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Medical Properties Trust, Inc. (MPT)

Q2 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Hello, everyone. Thank you for joining us, and welcome to Medical Properties Trust Second Quarter 2026 Earnings Conference Call. After today's prepared remarks, we will host a question-and-answer session. [Operator Instructions] I will now hand the conference over to Charles Lambert, Senior Vice President. Charles, please go ahead.

Charles Reynolds Lambert

Senior Vice President, Finance & Treasurer, Medical Properties Trust, Inc.

Good morning. Welcome to the MPT conference call to discuss our second quarter 2026 financial results. With me today are Edward K. Aldag, Jr., Chairman, President and Chief Executive Officer of the company; Steven Hamner, Executive Vice President and Chief Financial Officer; Kevin Hanna, Senior Vice President, Controller and Chief Accounting Officer; Rosa Williams, Senior Vice President of Operations and Secretary; and Jason Frey, Managing Director, Asset Management and Underwriting.

Our press release was distributed this morning and furnished on Form 8-K with the Securities and Exchange Commission. If you did not receive a copy, it is available on our website at mpt.com in the Investor Relations section. Additionally, we're hosting a live webcast of today's call, which you can access in that same section.

During the course of this call, we will make projections and certain other statements that may be considered forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These

forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause our financial results and future events to differ materially from those expressed in or underlying such forward-looking statements.

We refer you to the company's reports filed with the Securities and Exchange Commission for a discussion of the factors that could cause the company's actual results or future events to differ materially from those expressed in this call. The information being provided today is as of this date only. And except as required by the federal securities laws, the company does not undertake a duty to update any such information.

In addition, during the course of the conference call, we will describe certain non-GAAP financial measures, which should be considered in addition to and not in lieu of comparable GAAP financial measures. Please note that in our press release, Medical Properties Trust has reconciled all non-GAAP financial measures to the most directly comparable GAAP measures in accordance with Reg G requirements. You can also refer to our website at mpt.com for the most directly comparable financial results and related reconciliations.

I will now turn the call over to our Chief Executive Officer, Ed Aldag.

Edward K. Aldag, Jr.

Founder, Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.

Thank you, Charles, and thanks to all of you for joining us this morning on our second quarter 2026 earnings call. Before I begin today, we'd like to extend our thoughts and prayers to the people of Colombia after this morning's earthquake.

Now let me begin with the most significant update. Today, we announced a comprehensive refinancing transaction that extends $2.4 billion of debt maturities to 2032, significantly reducing near-term maturities and positioning us well to pursue a balanced capital allocation strategy moving forward. Steve will discuss this transaction in more detail shortly.

Turning to our performance highlights. Total portfolio EBITDARM coverage remained steady as we continue to see robust demand for rehabilitation services around the world. Our post-acute operators again delivered the strongest growth in the portfolio, with EBITDARM increasing more than $70 million year-over-year, led by a 24% increase in MEDIAN, and a 13% increase in Ernest Health. General acute performance was stable. Behavioral health remains a source of pressure on the overall portfolio despite the increased importance and demand for these services we continue to see around the world.

In the UK market especially, revenue continues to be impacted by funding pressures at the NHS as the new administration in the UK works to rebalance its entire budget. I spent last week in the UK spending time with many of our operators there. I walked away from those meetings impressed with the level of activity across our facilities, confident in the opportunities for high-quality general acute providers, and encouraged that behavioral market remains a compelling long-term investment.

As most of you know, our Swiss joint venture went public this summer. It is now listed on the SIX exchange. Infracore continues to see attractive opportunities for growth and the company was able to access capital for further growth. We retain a significant ownership position in Infracore and remain bullish on Switzerland and look forward to seeing our overall investments grow there.

Finally, to further strengthen our portfolio, we consolidated all of our ScionHealth general acute hospitals and Lifepoint leases into one Lifepoint master lease. As a part of this conversion, Scion transitioned certain MPT-

owned acute hospitals to Lifepoint, and we are pleased with the resulting single-lease relationship with a mature operator with an enhanced credit profile.

