



## CareTrust REIT Announces Second Quarter 2018 Operating Results; Updates 2018 Guidance

August 1, 2018

**Conference Call Scheduled for Thursday, August 2, 2018 at 1:00 pm ET**

SAN CLEMENTE, Calif., Aug. 01, 2018 (GLOBE NEWSWIRE) -- CareTrust REIT, Inc. (Nasdaq:CTRE) today reported operating results for the quarter ended June 30, 2018, as well as other recent events.

For the quarter, CareTrust REIT reported:

- Net income of \$13.3 million, and net income per diluted weighted-average common share of \$0.17;
- Normalized FFO of \$24.5 million, an increase of 19%, and normalized FFO per diluted weighted-average common share of \$0.32, an increase of 14% over Q2 2017;
- Normalized FAD of \$25.6 million, an increase of 18%, and normalized FAD per diluted weighted-average common share of \$0.33, an increase of 10% over Q2 2017;
- A net debt-to-normalized EBITDA ratio of 4.1x and a debt-to-enterprise value of 29%, each as of quarter-end.

### ***Pipeline Rebuilding***

Commenting on the Company's lighter-than-usual year-to-date acquisition pace, Greg Stapley, CareTrust REIT's Chairman and Chief Executive Officer, noted that the Company has been adhering to its core discipline of deploying capital at solid returns and reasonable prices. "In our view, the market for good assets has been overheated since the fourth quarter of 2017, and we will never hesitate to head for the sidelines if the right deals aren't there," he said. He noted that, while no acquisitions were closed in the second quarter, one has closed since, and more are underway. "We are pleased to report that deal flow has picked up markedly in the second quarter, and our pipeline is getting back to where it has been historically," he concluded.

### ***Financial Results for Quarter Ended June 30, 2018***

Chief Financial Officer Bill Wagner reported that, for the second quarter, CareTrust REIT generated net income of \$13.3 million, or \$0.17 per diluted weighted-average common share, normalized FFO of \$24.5 million, or \$0.32 per diluted weighted-average common share, and normalized FAD of \$25.6 million, or \$0.33 per diluted weighted-average common share. "We are pleased to be delivering a quarter-over-quarter increase in normalized FFO per share of 14%," said Mr. Wagner.

### ***Liquidity***

Discussing CareTrust REIT's current liquidity, Mr. Wagner noted that the acquisition-light quarter allowed the Company to significantly pay down the outstanding balance on its \$400 million revolving credit facility. "We have used retained FFO and proceeds of equity sales under our at-the-market equity program to reduce our loan balance to approximately \$130 million as of today, leaving plenty of liquidity for near-term growth," he said. He further noted that the revolving credit facility includes an additional \$250 million "accordion" feature that can be exercised by the Company if additional liquidity is needed.

Mr. Wagner also reported that, during the quarter and since, CareTrust REIT issued approximately 4.9 million shares of common stock through the Company's at-the-market equity program at an average price of \$16.50 per share, for \$80.2 million in gross proceeds. "Our ATM program remains a significant instrument in the Company's capital-raising repertoire, with up to \$155.9 million remaining in authorization at present," he said. Mr. Wagner stated that CareTrust REIT's net debt-to-normalized EBITDA ratio was 4.1x and its debt-to-enterprise value was 29%, each at quarter-end, which is well within management's target leverage range. He also noted that CareTrust REIT continues to have no property-level debt and, taking into account existing extension rights, no debt maturing before 2020.

### ***2018 Guidance Updated***

Mr. Wagner updated CareTrust REIT's 2018 earnings guidance, projecting on a per-diluted weighted-average common share basis, net income of approximately \$0.71 to \$0.73, normalized FFO of approximately \$1.26 to \$1.28, and normalized FAD of approximately \$1.32 to \$1.34. He noted that the 2018 guidance is based on a diluted weighted-average common share count of 78.4 million shares and assumes no new acquisitions beyond those made to date, no new debt incurrences or new equity issuances, and 2.0% CPI-based rent escalators under CareTrust REIT's long-term net leases.

