



# LTC Properties (LTC)

Updated February 28<sup>th</sup>, 2025 by Aristofanis Papadatos

## Key Metrics

<b>Current Price:</b>	\$35	<b>5 Year CAGR Estimate:</b>	9.3%	<b>Market Cap:</b>	\$1.6 B
<b>Fair Value Price:</b>	\$39	<b>5 Year Growth Estimate:</b>	2.0%	<b>Ex-Dividend Date:</b>	3/21/2025
<b>% Fair Value:</b>	89%	<b>5 Year Valuation Multiple Estimate:</b>	2.3%	<b>Dividend Payment Date:</b>	3/31/2025
<b>Dividend Yield:</b>	6.5%	<b>5 Year Price Target</b>	\$43	<b>Years Of Dividend Growth:</b>	0
<b>Dividend Risk Score:</b>	F	<b>Retirement Suitability Score:</b>	C	<b>Rating:</b>	Hold

## Overview & Current Events

LTC Properties is a REIT that invests in senior housing and skilled nursing properties. Its portfolio consists of approximately 50% senior housing and 50% skilled nursing properties. The REIT owns 189 investments in 25 states with 30 operating partners and has a market capitalization of \$1.6 billion.

Just like other healthcare REITs, LTC benefits from a strong secular trend, namely the high growth of the population that is above 80 years old. This growth results from the aging of the baby boomers' generation and the steady rise of life expectancy thanks to sustained progress in medical sciences.

LTC has been facing a headwind in recent years, namely the bankruptcy of Senior Care Centers, which is the largest skilled nursing operator in Texas. Senior Care filed for Chapter 11 bankruptcy in December-2018. Until 2018, it was generating 9.7% of the annual revenues of LTC and was the fifth largest customer of LTC.

In late February, LTC reported (2/24/25) financial results for the fourth quarter of fiscal 2024. Funds from operations (FFO) per share dipped -8% over the prior year's quarter, from \$0.72 to \$0.66, and missed the analysts' consensus by \$0.01. The decrease in FFO per share resulted primarily from impairment losses. LTC improved its leverage ratio (Net Debt to EBITDA) from 4.7x to 4.3x thanks to various asset sales. LTC is facing a headwind due to deferred payments from some tenants. While the pandemic has subsided and many REITs have recovered, LTC still exhibits lackluster business momentum. As a result, management stated that it cannot issue guidance for the full year yet. It will issue guidance at a later stage.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>FFO</b>	\$2.77	\$3.06	\$3.10	\$3.06	\$3.08	\$2.99	\$2.35	\$2.56	\$2.62	\$2.62	<b>\$2.70</b>	<b>\$2.98</b>
<b>DPS</b>	\$2.07	\$2.19	\$2.28	\$2.28	\$2.28	\$2.28	\$2.28	\$2.28	\$2.28	\$2.28	<b>\$2.28</b>	<b>\$2.28</b>
<b>Shares<sup>1</sup></b>	37.3	38.6	39.6	39.9	39.8	39.1	39.2	40.8	42.0	45.5	<b>47.0</b>	<b>50.0</b>

Due to the aforementioned headwinds LTC has been facing in recent years, the REIT has failed to grow its funds from operations over the last decade. Growth has stalled in the last eight years, partly due to the bankruptcy of Senior Care. On the bright side, the REIT has most of its assets in states with the highest projected increases in the 80+ population cohort over the next decade. Moreover, LTC has been hurt by the pandemic, but this crisis has subsided. Due to the low comparison base formed this year, we expect 2.0% growth in FFO per share over the next five years.

## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
<b>Avg. P/FFO</b>	15.6	15.7	15.4	13.6	15.1	12.7	16.0	14.8	12.9	13.7	<b>13.0</b>	<b>14.5</b>
<b>Avg. Yld.</b>	4.8%	4.6%	4.8%	5.5%	4.9%	6.0%	6.0%	6.0%	6.8%	6.3%	<b>6.5%</b>	<b>5.3%</b>

<sup>1</sup> In millions.

