NEWS RELEASE

Sabra Reports Third Quarter 2018 Results and Continued Improvement in Skilled Nursing Occupancy, Skilled Mix and Senior Housing - Managed Portfolio Occupancy; Updates 2018 Guidance

2018-11-05

IRVINE, Calif., Nov. 05, 2018 (GLOBE NEWSWIRE) -- Sabra Health Care REIT, Inc. (“Sabra,” the “Company” or “we”) (Nasdaq:SBRA) today announced results of operations for the third quarter of 2018.

RECENT HIGHLIGHTS

- For the third quarter of 2018, net income attributable to common stockholders, FFO, Normalized FFO, AFFO and Normalized AFFO per diluted common share were $0.20, $0.50, $0.60, $0.54 and $0.55, respectively, compared to $0.11, $0.34, $0.63, $0.56 and $0.60, respectively, for the third quarter of 2017.

- For the third quarter of 2018, our Skilled Nursing occupancy percentage improved 30 basis points to 82.6%, and our Skilled Mix improved 60 basis points to 39.1%, each over the second quarter of 2018. In addition, our Senior Housing - Managed portfolio realized a 90 basis point improvement in occupancy over the second quarter of 2018 to 84.7%.

- During and subsequent to the third quarter of 2018, we completed the sale of three facilities leased to Genesis Healthcare, Inc. (“Genesis”) for gross sales proceeds of $7.2 million, leaving 16 facilities leased to Genesis that we expect to sell by the end of the first quarter of 2019 for estimated total gross proceeds of $109.0 million.

- During the third quarter of 2018, we made investments of $34.7 million with a weighted average initial cash yield of 7.25%. These investments consisted of: (i) $25.0 million of real estate acquisitions; (ii) $4.4 million of real estate additions; (iii) $4.3 million of preferred equity investments; and (iv) $1.0 million of investments in loans receivable.

- On August 27, 2018, we entered into a non-binding letter of intent to sell the 36 Skilled Nursing facilities and two Senior Housing communities currently leased to Senior Care Centers for an aggregate sales price of $405.0 million, inclusive of a potential earnout opportunity of $27.5 million. The sale of the facilities is subject to entry by the parties into a definitive purchase and sale agreement, as well as the completion by the potential purchaser of due diligence and other customary closing conditions to be included in the definitive agreement. We expect to complete the sale in early 2019. There can be no assurances that a definitive agreement will be entered into or that the sale transaction will be consummated, on the foregoing terms or timing or at all. During the three months ended September 30, 2018, we issued to Senior Care Centers notices of default and lease termination due to non-payment of rent under the terms of the master leases. As a result, Senior Care Centers is currently operating the facilities on a month-to-month basis. Deposits were fully exhausted to pay contractual rents and cash rents have been recorded through a portion of September 2018, reflecting a shortfall of $1.9 million in cash rents from Senior Care Centers through September 30, 2018. No straight-line rents have been recorded since May 2018. There can be no assurances that we will receive any additional rent payments from Senior Care Centers during the pendency of the sale process. Prior to termination of the master leases, the annual lease rate was $58.5 million.

    - We have updated our 2018 earnings guidance ranges as follows (per diluted common share):

Net income attributable to common stockholders	$1.64	- $1.67	(from $1.98 - $2.06)
FFO attributable to common stockholders	$2.16	- $2.19	(from $2.48 - $2.56)
Normalized FFO attributable to common stockholders	$2.27	- $2.30	(from $2.47 - $2.55)
AFFO attributable to common stockholders	$2.11	- $2.14	(from $2.28 - $2.36)
Normalized AFFO attributable to common stockholders	$2.14	- $2.17	(from $2.27 - $2.35)

As a result of the above referenced Senior Care Centers lease termination, our guidance assumes that we do not recognize rental revenues from Senior Care Centers during the fourth quarter of 2018, resulting in a reduction of $0.13 per diluted common share of net income attributable to common stockholders, FFO and Normalized FFO and $0.09 per diluted common share of AFFO and Normalized AFFO. In addition, our updated 2018 earnings guidance also reflects updates to our Senior Housing - Managed portfolio based on actual performance and expected fourth quarter 2018 performance, resulting in a reduction of $0.05 per diluted common share of net income attributable to common stockholders, FFO and Normalized FFO and $0.04 per diluted common share of AFFO and Normalized AFFO. See “2018 Outlook Update” below for additional information regarding our 2018 earnings guidance.

- On November 1, 2018, we exercised our option to acquire a 140 unit Senior Housing community in Ohio for $26.2 million (of which $3.7 million was used to repay our preferred equity investment in this property). This investment has an initial cash yield of 7.47% and was sourced through our proprietary development pipeline.

- On November 5, 2018, we announced that our board of directors declared a quarterly cash dividend of $0.45 per share of common stock. The dividend will be paid on November 30, 2018 to common stockholders of record as of the close of business on November 15, 2018.

Commenting on the third quarter results, Rick Matros, CEO and Chairman, said, “Sabra had a solid operational quarter. Our Skilled Nursing portfolio continues to perform better than national trends. Occupancy and Skilled Mix each improved for the third sequential quarter. Occupancy for our Senior Housing - Leased portfolio was slightly down sequentially, and was up 90 basis points sequentially for our Senior Housing - Managed portfolio. Rent coverage was stable for our Skilled Nursing and Senior Housing portfolios.

“We adjusted guidance down, as expected, which is primarily driven by the expected sale of the Senior Care Centers portfolio. We expect the sale to close in early 2019. We remain focused on resolving all portfolio-related issues by year end or early 2019 and on growing from there with the operating partners that we have a long term commitment to.”