With the strong trends we continue to see across our diverse portfolio of operators, the proving enduring value of our assets, and a plan to clear the runway of debt maturities until late 2028, we are well positioned to achieve our goal of over $1 billion annualized cash rent by the end of the year and to create value for the shareholders moving forward. Rosa?

Rosa H. Williams

Senior Vice President-Operations & Secretary, Medical Properties Trust, Inc.

Thank you, Ed. As usual, I will walk through the trends we're seeing, the continued progress of our recently transitioned operators and the steps tenants are taking to enhance performance.

Across our core portfolio, performance trends remain broadly stable. General acute operators still comprise the majority of the portfolio and reported aggregate EBITDARM coverage of 2.8 times during the quarter. As Ed mentioned, our post-acute portfolio delivered another really strong performance with coverage of 2.4 times. Finally, our behavioral portfolio coverage was down slightly to 1.4 times, reflecting the discrete headwinds in the UK and US markets that we have discussed all year. For individual operator coverage details, we would encourage you to review the supplemental published on the Investor Relations page of our website.

Our international portfolio continues to provide meaningful stability. Swiss Medical Network, MEDIAN and Circle continue to produce strong, stable earnings, executing on their respective growth and innovation strategies. Swiss Medical Network is advancing its integrated care strategy with revenue growth supported by recent acquisitions and an ongoing shift toward higher-value outpatient and primary care.

In Germany, MEDIAN continues to build on its momentum with year-to-date EBITDA running ahead of budget. At Priory, proactive measures are being taken to address challenges related to the previously discussed shift in NHS referral patterns. With the ongoing budget constraints in the UK, management is focused on implementing even more disciplined cost-control measures and optimizing services to better align with demand.

Turning to the US. NOR continues to produce strong results. NOR began paying 50% contractual rent in June. Operationally, NOR delivered encouraging momentum with admissions, emergency department visits and surgeries all higher year-over-year, reflecting volume recovery across the platform. The emergency department project at Culver City is progressing and remains scheduled to open in the fourth quarter of 2027. HSA, which operates hospitals in Florida, Louisiana and Texas, saw mixed results in the second quarter due to certain disruptions that caused lower cash collections and volume declines in some markets.

First, the MEDITECH EMR conversion caused a temporary inability to bill and collect cash for a period during the month of May, resulting in lower collections in May and June. Additionally, prior to the conversion, HSA transitioned its revenue cycle management to an outsourced firm. And because HSA operates in markets where they serve an above-average number of indigent patients, reliance on supplemental payments from federal and state agencies is necessary. These payments are not always predictable and can therefore be a strain on cash flows. That was evident when the Florida supplemental funding that was due in April was delayed until August, which caused further short-term pressure on HSA's liquidity.

With the MEDITECH conversion largely behind them, HSA has brought revenue cycle management back in-house and expects to improve revenue cycle and operational efficiency in the coming months. While cash collections are still lagging, HSA has received significant payments from the Florida supplemental funding

program in August, enabling them to begin repayment of the working capital advances we made during the quarter. While trailing 12-month EBITDARM to cash rent coverage of 2 times, we remain cautiously optimistic about the trajectory of HSA and we'll continue carefully monitoring their operations.

Our US post-acute portfolio remains an area of strength. Ernest Health is a standout, and we're excited to see Ernest continue to grow with its acquisition of Reunion Rehabilitation Hospitals, adding seven hospitals with closing expected this summer. Finally, we remain confident in the long-term earnings power of these assets and in our path toward normalized rent across the portfolio.

With that, I'll turn it over to Kevin.

J. Kevin Hanna

Chief Accounting Officer, Senior Vice President & Controller, Medical Properties Trust, Inc.

Thank you, Rosa. Today we reported normalized FFO of $0.15 per share for the second quarter of 2026, which was in line with our expectations as last quarter's results were $0.14 per share and we expected the rent from HSA and NOR continued to increase in accordance with our lease agreements. As a reminder, HSA is currently paying 75% of their contractual rents, increases to 100% in mid-September. While NOR started paying rent in mid-June equal to 50% of contractual rents, increases to 100% in mid-December.

