(195)
Net operating income	<u>\$ 24,701</u>	<u>\$ 13,609</u>	<u>\$ 6,324</u>	<u>\$ 6,553</u>	<u>\$ 5,761</u>	<u>\$ 1,136</u>	<u>\$ -</u>	<u>\$ 48,603</u>	<u>\$ -</u>	<u>\$ 106,687</u>
Non-cash rental income adjustments	(647)	(1,633)	(606)	(729)	160	(128)	-	(4,463)	-	(8,046)
Cash net operating income	<u>\$ 24,054</u>	<u>\$ 11,976</u>	<u>\$ 5,718</u>	<u>\$ 5,824</u>	<u>\$ 5,921</u>	<u>\$ 1,008</u>	<u>\$ -</u>	<u>\$ 44,140</u>	<u>\$ -</u>	<u>\$ 98,641</u>
Annualizing adjustments	54,387	20,742	53,103	34,232	32,203	29,236	-	265,469	-	489,372
Annualized Cash Net Operating Income	<u>\$ 78,441</u>	<u>\$ 32,718</u>	<u>\$ 58,821</u>	<u>\$ 40,056</u>	<u>\$ 38,124</u>	<u>\$ 30,244</u>	<u>\$ -</u>	<u>\$ 309,609</u>	<u>\$ -</u>	<u>\$ 588,013</u>
Adjustments for:										
Cash net operating income from remaining CCP rent reductions	-	-	-	-	(3,000)	-	-	(10,968)	-	(13,968)
Cash net operating income from sale of CCP facilities	-	-	-	-	-	-	-	(19,590)	-	(19,590)
Cash net operating income from pending Genesis dispositions (33 facilities)	(18,419)	-	-	-	-	-	-	-	-	(18,419)
Cash net operating income from Enlivant joint ventures	-	-	-	-	-	-	50,581	-	-	50,581
Cash net operating income from North American Healthcare portfolio acquisition	-	-	-	-	-	3,422	-	-	-	3,422
Cash net operating income from Genesis Exodus (43 facilities)	(60,022)	-	-	-	-	-	-	-	-	(60,022)
Pro forma, as adjusted, Q3 2017 Annualized Cash Net Operating Income (Sabra 3.0)	<u>\$ -</u>	<u>\$ 32,718</u>	<u>\$ 58,821</u>	<u>\$ 40,056</u>	<u>\$ 35,124</u>	<u>\$ 33,666</u>	<u>\$ 50,581</u>	<u>\$ 279,051</u>	<u>\$ -</u>	<u>\$ 530,017</u>



RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES

FFO, Normalized FFO, AFFO and Normalized AFFO

(in millions, except per share amounts)

