



# Community Healthcare Trust Inc (CHCT)

Updated February 20<sup>th</sup>, 2025 by Quinn Mohammed

## Key Metrics

<b>Current Price:</b>	\$19	<b>5 Year CAGR Estimate:</b>	17.8%	<b>Market Cap:</b>	\$526 M
<b>Fair Value Price:</b>	\$28	<b>5 Year Growth Estimate:</b>	3.0%	<b>Ex-Dividend Date<sup>1</sup>:</b>	02/24/2025
<b>% Fair Value:</b>	67%	<b>5 Year Valuation Multiple Estimate:</b>	8.4%	<b>Dividend Payment Date<sup>1</sup>:</b>	03/05/2025
<b>Dividend Yield:</b>	10%	<b>5 Year Price Target</b>	\$32	<b>Years Of Dividend Growth:</b>	9
<b>Dividend Risk Score:</b>	F	<b>Retirement Suitability Score:</b>	C	<b>Rating:</b>	Buy

## Overview & Current Events

Community Healthcare Trust is a REIT which owns income-producing real estate properties linked to the healthcare sector, such as physician offices, specialty centers, behavioral facilities, inpatient rehabilitation facilities, and medical office buildings, in the trust's target sub-markets within the United States. The trust has investments in 200 properties in 36 states, totaling 4.4 million square feet. Community Healthcare Trust trades on the NYSE under the ticker symbol CHCT and is headquartered in Franklin, Tennessee. CHCT has a market capitalization of \$526 million.

On February 18<sup>th</sup>, 2025, Community Healthcare Trust reported fourth quarter results for the period ending December 31<sup>st</sup>, 2024. Funds from operations (FFO) per share dipped 16% to \$0.48 from \$0.57 in the prior year quarter. Adjusted FFO per share, however, declined by 10% to \$0.55.

During the quarter, Community Healthcare acquired three properties for \$8.2 million. These properties were 100% leased with lease expirations through 2029. The trust also has seven properties under definitive purchase agreements, with a combined purchase price of roughly \$170 million, expected to close from 2025 through 2027.

The board of directors passed a 0.5% increase to the quarterly dividend to \$0.4675 per share, or an annualized rate of \$1.87 per share. CHCT has increased its dividend every quarter since its IPO.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>AFFOPS</b>	-	\$1.41	\$1.41	\$1.53	\$1.67	\$2.03	\$2.20	\$2.49	\$2.49	\$2.22	<b>\$2.15</b>	<b>\$2.49</b>
<b>DPS</b>	-	\$1.53	\$1.57	\$1.61	\$1.65	\$1.69	\$1.73	\$1.77	\$1.81	\$1.85	<b>\$1.87</b>	<b>\$2.06</b>
<b>Shares<sup>2</sup></b>	-	11.3	14.8	17.7	18.7	23.1	24.3	23.8	26.0	26.8	<b>27.0</b>	<b>40.0</b>

Community HealthCare Trust was made public in 2016, so there exists only eight years of complete financial results from which to base future estimates off. In the five-year period from 2019 through 2024, CHCT grew funds from operations by 6% annually, which is decent. Even throughout the COVID pandemic, CHCT continued growing its AFFO.

We expect that the trust can increase AFFO per share at a 3.0% annualized growth rate beyond 2025. The trust will grow its healthcare property portfolio through acquisitions of non-urban healthcare facilities, which provide stable revenue growth and long-term cash flows. CHCT avoids urban properties to avoid competition from other REITs, which increases its potential for more attractive risk-adjusted returns. The trust acquires primarily individual properties worth between \$5 million and \$30 million. Healthcare-related real estate rents and valuations are generally more stable than other property types due to favorable demographic trends and the rising demand for healthcare, regardless of the economic climate.

The trust's network of relationships in the healthcare market has allowed CHCT to acquire healthcare properties in target markets from third-party owners of existing healthcare facilities, physician owners and with healthcare providers through sale/leaseback transactions. Existing shareholders can expect to be diluted over the long term, as CHCT has

<sup>1</sup> Estimate

<sup>2</sup> In millions

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increased its outstanding shares by 8% annually over the trailing five years. Despite this increasing number of shares, FFO growth still came in positively over that period, so CHCT has been making good investments.

## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/AFFO	-	14.5	18.0	18.4	23.7	21.5	21.6	15.2	13.5	10.0	8.7	13.0
Avg. Yld.	-	6.8%	6.1%	5.7%	4.2%	3.9%	3.5%	4.5%	5.4%	8.5%	10.0%	6.4%

Since IPO, Community Healthcare has traded at an average P/AFFO ratio of 17.4. We peg fair value at 13.5 times FFO. Thus, we believe shares today are undervalued, implying a valuation tailwind. The 10% yield today is well above its long-term average yield of 5.4%, which could further indicate that shares are undervalued here.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout		108%	111%	105%	99%	83%	78%	71%	72%	83%	87%	83%

The trust's payout started off in dangerous territory above 100% of funds from operations. Still, the trust kept on growing the dividend every single quarter. As FFO grew over time, the payout ratio declined to fairer levels. The 99% payout ratio of 2019 was when the trust began covering the dividend with FFO, and it appears the payout ratio will continue to moderate as we estimate FFO to outgrow the dividend.