OPERATING STATISTICS TRIPLE-NET PORTFOLIO (1)

	Coverage EBITDAR		EBITDARM		Occupancy Percentage		Skilled Mix	
Property Type	3Q 2018	2Q 2018	3Q 2018	2Q 2018	3Q 2018	2Q 2018	3Q 2018	2Q 2018
Skilled Nursing/Transitional Care	1.30x	1.32x	1.77x	1.79x	82.6 %	82.3 %	39.1 %	38.5 %
Senior Housing - Leased	1.07x	1.06x	1.24x	1.24x	85.7 %	86.0 %	NA	NA
Specialty Hospitals and Other	3.19x	3.27x	3.48x	3.55x	88.9 %	86.3 %	NA	NA

(1) EBITDAR Coverage, EBITDARM Coverage, Occupancy Percentage and Skilled Mix (collectively, “Operating Statistics”) for each period presented include only facilities owned by the Company as of the end of the current period for the duration that such facilities were classified as Stabilized Facilities. Operating Statistics are only included in periods subsequent to our acquisition except for (i) the legacy CCP tenants, which are presented as if these real estate investments were owned by Sabra during the entire period presented and reflect the previously announced rent repositioning program for certain of our tenants who were legacy tenants of CCP and (ii) EBITDAR Coverage and EBITDARM Coverage for the North American Healthcare portfolio is presented on a trailing twelve month basis and consists of the EBITDAR Coverage and EBITDARM Coverage, respectively, for facilities owned by Sabra in periods subsequent to our acquisition and underwritten stabilized EBITDAR Coverage and EBITDARM Coverage, respectively, for periods preceding our acquisition. In addition, Operating Statistics are presented for the twelve months ended at the end of the respective period and one quarter in arrears. As such, Operating Statistics exclude assets acquired after June 30, 2018.

SENIOR HOUSING - MANAGED PORTFOLIO OPERATING RESULTS (1)

Dollars in thousands, except REVPOR	Revenues		Cash NOI		Cash NOI Margin %		REVPOR		Occupancy Percentage	
	3Q 2018	2Q 2018	3Q 2018	2Q 2018	3Q 2018	2Q 2018	3Q 2018	2Q 2018	3Q 2018	2Q 2018
Wholly-Owned										
AL	$12,441	$12,597	$3,019	$3,310	24.3 %	26.3 %	$4,668	$4,737	92.5 %	92.8 %
IL	4,962	4,848	1,773	1,891	35.7 %	39.0 %	2,195	2,174	90.3 %	89.9 %
	17,403	17,445	4,792	5,201	27.5 %	29.8 %	3,478	3,514	91.5 %	91.4 %
Sabra's Share of Unconsolidated JV (2)										
AL	36,940	36,657	8,747	8,727	23.7 %	23.8 %	4,017	4,051	81.8 %	80.5 %
Total	$54,343	$54,102	$13,539	$13,928	24.9 %	25.7 %	$3,835	$3,868	84.7 %	83.8 %
Operator										
Enlivant	$45,906	$45,728	$11,222	$11,355	24.4 %	24.8 %	$4,172	$4,222	83.8 %	82.4 %
Sienna	5,413	5,309	1,855	2,004	34.3 %	37.7 %	2,106	2,086	90.3 %	90.3 %
Other	3,024	3,065	462	569	15.3 %	18.6 %	6,135	5,901	79.7 %	86.3 %
Total	$54,343	$54,102	$13,539	$13,928	24.9 %	25.7 %	$3,835	$3,868	84.7 %	83.8 %

(1) REVPOR and Occupancy Percentage include only facilities owned by the Company as of the end of the current period for the duration that such facilities were classified as Stabilized Facilities. In addition, revenues, Cash NOI and REVPOR have been adjusted for changes in the foreign currency exchange rate where applicable.

(2) Reflects Sabra's 49% pro rata share of applicable amounts related to its unconsolidated joint venture with Enlivant.

PRO FORMA TOP 10 RELATIONSHIPS (1)

		Twelve Months Ended September 30, 2018		
Tenant	Primary Facility Type	Number of Sabra Properties(2)	Lease Coverage (3)	% of Pro Forma Annualized Cash NOI (4)
Senior Care Centers(5)	Skilled Nursing	38	0.98x	10.2%
Enlivant	Assisted Living	183	NA	8.0%
Avamere Family of Companies (5)	Skilled Nursing	29	1.24x	7.2%
Signature Healthcare	Skilled Nursing	45	1.47x	6.2%
Holiday AL Holdings LP(6)	Independent Living	21	1.15x	5.9%
North American Healthcare(7)	Skilled Nursing	23	1.22x	5.9%
Signature Behavioral	Behavioral Hospitals	6	1.55x	5.5%
Genesis Healthcare, Inc. (8)	Skilled Nursing	26	1.20x	5.4%
Cadia Healthcare	Skilled Nursing	9	1.33x	5.1%
Healthmark Group	Skilled Nursing	18	1.23x	2.8%

(1) Pro forma top 10 relationships assumes the previously announced rent repositioning program for certain of our tenants who were legacy tenants of CCP was completed at the beginning of the period presented.

(2) Consists of properties directly owned by us and properties owned through our joint venture with Enlivant.

(3) Lease Coverage for tenants is defined as the EBITDAR Coverage for Stabilized Facilities operated by the applicable tenant, unless there is a corporate guarantee and the guarantor level fixed charge coverage is a more meaningful indicator of the tenant's ability to make rent payments. Lease Coverage is for the twelve months ended September 30, 2018 and is presented one quarter in arrears. Lease Coverage for legacy CCP tenants is presented as if these real estate investments were owned by Sabra during the entire period presented and reflects the previously announced rent repositioning program for certain of our tenants who were legacy tenants of CCP.

(4) Pro Forma Annualized Cash NOI reflects the Senior Care Centers portfolio at the historical annual lease rate of $58.5 million as the leases for these assets were terminated during the three months ended September 30, 2018 due to non-payment of rent. Senior Care Centers is currently operating the facilities on a month-to-month basis.
(5) Lease Coverage reflects guarantor level fixed charge coverage for these relationships.
(6) Lease Coverage reflects guarantor level fixed charge coverage, pro forma for Holiday AL Holdings LP's recently announced termination agreement on facilities leased from New Senior Investment Group, Inc. The Holiday AL Holdings LP portfolio consists of 21 independent living communities that the Company underwrote at a 1.10x EBITDAR Coverage.
(7)The North American Healthcare portfolio coverage is presented on a trailing twelve month basis and consists of the EBITDAR Coverage for facilities owned by Sabra in periods subsequent to our acquisition and underwritten stabilized EBITDAR Coverage for periods preceding our acquisition.
(8) Lease Coverage reflects guarantor level fixed charge coverage, pro forma for rent reductions from Sabra and other Genesis landlords and the impact of recent refinancings.

