



Healthpeak Properties (DOC)

Updated February 6th, 2025 by Aristofanis Papadatos

Key Metrics

Current Price:	\$20	5 Year CAGR Estimate:	14.0%	Market Cap:	\$14.3 B
Fair Value Price:	\$28	5 Year Growth Estimate:	3.0%	Ex-Dividend Date:	2/14/2025
% Fair Value:	72%	5 Year Valuation Multiple Estimate:	6.8%	Dividend Payment Date:	2/26/2025
Dividend Yield:	6.1%	5 Year Price Target	\$32	Years Of Dividend Growth:	1
Dividend Risk Score:	C	Retirement Suitability Score:	B	Rating:	Hold

Overview & Current Events

On October 30th, 2019, HCP changed its name to Healthpeak Properties and its ticker from HCP to PEAK in order to reflect the culmination of its efforts to reform its portfolio. On March 1st, 2024, Healthpeak Properties changed its ticker from PEAK to DOC due to its merger with Physicians Realty Trust. Healthpeak Properties is the largest healthcare REIT in the U.S., with 774 properties. It was the first healthcare REIT that was included in the S&P 500. The 37-year old REIT invests in life science facilities, senior houses, and medical offices, with 97% of its portfolio based on private-pay sources. It has a market capitalization of \$14.3 billion.

Healthpeak Properties benefits from favorable secular trends. As the baby boomer generation ages and the average life expectancy is on the rise, the senior population of the U.S. is expected to grow significantly in the upcoming years. The 80+ age group is expected to grow by about 5% per year on average until 2030. In addition, this age group has immense spending power. Thanks to these trends, healthcare spending in the U.S. is expected to grow by about 5% per year on average until 2030.

Healthpeak Properties posted declining FFO for six consecutive years, until 2022. The REIT ran into trouble in 2015, when a major tenant was sued for Medicare claims fraud. As a result, the REIT incurred a \$1.3 billion asset impairment charge and has been going through a major restructuring. However, Healthpeak Properties has sold several assets and has used the proceeds to reduce its debt. As a result, the REIT has received credit rating upgrades from S&P and Fitch (to BBB+) as well as Moody's (to Baa1). Nevertheless, its net debt is still high, at 5.2 times its adjusted EBITDA.

On March 1st, 2024, Healthpeak Properties closed its acquisition of Physicians Realty Trust (DOC) in an all-stock merger of equals valued at ~\$21 billion. The new REIT expects to benefit from much greater scale and annual savings of up to \$60 million by the end of this year, without a significant effect on its debt.

In early February, Healthpeak Properties reported (2/3/25) results for the fourth quarter of fiscal 2024. Same-property net operating income grew 5.4% over the prior year's quarter thanks to strong growth in the segment of continuing care retirement community and FFO per share remained flat at \$0.46. The REIT faced a headwind due to the pandemic and thus its FFO per share declined in 2020-2021, in contrast to many REITs, which began to recover in 2021. The trust began to recover in 2023, though management has provided lackluster guidance for 2025, mostly due to high interest expense. Management expects annual FFO per share of \$1.81-\$1.87. Accordingly, we expect FFO per share of \$1.84.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
FFO/S	\$3.16	\$2.74	\$1.95	\$1.82	\$1.76	\$1.64	\$1.61	\$1.74	\$1.78	\$1.81	\$1.84	\$2.13
DPS	\$2.26	\$2.10	\$1.48	\$1.48	\$1.48	\$1.48	\$1.18	\$1.20	\$1.20	\$1.20	\$1.22	\$1.30
Shares¹	465.5	468.1	469.4	473.3	500.5	538.4	539.5	538.4	547.4	699.6	700.0	800.0

Although Healthpeak Properties posted declining FFO for six consecutive years, until 2022, and the restructuring process will keep burdening the REIT in the near future, most of the damage has already been done. The REIT has begun to recover from the pandemic, which has subsided. We also expect the trust to enter a sustainable growth trajectory, as it

¹ In millions.