### ***Dividend Declared***

During the quarter, CareTrust REIT declared a quarterly dividend of \$0.205 per common share. "On an annualized basis, our quarterly dividend represents a payout ratio of approximately 64% based on the second quarter 2018 normalized FFO, and 62% on normalized FAD," said Mr. Wagner. "At this level, our dividend remains among the best-protected of all our industry peers, while simultaneously providing additional growth capital for reinvestment and a solid overall return to our shareholders," he added.

### ***New Officers***

CareTrust REIT also announced that David Sedgwick, CareTrust's Vice President of Operations since 2014, has been named Chief Operating Officer,

and that Mark Lamb, CareTrust's Director of Investments since 2014, has been named Chief Investment Officer. "Mark and Dave have been key contributors to CareTrust's growth and success since inception, and we couldn't be more pleased to have them assume these roles," said Mr. Stapley. He called the recognitions "hard-earned and well-deserved," adding that the two new officers have performed at the highest levels throughout their tenure with CareTrust REIT.

### **Acquisitions in the Quarter and Since**

Subsequent to quarter-end, CareTrust REIT acquired a 99-bed skilled nursing facility in Aberdeen, South Dakota, which was formerly operated by an affiliate of HCR ManorCare. CareTrust REIT added the property to its existing master lease with Salt Lake City-based Eduro Healthcare, LLC, which took over operations on July 18, 2018 and rechristened the facility Prairie Heights Healthcare Center. The total investment was approximately \$9.7 million, inclusive of transaction costs, and the initial increase in annual cash rent under Eduro's master lease was approximately \$870,000. The Eduro master lease has approximately twelve years remaining on the initial term and carries CPI-based annual escalators. CareTrust REIT funded the acquisition using cash on hand.

### **Planned Re-Tenants Completed**

Also during the quarter, CareTrust REIT completed the previously-announced planned re-tenancing of nine Ohio assets. "We are pleased to report that the last of the Ohio assets formerly leased to subsidiaries of Pristine Senior Living were successfully transferred to two outstanding operators, on schedule and with minimal disruption to facility operations and our rent stream," said Mr. Stapley. He also reported that two other properties, which were formerly leased to affiliates of OnPointe Health, were successfully transferred to other current CareTrust operators during the quarter, also without any material rent loss.

### **Conference Call**

A conference call will be held on Thursday, August 2, 2018, at 1:00 p.m. Eastern Time (10:00 a.m. Pacific Time), during which CareTrust REIT's management will discuss second quarter 2018 results, recent developments and other matters. The dial-in number for this call is (844) 220-4972 (U.S.) or (317) 973-4053 (International). The conference ID number is 7496046. To listen to the call online, or to view any financial or other statistical information required by SEC Regulation G, please visit the Investors section of the CareTrust REIT website at <http://investor.caretrustreit.com>. The call will be recorded, and will be available for replay via the website for 30 days following the call.

### **About CareTrust REIT™**

CareTrust REIT, Inc. is a self-administered, publicly-traded real estate investment trust engaged in the ownership, acquisition and leasing of seniors housing and healthcare-related properties. With 189 net-leased healthcare properties and three operated seniors housing properties in 25 states, CareTrust REIT is pursuing opportunities across the nation to acquire properties that will be leased to a diverse group of local, regional and national seniors housing operators, healthcare services providers, and other healthcare-related businesses. More information about CareTrust REIT is available at [www.caretrustreit.com](http://www.caretrustreit.com).

### **Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995:**

*This press release contains, and the related conference call will include, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include all statements that are not historical statements of fact and statements regarding the Company's intent, belief or expectations, including, but not limited to, statements regarding future financial and financing positions, business and acquisition strategies, growth prospects, operating and financial performance, expectations regarding the making of distributions, payment of dividends, compliance with and changes in governmental regulations, and the performance of the Company's tenants and operators and their respective facilities.*