LIQUIDITY

As of September 30, 2018, we had approximately $417.1 million of liquidity, consisting of unrestricted cash and cash equivalents of $36.1 million (excluding joint venture cash and cash equivalents) and available borrowings of $381.0 million under our revolving credit facility. In addition, restricted cash as of September 30, 2018 includes $90.1 million held by exchange accommodation titleholders, which may be used to fund future real estate acquisitions.

CONFERENCE CALL AND COMPANY INFORMATION

A conference call with a simultaneous webcast to discuss the 2018 third quarter results will be held on Tuesday, November 6, 2018 at 10:00 am Pacific Time. The dial-in number for U.S. participants is (844) 862-3710. For participants outside the U.S., the dial-in number is (612) 979-9902. The conference ID number is 7157077. The webcast URL is https://edge.media-server.com/m6/p/drpx878c. A digital replay of the call will be available on the Company's website at **www.sabrahealth.com**. The Company's supplemental information package for the third quarter will also be available on the Company's website in the "Investors" section.

ABOUT SABRA

As of September 30, 2018, Sabra's investment portfolio included 487 real estate properties held for investment (consisting of (i) 350 Skilled Nursing/Transitional Care facilities, (ii) 91 Senior Housing communities ("Senior Housing - Leased"), (iii) 24 Senior Housing communities operated by third-party property managers pursuant to property management agreements ("Senior Housing - Managed") and (iv) 22 Specialty Hospitals and Other facilities), one

investment in a direct financing lease, 22 investments in loans receivable (consisting of (i) one mortgage loan, (ii) two construction loans, (iii) one mezzanine loan, (iv) one pre-development loan and (v) 17 other loans), 11 preferred equity investments and one investment in an unconsolidated joint venture that owns 172 Senior Housing - Managed communities. As of September 30, 2018, Sabra's real estate properties held for investment included 49,954 beds/units and its unconsolidated joint venture included 7,652 beds/units, spread across the United States and Canada.

FORWARD-LOOKING STATEMENTS SAFE HARBOR

This release contains "forward-looking" statements as defined in the Private Securities Litigation Reform Act of 1995. These statements may be identified, without limitation, by the use of "expects," "believes," "intends," "should" or comparable terms or the negative thereof. Examples of forward-looking statements include all statements regarding our planned dispositions (including the expected proceeds from, and timing of, sales), as well as our expected future financial position, results of operations (including our updated outlook for the full year 2018), business strategy, and plans and objectives for future operations.

Our actual results may differ materially from those projected or contemplated by our forward-looking statements as a result of various factors, including among others, the following: our dependence on the operating success of our tenants; operational risks with respect to our Senior Housing - Managed communities; the effect of our tenants declaring bankruptcy or becoming insolvent; our ability to find replacement tenants and the impact of unforeseen costs in acquiring new properties; the impact of litigation and rising insurance costs on the business of our tenants; our ability to implement the previously announced rent repositioning program for certain of our tenants who were legacy tenants of Care Capital Properties, Inc. ("CCP") on the timing or terms we have previously disclosed; our ability to dispose of facilities currently leased to Genesis Healthcare, Inc. and Senior Care Centers on the timing or terms we have disclosed; the possibility that Sabra may not acquire the remaining majority interest in the Enlivant joint venture; risks associated with our investments in joint ventures; changes in healthcare regulation and political or economic conditions; the impact of required regulatory approvals of transfers of healthcare properties; competitive conditions in our industry; our concentration in the healthcare property sector, particularly in skilled nursing/transitional care facilities and senior housing communities, which makes our profitability more vulnerable to a downturn in a specific sector than if we were investing in multiple industries; the significant amount of and our ability to service our indebtedness; covenants in our debt agreements that may restrict our ability to pay dividends, make investments, incur additional indebtedness and refinance indebtedness on favorable terms; increases in market interest rates; our ability to raise capital through equity and debt financings; changes in foreign currency exchange rates; the relatively illiquid nature of real estate investments; the loss of key management personnel or other employees; uninsured or underinsured losses affecting our properties and the possibility of environmental compliance costs and liabilities; the impact of a failure or security breach of information technology in our

operations; our ability to maintain our status as a real estate investment trust ("REIT"); changes in tax laws and regulations affecting REITs (including the potential effects of the Tax Cuts and Jobs Act); compliance with REIT requirements and certain tax and tax regulatory matters related to our status as a REIT; and the ownership limits and anti-takeover defenses in our governing documents and under Maryland law, which may restrict change of control or business combination opportunities.

Additional information concerning risks and uncertainties that could affect our business can be found in our filings with the Securities and Exchange Commission (the "SEC"), including Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2017. We do not intend, and we undertake no obligation, to update any forward-looking information to reflect events or circumstances after the date of this release or to reflect the occurrence of unanticipated events, unless required by law to do so.

TENANT AND BORROWER INFORMATION

This release includes information regarding certain of our tenants that lease properties from us and our borrowers, most of which are not subject to SEC reporting requirements. The information related to our tenants and borrowers that is provided in this release has been provided by, or derived from information provided by, such tenants and borrowers. We have not independently verified this information. We have no reason to believe that such information is inaccurate in any material respect. We are providing this data for informational purposes only.

NOTE REGARDING NON-GAAP FINANCIAL MEASURES

This release includes the following financial measures defined as non-GAAP financial measures by the SEC: net operating income ("NOI"), Cash NOI, funds from operations attributable to common stockholders ("FFO"), Normalized FFO, Adjusted FFO ("AFFO"), Normalized AFFO, FFO per diluted common share, Normalized FFO per diluted common share, AFFO per diluted common share and Normalized AFFO per diluted common share. These measures may be different than non-GAAP financial measures used by other companies, and the presentation of these measures is not intended to be considered in isolation or as a substitute for financial information prepared and presented in accordance with U.S. generally accepted accounting principles. An explanation of these non-GAAP financial measures is included under "Reporting Definitions" in this release, and reconciliations of these non-GAAP financial measures to the GAAP financial measures we consider most comparable are included on the Investors section of our website at **http://www.sabrahealth.com/investors/financials/reports-presentations/non-gaap**.