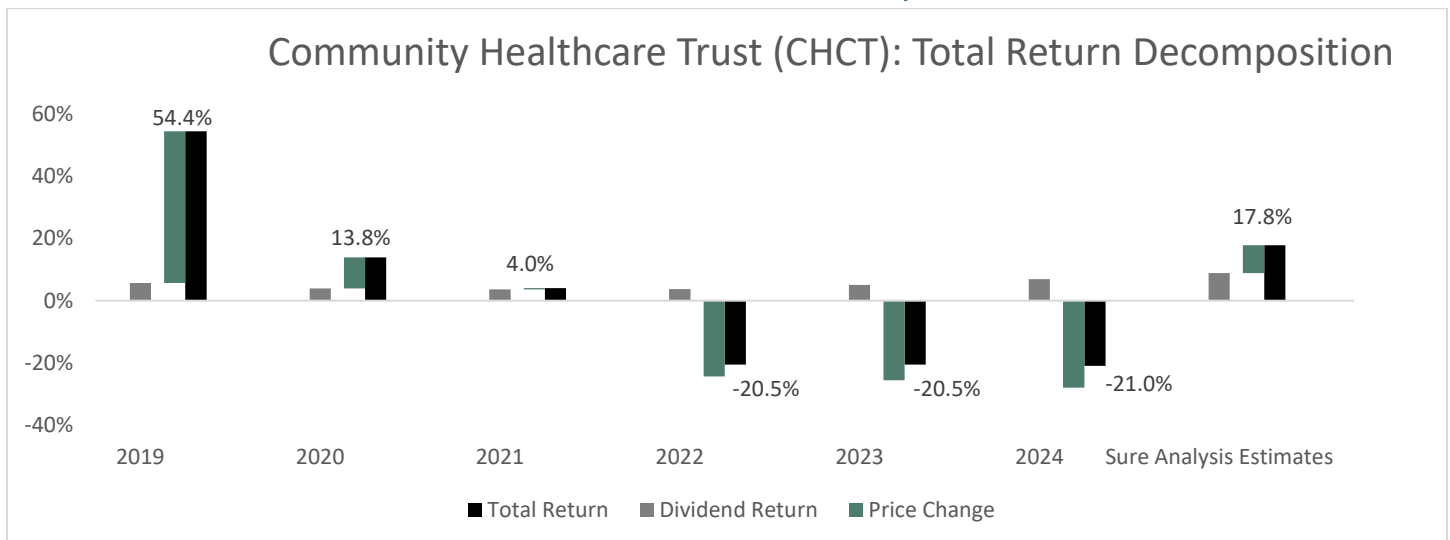
Community Healthcare is somewhat recession resistant, as it owns properties which must operate in both good and bad financial times, but this does not completely prevent the threat of its partners and tenants facing financial difficulties.

CHCT's competitive advantage lies in its management's strong network of relationships to take advantage of in making attractive acquisitions and its focus on non-urban healthcare properties which result in higher risk-adjusted returns, but we would only call this a moderately strong advantage amongst its peers.

## Final Thoughts & Recommendation

Community Healthcare has a short track record of financial results; however, it has increased funds from operations at this time at a decent rate. Additionally, the trust is dedicated to the dividend which has increased every quarter since IPO. We estimate that CHCT trades below fair value and offers 17.8% annual total returns. CHCT earns a speculative buy rating for risk-tolerant investors.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Revenue</b>	9	25	37	49	61	76	91	98	113	116
<b>Gross Profit</b>	7	20	29	39	49	62	75	81	92	93
<b>Gross Margin</b>	76.7%	81.2%	76.7%	79.5%	79.9%	82.0%	83.3%	83.0%	81.4%	80.3%
<b>SG&amp;A Exp.</b>	2	3	4	6	8	9	12	15	27	19
<b>D&amp;A Exp.</b>	5	13	18	20	23	26	31	33	40	44
<b>Operating Profit</b>	-1	4	7	13	19	28	33	34	25	20
<b>Operating Margin</b>	-13.1%	15.4%	18.5%	27.7%	30.7%	36.9%	36.3%	34.7%	22.1%	17.2%
<b>Net Profit</b>	-1	3	4	4	8	19	22	22	8	-3
<b>Net Margin</b>	-11.1%	12.0%	10.8%	8.2%	13.1%	25.0%	24.2%	22.4%	7.1%	-2.6%
<b>Free Cash Flow</b>	2	13	21	20	28	41	49	50	42	34
<b>Income Tax</b>		0	0	-2	1	0	0	0	0	0

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Total Assets</b>	143	252	386	427	563	668	754	876	945	993
<b>Cash &amp; Equivalents</b>	2	2	2	2	2	2	2	11	3	4
<b>Accounts Receivable</b>	1	3	5	5	8	10	14	18	23	25
<b>Goodwill &amp; Intang.</b>	0	0	0	0	0	1	1	2	3	2
<b>Total Liabilities</b>	21	58	102	155	209	238	292	380	432	517
<b>Long-Term Debt</b>	17	51	93	148	194	212	266	353	403	486
<b>Shareholder's Equity</b>	122	194	283	272	353	430	462	497	513	476
<b>LTD/E Ratio</b>	0.14	0.26	0.33	0.54	0.55	0.49	0.57	0.71	0.79	1.02

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Return on Assets</b>		1.4%	1.1%	1.1%	1.7%	3.1%	3.2%	2.7%	0.9%	-0.3%
<b>Return on Equity</b>	-2.4%	1.7%	1.5%	1.6%	2.7%	4.9%	5.0%	4.6%	1.5%	-0.6%
<b>ROIC</b>		1.4%	1.1%	1.1%	1.7%	3.2%	3.3%	2.8%	0.9%	-0.3%
<b>Shares Out.</b>		11.3	14.8	17.7	18.7	23.1	24.3	23.6	25.2	26.5
<b>Revenue/Share</b>	1.83	2.23	2.52	2.75	3.26	3.51	3.89	4.1	4.5	4.4
<b>FCF/Share</b>	0.45	1.18	1.42	1.13	1.50	1.92	2.11	2.11	1.68	1.29

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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