As Ed noted in his remarks, we have combined the Lifepoint, Lifepoint Behavioral and all but one Scion post-acute property into a combined single master lease. Cash rent from this combined lease will be basically the same as it was previously. G&A expense for the quarter was higher year-over-year, primarily driven by stock compensation expense due to the change in fair market value of certain cash total stock awards and the increase in depreciation expense at the corporate headquarters building that was placed into service during the first quarter of this year.

Finally, during the quarter, we impaired approximately $17 million in working capital loans, primarily related to the two Steward replacement tenants in the Midwest. Steve?

Richard Steven Hamner

Co-Founder, Executive Vice President, Chief Financial Officer & Director, Medical Properties Trust, Inc.

Thank you, Kevin. As Ed mentioned, this morning we announced a two-step process to fully satisfy our 2026 and 2027 debt maturities, totaling about $2.7 billion, along with an additional approximately $1.2 billion of longer-dated unsecured notes. Step 1, which we expect to complete later today, is the issuance of $2.4 billion unsecured notes, the proceeds of which will be used as follows

First, to fully redeem the upcoming maturity of our €500 million in unsecured note and approximately $738 million or about 53% of our unsecured notes due in 2027. We will also exchange at a discount another approximately $1.2 billion of longer-dated unsecured notes, reducing gross debt by about $123 million.

Step 2, which we have commenced and expect to complete in coming weeks, we'll repay the remainder of the 2027 unsecured notes, complete a new multi-year bank revolver and repay our $200 million term loan due in June 2027. MPT will then have no debt maturing in 2026 or 2027. In fact, our sole maturity over the next three years will be a modest balance of about $600 million of notes due in June 2028. Moreover, with $1.1 billion of expected liquidity based on recent and expected near-term asset sales, we will have substantial flexibility for further de-levering in the near term.

Also importantly, our single bond maintenance covenant that requires 150% of unencumbered assets over unsecured debt will be substantially improved up to almost 300%, depending on how we deploy our liquidity. The new notes have a coupon of 9.25%, a 5.5-year term that becomes pre-payable after two years and other customary re-type provisions, all of which we describe and qualify by reference to the descriptions and documents included in a to-be-filed current report on Form 8-K.

I'll make a few additional observations about our overall financial position. Once again and in several ways, sophisticated third-party investors have affirmed that market values of our hospital assets exceed their book values. First, some of the most sophisticated global fixed income investors underwrote the value of the assets that secure the $2.4 billion of notes we just discussed. Moreover, recent transactions, including the IPO of Infracore in Switzerland, had established market values of our hospital assets above our original investment. In another pending sale that will close imminently, we will receive about $172 million in after-debt cash proceeds, reflecting a 60% increase over our original investment and an IRR of about 34%.

In addition to these recently completed transactions, we are in discussions with potential buyers of additional assets that, if completed, will generate hundreds of millions of dollars more in sale proceeds at pricing well above our original investments. There's no assurance that these transactions will be completed, but the fact that sophisticated parties are even initially offering this level of pricing is encouraging validation of our overall asset values. Upon completion of these refinancings, we will retain significant additional collateral value and flexibility for future de-levering.

Just to reiterate, no debt maturities until June of 2028, and then a modest $600 million. Up to $1.1 billion in liquidity, dependent only on completion of certain asset sales that are already in process of being negotiated. And substantial cushion in our UA/UD bond covenant that opens up opportunities for certain additional de-levering strategies.

In closing, our business model remains attractive, and growth opportunities continue to present themselves in our markets. With our assets continuing to demonstrate attractive market value and with significant liquidity on hand, we are well positioned to continue to focus on reducing debt while capitalizing on strategic growth opportunities.

With that, we will open up the call for questions. Operator?

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. Please limit yourself to one question and one follow-up. [Operator Instructions] Please stand by while we compile the Q&A roster. Your first question comes from the line of Mike Mueller with JPMorgan. Mike, please go ahead.

Michael W. Mueller
Analyst, JPMorgan Securities LLC
Q

Yeah, thanks. Hi. So I guess for the balance of the 2027 notes that you're looking to pay off, is that just going on basically a new credit line that's going to be the near-term mechanism? And what's going to be the rate on that facility?

