National HealthCare Corp. (NHC)

Updated March 4th, 2025, by Ian Bezek

Key Metrics

Current Price:	$94	**5 Year CAGR Estimate:**	9.2%	**Market Cap:**	$1.4 B
Fair Value Price:	$90	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	03/28/25
% Fair Value:	104%	**5 Year Valuation Multiple Estimate:**	-0.8%	**Dividend Payment Date:**	04/25/25
Dividend Yield:	2.6%	**5 Year Price Target**	$133	**Years Of Dividend Growth:**	3
Dividend Risk Score:	F	**Retirement Suitability Score:**	F	**Rating:**	Hold

Overview & Current Events

National HealthCare was founded in 1971 to own and manage medical facilities. It operates skilled nursing facilities, home and hospice agencies, assisted living facilities, independent living facilities, and behavioral health hospitals. Besides operating its own facilities, National HealthCare leases some facilities to third-party operators. As of Dec. 31st, 2024, National Healthcare operated or managed 80 skilled nursing facilities with 10,341 licensed beds in addition to its assortment of other healthcare, homecare, and hospice assets.

National HealthCare was traditionally a stable business with predictable growth. The pandemic upended this, however. Earnings plunged in 2020, soared in 2021 thanks to government relief payments, and then plunged again in 2022 as the payments wound down. Industry conditions have finally stabilized now. Meanwhile, National HealthCare has adjusted its portfolio a bit to reflect the changing healthcare marketplace; it exited several Northeastern markets in 2022 to redouble its focus on its core Southern U.S. market. On August 1st, 2024, National HealthCare acquired White Oak, which added 15 skilled nursing facilities, two assisted living facilities, and four independent living facilities to its portfolio.

National HealthCare reported its fourth quarter results on Feb. 27th, 2025. Adjusted earnings-per-share of $1.66 soared from the $1.03 figure recorded in the same period of 2023. Revenues increased 22.7% to $369 million for the quarter. The firm's operating results improved as pandemic-related headwinds have finally subsided, and the White Oak acquisition immediately contributed significantly to both the company's top- and bottom-line results.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$3.20	$3.32	$3.69	$3.87	$4.44	$2.72	$5.32	$2.42	$3.55	$4.93	***$4.75***	***$6.98***
DPS	$1.48	$1.75	$1.89	$1.98	$2.06	$2.08	$2.08	$2.26	$2.34	$2.42	***$2.44***	***$2.83***
Shares[1]	15	16	15	15	15	15	15	15	15	15	***15***	***15***

National HealthCare had a generally increasing earnings-per-share trend over the past decade; at least that was the case until March 2020. With the onset of the pandemic, however, the business faced many additional costs for keeping facilities safe and well-staffed with qualified healthcare professionals, but received government funding to offset this.

As this emergency aid wound down, however, the company's earnings slumped in 2022. 2023 was a return to form, though, and 2024 delivered excellent results. We are making a more conservative estimate for 2025 specifically due to current efforts to trim federal government spending and reduce waste, which could impact reimbursements for health care providers such as National HealthCare. Surging labor costs are another near-term risk to profitability. Though over the longer-term, these factors should balance out and the aging demographics of the nation should drive additional demand, helping to power 8% annualized earnings growth through 2030.

The company had delivered a strong series of dividend hikes prior to 2020. However, the dividend was paused during the pandemic before hikes resumed in 2022. The much better earnings performance over the past two years opens the door to larger dividend hikes going forward.

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[1] In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	19.9	19.6	18.6	18.0	18.2	25.3	13.4	26.8	21.4	21.5	***19.8***	***19.0***
Avg. Yld.	2.3%	2.7%	2.8%	2.8%	2.6%	3.0%	2.0%	3.7%	3.1%	2.3%	***2.6%***	***2.1%***

National HealthCare has generally maintained a P/E ratio in the mid-to-high teens. The company's stock fell sharply over the past quarter, bringing the valuation back in line with historical averages after reaching a high 20s P/E ratio in 2024. We expect the P/E ratio to remain around 19x long-term.

The company has traditionally offered a dividend yield between 2.5% and 3.0%. The firm's yield is within that range now.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	46%	53%	51%	51%	46%	76%	39%	93%	66%	49%	***51%***	***41%***