*Words such as "anticipate," "believe," "could," "expect," "estimate," "intend," "may," "plan," "seek," "should," "will," "would," and similar expressions, or the negative of these terms, are intended to identify such forward-looking statements, though not all forward-looking statements contain these identifying words. The Company's forward-looking statements are based on management's current expectations and beliefs, and are subject to a number of risks and uncertainties that could lead to actual results differing materially from those projected, forecasted or expected. Although the Company believes that the assumptions underlying these forward-looking statements are reasonable, they are not guarantees and the Company can give no assurance that its expectations will be attained. Factors which could have a material adverse effect on the Company's operations and future prospects or which could cause actual results to differ materially from expectations include, but are not limited to: (i) the ability to achieve some or all of the expected benefits from the completed spin-off from The Ensign Group, Inc. ("Ensign"); (ii) the ability and willingness of Company tenants to meet and/or perform their obligations under the triple-net leases the Company has entered into with them and the ability and willingness of Ensign to meet and/or perform its obligations under the contractual arrangements that it entered into with the Company in connection with such spin-off, including its triple-net long-term leases with the Company, and any of its obligations to indemnify, defend and hold the Company harmless from and against various claims, litigation and liabilities; (iii) the ability and willingness of the Company's tenants to comply with laws, rules and regulations in the operation of the properties the Company leases to them; (iv) the ability and willingness of the Company's tenants, including Ensign, to renew their leases with the Company upon expiration and the ability to reposition Company properties on the same or better terms in the event of nonrenewal or in the event the Company replaces an existing tenant, and obligations, including indemnification obligations, that the Company may incur in connection with the replacement of an existing tenant; (v) the availability of and the ability to identify suitable acquisition opportunities and the ability to acquire and lease the respective properties on favorable terms; (vi) the ability to generate sufficient cash flows to service the Company's outstanding indebtedness; (vii) access to debt and equity capital markets; (viii) fluctuating interest rates; (ix) the ability to retain key management personnel; (x) the ability to maintain the Company's status as a real estate investment trust ("REIT"); (xi) changes in the U.S. tax laws and other state, federal or local laws, whether or not specific to REITs; (xii) other risks inherent in the real estate business, including potential liability relating to environmental matters and illiquidity of real estate investments; and (xiii) any additional factors identified in the Company's filings with the Securities and Exchange Commission ("SEC"), including those in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 under the heading entitled "Risk Factors," as such risk factors may be amended, supplemented or superseded from time to time by other reports the Company files with the SEC.*

*Information in this press release or the related conference call is provided as of June 30, 2018, unless specifically stated otherwise. The Company expressly disclaims any obligation to update or revise any information in this press release or the related conference call (and replays thereof),*

including forward-looking statements, whether to reflect any change in the Company's expectations, any change in events, conditions or circumstances, or otherwise.

As used in this press release or the related conference call, unless the context requires otherwise, references to "CTRE," "CareTrust," "CareTrust REIT" or the "Company" refer to CareTrust REIT, Inc. and its consolidated subsidiaries. GAAP refers to generally accepted accounting principles in the United States of America.

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**CARETRUST REIT, INC.**

**CONSOLIDATED INCOME STATEMENTS**

(in thousands, except per share data)

(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
<b>Revenues:</b>				
Rental income	\$ 34,708	\$ 28,511	\$ 68,524	\$ 55,850
Tenant reimbursements	3,016	2,389	5,984	4,710
Independent living facilities	845	789	1,644	1,582
Interest and other income	400	1,140	918	1,295
Total revenues	38,969	32,829	77,070	63,437
<b>Expenses:</b>				
Depreciation and amortization	11,299	9,335	22,876	18,411
Interest expense	7,285	6,219	14,377	12,098
Loss on the extinguishment of debt	—	11,883	—	11,883
Property taxes	3,016	2,389	5,984	4,710
Independent living facilities	744	644	1,460	1,305
Impairment of real estate investment	—	890	—	890
General and administrative	3,358	2,977	6,550	5,367
Total expenses	25,702	34,337	51,247	54,664
<b>Other income:</b>				
Gain on sale of real estate	—	—	2,051	—
Gain on disposition of other real estate investment	—	3,538	—	3,538
<b>Net income</b>	<b>\$ 13,267</b>	<b>\$ 2,030</b>	<b>\$ 27,874</b>	<b>\$ 12,311</b>
<b>Earnings per common share:</b>				
Basic	\$ 0.17	\$ 0.03	\$ 0.36	\$ 0.17
Diluted	\$ 0.17	\$ 0.03	\$ 0.36	\$ 0.17
<b>Weighted average shares outstanding:</b>				
Basic	76,374	72,564	75,941	69,773
Diluted	76,374	72,564	75,941	69,773
<b>Dividends declared per common share</b>	<b>\$ 0.205</b>	<b>\$ 0.185</b>	<b>\$ 0.41</b>	<b>\$ 0.37</b>