Richard Steven Hamner
Co-Founder, Executive Vice President, Chief Financial Officer & Director, Medical Properties Trust, Inc.
A

No, that's not the expectation, Mike. In fact, phase 2 or step 2, as we call it, will include, as I noted, the repayment of the 2027 notes. But it will not be just based on using the credit line.

Michael W. Mueller
Analyst, JPMorgan Securities LLC
Q

Okay. Will it be all from asset sales?

Richard Steven Hamner
Co-Founder, Executive Vice President, Chief Financial Officer & Director, Medical Properties Trust, Inc.
A

No. We have a number of options that we've always had, including asset sales, including liquidity that we have, and including additional secured debt opportunities.

Michael W. Mueller
Analyst, JPMorgan Securities LLC
Q

Got it. Okay. Okay. Thank you.

Operator: Your next question comes from the line of John Kilichowski with Wells Fargo. John, your line is open. Please go ahead.

John Kilichowski
Analyst, Wells Fargo Securities LLC
Q

Thank you. Hi. Good morning. Just to clarify, as I'm looking at the press release, we talked through in the opening remarks about 2026 and 2027, but this also talks about refinancing the 2027 through 2031 notes. Could you just kind of clarify that timing and when this goes into place and then the pro forma cash interest from this move?

Richard Steven Hamner
Co-Founder, Executive Vice President, Chief Financial Officer & Director, Medical Properties Trust, Inc.
A

John, we're having a lot of trouble getting your question here.

Edward K. Aldag, Jr.
Founder, Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.
A

John, maybe you can try speaking up a little bit. Yours was very, very soft.

John Kilichowski
Analyst, Wells Fargo Securities LLC
Q

Apologies. Can you hear me better now?

Edward K. Aldag, Jr.
Founder, Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.
A

Yes. Thank you.

Richard Steven Hamner
Co-Founder, Executive Vice President, Chief Financial Officer & Director, Medical Properties Trust, Inc.
A

Much better, yeah.

John Kilichowski
Analyst, Wells Fargo Securities LLC
Q

All right. Thank you. The opening remarks focused mostly on the 2026 and 2027 maturities, but I'm also seeing commentary in the press release about the 2027 through 2031 notes. Could you just talk through the timing and clarify, is all of that being refi-ed now as well and the pro forma cash interest number following this move?

Richard Steven Hamner
Co-Founder, Executive Vice President, Chief Financial Officer & Director, Medical Properties Trust, Inc.
A

No, it comes in two steps. Step 1 is the $2.4 billion that we announced this morning. That will fully repay the 2026s. And cash and exchange combined of about $740 million of the 2027s. And then step next, which we expect to complete in the coming weeks, will satisfy the remainder of the 2027s. And in addition, as we mentioned during step 1, we'll also exchange about $1.5 billion of the longer-dated notes.

John Kilichowski
Analyst, Wells Fargo Securities LLC
Q

Okay. Very helpful. Thank you.

Operator: Your next question comes from the line of Michael Carroll with RBC Capital Markets. Michael, please go ahead.

Michael Carroll
Analyst, RBC Capital Markets LLC
Q

Yeah, thanks. Can you guys provide some more color on the HSA situation? I mean, how confident are you that Conifer can push cash collections in where they need to be? I mean, I believe you indicated last quarter that they were up to 82% from 78%. But it needs to be in the 90-plus percent range, and it sounds like it dipped in May and June just due to some of the transfers that you're talking about.

Edward K. Aldag, Jr.
Founder, Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.
A

Yeah, Mike. It's been a lot slower than we hoped it would be. It's still in the 80s. If you look from an operational, the good news from an operational standpoint, as Rosa pointed out, they're generating 2 times coverage. But that doesn't do you any good if you're not collecting the cash. And then, you had the late payments from Florida. If you add all of that in together, we're cautiously optimistic, but they still got to improve the cash collections greatly.

Michael Carroll
Analyst, RBC Capital Markets LLC

Q

So what gives you confidence that they're able to do that? And did they already receive the Florida DPP payments, and that's how the first $20 million got paid back? And can you talk about how and when you expect the next $20 million will be paid? And it was unclear in the press release. I mean, is $10 million of that just going to be outstanding or will that be repaid soon, too?

