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Medical Properties Trust, Inc. (MPT)

Q3 2026 Earnings Call

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Michael W. Mueller
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Andrew Reale
Analyst, BofA Securities, Inc.

Michael Carroll
Analyst, RBC Capital Markets LLC

MANAGEMENT DISCUSSION SECTION

Operator: Hello, everyone. Thank you for joining us and welcome to the Medical Properties Trust Third Quarter 2026 Earnings Conference Call. All lines have been placed on mute to prevent any background noise during this call. After today's prepared remarks, we will host a question-and-answer session. [Operator Instructions]

I will now hand the conference call 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 third 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

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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, MPT 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 measures 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 thank all of you for joining us this morning. Earlier this year, we projected MPT would reach annualized cash rental revenue of at least $1 billion by the end of this year. Year-to-date, we have already collected more than $750 million of cash revenue, which annualizes to more than the $1 billion we projected earlier. This reflects the strength of our diverse portfolio of operators around the world. During the year, we've sold nine properties for cash proceeds of approximately $600 million, and we still hit our target, for 2027 despite these sales, we continue to expect portfolio cash rents above $1 billion.

Now, I'd like to address some recent changes at HSA. Many of you are aware that the two principals leading HSA have been engaged in a legal dispute that has served as an unfortunate distraction from core hospital operations. With the resolution of this matter and the exit of one of those principles, we now have a new tenant in place that goes by the name of Ardonis. At this time, the hospitals will continue to operate under the HSA name. As we have discussed in the past few quarters, HSA's core challenges remain revenue cycle management. Simply put, these hospitals have not done a good enough job of billing and collecting. To address these continued challenges, HSA has engaged Ovation Healthcare, based in Nashville, Tennessee to provide management services, Ovation manages over 500 hospitals across the US and will immediately take over all aspects of operations across the portfolio, including revenue cycle, IT, staffing, supply chain and other areas. Ovation's immediate focus will be on improving RCM. We are optimistic that Ovation can help HSA to unlock the significant potential of these hospitals.

Turning to the UK, where we have been discussing budget constraints that have adversely impacted the NHS for several quarters now. As a result of these challenges, the NHS has not been able to fully fund the robust demand the country continues to see for behavioral health services. Recognizing these ongoing dynamics, MPT and Priory have reached an agreement to reduce the annual rental obligations by approximately 18%, with the ability for rent to increase as patient volumes recover. As part of this agreement, we added an extension option at MPT's election that effectively extends Priory's lease by 10 years.

Following our recent asset sales at attractive valuations and the comprehensive steps we have taken to refinance our debt that Steve will discuss in more detail shortly. We have meaningfully strengthened our balance sheet this year. Additionally, as Rosa will cover, our portfolio consists of more than 50 operators around the world that are well-positioned to continue servicing increased global demand for healthcare services. As such, we remain

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confident that our business model is as important today as it has ever been, and we are well-positioned to achieve our financial objectives and to create enduring value for our shareholders.

Rosa?

Rosa H. Williams

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

Thank you, Ed. Across the portfolio, post-acute care remains a notable source of momentum, general acute performance is broadly stable, and operators in behavioral health are taking targeted steps to improve staffing, service mix and referral alignment. Across Europe operators are benefiting from strong performance trends. MEDIAN delivered another quarter of solid performance driven by strong occupancy, particularly in orthopedics, psychosomatics and addiction treatment combined with prudent cost management.

Circle Health continues its strong performance, delivering increased revenue, consistent volumes and robust margins. Following the successful Infracore IPO in July, Swiss Medical Network reported increasing hospital revenue year-over-year and coverage surpassing 2 times driven by its growing integrated care networks and cost containment initiatives. Finally, in Spain, IMED is generating notable volume growth, with surgeries increasing more than 11% year-over-year, led by a nearly 40% increase at IMED Colón in Valencia, which is reaching stabilization in its third year of operations. The opening of the new hospitals in Alicante and Barcelona in the coming months will further expand IMED's capacity in attractive Spanish markets.