**CARETRUST REIT, INC.**

**RECONCILIATIONS OF NET INCOME TO NON-GAAP FINANCIAL MEASURES**

(in thousands, except per share data)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
<b>Net income</b>	<b>\$ 13,267</b>	<b>\$ 2,030</b>	<b>\$ 27,874</b>	<b>\$ 12,311</b>
Depreciation and amortization	11,299	9,335	22,876	18,411
Interest expense	7,285	6,219	14,377	12,098
Amortization of stock-based compensation	924	600	1,828	1,136

<b>EBITDA</b>	32,775	18,184	66,955	43,956
Loss on the extinguishment of debt	—	11,883	—	11,883
Deferred preferred return	—	(544)	) —	(544)
Impairment of real estate investment	—	890	—	890
Gain on sale of real estate	—	—	(2,051)	) —
Gain on disposition of other real estate investment	—	(3,538)	) —	(3,538)
<b>Normalized EBITDA</b>	<b>\$ 32,775</b>	<b>\$ 26,875</b>	<b>\$ 64,904</b>	<b>\$ 52,647</b>
<b>Net income</b>	<b>\$ 13,267</b>	<b>\$ 2,030</b>	<b>\$ 27,874</b>	<b>\$ 12,311</b>
Real estate related depreciation and amortization	11,265	9,309	22,814	18,359
Impairment of real estate investment	—	890	—	890
Gain on sale of real estate	—	—	(2,051)	) —
Gain on disposition of other real estate investment	—	(3,538)	) —	(3,538)
<b>Funds from Operations (FFO)</b>	<b>24,532</b>	<b>8,691</b>	<b>48,637</b>	<b>28,022</b>
Deferred preferred return	—	(544)	) —	(544)
Effect of the senior unsecured notes payable redemption	—	12,475	—	12,475
<b>Normalized FFO</b>	<b>\$ 24,532</b>	<b>\$ 20,622</b>	<b>\$ 48,637</b>	<b>\$ 39,953</b>

**CARETRUST REIT, INC.**

**RECONCILIATIONS OF NET INCOME TO NON-GAAP FINANCIAL MEASURES (continued)**

(in thousands, except per share data)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
<b>Net income</b>	<b>\$ 13,267</b>	<b>\$ 2,030</b>	<b>\$ 27,874</b>	<b>\$ 12,311</b>
Real estate related depreciation and amortization	11,265	9,309	22,814	18,359
Amortization of deferred financing fees	484	529	968	1,090
Amortization of stock-based compensation	924	600	1,828	1,136
Straight-line rental income	(342)	) (43)	) (933)	) (115)
Impairment of real estate investment	—	890	—	890
Gain on sale of real estate	—	—	(2,051)	) —
Gain on disposition of other real estate investment	—	(3,538)	) —	(3,538)
<b>Funds Available for Distribution (FAD)</b>	<b>25,598</b>	<b>9,777</b>	<b>50,500</b>	<b>30,133</b>
Deferred preferred return	—	(544)	) —	(544)
Effect of the senior unsecured notes payable redemption	—	12,475	—	12,475
<b>Normalized FAD</b>	<b>\$ 25,598</b>	<b>\$ 21,708</b>	<b>\$ 50,500</b>	<b>\$ 42,064</b>
<b>FFO per share</b>	<b>\$ 0.32</b>	<b>\$ 0.12</b>	<b>\$ 0.64</b>	<b>\$ 0.40</b>
<b>Normalized FFO per share</b>	<b>\$ 0.32</b>	<b>\$ 0.28</b>	<b>\$ 0.64</b>	<b>\$ 0.57</b>
<b>FAD per share</b>	<b>\$ 0.33</b>	<b>\$ 0.13</b>	<b>\$ 0.66</b>	<b>\$ 0.43</b>
<b>Normalized FAD per share</b>	<b>\$ 0.33</b>	<b>\$ 0.30</b>	<b>\$ 0.66</b>	<b>\$ 0.60</b>
<b>Diluted weighted average shares outstanding [1]</b>	<b>76,545</b>	<b>72,803</b>	<b>76,103</b>	<b>69,984</b>

[1] For the periods presented, the diluted weighted average shares have been calculated using the treasury stock method.