	2011	2012	2013	2014	2015	2016	Nine Months Ended September 30, 2017	2018 Guidance
Net income attributable to common stockholders	\$ 12.8	\$ 19.5	\$ 25.7	\$ 36.7	\$ 69.2	\$ 60.0	\$ 46.8	\$ 389.0
Depreciation of real estate assets	26.6	30.3	33.3	43.3	63.1	68.5	62.3	173.5
Net (gain) loss on sales of real estate	-	-	-	(3.9)	0.2	6.1	(4.6)	(110.2)
Impairment of real estate	-	2.5	-	-	-	29.8	-	-
FFO attributable to common stockholders	\$ 39.4	\$ 52.3	\$ 59.0	\$ 76.1	\$ 76.1	\$ 164.4	\$ 104.4	\$ 452.4
Additional default interest income	-	-	-	-	(0.3)	(4.4)	-	-
Lease termination fee	-	-	-	-	-	(7.7)	(2.6)	-
Write off of capitalized preferred equity issuance costs	-	-	-	-	-	-	-	5.1
CCP merger and transition related costs	-	-	-	-	-	-	34.0	1.5
Non-recurring or unusual expensed acquisition pursuit costs	-	-	-	-	4.8	0.6	-	-
Loss on extinguishment of debt	-	2.7	10.1	22.5	-	0.6	0.6	2.1
Additional interest on 2018 Notes	-	-	0.8	-	-	-	-	-
Provision for doubtful accounts and loan losses, net ⁽¹⁾	-	-	-	2.6	8.0	3.9	6.4	-
Other normalizing items ⁽²⁾	-	-	-	1.7	0.5	(1.0)	0.2	0.2
Normalized FFO attributable to common stockholders	\$ 39.4	\$ 54.9	\$ 69.9	\$ 102.9	\$ 89.1	\$ 156.4	\$ 142.9	\$ 461.3
FFO attributable to common stockholders	39.4	52.3	59.0	76.1	76.1	164.4	104.4	452.4
Merger and acquisition costs ⁽³⁾	3.2	1.7	1.4	3.1	7.0	1.2	29.8	-
Stock-based compensation expense ⁽³⁾	4.6	8.3	7.8	9.9	6.1	7.5	7.0	9.8
Straight-line rental income	(2.1)	(4.9)	(14.7)	(19.8)	(24.3)	(22.0)	(18.3)	(43.5)
Amortization of above and below market lease intangibles, net	-	-	-	-	-	-	0.6	(2.3)
Amortization of deferred financing costs	2.0	2.7	3.3	4.0	5.1	5.0	4.1	10.3
Non-cash portion of loss on extinguishment of debt	-	0.6	0.9	1.6	-	0.6	0.6	2.1
Change in fair value of contingent consideration	-	-	0.8	(1.6)	(1.6)	(1.5)	(0.6)	-
Provision for doubtful straight-line rental income, loan losses and other reserves	-	-	-	3.6	9.0	5.8	6.8	-
Other non-cash adjustments ⁽⁴⁾	0.0	(0.3)	(0.6)	0.3	0.0	0.4	1.2	-
AFFO attributable to common stockholders	\$ 47.1	\$ 60.3	\$ 57.9	\$ 77.2	\$ 77.6	\$ 161.5	\$ 135.7	\$ 428.8
CCP transition costs	-	-	-	-	-	-	4.3	1.5
Write off of capitalized preferred equity issuance costs	-	-	-	-	-	-	-	5.1
Additional default interest income	-	-	-	-	(0.3)	(4.4)	-	-
Lease termination fee	-	-	-	-	-	(7.7)	(2.6)	-
Cash portion of loss on extinguishment of debt	-	2.0	9.2	20.9	-	-	-	-
Additional interest on 2018 Notes	-	-	0.8	-	-	-	-	-
(Recovery of) provision for doubtful cash income ⁽¹⁾	-	-	-	-	-	(0.3)	0.4	-
Other normalizing items ⁽²⁾	(1.3)	(2.2)	-	1.7	0.5	(0.2)	0.1	(0.1)
Normalized AFFO attributable to common stockholders	\$ 45.9	\$ 60.1	\$ 67.9	\$ 99.9	\$ 77.7	\$ 148.9	\$ 137.9	\$ 435.4
Net income per diluted common share	\$ 0.43	\$ 0.52	\$ 0.68	\$ 0.78	\$ 1.11	\$ 0.92	\$ 0.57	\$ 2.12
FFO per diluted common share	\$ 1.31	\$ 1.40	\$ 1.55	\$ 1.62	\$ 2.12	\$ 2.51	\$ 1.28	\$ 2.46
Normalized FFO per diluted common share	\$ 1.31	\$ 1.47	\$ 1.84	\$ 2.20	\$ 2.33	\$ 2.39	\$ 1.75	\$ 2.51
AFFO per diluted common share	\$ 1.55	\$ 1.59	\$ 1.51	\$ 1.64	\$ 2.14	\$ 2.45	\$ 1.66	\$ 2.33
Normalized AFFO per diluted common share	\$ 1.51	\$ 1.59	\$ 1.77	\$ 2.12	\$ 2.14	\$ 2.26	\$ 1.69	\$ 2.36

(1) See Definitions for definition of Normalized FFO and Normalized AFFO for further information.

(2) Other normalizing items for FFO include operating expenses other than for Senior Housing - Managed properties and ineffectiveness loss related to our LIBOR interest rate swaps. Other normalizing items for AFFO include operating expenses other than for Senior Housing - Managed properties.

(3) Merger and acquisition costs during the nine months ended September 30, 2017 primarily relate to the CCP merger. Merger and acquisition costs include \$1.3 million of stock-based compensation expense related to former CCP employees.

(4) Other non-cash adjustments include amortization of debt premiums/discounts and non-cash interest expense related to our interest rate hedges.