In the US, Ernest Health remains a standout post-acute operator, maintaining a consistent coverage of 2.5 times. NOR continues to produce strong earnings, with volumes up year-over-year and coverage of 2.4 times on full contractual rent. NOR is currently paying 50% of contractual rent as scheduled and with all payments current, and we'll begin paying 100% contractual rent in December. In summary, we see meaningful momentum across several of our largest investments, along with practical operating plans, where improvement is needed. The strength of our portfolio's diversity is as evident as it has ever been.

Post-acute care remains a clear portfolio differentiator, supported by improving coverage and favorable demand. We are also encouraged by early signs of stabilization in behavioral health. While our general acute portfolio generates solid coverage. Together, these trends demonstrate the value of our diversified portfolio. Kevin?

J. Kevin Hanna

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

Thank you, Rosa. Today we reported normalized FFO of $0.11 per share for the third quarter of 2026, which was in-line with our expectation, except for the non-payment of September rent from HAS. The $2.4 billion secured debt refinancing transaction that was completed in August included extinguishments of existing unsecured notes at par and in other instances, extinguishments of debt below par, capturing an approximate $123 million of net discount.

We recognized $70 million of this discount as a gain in the quarter, with the remainder to be recognized through interest expense over the term of the notes. Also in the quarter, we agreed to a rent modification of approximately £11 million annually to Priory. We have incorporated a variable rent component to recapture some or all of that rent if Priory were to reach certain revenue hurdles. We've also effectively extended the lease term by an additional 10 years. The lease will continue to be classified as an operating lease and no material change is expected from a GAAP revenue perspective.

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As Ed mentioned, we monetized certain assets during the quarter. In aggregate, we recorded $158 million of gains on those transactions. G&A expense for the quarter was lower year-over-year, primarily driven by stock compensation expense due to the change in fair market value of certain cash-settled stock awards.

Finally, during the quarter, we incurred approximately $24 million in impairment charges, primarily related to our investments in Colombia due to the major earthquake the country suffered in August. With that said, our team has had recent discussions with representatives of the Colombian government and we're encouraged about the direction and future of our facilities there. Steve?

Richard Steven Hamner

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

Thank you, Kevin. Last quarter, we described a two-step process for addressing our 2026 and 2027 maturities and reducing our debt. I'll give a brief recap of step one, which was completed in early August and a status report on step two. In August, we issued $2.4 billion of secured notes to first fully redeem the €500 million of notes due earlier this month. Second, redeem about $735 million of the $1.4 billion of notes due next October. And third exchange about $1 billion of longer dated notes. Through this exchange, we captured about $123 million in net discount and Kevin has just described the accounting for that.

Step two will involve, one, the extension of our multi-year bank revolver; two, the permanent repayment of our $200 million term loan due in June 2027; and three, the refinancing of the remaining $665 million in the 2027 notes. Although step two is not yet completed, I will describe our current progress as of today. We are in the bank market for a new multiyear revolver that we expect to complete in coming weeks. Importantly, we expect that the terms of the new revolver will eliminate the secured leverage financial covenant and provide additional headroom under both the fixed charge coverage covenant and the total leverage financial covenant. We expect that this new covenant package will provide us with significant flexibility to address longer dated maturities beyond 2027.

We are still considering the appropriate size of the new revolver, but in any case, we will purposefully downsize the current revolver commitment of about $1.3 billion to a level more aligned with our current needs. By doing so and freeing up the collateral that currently secures our total roughly $1.5 billion credit facility along with repaying the $200 million term loan, we will create substantial additional secured financing capacity to further refinance our existing debt, including the 2027 notes that I just mentioned. We continue to evaluate the timing and structure of that refinancing, but we are eager to get it done sooner than later. However we decide to allocate this $1.5 billion collateral capacity between a revolver and other secured financing alternatives, we expect the result will be that we have no maturities until June 2028, when about $600 million of sterling bonds are due. And that expected position does not contemplate use of the cash we have as of September 30.