**CARETRUST REIT, INC.**

**CONSOLIDATED INCOME STATEMENTS - 5 QUARTER TREND**

(in thousands, except per share data)

(unaudited)

	Quarter Ended June 30, 2017	Quarter Ended September 30, 2017	Quarter Ended December 31, 2017	Quarter Ended March 31, 2018	Quarter Ended June 30, 2018
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<b>Revenues:</b>					
Rental income	\$ 28,511	\$ 29,404	\$ 32,379	\$ 33,816	\$ 34,708
Tenant reimbursements	2,389	2,543	3,001	2,968	3,016
Independent living facilities	789	825	821	799	845
Interest and other income	1,140	176	396	518	400
Total revenues	32,829	32,948	36,597	38,101	38,969
<b>Expenses:</b>					
Depreciation and amortization	9,335	9,745	11,003	11,577	11,299
Interest expense	6,219	5,592	6,506	7,092	7,285
Loss on the extinguishment of debt	11,883	—	—	—	—
Property taxes	2,389	2,543	3,001	2,968	3,016
Independent living facilities	644	698	730	716	744
Impairment of real estate investment	890	—	—	—	—
Reserve for advances and deferred rent	—	—	10,414	—	—
General and administrative	2,977	3,059	2,691	3,192	3,358
Total expenses	34,337	21,637	34,345	25,545	25,702
<b>Other income:</b>					
Gain on disposition of other real estate investment	3,538	—	—	—	—
Gain on sale of real estate	—	—	—	2,051	—
<b>Net income</b>	<b>\$ 2,030</b>	<b>\$ 11,311</b>	<b>\$ 2,252</b>	<b>\$ 14,607</b>	<b>\$ 13,267</b>
<b>Diluted earnings per share</b>	<b>\$ 0.03</b>	<b>\$ 0.15</b>	<b>\$ 0.03</b>	<b>\$ 0.19</b>	<b>\$ 0.17</b>
<b>Diluted weighted average shares outstanding</b>	<b>72,564</b>	<b>75,471</b>	<b>75,476</b>	<b>75,504</b>	<b>76,374</b>

**CARETRUST REIT, INC.**

**RECONCILIATIONS OF NET INCOME TO NON-GAAP FINANCIAL MEASURES - 5 QUARTER TREND**

(in thousands, except per share data)  
(unaudited)

	Quarter Ended June 30, 2017	Quarter Ended September 30, 2017	Quarter Ended December 31, 2017	Quarter Ended March 31, 2018	Quarter Ended June 30, 2018
<b>Net income</b>	\$ 2,030	\$ 11,311	\$ 2,252	\$ 14,607	\$ 13,267
Depreciation and amortization	9,335	9,745	11,003	11,577	11,299
Interest expense	6,219	5,592	6,506	7,092	7,285
Amortization of stock-based compensation	600	656	624	904	924
<b>EBITDA</b>	<b>18,184</b>	<b>27,304</b>	<b>20,385</b>	<b>34,180</b>	<b>32,775</b>
Loss on the extinguishment of debt	11,883	—	—	—	—
Deferred preferred return	(544)	) —	—	—	—
Impairment of real estate investment	890	—	—	—	—
Reserve for advances and deferred rent	—	—	10,414	—	—
Gain on sale of real estate	—	—	—	(2,051)	) —
Gain on disposition of other real estate investment	(3,538)	) —	—	—	—
<b>Normalized EBITDA</b>	<b>\$ 26,875</b>	<b>\$ 27,304</b>	<b>\$ 30,799</b>	<b>\$ 32,129</b>	<b>\$ 32,775</b>
<b>Net income</b>	<b>\$ 2,030</b>	<b>\$ 11,311</b>	<b>\$ 2,252</b>	<b>\$ 14,607</b>	<b>\$ 13,267</b>
Real estate related depreciation and amortization	9,309	9,717	10,973	11,549	11,265
Impairment of real estate investment	890	—	—	—	—
Gain on sale of real estate	—	—	—	(2,051)	) —
Gain on disposition of other real estate investment	(3,538)	) —	—	—	—
<b>Funds from Operations (FFO)</b>	<b>8,691</b>	<b>21,028</b>	<b>13,225</b>	<b>24,105</b>	<b>24,532</b>
Deferred preferred return	(544)	) —	—	—	—
Effect of the senior unsecured notes payable redemption	12,475	—	—	—	—
Reserve for advances and deferred rent	—	—	10,414	—	—
<b>Normalized FFO</b>	<b>\$ 20,622</b>	<b>\$ 21,028</b>	<b>\$ 23,639</b>	<b>\$ 24,105</b>	<b>\$ 24,532</b>