CONTACT

Investor & Media Inquiries: (888) 393-8248 or **investorinquiries@sabrahealth.com**

SABRA HEALTH CARE REIT, INC.

OVERVIEW

Financial Metrics	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	Dollars in thousands, except per share data			
Revenues	$ 151,802	$ 111,789	$ 484,200	$ 239,175
Net income attributable to common stockholders	35,218	12,534	288,708	46,756
Diluted per share data attributable to common stockholders:				
EPS	$ 0.20	$ 0.11	$ 1.62	$ 0.57
FFO	0.50	0.34	1.72	1.28
Normalized FFO	0.60	0.63	1.81	1.75
AFFO	0.54	0.56	1.68	1.66
Normalized AFFO	0.55	0.60	1.69	1.69
Dividends per common share	0.45	0.36	1.35	1.21

Capitalization and Market Facts	September 30, 2018
Common shares outstanding	178.3million
Common equity Market Capitalization	$4.1 billion
Total Debt (1)	$3.7 billion
Total Enterprise Value (1)	$7.8 billion
Common stock closing price	$23.12
Common stock 52-week range	$15.78 - $23.83
Common stock ticker symbol	SBRA

Key Credit Metrics	Pro Forma September 30, 2018(2)
Net Debt to Adjusted EBITDA (3)(4)	5.50x
Including unconsolidated joint venture (3)(4)	5.94x
Interest Coverage (3)	4.18x
Fixed Charge Coverage Ratio (3)	3.88x
Total Debt/Asset Value	50%
Secured Debt/Asset Value	8%
Unencumbered Assets/Unsecured Debt	214%

Portfolio As of September 30, 2018	Property Count	Investment Dollars in thousands	Beds/Units	Occupancy Percentage (5)
Investment in Real Estate Properties, gross				
Triple-Net Portfolio:				
Skilled Nursing / Transitional Care	350	$4,236,602	39,848	82.6 %
Senior Housing - Leased	91	1,227,305	7,309	85.7
Specialty Hospitals and Other	22	618,493	1,085	88.9
Total Triple-Net Portfolio	463	6,082,400	48,242	
Senior Housing - Managed	24	311,782	1,712	91.5
Consolidated Equity Investments	487	6,394,182	49,954	
Unconsolidated Joint Venture Senior Housing - Managed	172	732,935	7,652	81.8
Total Equity Investments	659	7,127,117	57,606	
Investment in Direct Financing Lease, net	1	23,313		
Investments in Loans Receivable, gross (6)	22	62,424		

Preferred Equity Investments, gross (7)	11	47,096	Includes 73 relationships in 44 U.S.
Total Investments	693	$7,259,950	states and Canada

(1) Includes Sabra's 49% pro rata share of the debt of its unconsolidated joint venture.

(2) Assumes that the remaining CCP rent reductions and the full $19.0 million Genesis rent reduction were completed as of the beginning of the period presented.

(3) Based on the trailing twelve month period ended as of the date indicated.

(4) Net Debt to Adjusted EBITDA is calculated based on Annualized Adjusted EBITDA, which is Adjusted EBITDA, as adjusted for annualizing adjustments that give effect to the acquisitions and dispositions completed during the respective period as though such acquisitions and dispositions were completed as of the beginning of the period presented. Net Debt to Adjusted EBITDA - Including Unconsolidated Joint Venture is calculated based on Annualized Adjusted EBITDA, as adjusted, which includes Annualized Adjusted EBITDA and is further adjusted to include the Company's share of the unconsolidated joint venture interest expense. See "Reconciliations of Non-GAAP Financial Measures" on our website at **http://www.sabrahealth.com/investors/financials/reports-presentations/non-gaap** for additional information.

(5) Occupancy Percentage is presented for the trailing twelve month period and one quarter in arrears, except for Senior Housing - Managed, which is presented for the trailing three month period.

(6) Three of our investments in loans receivable contain purchase options on three Senior Housing developments with 126 beds/units.

(7) Our preferred equity investments include investments in entities owning 10 Senior Housing developments with 1,090 beds/units and one Skilled Nursing/Transitional Care development with 120 beds/units.

SABRA HEALTH CARE REIT, INC.

2018 OUTLOOK UPDATE

The table below sets forth our updated 2018 full year guidance (per diluted common share):

	Low	High
Net income attributable to common stockholders	$ 1.64	$ 1.67
Add:		
Depreciation and amortization of real estate assets	1.07	1.07
Depreciation and amortization of real estate assets related to unconsolidated joint venture	0.12	0.12
Net gain on sales of real estate	(0.68)	(0.68)
Impairment of real estate	0.01	0.01
FFO attributable to common stockholders	$ 2.16	$ 2.19
CCP merger and transition costs	0.01	0.01
Provision for doubtful accounts and loan losses, net	0.03	0.03

Other normalizing items (1)	0.07	0.07
Normalized FFO attributable to common stockholders	$ 2.27	$ 2.30
FFO attributable to common stockholders	2.16	2.19
Stock-based compensation expense	0.04	0.04
Straight-line rental income adjustments	(0.24)	(0.24)
Amortization of above and below market lease intangibles, net	0.03	0.03
Non-cash interest income adjustments	(0.01)	(0.01)
Non-cash interest expense	0.06	0.06
Provision for doubtful straight-line rental income, loan losses and other reserves	0.06	0.06
Other non-cash adjustments related to unconsolidated joint venture	0.01	0.01
AFFO attributable to common stockholders	$ 2.11	$ 2.14
CCP transition costs	0.01	0.01
Recovery of doubtful cash income	(0.01)	(0.01)
Other normalizing items (1)	0.03	0.03
Normalized AFFO attributable to common stockholders	$ 2.14	$ 2.17

The updated 2018 outlook reflects the followng:

- An assumption that no rental revenues are recognized from Senior Care Centers during the fourth quarter of 2018;
- Updates to the Company's Senior Housing - Managed portfolio based on actual performance through the third quarter and expected fourth quarter 2018 performance; and
- Updates for the actual timing of the Company's investments and dispositions and related impact to the balance of the Company's revolving credit facility.

Except as otherwise noted above, the foregoing projections reflect management’s view of current and future market conditions. There can be no assurance that the Company’s actual results will not differ materially from the estimates set forth above. Except as otherwise required by law, the Company assumes no, and hereby disclaims any, obligation to update any of the foregoing projections as a result of new information or new or future developments.