Edward K. Aldag, Jr.
Founder, Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.

A

So they have received approximately half of the DPP money from Florida. The other could come in as early as today, but certainly in the next week or so. And with that money, they'll pay back the additional $20 million. And then, they will have the remaining $10 million repaid sometime in the next quarter.

Michael Carroll
Analyst, RBC Capital Markets LLC

Q

Okay. And then just lastly from me, I know NOR was supposed to start paying rent in June. Did they pay that rent? And are they current right now, too?

Edward K. Aldag, Jr.
Founder, Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.

A

Yes, NOR did pay the rent, and NOR is doing well. Remember, those are two different entities. NOR and HSA. NOR's operations are doing very well.

Michael Carroll
Analyst, RBC Capital Markets LLC

Q

Okay, great. Thanks.

Operator: Your next question comes from the line of Michael Diana with Maxim Group. Your line is open. Please go ahead.

Michael Diana
Analyst, Maxim Group LLC

Q

Thank you. I wanted to ask about asset sales. Could you just read through a lot of moving parts? Could you review for us the asset sales you know you're going to make, the asset sales that you're probably going to make and the calculus that you're using when you're determining whether or not to sell an asset?

Richard Steven Hamner
Co-Founder, Executive Vice President, Chief Financial Officer & Director, Medical Properties Trust, Inc.

A

So what we know – was that it, Mike?

Michael Diana
Analyst, Maxim Group LLC

Q

No, that's it. Thanks.

Richard Steven Hamner
Co-Founder, Executive Vice President, Chief Financial Officer & Director, Medical Properties Trust, Inc.

A

Okay. So what we know what has happened and is happening, in fact, as we speak, we mentioned the Infracore transaction, which has already generated about $140 million in proceeds for us. And I'll just point out again, I'll reiterate that that pricing tested by the market was at a higher valuation than we carried the assets on our books.

Secondly, today, a transaction is closing that we are regrettably not able to identify, but will be within a matter of hours. But we can tell you a transaction is closing that will generate after-debt payment about $172 million to us today. That's the transaction that I spoke of that, once again, validates across the portfolio the value of our assets exceeding, sometimes by significant amount, our original investment, in this case, an aggregate 60% plus gain on our original recording of that investment, representing about a 34% IRR.

In addition, we are in various stages of negotiation for a handful of other significantly valued asset, each of which, if they were to trade at the values that we're negotiating would again represent significant gains over not just net book depreciated value, but our original investment. We think that could be realistically over the next few weeks another between $200 million and $400 million in cash proceeds. Possibly, could be more than that. But we're relatively confident that we'll be in that additional $200 million to $400 million proceeds level.

Michael Diana
Analyst, Maxim Group LLC

Q

Okay. And well, obviously, that's very good news, and sales value versus book value. What impact will this have on the income statement broadly?

Richard Steven Hamner
Co-Founder, Executive Vice President, Chief Financial Officer & Director, Medical Properties Trust, Inc.

A

So obviously, a great question and it depends on a number of things that kind of self-evident to people on this call. Obviously, the gain on sale, in other words we're earning rent typically on these assets based on our original investment. To the extent we can sell for more than that and take those proceeds and apply them to, for example, not in the 0.25% interest that we just issued this morning, one would think that has a very positive, perhaps even accretive impact on normalized FFO.

Obviously, timing of completion of the secured issuance we announced this morning, timing in terms of step 2, the refinance of the bank facility and completion of pay-down of the 2027s, execution and timing of asset sales, and then further de-levering by use of these asset sale proceeds will all have an impact on go-forward normalized FFO as we'll continue ramp up of the HSA and NOR relationships. So as those become more definitive, we'll be able to better predict and return to providing run rate guidance in future quarters.

Michael Diana
Analyst, Maxim Group LLC

Q

Okay, great. Thank you very much.

Operator: Your next question comes from the line of Farrell Granath from Bank of America. Farrell, your line is open. Please go ahead.

Farrell Granath
Analyst, BofA Securities, Inc.