**CARETRUST REIT, INC.**

**RECONCILIATIONS OF NET INCOME TO NON-GAAP FINANCIAL MEASURES - 5 QUARTER TREND (continued)**

(in thousands, except per share data)

(unaudited)

	Quarter Ended June 30, 2017	Quarter Ended September 30, 2017	Quarter Ended December 31, 2017	Quarter Ended March 31, 2018	Quarter Ended June 30, 2018
<b>Net income</b>	\$ 2,030	\$ 11,311	\$ 2,252	\$ 14,607	\$ 13,267
Real estate related depreciation and amortization	9,309	9,717	10,973	11,549	11,265
Amortization of deferred financing fees	529	484	485	484	484
Amortization of stock-based compensation	600	656	624	904	924
Straight-line rental income	(43)	(2)	(227)	(591)	(342)
Impairment of real estate investment	890	—	—	—	—
Gain on sale of real estate	—	—	—	(2,051)	—
Gain on disposition of other real estate investment	(3,538)	—	—	—	—
<b>Funds Available for Distribution (FAD)</b>	9,777	22,166	14,107	24,902	25,598
Deferred preferred return	(544)	—	—	—	—
Effect of the senior unsecured notes payable redemption	12,475	—	—	—	—
Reserve for advances and deferred rent	—	—	10,414	—	—
<b>Normalized FAD</b>	\$ 21,708	\$ 22,166	\$ 24,521	\$ 24,902	\$ 25,598
<b>FFO per share</b>	\$ 0.12	\$ 0.28	\$ 0.17	\$ 0.32	\$ 0.32
<b>Normalized FFO per share</b>	\$ 0.28	\$ 0.28	\$ 0.31	\$ 0.32	\$ 0.32
<b>FAD per share</b>	\$ 0.13	\$ 0.29	\$ 0.19	\$ 0.33	\$ 0.33
<b>Normalized FAD per share</b>	\$ 0.30	\$ 0.29	\$ 0.32	\$ 0.33	\$ 0.33
<b>Diluted weighted average shares outstanding [1]</b>	72,803	75,659	75,692	75,657	76,545

[1] For the periods presented, the diluted weighted average shares have been calculated using the treasury stock method.

**CARETRUST REIT, INC.**

**CONSOLIDATED BALANCE SHEETS**

(in thousands)

(unaudited)

	June 30, 2018	December 31, 2017
<b>Assets:</b>		
Real estate investments, net	\$ 1,167,001	\$ 1,152,261
Other real estate investments, net	18,108	17,949
Cash and cash equivalents	11,560	6,909
Accounts and other receivables, net	9,023	5,254
Prepaid expenses and other assets	4,972	895
Deferred financing costs, net	1,176	1,718
<b>Total assets</b>	\$ 1,211,840	\$ 1,184,986
<b>Liabilities and Equity:</b>		
Senior unsecured notes payable, net	\$ 294,774	\$ 294,395
Senior unsecured term loan, net	99,564	99,517
Unsecured revolving credit facility	150,000	165,000
Accounts payable and accrued liabilities	12,515	17,413
Dividends payable	16,249	14,044
<b>Total liabilities</b>	573,102	590,369
<b>Equity:</b>		
Common stock	785	755
Additional paid-in capital	831,286	783,237
Cumulative distributions in excess of earnings	(193,333)	(189,375)

<b>Total equity</b>	638,738	594,617
<b>Total liabilities and equity</b>	\$ 1,211,840	\$ 1,184,986