(1) Other normalizing items for FFO and AFFO include (i) $0.03 per diluted common share of capitalized issuance costs related to our preferred stock issuance that were written off as a result of the June 1, 2018 preferred stock redemption and (ii) $0.01 per diluted common share of legal fees related to the recovery of previously reserved cash rental income and non-Senior Housing - Managed operating expenses. These amounts are partially offset by $0.01 per diluted common share of other income related to legacy CCP investments. In addition, other normalizing items for FFO includes $0.04 per diluted common share of acceleration of above market lease intangible amortization related to the restructuring of an operator’s lease agreement.

SABRA HEALTH CARE REIT, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(dollars in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues:				
Rental income	$ 130,467	$ 100,145	$ 418,951	$ 213,273
Interest and other income	3,932	4,090	12,823	8,062
Resident fees and services	17,403	7,554	52,426	17,840
Total revenues	151,802	111,789	484,200	239,175
Expenses:				
Depreciation and amortization	48,468	25,933	143,301	62,290
Interest	37,305	24,568	109,880	56,218
Operating expenses	12,611	5,102	37,034	11,929
General and administrative	8,022	12,944	25,160	24,159
Merger and acquisition costs	151	23,299	593	29,750
Provision for doubtful accounts and loan losses	8,910	5,149	9,449	7,454
Impairment of real estate	—	—	1,413	—
Total expenses	115,467	96,995	326,830	191,800
Other income:				
Loss on extinguishment of debt	—	(553)	—	(553)
Other income	1,336	51	4,156	3,121
Net gain on sales of real estate	14	582	142,445	4,614
Total other income	1,350	80	146,601	7,182
Income before loss from unconsolidated joint venture and income tax (expense) benefit	37,685	14,874	303,971	54,557
Loss from unconsolidated joint venture	(1,725)	—	(3,626)	—
Income tax (expense) benefit	(732)	195	(1,847)	(161)
Net income	35,228	15,069	298,498	54,396
Net (income) loss attributable to noncontrolling interests	(10)	26	(22)	42
Net income attributable to Sabra Health Care REIT, Inc.	35,218	15,095	298,476	54,438
Preferred stock dividends	—	(2,561)	(9,768)	(7,682)
Net income attributable to common stockholders	$ 35,218	$ 12,534	$ 288,708	$ 46,756
Net income attributable to common stockholders, per:				
Basic common share	$ 0.20	$ 0.11	$ 1.62	$ 0.58
Diluted common share	$ 0.20	$ 0.11	$ 1.62	$ 0.57
Weighted-average number of common shares outstanding, basic	178,317,769	112,149,638	178,309,127	81,150,846
Weighted-average number of common shares outstanding, diluted	178,941,213	112,418,100	178,729,853	81,429,044

SABRA HEALTH CARE REIT, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except per share data)

	September 30, 2018 (unaudited)	December 31, 2017
Assets		
Real estate investments, net of accumulated depreciation of $419,225 and $340,423 as of September 30, 2018 and December 31, 2017, respectively	$ 5,975,590	$ 5,994,432
Loans receivable and other investments, net	110,351	114,390
Investment in unconsolidated joint venture	344,341	—
Cash and cash equivalents	36,348	518,632
Restricted cash	103,168	68,817
Lease intangible assets, net	142,919	167,119
Accounts receivable, prepaid expenses and other assets, net	197,622	168,887
Total assets	$ 6,910,339	$ 7,032,277
Liabilities		
Secured debt, net	$ 252,827	$ 256,430
Revolving credit facility	619,000	641,000
Term loans, net	1,189,647	1,190,774
Senior unsecured notes, net	1,307,120	1,306,286
Accounts payable and accrued liabilities	86,885	102,523
Lease intangible liabilities, net	87,602	98,015
Total liabilities	3,543,081	3,595,028
Equity		
Preferred stock, $.01 par value; 10,000,000 shares authorized, 5,750,000 shares issued and outstanding as of December 31, 2017	—	58
Common stock, $.01 par value; 250,000,000 shares authorized, 178,284,975 and 178,255,843 shares issued and outstanding as of September 30, 2018 and December 31, 2017, respectively	1,783	1,783
Additional paid-in capital	3,505,877	3,636,913
Cumulative distributions in excess of net income	(171,116)	(217,236)
Accumulated other comprehensive income	26,357	11,289
Total Sabra Health Care REIT, Inc. stockholders' equity	3,362,901	3,432,807
Noncontrolling interests	4,357	4,442
Total equity	3,367,258	3,437,249
Total liabilities and equity	$ 6,910,339	$ 7,032,277

SABRA HEALTH CARE REIT, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Nine Months Ended September 30, 2018	2017
Cash flows from operating activities:		
Net income	$ 298,498	$ 54,396
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	143,301	62,290
Amortization of above and below market lease intangibles, net	4,193	637
Non-cash interest income adjustments	(1,722)	(137)
Non-cash interest expense	7,548	5,288
Stock-based compensation expense	6,275	8,329
Loss on extinguishment of debt	—	553
Straight-line rental income adjustments	(34,404)	(18,260)
Provision for doubtful accounts and loan losses	9,449	7,454
Change in fair value of contingent consideration	—	(552)
Net gain on sales of real estate	(142,445)	(4,614)
Impairment of real estate	1,413	—
Loss from unconsolidated joint venture	3,626	—
Distributions of earnings from unconsolidated joint venture	6,494	—