NON-GAAP FINANCIAL MEASURES

DEFINITIONS

Annualized Cash Net Operating Income ("Annualized Cash NOI"). The Company believes that net income attributable to common stockholders as defined by GAAP is the most appropriate earnings measure. We consider Annualized Cash NOI an important supplemental measure because it allows investors, analysts and our management to evaluate the operating performance of our investments. We define Annualized Cash NOI as annual revenues less operating expenses and non-cash revenues. Annualized Cash NOI excludes all other financial statement amounts included in net income.

Funds From Operations Attributable to Common Stockholders ("FFO") and Adjusted Funds from Operations Attributable to Common Stockholders ("AFFO"). The Company believes that net income attributable to common stockholders as defined by GAAP is the most appropriate earnings measure. The Company also believes that Funds From Operations, or FFO, as defined in accordance with the definition used by the National Association of Real Estate Investment Trusts ("NAREIT"), and Adjusted Funds from Operations, or AFFO (and related per share amounts) are important non-GAAP supplemental measures of the Company's operating performance. Because the historical cost accounting convention used for real estate assets requires straight-line depreciation (except on land), such accounting presentation implies that the value of real estate assets diminishes predictably over time. However, since real estate values have historically risen or fallen with market and other conditions, presentations of operating results for a real estate investment trust that uses historical cost accounting for depreciation could be less informative. Thus, NAREIT created FFO as a supplemental measure of operating performance for real estate investment trusts that excludes historical cost depreciation and amortization, among other items, from net income attributable to common stockholders, as defined by GAAP. FFO is defined as net income attributable to common stockholders, computed in accordance with GAAP, excluding gains or losses from real estate dispositions, plus real estate depreciation and amortization and real estate impairment charges. AFFO is defined as FFO excluding straight-line rental income adjustments, amortization of above and below market lease intangibles, net, non-cash interest income adjustments, stock-based compensation expense, amortization of deferred financing costs, merger and acquisition costs, as well as other non-cash revenue and expense items (including provisions and write-offs related to straight-line rental income, provision for loan losses, changes in fair value of contingent consideration and amortization of debt premiums/discounts). The Company believes that the use of FFO and AFFO (and the related per share amounts), combined with the required GAAP presentations, improves the understanding of the Company's operating results among investors and makes comparisons of operating results among real estate investment trusts more meaningful. The Company considers FFO and AFFO to be useful measures for reviewing comparative operating and financial performance because, by excluding the applicable items listed above, FFO and AFFO can help investors compare the operating performance of the Company between periods or as compared to other companies. While FFO and AFFO are relevant and widely used measures of operating performance of real estate investment trusts, they do not represent cash flows from operations or net income attributable to common stockholders as defined by GAAP and should not be considered an alternative to those measures in evaluating the Company's liquidity or operating performance. FFO and AFFO also do not consider the costs associated with capital expenditures related to the Company's real estate assets nor do they purport to be indicative of cash available to fund the Company's future cash requirements. Further, the Company's computation of FFO and AFFO may not be comparable to FFO and AFFO reported by other real estate investment trusts that do not define FFO in accordance with the current NAREIT definition or that interpret the current NAREIT definition or define AFFO differently than the Company does.

Normalized FFO and Normalized AFFO. Normalized FFO and Normalized AFFO represent FFO and AFFO, respectively, adjusted for certain income and expense items that the Company does not believe are indicative of its ongoing operating results. The Company considers Normalized FFO and Normalized AFFO to be useful measures to evaluate the Company's operating results excluding these income and expense items to help investors compare the operating performance of the Company between periods or as compared to other companies. Normalized FFO and Normalized AFFO do not represent cash flows from operations or net income as defined by GAAP and should not be considered an alternative to those measures in evaluating the Company's liquidity or operating performance. Normalized FFO and Normalized AFFO also do not consider the costs associated with capital expenditures related to the Company's real estate assets nor do they purport to be indicative of cash available to fund the Company's future cash requirements. Further, the Company's computation of Normalized FFO and Normalized AFFO may not be comparable to Normalized FFO and Normalized AFFO reported by other REITs that do not define FFO in accordance with the current NAREIT definition or that interpret the current NAREIT definition or define FFO and AFFO or Normalized FFO and Normalized AFFO differently than the Company does.