**CARETRUST REIT, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)  
(unaudited)

**For the Six Months Ended June 30,**  
**2018**                      **2017**

Cash flows from operating activities:			
Net income	\$ 27,874	\$ 12,311	
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization (including a below-market ground lease)	22,885	18,419	
Amortization of deferred financing costs	969	1,131	
Loss on the extinguishment of debt	—	11,883	
Amortization of stock-based compensation	1,828	1,136	
Straight-line rental income	(933	) (115	)
Noncash interest income	(217	) (320	)
Gain on sale of real estate	(2,051	) —	
Interest income distribution from other real estate investment	—	1,500	
Impairment of real estate investment	—	890	
Change in operating assets and liabilities:			
Accounts and other receivables, net	(2,837	) (3,414	)
Prepaid expenses and other assets	(462	) (311	)
Accounts payable and accrued liabilities	(4,940	) 1,791	
Net cash provided by operating activities	42,116	44,901	
Cash flows from investing activities:			
Acquisitions of real estate	(47,310	) (96,641	)
Improvements to real estate	(506	) (598	)
Purchases of equipment, furniture and fixtures	(702	) (233	)
Investment in real estate mortgage and other loans receivable	(1,390	) —	
Principal payments received on mortgage loan receivable	58	—	
Sale of other real estate investment	—	7,500	
Escrow deposits for acquisitions of real estate	(2,250	) (4,335	)
Net proceeds from the sale of real estate	13,004	—	
Net cash used in investing activities	(39,096	) (94,307	)
Cash flows from financing activities:			
Proceeds from the issuance of common stock, net	47,547	170,485	
Proceeds from the issuance of senior unsecured notes payable	—	300,000	
Borrowings under unsecured revolving credit facility	60,000	63,000	
Payments on senior unsecured notes payable	—	(267,639	)
Payments on unsecured revolving credit facility	(75,000	) (158,000	)
Payments of deferred financing costs	—	(5,511	)
Net-settle adjustment on restricted stock	(1,288	) (866	)
Dividends paid on common stock	(29,628	) (24,497	)
Net cash provided by financing activities	1,631	76,972	
Net increase in cash and cash equivalents	4,651	27,566	
Cash and cash equivalents, beginning of period	6,909	7,500	
Cash and cash equivalents, end of period	\$ 11,560	\$ 35,066	

**CARETRUST REIT, INC.**  
**DEBT SUMMARY**  
(dollars in thousands)  
(unaudited)

June 30, 2018

Debt	Interest Rate		Maturity Date	Principal	% of Principal		Deferred Loan Costs		Net Carrying Value
<b>Fixed Rate Debt</b>									
Senior unsecured notes payable	5.250 %		2025	\$ 300,000	54.5 %		\$ (5,226 )		\$ 294,774
<b>Floating Rate Debt</b>									
Senior unsecured term loan	4.044 %	[1]	2023	100,000	18.2 %		(436 )		99,564
Unsecured revolving credit facility	3.844 %	[2]	2020	[3] 150,000	27.3 %		—	[4]	150,000
	3.924 %			250,000	45.5 %		(436 )		249,564
<b>Total Debt</b>	<b>4.647 %</b>			<b>\$ 550,000</b>	<b>100.0 %</b>		<b>\$ (5,662 )</b>		<b>\$ 544,338</b>

[1] Funds can be borrowed at applicable LIBOR plus 1.95% to 2.60% or at the Base Rate (as defined) plus 0.95% to 1.6%.

[2] Funds can be borrowed at applicable LIBOR plus 1.75% to 2.40% or the Base Rate (as defined) plus 0.75% to 1.4%.

[3] Maturity date assumes exercise of two 6-month extension options.

[4] Deferred financing fees are not shown net for the unsecured revolving credit facility and are included in assets on the balance sheet.

## CARETRUST REIT, INC.

### RECONCILIATIONS OF NET INCOME TO NON-GAAP FINANCIAL MEASURES

(shares in thousands)

(unaudited)

#### 2018 Guidance

	Low	High
<b>Net income</b>	\$ 0.71	\$ 0.73
Real estate related depreciation and amortization	0.58	0.58
Gain on sale of real estate	(0.03	) (0.03
<b>Funds from Operations (FFO)</b>	1.26	1.28
<b>Normalized FFO</b>	\$ 1.26	\$ 1.28
<b>Net income</b>	\$ 0.71	\$ 0.73
Real estate related depreciation and amortization	0.58	0.58
Amortization of deferred financing fees	0.03	0.03
Amortization of stock-based compensation	0.05	0.05
Straight-line rental income	(0.02	) (0.02
Gain on sale of real estate	(0.03	) (0.03
<b>Funds Available for Distribution (FAD)</b>	1.32	1.34
<b>Normalized FAD</b>	\$ 1.32	\$ 1.34
<b>Weighted average shares outstanding:</b>		
Diluted	78,380	78,380