Changes in operating assets and liabilities:		
Accounts receivable, prepaid expenses and other assets, net	(4,031)	(5,565)
Accounts payable and accrued liabilities	(15,171)	(56,561)
Net cash provided by operating activities	283,024	53,258
Cash flows from investing activities:		
Acquisition of real estate	(239,001)	(393,064)
Cash received in CCP merger	—	77,858
Origination and fundings of loans receivable	(41,448)	(5,642)
Origination and fundings of preferred equity investments	(5,285)	(2,713)
Additions to real estate	(21,695)	(3,233)
Repayments of loans receivable	48,282	8,710
Repayments of preferred equity investments	6,491	3,239
Investment in unconsolidated joint venture	(354,461)	—
Net proceeds from the sales of real estate	290,864	11,723
Net cash used in investing activities	(316,253)	(303,122)
Cash flows from financing activities:		
Net repayments of revolving credit facility	(22,000)	(137,000)
Proceeds from term loans	—	181,000
Principal payments on secured debt	(3,202)	(3,094)
Payments of deferred financing costs	(12)	(15,316)
Distributions to noncontrolling interests	(107)	—
Preferred stock redemption	(143,750)	—
Issuance of common stock, net	(499)	319,026
Dividends paid on common and preferred stock	(244,978)	(86,813)
Net cash (used in) provided by financing activities	(414,548)	257,803
Net (decrease) increase in cash, cash equivalents and restricted cash	(447,777)	7,939
Effect of foreign currency translation on cash, cash equivalents and restricted cash	(156)	758
Cash, cash equivalents and restricted cash, beginning of period	587,449	34,665
Cash, cash equivalents and restricted cash, end of period	$ 139,516	$ 43,362

SABRA HEALTH CARE REIT, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS CONTINUED

(in thousands)

	Nine Months Ended September 30, 2018	2017
Supplemental disclosure of cash flow information:		
Interest paid	$ 111,519	$ 48,836
Supplemental disclosure of non-cash investing and financing activities:		
Acquisition of business in CCP merger	$ —	$ 3,726,093
Assumption of indebtedness in CCP merger	$ —	$ (1,751,373)
Stock exchanged in CCP merger	$ —	$ (2,052,578)

SABRA HEALTH CARE REIT, INC.

FUNDS FROM OPERATIONS (FFO), NORMALIZED FFO,

ADJUSTED FUNDS FROM OPERATIONS (AFFO) AND NORMALIZED AFFO

(dollars in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income attributable to common stockholders	$ 35,218	$ 12,534	$ 288,708	$ 46,756
Add:				
Depreciation and amortization of real estate assets	48,468	25,933	143,301	62,290
Depreciation and amortization of real estate assets related to noncontrolling interests	(39)	—	(119)	—
Depreciation and amortization of real estate assets related to unconsolidated joint venture	5,214	—	15,929	—
Net gain on sales of real estate	(14)	(582)	(142,445)	(4,614)
Impairment of real estate	—	—	1,413	—
FFO attributable to common stockholders	$ 88,847	$ 37,885	$ 306,787	$ 104,432
Lease termination fee	—	(351)	—	(2,634)
CCP merger and transition costs	380	27,576	1,720	33,983
Loss on extinguishment of debt	—	553	—	553
Provision for doubtful accounts and loan losses, net	10,860	4,583	5,568	6,365
Other normalizing items (1)	6,430	51	9,402	163
Normalized FFO attributable to common stockholders	$ 106,517	$ 70,297	$ 323,477	$ 142,862
FFO attributable to common stockholders	$ 88,847	$ 37,885	$ 306,787	$ 104,432
Merger and acquisition costs (2)	151	23,299	593	29,750
Stock-based compensation expense	2,436	2,669	6,275	6,988
Straight-line rental income adjustments	(10,652)	(8,682)	(34,404)	(18,260)
Amortization of above and below market lease intangibles, net	5,561	637	4,193	637
Non-cash interest income adjustments	(548)	(188)	(1,722)	(137)
Non-cash interest expense	2,551	2,044	7,548	5,288
Non-cash portion of loss on extinguishment of debt	—	553	—	553
Change in fair value of contingent consideration	—	270	—	(552)
Provision for doubtful straight-line rental income, loan losses and other reserves	8,801	4,886	11,293	6,810
Other non-cash adjustments related to unconsolidated joint venture	118	—	1,132	—
Other non-cash adjustments	25	30	55	215
AFFO attributable to common stockholders	$ 97,290	$ 63,403	$ 301,750	$ 135,724
CCP transition costs	286	4,297	1,220	4,297
Lease termination fee	—	(351)	—	(2,634)
Provision for (recovery of) doubtful cash income	108	263	(2,160)	443
Other normalizing items (1)	180	21	3,152	59
Normalized AFFO attributable to common stockholders	$ 97,864	$ 67,633	$ 303,962	$ 137,889
Amounts per diluted common share attributable to common stockholders:				
Net income	$ 0.20	$ 0.11	$ 1.62	$ 0.57
FFO	$ 0.50	$ 0.34	$ 1.72	$ 1.28
Normalized FFO	$ 0.60	$ 0.63	$ 1.81	$ 1.75
AFFO	$ 0.54	$ 0.56	$ 1.68	$ 1.66
Normalized AFFO	$ 0.55	$ 0.60	$ 1.69	$ 1.69
Weighted average number of common shares outstanding, diluted:				
Net income, FFO and Normalized FFO	178,941,213	112,418,100	178,729,853	81,429,044
AFFO and Normalized AFFO	179,469,883	112,693,779	179,428,243	81,741,288

(1) Other normalizing items for FFO and AFFO for the three and nine months ended September 30, 2018 include $6.3 million of acceleration of above market lease intangible amortization. In addition, the nine months ended September 30, 2018 includes $5.5 million of capitalized issuance costs related to our preferred stock issuance that were written off as a result of the June 1, 2018 preferred stock redemption and $0.6 million of expenses related to the previously anticipated refinancing of our senior notes, as well as legal fees related to the recovery of previously reserved cash rental income and non-Senior Housing - Managed operating expenses, partially offset by a contingency fee of $2.0 million earned during the period related to a legacy CCP investment and $0.9 million of interest income from a legacy CCP loan receivable that was fully repaid in June 2018, which represents the difference between the outstanding principal balance repaid and its discounted book value.

(2) Merger and acquisition costs primarily relate to the CCP merger.

Adjusted EBITDA*

Adjusted EBITDA is calculated as earnings before interest, taxes, depreciation and amortization ("EBITDA") excluding the impact of merger-related costs, stock-based compensation expense under the Company's long-term equity award program, and loan loss reserves. Adjusted EBITDA is an important non-GAAP supplemental measure of operating performance.

Ancillary Supported Tenant

A tenant, or one of its affiliates, that owns an ancillary business that depends on providing services to the residents of the properties leased by the affiliated operating company (Sabra's tenant) for a meaningful part of the ancillary business's profitability and has below market EBITDAR coverage.