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will leave its past issues behind. Nevertheless, due to the hefty issuance of new shares for the above merger and high interest expense amid high interest rates, we expect 3% annual growth of FFO per share over the next five years.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg P/FFO	13.0	12.0	15.1	13.8	18.5	17.5	21.5	16.4	11.7	11.1	10.9	15.1
Avg. Yld.	5.5%	6.4%	5.0%	5.9%	4.5%	5.2%	3.4%	4.2%	5.7%	6.0%	6.1%	4.0%

Healthpeak Properties is trading at a P/FFO ratio of 10.9, which is lower than its 10-year average P/FFO of 15.1. If the REIT trades at its average valuation level in five years, it will enjoy a 6.8% annualized valuation gain.

Safety, Quality, Competitive Advantage, & Recession Resiliency

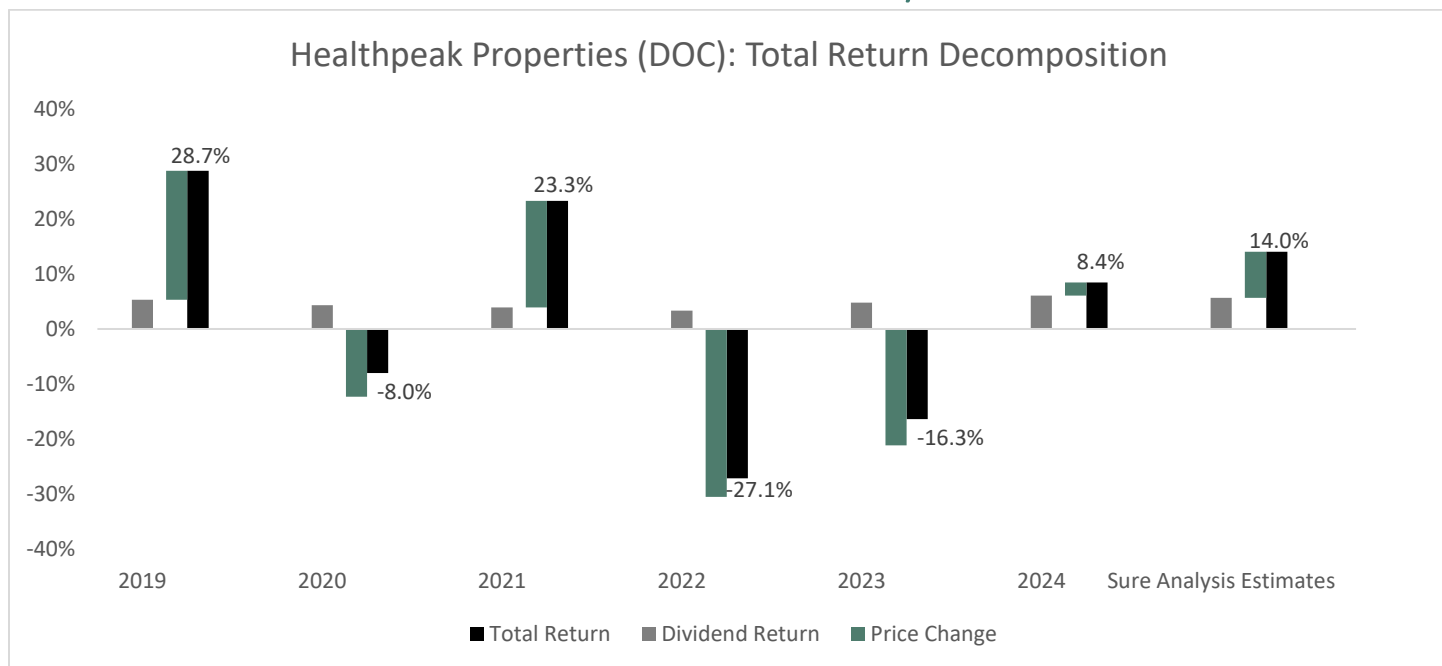
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	71.5%	76.6%	75.9%	81.3%	84.1%	90.2%	73.3%	69.0%	67.4%	66.3%	66.3%	61.0%