That cash gives us flexibility to decide which additional longer-term debt to retire and when. To recap what we have previously reported, we received $600 million in sale proceeds in the second quarter – third quarter. Approximately $140 million from Infracore, $170 million from the sale of our minority interest in a US joint venture and $370 million from the sale of two Idaho facilities. Both of the US portfolios transacted at sub-7% cap rate. And as a reminder, since 2022 we have sold hospital real estate for which we paid about $5.6 billion for an aggregate sale price of more than $6.8 billion. And we have collateralized another roughly $3.9 billion in assets at underwritten valuations, similarly in excess of our original investments. Combined those transactions reflect about a 23% increase in value over our original undepreciated book values.

Our bond indentures provide us with flexibility as well. As of September 30, our unencumbered assets to unsecured debt ratio is more than 180%, reflecting substantial headroom in excess of the 150% covenant, headroom created by our August financing. We anticipate that further headroom will be created with the

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completion of step two up to 225%, and it could increase even further with additional transactions that we are considering.

That headroom together with the additional financial covenant headroom and secured financing capacity we expect to create through our revolver extension as well as further financing optionality provided under our bond indentures, will provide us with additional flexibility to continue deleveraging our balance sheet.

With that, we'll open up the call for questions, Jesse?

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] Your first question comes from the line of Mike Mueller with JP Morgan. Your line is open. Please go ahead.

Michael W. Mueller
Analyst, JPMorgan Securities LLC

Q

Yeah. Hi. Good morning. I'll ask just two HSA questions. I'm sure you're going to get a bunch of Priory questions, but when do you expect to now resume rent collections for that portfolio? And at what level compared to the last time you were collecting rent? And then the second question would be, like what would it take to trigger a real plan B here, where you're looking at bringing in completely different operators or just something along those lines?

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

A

Mike I think it's important to note that the operations at these hospitals is very strong and continues to be strong. Let me just give you some points here. The surgeries overall volume is up 14% since September, the surgeries themselves are up 33%. They've recently entered to an agreement with Miami's largest HMO that has made these hospitals their preferred hospital network for their members. That start increasing the patient volumes even further.

I know we always focus on the Miami hospitals, but also in Houston, Sam Houston State University has entered into an agreement to begin their residency program at the St. Joseph Hospital. Hialeah Hospital's residency program has now been accepted and will be started in 2027, both of those two items will increase the CMS reimbursement for HSA. So from an operational standpoint, we feel good about the hospitals. Ovation has been in there for about a month reviewing the situation at the hospitals, reviewing the different procedures. Since August, the cash collections at HSA has increased 24%. Those are all significant items, so exactly when they'll start paying rent again, I'm not exactly sure. We certainly haven't projected it at this point. But it's not as if there's an issue with the operations at the hospital. It literally has been an issue with the billing and the collections. We have a lot of confidence in Ovation's ability to come in and fix that.

And was there a second part of the question.

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

A

When might we do something more drastic?

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

Well, if they just say operations were declining or continuing to decline, that's certainly an item that we would look at doing.

Michael W. Mueller
Analyst, JPMorgan Securities LLC
Q

Okay. Appreciate it. Thank you.

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

Andrew Reale
Analyst, BofA Securities, Inc.
Q

Hi. Good morning. This is Andrew Reale on for Farrell. Thanks a lot for taking our questions. I guess first just with asset sale proceeds now in hand, could you just speak in a little more detail to how much room they're creating under the secured debt limit? And then should we expect those proceeds to go towards the remaining 2027 maturities?

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

Well, in the spirit of everything is fungible, we expect the step two financings that I just described will address the remaining 2027s. And that leaves cash from asset sales, as I mentioned, for addressing longer dated maturities beyond the 2027s, whether it's sequentially just to bring down the 2028 or to spread it across the maturities, we have that optionality, but we haven't made any specific determination at this point.

Andrew Reale
Analyst, BofA Securities, Inc.
Q

Okay. Thank you. And then where does the working capital balance to HSA stand today?

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

Our loan to HSA, is that?

Andrew Reale
Analyst, BofA Securities, Inc.
Q

Correct.

Charles Reynolds Lambert
Senior Vice President, Finance & Treasurer, Medical Properties Trust, Inc.
A

It's $150 million.

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

Yeah. About $150 million. Yeah.