#### Non-GAAP Financial Measures

EBITDA represents net income before interest expense (including amortization of deferred financing costs), amortization of stock-based compensation, and depreciation and amortization. Normalized EBITDA represents EBITDA as further adjusted to eliminate the impact of certain items that the Company does not consider indicative of core operating performance, such as real estate impairment charges, certain deferred preferred return, losses on the extinguishment of debt, reserve for advances and deferred rent and gains or losses from dispositions of real estate or other real estate investments. EBITDA and Normalized EBITDA 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. EBITDA and Normalized EBITDA do not purport to be indicative of cash available to fund future cash requirements, including the Company's ability to fund capital expenditures or make payments on its indebtedness. Further, the Company's computation of EBITDA and Normalized EBITDA may not be comparable to EBITDA and Normalized EBITDA reported by other REITs.

Funds from Operations ("FFO"), as defined by the National Association of Real Estate Investment Trusts ("NAREIT"), and Funds Available for



Distribution ("FAD") are important non-GAAP supplemental measures of operating performance for a REIT. 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 REIT that uses historical cost accounting for depreciation could be less informative. Thus, NAREIT created FFO as a supplemental measure of operating performance for REITs that excludes historical cost depreciation and amortization, among other items, from net income, as defined by GAAP.

FFO is defined by NAREIT as net income computed in accordance with GAAP, excluding gains or losses from dispositions of real estate or other real estate investments, real estate depreciation and amortization and real estate impairment charges, and adjustments for unconsolidated partnerships and joint ventures. The Company computes FFO in accordance with NAREIT's definition.

FAD is defined as FFO excluding non-cash income and expenses, such as amortization of stock-based compensation, amortization of deferred financing fees and the effects of straight-line rent. The Company considers FAD to be a useful supplemental measure to evaluate the Company's operating results excluding these income and expense items to help investors, analysts and other interested parties compare the operating performance of the Company between periods or as compared to other companies on a more consistent basis.

In addition, the Company reports Normalized FFO and Normalized FAD, which adjust FFO and FAD for certain revenue and expense items that the Company does not believe are indicative of its ongoing operating results, such as losses on the extinguishment of debt, certain deferred preferred returns, the effect of the senior unsecured notes payable redemption and other unanticipated charges. By excluding these items, investors, analysts and our management can compare Normalized FFO and Normalized FAD between periods more consistently.

While FFO, Normalized FFO, FAD and Normalized FAD are relevant and widely-used measures of operating performance among REITs, they 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. FFO, Normalized FFO, FAD and Normalized FAD do not purport to be indicative of cash available to fund future cash requirements.

Further, the Company's computation of FFO, Normalized FFO, FAD and Normalized FAD may not be comparable to FFO, Normalized FFO, FAD and Normalized FAD 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 FAD differently than the Company does.

The Company believes that net income, as defined by GAAP, is the most appropriate earnings measure. The Company also believes that the use of EBITDA, Normalized EBITDA, FFO, Normalized FFO, FAD and Normalized FAD, combined with the required GAAP presentations, improves the understanding of operating results of REITs among investors and makes comparisons of operating results among such companies more meaningful. The Company considers EBITDA and Normalized EBITDA useful in understanding the Company's operating results independent of its capital structure, indebtedness and non-recurring charges, thereby allowing for a more meaningful comparison of operating performance between periods and against other REITs. The Company considers FFO, Normalized FFO, FAD and Normalized FAD to be useful measures for reviewing comparative operating and financial performance because, by excluding gains or losses from real estate dispositions, impairment charges and real estate depreciation and amortization, and, for FAD and Normalized FAD, by excluding non-cash income and expenses such as amortization of stock-based compensation, amortization of deferred financing fees, and the effects of straight-line rent, FFO, Normalized FFO, FAD and Normalized FAD can help investors compare the Company's operating performance between periods and to other REITs.

 [Primary Logo](#)

Source: CareTrust REIT, Inc.