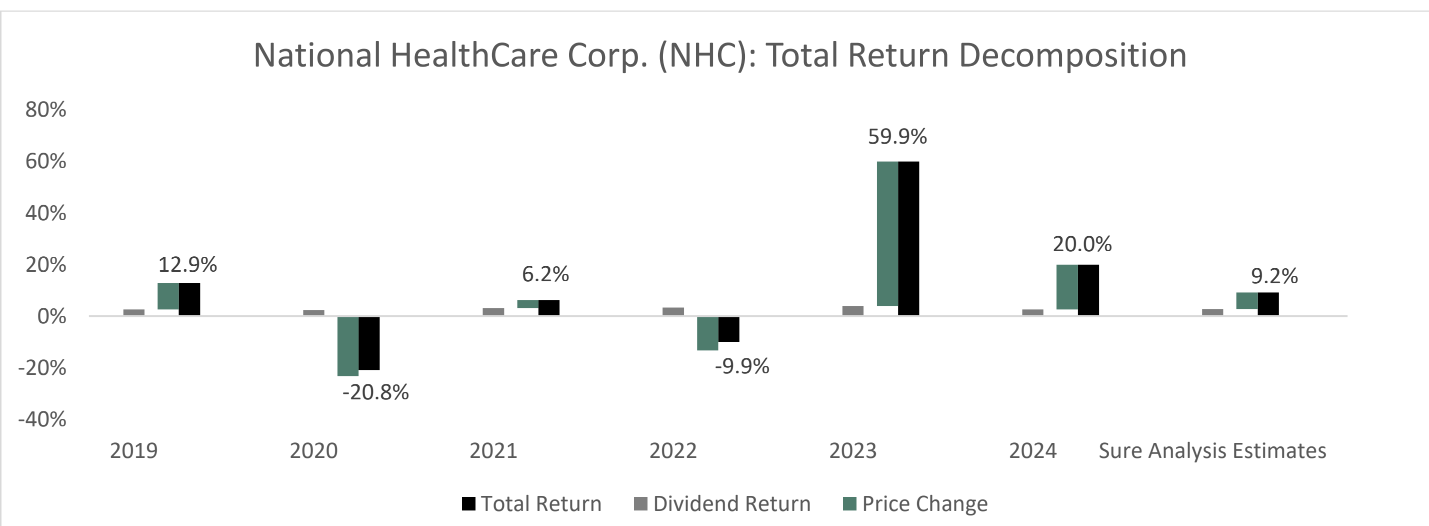
National HealthCare saw its payout ratio spike in 2022 given the fall in its earnings, but it is back to more sustainable territory now. The pandemic highlighted several risk factors within the skilled healthcare industry that investors previously hadn't focused on. That said, the industry has normally been viewed as a defensive one serving a growing market given America's aging demographics.

In addition, National HealthCare has a pristine balance sheet, holding a significant net cash position even after its recent White Oak acquisition. This gives it additional flexibility to navigate the currently choppy waters in its industry.

Final Thoughts & Recommendation

National HealthCare has now fully put its pandemic-related disruptions behind it and has returned to solid growth. The firm's White Oak acquisition also appears to be generating significant shareholder value right out of the gate. Furthermore, the company's strong balance sheet is an asset, and the essential nature of its business leads to steady revenues. Shares were dramatically overvalued throughout much of 2024. But NHC stock has fallen by more than 25 percent since our prior update, seemingly hit by concerns around Medicare reimbursements along with macroeconomic jitters. This has pushed NHC stock back down to around fair value, raising our forward outlook to 9.2% annualized total returns. That's enough to earn National HealthCare an upgrade to a hold rating today.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	872	907	924	964	980	996	981	1,011	1,074	1,142
SG&A Exp.	550	573	589	612	624	633	650	670	727	42
D&A Exp.	34	37	39	43	42	42	42	41	40	42
Operating Profit	70	70	64	59	61	52	50	60	29	57
Op. Margin	8.1%	7.7%	7.0%	6.1%	6.2%	5.2%	5.1%	5.9%	2.7%	5.0%
Net Profit	53	53	51	56	59	68	42	139	22	67
Net Margin	6.1%	5.9%	5.5%	5.8%	6.0%	6.8%	4.3%	13.7%	2.0%	5.9%
Free Cash Flow	29	25	28	62	69	74	181	23	(21)	83
Income Tax	32	32	30	19	16	20	10	11	7	23

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	1,074	1,045	1,087	1,097	1,081	1,287	1,362	1,403	1,275	1,311
Cash & Equivalents	70	38	26	59	43	50	147	108	59	107
Acc. Receivable	79	84	83	87	97	93	90	96	100	109
Inventories	7	8	8	7	7	7	9	9	7	7.4
Goodwill & Int.	18	18	18	18	21	21	21	175	175	175
Total Liabilities	340	414	418	393	346	508	564	495	398	400
Accounts Payable	16	20	19	16	20	19	21	22	17	19
Long-Term Debt	10	120	120	100	55	10	-	-	-	-
Total Equity	564	631	670	703	733	779	795	903	874	909
LTD/E Ratio	0.01	0.19	0.18	0.14	0.08	0.01	-	-	-	-

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	5.2%	5.0%	4.7%	5.1%	5.4%	5.8%	3.2%	10.0%	1.7%	5.2%
Return on Equity	9.9%	8.9%	7.8%	8.2%	8.2%	9.0%	5.3%	16.3%	2.5%	7.5%
ROIC	7.4%	7.1%	6.6%	7.1%	7.4%	8.6%	5.3%	16.2%	2.5%	7.5%
Shares Out.	14	15	16	15	15	15	15	15	15.5	15.4
Revenue/Share	61.29	62.56	60.73	63.34	64.34	64.87	63.81	65.57	69.55	74.24
FCF/Share	2.01	1.72	1.86	4.08	4.51	4.80	11.80	1.49	(1.39)	5.42

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