Q

Thank you very much. Good afternoon or morning. My question is on any collateral restrictions. I know you had mentioned some of that in your opening remarks, but hoping that you could just dive a little bit deeper on how you're thinking about any of your credit facility's maintenance covenants, as well as what would step 2 potentially influence on some of those unencumbered headroom that you still have available?

Richard Steven Hamner
Co-Founder, Executive Vice President, Chief Financial Officer & Director, Medical Properties Trust, Inc.

A

So both step 1 and step 2 have positive impacts on the UA/UD, that really, Farrell, is the only maintenance covenant we have. And while it will not go away because that's a bond covenant, the cushion, the headroom it brings, I mentioned earlier the minimum, the requirement is 1.5 times. And we've been in that range, 1.55 to 1.60 times over the last several quarters. And we expect that with completion of step 1, again, which will happen very likely today, that will go all the way up to an actual of almost 200%. In completion step next, we'll drive it up again as much as to 300%. So what that does is give us additional flexibility to use different strategies and give us the opportunity to further de-lever, which is the goal. The goal is not simply to continue to extend the maturities, but to actually reduce leverage. And these transactions we're announcing this morning take us a very long step toward being able to do that more aggressively.

Farrell Granath
Analyst, BofA Securities, Inc.

Q

Okay. Thank you. And my second question is on, I know the Prime Minister of the UK has made some commentary about potentially having social care for all adults over there. I'm just curious, in your conversations that you're mentioning and your recent travels, has that been coming up as a concern or actually a tailwind for the companies that are over there?

Edward K. Aldag, Jr.
Founder, Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.

A

Yeah. So social care is very different than healthcare. Social care is primarily focused on the end-of-life and dementia-type items and other items that aren't included in the current NHS services.

Farrell Granath
Analyst, BofA Securities, Inc.

Q

Okay, thank you.

Operator: Your next question comes from the line of Vikram Malhotra with Mizuho. Vikram, your line is open. Please go ahead.

Vikram Malhotra
Analyst, Mizuho Securities USA LLC

Q

Morning. Thanks so much. Sorry if I joined late and missed this. Do you mind just clarifying, for any additional like the 2027 and any future maturities or other payments, just what the thinking is post this transaction?

Richard Steven Hamner
Co-Founder, Executive Vice President, Chief Financial Officer & Director, Medical Properties Trust, Inc.
A

I'm sorry. Vikram, the question was about 2027s?

Vikram Malhotra
Analyst, Mizuho Securities USA LLC
Q

Yeah. Like just, after you've done this transaction, you've pushed out the maturities, right? Like you said, there's nothing now to 2026, 2027. So, I meant post 2027, just maybe give us the latest thinking on plans that you might sort of raise additional capital, take care of additional future maturities.

Richard Steven Hamner
Co-Founder, Executive Vice President, Chief Financial Officer & Director, Medical Properties Trust, Inc.
A

Well, the primary immediate liquidity comes from the asset sales that even assuming – which we're not disclosing a new credit facility yet, but even assuming a meaningful decline in our current $1.3 billion revolver, we expect to reduce the out year. And I think this is your question, your longer dated.

Vikram Malhotra
Analyst, Mizuho Securities USA LLC
Q

Yes. Yes.

Richard Steven Hamner
Co-Founder, Executive Vice President, Chief Financial Officer & Director, Medical Properties Trust, Inc.
A

Yeah. The immediate reduction would come from asset sale proceeds.

Vikram Malhotra
Analyst, Mizuho Securities USA LLC
Q

Yeah. I guess, I should have expand. I mean, like, you've said, look, we want to reduce overall leverage. And in the view that cash flow maybe takes a bit longer to ramp up from all the transitions or just overall, say, there's another tenant issue that you haven't called out, but say there's something, I'm just trying to figure out, like, over the next two years, how do you like in absolute get net debt to EBITDA down from here? If there is any other plan?

And maybe that works into a broader question. As you were contemplating this, any latest thoughts on, I guess I shouldn't call it simplifying, but maybe shrinking the overall portfolio? You've got US, you've got global. Any thoughts on, like, taking pieces from here and doing a bigger, broader strategic transaction?