Cash Net Operating Income ("Cash NOI")*

The Company believes that net income attributable to common stockholders as defined by GAAP is the most appropriate earnings measure. The Company considers Cash NOI an important supplemental measure because it allows investors, analysts and its management to evaluate the operating performance of its investments. The Company defines Cash NOI as total revenues less operating expenses and non-cash revenues. Cash NOI excludes all other financial statement amounts included in net income.

Consolidated Debt

The principal balances of the Company's revolving credit facility, term loans, senior unsecured notes, and secured indebtedness as reported in the Company's condensed consolidated financial statements.

Consolidated Enterprise Value

The Company believes Consolidated Enterprise Value is an important measurement as it is a measure of a company's value. The Company calculates Consolidated Enterprise Value as market equity capitalization plus Consolidated Debt. Market equity capitalization is calculated as (i) the number of shares of common stock multiplied by the closing price of the Company's common stock on the last day of the period presented plus (ii) the number of shares of preferred stock multiplied by the closing price of the Company's preferred stock on the last day of the period presented. Consolidated Enterprise Value includes the Company's market equity capitalization and Consolidated Debt, less cash and cash equivalents.

EBITDAR

Earnings before interest, taxes, depreciation, amortization and rent ("EBITDAR") for a particular facility accruing to

the operator/tenant of the property (not the Company) for the period presented. EBITDAR includes an imputed management fee of 5.0% of revenues for Skilled Nursing/Transitional Care facilities and Senior Housing - Leased communities and an imputed management fee of 2.5% of revenues for Specialty Hospitals and Other facilities. The Company uses EBITDAR in determining EBITDAR Coverage. EBITDAR has limitations as an analytical tool. EBITDAR does not reflect historical cash expenditures or future cash requirements for facility capital expenditures or contractual commitments. In addition, EBITDAR does not represent a property's net income or cash flow from operations and should not be considered an alternative to those indicators. The Company utilizes EBITDAR as a supplemental measure of the ability of the Company's operators/tenants and relevant guarantors to generate sufficient liquidity to meet related obligations to the Company.

EBITDAR Coverage
Represents the ratio of EBITDAR to cash rent for owned facilities (excluding Senior Housing - Managed communities) for the period presented. EBITDAR Coverage is a supplemental measure of a property's ability to generate cash flows for the operator/tenant (not the Company) to meet the operator's/tenant's related cash rent and other obligations to the Company. However, its usefulness is limited by, among other things, the same factors that limit the usefulness of EBITDAR. EBITDAR Coverage includes only Stabilized Facilities and excludes significant tenants with meaningful credit enhancement through guarantees (which include Genesis, Holiday and two legacy CCP tenants), one Ancillary Supported Tenant and facilities for which data is not available or meaningful.

EBITDARM
Earnings before interest, taxes, depreciation, amortization, rent and management fees ("EBITDARM") for a particular facility accruing to the operator/tenant of the property (not the Company), for the period presented. The Company uses EBITDARM in determining EBITDARM Coverage. The usefulness of EBITDARM is limited by the same factors that limit the usefulness of EBITDAR. Together with EBITDAR, the Company utilizes EBITDARM to evaluate the core operations of the properties by eliminating management fees, which vary based on operator/tenant and its operating structure.

EBITDARM Coverage
Represents the ratio of EBITDARM to cash rent for owned facilities (excluding Senior Housing - Managed communities) for the period presented. EBITDARM coverage is a supplemental measure of a property's ability to generate cash flows for the operator/tenant (not the Company) to meet the operator's/tenant's related cash rent and other obligations to the Company. However, its usefulness is limited by, among other things, the same factors that limit the usefulness of EBITDARM. EBITDARM Coverage includes only Stabilized Facilities and excludes significant tenants with meaningful credit enhancement through guarantees (which include Genesis, Holiday and two legacy CCP tenants), one Ancillary Supported Tenant and facilities for which data is not available or meaningful.

Fixed Charge Coverage Ratio

EBITDAR (including adjustments for one-time and pro forma items) for the period indicated (one quarter in arrears) for all operations of any entities that guarantee the tenants' lease obligations to the Company divided by the same period cash rent expense, interest expense and mandatory principal payments for operations of any entity that guarantees the tenants' lease obligation to the Company. Fixed Charge Coverage is a supplemental measure of a guarantor's ability to meet the operator/tenant's cash rent and other obligations to the Company should the operator/tenant be unable to do so itself. However, its usefulness is limited by, among other things, the same factors that limit the usefulness of EBITDAR. Fixed Charge Coverage is calculated by the Company as described above based on information provided by guarantors without independent verification by the Company and may differ from similar metrics calculated by the guarantors.

Funds From Operations Attributable to Common Stockholders ("FFO") and Adjusted Funds from Operations Attributable to Common Stockholders ("AFFO")*

The Company believes that net income attributable to common stockholders as defined by GAAP is the most appropriate earnings measure. The Company also believes that funds from operations attributable to common stockholders, or FFO, as defined in accordance with the definition used by the National Association of Real Estate Investment Trusts ("NAREIT"), and adjusted funds from operations attributable to common stockholders, or AFFO (and related per share amounts) are important non-GAAP supplemental measures of the Company's operating performance. Because the historical cost accounting convention used for real estate assets requires straight-line depreciation (except on land), such accounting presentation implies that the value of real estate assets diminishes predictably over time. However, since real estate values have historically risen or fallen with market and other conditions, presentations of operating results for a real estate investment trust that uses historical cost accounting for depreciation could be less informative. Thus, NAREIT created FFO as a supplemental measure of operating performance for real estate investment trusts that excludes historical cost depreciation and amortization, among other items, from net income attributable to common stockholders, as defined by GAAP. FFO is defined as net income attributable to common stockholders, computed in accordance with GAAP, excluding gains or losses from real estate dispositions, plus real estate depreciation and amortization, net of amounts related to noncontrolling interests, plus the Company's share of depreciation and amortization related to our unconsolidated joint venture, and real estate impairment charges. AFFO is defined as FFO excluding merger and acquisition costs, stock-based compensation expense, straight-line rental income adjustments, amortization of above and below market lease intangibles, non-cash interest income adjustments, non-cash interest expense, change in fair value of contingent consideration, non-cash portion of loss on extinguishment of debt, provision for doubtful straight-line rental income, loan losses and other reserves and deferred income taxes, as well as other non-cash revenue and expense items (including ineffectiveness gain/loss on derivative instruments, and non-cash revenue and expense amounts related to noncontrolling interests) and our share of non-cash adjustments related to our unconsolidated joint venture. The Company believes that the use of FFO and AFFO (and the related per share amounts), combined with