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LTC has traded at an average price-to-FFO ratio of 14.5 over the last decade and has consistently traded around this valuation level in the last decade. LTC is now trading at a FFO multiple of 13.0, which is lower than the historical average of the stock. We expect inflation and interest rates to subside in the upcoming years and thus we expect LTC to revert to its average valuation level. If the stock trades at its average valuation level in five years, it will enjoy a 2.3% annualized gain in its returns.

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

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	74.7%	71.6%	73.5%	74.5%	74.0%	76.3%	97.0%	89.1%	87.0%	87.0%	<b>84.4%</b>	<b>76.5%</b>

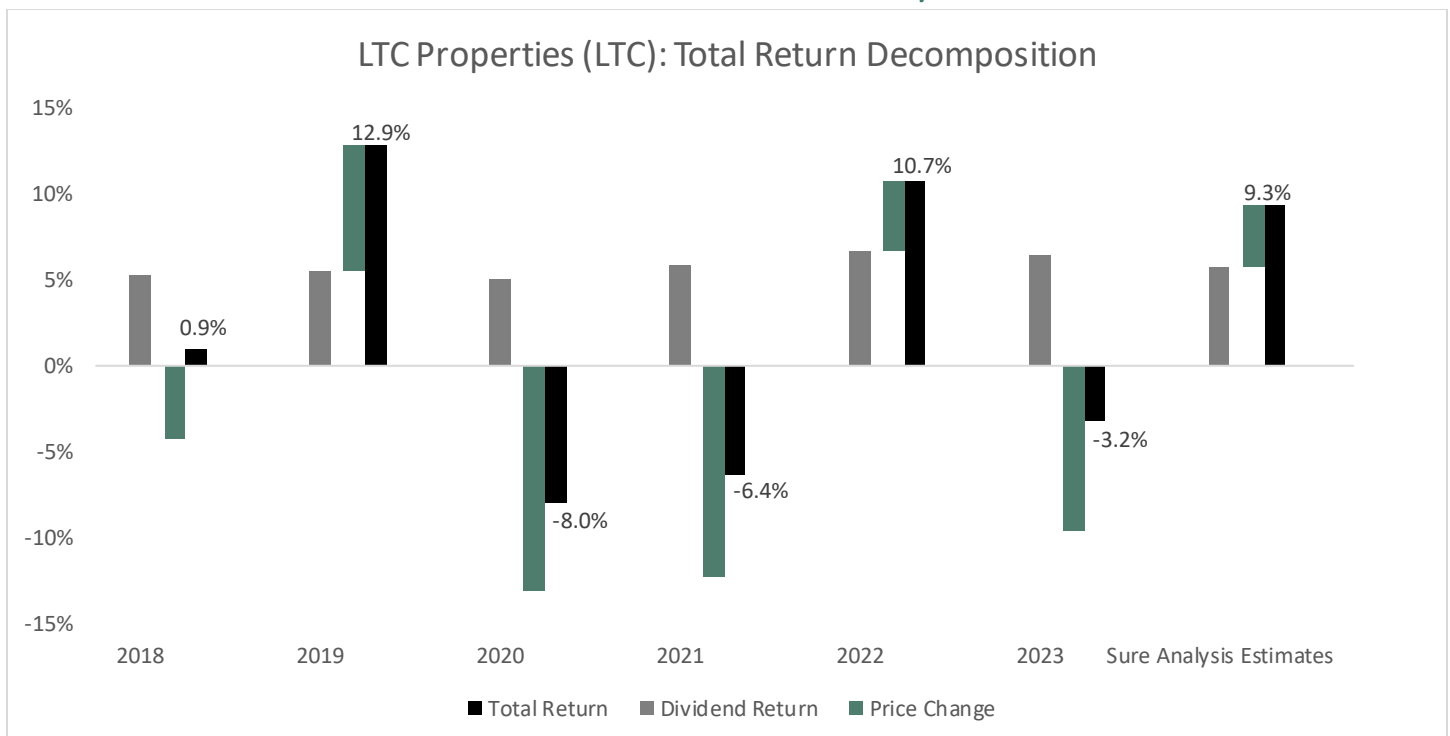
LTC implements a strict screening process before purchasing its assets while it tries to minimize its risk via geographical diversification and security deposits. While it benefits from sustained growth in the health care industry, it does not have a meaningful competitive advantage, as evidenced by its stagnation in the last seven years. In addition, the default of a major customer of LTC proved that the REIT has tenant bankruptcy risk.