The performance of Healthpeak Properties has been poor in the last nine years and the REIT cut its dividend by -19% in 2021. As this is the second dividend cut of the REIT in the last decade, it is evident that the REIT is vulnerable to downturns. Even after the dividend cut, the payout ratio remains elevated. In addition, interest expense has increased 77% since 2021 due to high interest rates. Overall, Healthpeak Properties is not suitable for most income-oriented investors. On the other hand, we note that the payout ratio is standing at a nearly 10-year low while the REIT does not have any debt maturities this year. Nevertheless, the dividend is not safe.

Final Thoughts & Recommendation

Healthpeak Properties was in turnaround mode before the pandemic so it is now facing many challenges. The REIT has begun to recover from the pandemic and could offer a 14.0% average annual return over the next five years, thanks to 3.0% growth of FFO per share, its 6.1% dividend and a 6.8% expansion of valuation level. Nevertheless, due to the volatile performance record and the high debt load of the REIT, we rate it as a hold for patient, risk-tolerant investors who can endure extended periods of stock price pressure.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	1767	1981	1738	1782	1950	1,645	1,896	2,061	2,181	2,700
Gross Profit	1157	1243	1072	1077	1071	862	1,123	1,198	1,279	1,626
Gross Margin	65.4%	62.7%	61.7%	60.4%	54.9%	52.4%	59.2%	58.1%	58.6%	60.2%
SG&A Exp.	96	104	89	97	93	93	98	131	95	97
D&A Exp.	511	573	535	549	660	697	684	711	750	1,057
Operating Profit	528	561	440	420	309	215	340	357	434	471
Operating Margin	29.9%	28.3%	25.3%	23.6%	15.8%	13.1%	17.9%	17.3%	19.9%	17.4%
Net Profit	-559	628	414	1061	46	414	506	500	306	243
Net Margin	-31.6%	31.7%	23.8%	59.5%	2.3%	25.1%	26.7%	24.3%	14.0%	9.0%
Free Cash Flow	1138	1123	732	743	846	758	795	900	956	1,070
Income Tax	-10	4	-1	-18	-17	-9	-3	-4	-10	4

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	21450	15759	14088	12719	14033	15920	15258	15771	15699	19938
Cash & Equivalents	340	95	55	111	144	44	158	72	118	120
Acc. Receivable	416	45	41	48	59	42	49	53	56	77
Goodwill & Int. Ass.	634	480	410	305	332	520	520	418	314	817
Total Liabilities	11704	9818	8494	6206	7365	8576	8111	8483	8774	10881
Long-Term Debt	11069	9189	7880	5568	6352	6298	6170	6498	6876	8716
Total Equity	9344	5548	5301	5944	6085	6788	6515	6655	6350	8401
LTD/E Ratio	1.18	1.66	1.49	0.94	0.99	0.94	0.95	0.98	1.08	1.04

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	-2.6%	3.4%	2.8%	7.9%	0.3%	2.8%	3.2%	3.2%	1.9%	1.4%
Return on Equity	-5.6%	8.4%	7.6%	18.9%	0.8%	6.4%	7.6%	7.6%	4.3%	3.0%
ROIC	-2.7%	3.5%	2.9%	8.3%	0.4%	3.1%	3.8%	3.7%	2.2%	1.5%
Shares Out.	465.5	468.1	469.4	473.3	500.5	538.4	539.5	539.1	547.3	676.2
Revenue/Share	3.82	4.24	3.71	3.75	3.99	3.10	3.52	3.82	3.99	3.99
FCF/Share	2.46	2.40	1.56	1.56	1.73	1.43	1.47	1.67	1.75	1.58

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

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