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Andrew Reale
Analyst, BofA Securities, Inc.

Q

Okay. Thank you.

Operator: Your next question comes from the line of Michael Carroll at RBC Capital Markets. Your line is open. Please go ahead.

Michael Carroll
Analyst, RBC Capital Markets LLC

Q

Yeah, thanks. I guess, Ed or Steve, can you provide some additional color on the Priory lease restructuring? Like what did MPT receive in return for the rent cut? I know you mentioned something that MPT can share on the upside when the recovery happens. Is that like some form of percentage rent? And then you said there was the ability to extend the lease term at your option. When does the lease expire now, and you can extend it out 10 years from that point.

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

A

Yeah. So, Mike, I'll answer your questions, but let me point out that we have a great deal of confidence in Priory's ability to operate. This truly isn't a situation where there's a lack of demand or an inability to operate. We believe that Priory is absolutely the best operator for these facilities. This is entirely a situation where the UK government and obviously where we're concerned, particularly the NHS, has budget constraints and has limited the number of the NHS patients in behavioral health facilities. Probably the most important thing that we received out of this is greatly enhancing our financial credit with the parent company, Priory.

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

A

That's the main thing, Mike, as I just mentioned, we have a much improved credit perimeter with Priory and actually its ownership parent. Our ability now is to extend the lease to 2055. That's totally within our discretion. And yes, as revenue recovers, whether from NHS or elsewhere, we have the opportunity to recover the foregone rent. I think Kevin mentioned starting at £11 million that escalates. But as revenue recovers the rent would also recover. And I would point out that in recent weeks, if not months, we think we did this at the bottom because revenue is already increasing. We're already seeing improving operations and revenue at Priory.

Michael Carroll
Analyst, RBC Capital Markets LLC

Q

Okay. And then switching over to NOR and HSA, it looks like in the supplement on the development tab that the budgets for the NOR development and some of the HSA developments increased pretty noticeably specifically at NOR can you kind of talk about what drove those increases. I mean, did new projects get added to that or did the scope of the existing projects just get bigger?

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

A

Yeah. I remember that on NOR the vast majority of that is for a new ED at the largest hospital in that portfolio. And that actually started under the previous owner's prospect. Obviously, there's also the continued seismic work that's going on there, but the vast majority of it is the ED. That's an important project. It was an important project on prospect, they got sidelined during the bankruptcy and it's back in full speed.

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Michael Carroll
Analyst, RBC Capital Markets LLC

Q

And then HSA?

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

A

Oh, gosh, goodness, all day I've had trouble with it. HSA is primarily an elevators, boilers, chillers, roofs, basic type of situation. The biggest project is the project that we announced a while back, which is the replacement of a parking garage at Hialeah.

Michael Carroll
Analyst, RBC Capital Markets LLC

Q

Okay. And then just if I can sneak one last one in there, I guess, Steve, can you talk about, I guess how MPT plans on raising additional capital? I know you talked a little bit about some the phase 2 of the debt refinancing. I mean, are there more asset sales on tap? And at what point do you start thinking about the dividend just given where earnings have been trending with this Priory and the HSA situations?

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

A

So as we've discussed, [indiscernible] (00:26:02) these many quarters now, we continue to have a lot of flexibility. Mike, you mentioned asset sales, there's nothing meaningful pending. We're not in the market for any particular portfolios or assets. I mean, there may be a one-off here and there like we've done recently. My point in kind of going through the recent history where we've sold or monetized, upwards of $9 billion in assets at significant premiums over our original investment, was in fact to point out that, that is available. We continue to with the balance sheet restructuring the extension of maturities and modest reduction of debt to give us a longer runway to continue improving operations, including with the HSA situation. So we have options and we have the luxury of some time before we have to – or would consider more drastic alternatives.

Michael Carroll
Analyst, RBC Capital Markets LLC

Q

Okay. Thanks.

Operator: This concludes today's Q&A. I will now turn the call back over to Ed Aldag, CEO for closing remarks.

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

Thank you, Jessie. And if anybody has any follow-up questions, please don't hesitate to reach out to Charles and we'll get back with you. So thank you very much.

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

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