LTC is offering an attractive 6.5% dividend yield. However, it has frozen its dividend in the last eight years due to the absence of underlying growth. Consequently, it is prudent not to expect dividend growth for the foreseeable future. Moreover, while recent asset sales have strengthened the balance sheet of the REIT, the forward payout ratio is high (84%). As a result, the dividend may come under pressure if the trust faces a strong headwind, such as a recession. Fortunately, the REIT does not have material debt maturities for the next three years.

## Final Thoughts & Recommendation

LTC has failed to grow its FFO per share for eight consecutive years. With that said, we expect the REIT to overcome the headwinds from the bankruptcy of its major customer and the pandemic and return to slow-growth mode this year. The stock could offer a 9.3% average annual return over the next five years thanks to 2.0% growth, its 6.5% dividend and a 2.3% valuation tailwind. It receives a hold rating.

## 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>	136	162	168	169	185	159	155	175	197	210
<b>SG&amp;A Exp.</b>	15	17	18	19	18	20	21	24	24	27
<b>D&amp;A Exp.</b>	29	36	38	38	39	39	38	37	37	36
<b>Operating Profit</b>	91	108	113	112	111	85	79	97	117	133
<b>Operating Margin</b>	66.9%	66.7%	67.3%	66.3%	59.7%	53.7%	51.0%	55.4%	59.4%	63.2%
<b>Net Profit</b>	73	85	87	155	81	95	56	100	90	91
<b>Net Margin</b>	53.7%	52.7%	52.0%	91.9%	43.5%	59.8%	36.0%	57.1%	45.7%	43.4%
<b>Free Cash Flow</b>	102	104	104	114	122	116	91	106	104	125

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Total Assets</b>	1275	1395	1466	1514	1514	1459	1505	1656	1855	1786
<b>Cash &amp; Equivalents</b>	13	8	5	3	4	8	5	10	20	9
<b>Accounts Receivable</b>	43	55	64	74	46	24	24	22	20	22
<b>Total Liabilities</b>	616	655	707	681	729	684	760	806	939	733
<b>Long-Term Debt</b>	572	609	668	645	693	649	723	768	891	685
<b>Shareholder's Equity</b>	659	740	755	825	777	767	737	828	881	961
<b>LTD/E Ratio</b>	0.87	0.82	0.88	0.78	0.89	0.85	0.98	0.93	1.01	0.71

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Return on Assets</b>	6.5%	6.4%	6.1%	10.4%	5.3%	6.4%	3.8%	6.3%	5.1%	5.0%
<b>Return on Equity</b>	11.4%	12.2%	11.7%	19.6%	10.1%	12.3%	7.4%	12.8%	10.2%	9.2%
<b>ROIC</b>	6.7%	6.6%	6.3%	10.7%	5.4%	6.6%	3.9%	6.5%	5.2%	5.1%
<b>Shares Out.</b>	37.3	38.6	39.6	39.9	39.8	39.1	39.2	40.1	41.4	44.2
<b>Revenue/Share</b>	3.65	4.19	4.24	4.23	4.66	4.06	3.97	4.37	4.77	4.74
<b>FCF/Share</b>	2.74	2.74	2.66	2.90	3.08	2.96	2.33	2.64	2.52	2.83

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

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