the required GAAP presentations, improves the understanding of the Company's operating results among investors and makes comparisons of operating results among real estate investment trusts more meaningful. The Company considers FFO and AFFO to be useful measures for reviewing comparative operating and financial performance because, by excluding the applicable items listed above, FFO and AFFO can help investors compare the operating performance of the Company between periods or as compared to other companies. While FFO and AFFO are relevant and widely used measures of operating performance of real estate investment trusts, they do not represent cash flows from operations or net income attributable to common stockholders as defined by GAAP and should not be considered an alternative to those measures in evaluating the Company's liquidity or operating performance. FFO and AFFO also do not consider the costs associated with capital expenditures related to the Company's real estate assets nor do they purport to be indicative of cash available to fund the Company's future cash requirements. Further, the Company's computation of FFO and AFFO may not be comparable to FFO and AFFO reported by other real estate investment trusts that do not define FFO in accordance with the current NAREIT definition or that interpret the current NAREIT definition or define AFFO differently than the Company does.

Investment

Represents the carrying amount of real estate assets after adding back accumulated depreciation and amortization and excludes net intangible assets and liabilities. Investment also includes the Company's pro rata share of the real estate assets held in the Company's unconsolidated joint venture.

Market Capitalization

Total common shares of Sabra outstanding multiplied by the closing price per common share as of a given period.

Net Operating Income ("NOI")*

The Company believes that net income attributable to common stockholders as defined by GAAP is the most appropriate earnings measure. The Company considers NOI an important supplemental measure because it allows investors, analysts and its management to evaluate the operating performance of its investments. The Company defines NOI as total revenues less operating expenses. NOI excludes all other financial statement amounts included in net income.

Normalized FFO and Normalized AFFO*

Normalized FFO and Normalized AFFO represent FFO and AFFO, respectively, adjusted for certain income and expense items that the Company does not believe are indicative of its ongoing operating results. The Company considers Normalized FFO and Normalized AFFO to be useful measures to evaluate the Company's operating results excluding these income and expense items to help investors compare the operating performance of the Company between periods or as compared to other companies. Normalized FFO and Normalized AFFO do not represent cash flows from operations or net income as defined by GAAP and should not be considered an

alternative to those measures in evaluating the Company's liquidity or operating performance. Normalized FFO and Normalized AFFO also do not consider the costs associated with capital expenditures related to the Company's real estate assets nor do they purport to be indicative of cash available to fund the Company's future cash requirements. Further, the Company's computation of Normalized FFO and Normalized AFFO may not be comparable to Normalized FFO and Normalized AFFO reported by other real estate investment trusts that do not define FFO in accordance with the current NAREIT definition or that interpret the current NAREIT definition or define FFO and AFFO or Normalized FFO and Normalized AFFO differently than the Company does.

Occupancy Percentage

Occupancy Percentage represents the facilities' average operating occupancy for the period indicated. The percentages are calculated by dividing the actual census from the period presented by the available beds/units for the same period. Occupancy includes only Stabilized Facilities and excludes facilities for which data is not available or meaningful. Occupancy Percentage for the Company's unconsolidated joint venture is weighted to reflect the Company's pro rata share.

REVPOR

REVPOR represents the average revenues generated per occupied room per month at Senior Housing - Managed communities for the period indicated. It is calculated as resident fees and services revenues divided by average monthly occupied room days. REVPOR includes only Stabilized Facilities. REVPOR for the Company's unconsolidated joint venture is weighted to reflect the Company's pro rata share.

Senior Housing

Senior Housing communities include independent living, assisted living, continuing care retirement and memory care communities.

Skilled Mix

Skilled Mix is defined as the total Medicare and non-Medicaid managed care patient revenue at Skilled Nursing/Transitional Care facilities divided by the total revenues at Skilled Nursing/Transitional Care facilities for the period indicated. Skilled Mix includes only Stabilized Facilities and excludes facilities for which data is not available or meaningful.

Skilled Nursing/Transitional Care

Skilled Nursing/Transitional Care facilities include skilled nursing, transitional care, multi-license designation and mental health facilities.

Specialty Hospitals and Other

Includes acute care, long-term acute care, rehabilitation and behavioral hospitals, facilities that provide residential

services, which may include assistance with activities of daily living, and other facilities not classified as Skilled Nursing/Transitional Care or Senior Housing.

Stabilized Facility

At the time of acquisition, the Company classifies each facility as either stabilized or pre-stabilized. In addition, the Company may classify a facility as pre-stabilized after acquisition. Circumstances that could result in a facility being classified as pre-stabilized include newly completed developments, facilities undergoing major renovations or additions, facilities being repositioned or transitioned to new operators, and significant transitions within the tenants' business model. Such facilities will be reclassified to stabilized upon maintaining consistent occupancy (85% for Skilled Nursing/Transitional Care facilities and 90% for Senior Housing communities) but in no event beyond 24 months after the date of classification as pre-stabilized. Stabilized Facilities exclude (i) Senior Housing - Managed communities, (ii) facilities held for sale, (iii) facilities being sold pursuant to the Company's CCP portfolio repositioning, (iv) facilities being transitioned to a new operator, (v) facilities being transitioned from leased by the Company to being operated by the Company; and (vi) facilities acquired during the three months preceding the period presented.

Total Debt

Consolidated Debt plus the Company's pro rata share of the principal balances of the debt of the Company's unconsolidated joint venture.

*Non-GAAP Financial Measures

Reconciliations, definitions and important discussions regarding the usefulness and limitations of the Non-GAAP Financial Measures used in this release can be found at **http://www.sabrahealth.com/investors/financials/reports-presentations/non-gaap**.

Source: Sabra Health Care REIT, Inc.