Richard Steven Hamner
Co-Founder, Executive Vice President, Chief Financial Officer & Director, Medical Properties Trust, Inc.
A

Well. As we've been saying now, really going on a couple of years, we have a number of alternatives. Those really haven't changed with our announcement this morning. We retain all of them and they include maybe some things that you may be alluding to. There are couple of ways to easily raise liquidity for debt reduction. One, I've described, selling assets. We're doing that. Another is selling equity. Well, we don't think it's the right time to sell equity with the stock where it is. We think the valuation is significantly greater than that and we think that's proved almost every time we sell an asset, that our assets are significantly more valuable than what's reflected on our balance sheet. But it'd be wrong not to acknowledge that that's one way to reduce debt. But we've cleared the runway to continue to be able to improve the operations, continue to see the asset values grow and continue to

pay down debt in ways that aren't so grossly dilutive to selling stock when you think it's not the right time to sell stock.

Vikram Malhotra
Analyst, Mizuho Securities USA LLC
Q

That's fair. And then just lastly, if I can clarify. So with the sales you're contemplating, like, how should we think about where multiples are or cap rates are today? Like what's the broad range and how should we think about like a core asset in the US versus maybe one that's more struggling? Maybe just give us some sense of other private markets valuing these assets relative to public.

Edward K. Aldag, Jr.
Founder, Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.
A

Vikram, I think that it goes across the board. But if you look at what Steve mentioned earlier in the call, every single one of the assets that we're in current negotiations with or have actually closed, we worked out marketing them. The people came to us. There's a high demand for our assets, both in the US and in Europe.

Vikram Malhotra
Analyst, Mizuho Securities USA LLC
Q

Thank you.

Operator: Your next question comes from the line of Michael Carroll with RBC Capital Markets.

Michael Carroll
Analyst, RBC Capital Markets LLC
Q

Yeah. Thanks. Steve, where is MPT at on it's secured debt ratio? And correct me if I'm wrong here, but I think that covenant is about 40%. And it sounds like with the phase 1 secured debt issuance, that kind of puts you pretty close to that ratio. So does MPT have capacity to issue additional secured debt via phase 2?

Richard Steven Hamner
Co-Founder, Executive Vice President, Chief Financial Officer & Director, Medical Properties Trust, Inc.
A

We do. But you're absolutely right, Mike, it does drive us up from where we were this morning, which was around 25% to much closer to that 40% level.

Michael Carroll
Analyst, RBC Capital Markets LLC
Q

So I guess, will these additional asset sales give you more capacity to make more room on that secured debt ratio? And I mean, I'm calculating that you're pretty tight where you don't really have much more secured debt. So is there any color on how you can regain additional secured debt via this phase 2 path?

Richard Steven Hamner
Co-Founder, Executive Vice President, Chief Financial Officer & Director, Medical Properties Trust, Inc.
A

So just by definition, you're right, Mike. Asset sales would provide more headroom for that. Use the proceeds to reduce debt would provide more headroom for that.

Michael Carroll
Analyst, RBC Capital Markets LLC

Q

Okay. And then just lastly, can you talk about an update related to Norwood? And then, what is MPT's cost basis in that asset? I know there is some filings saying that it's about $350 million. I was under the impression it was just above $200 million. Is that just additional dollars that MPT had to put into that asset to kind of weatherize it, which pushed that cost basis up into that mid-$300 million range?

Edward K. Aldag, Jr.
Founder, Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.

A

Mike, as you know, there's still a lot of stuff going on with Norwood and various discussions with the state. We've made public statements, those are listed on our website and that's where we'll leave it right now.

Michael Carroll
Analyst, RBC Capital Markets LLC

Q

Okay, great. Thanks.

Operator: There are no further questions at this time. I will now turn the call back to Ed Aldag, CEO, for closing remarks.

Edward K. Aldag, Jr.
Founder, Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.

Thank you very much for everyone's interest today. If you have any additional questions, please don't hesitate to reach out to us. Thank you very much.

Operator: This concludes today's call. Thank you for attending. You may now disconnect.