



NorthWest Healthcare Properties Real Estate Investment Trust (NWHUF)

Updated April 6th, 2025 by Nikos Sismanis

Key Metrics

Current Price:	\$4.71	5 Year Annual Expected Total Return:	-2.6%	Market Cap:	\$835.0 M
Fair Value Price:	\$2.88	5 Year Growth Estimate:	0.0%	Ex-Dividend Date:	03/31/2025
% Fair Value:	164%	5 Year Valuation Multiple Estimate:	-9.4%	Dividend Payment Date:	04/15/2025
Dividend Yield:	5.3%	5 Year Price Target	\$2.88	Years Of Dividend Growth:	0
Dividend Risk Score:	F	Sector:	Real Estate	Rating:	Sell

Overview & Current Events

Northwest Healthcare Properties is a globally diversified healthcare real estate investor and asset manager. Its footprint spans 172 income-producing properties across Canada, the U.S., Brazil, Europe, and Australasia. The portfolio totals over 16 million square feet of gross leasable area, anchored by long-term, inflation-linked leases to high-quality healthcare operators. The REIT also has a sizeable asset management business, overseeing \$8.8 billion in AUM, of which \$1.8 billion is owned directly and \$4.0 billion managed through joint ventures. The REIT pays distributions on a monthly basis and reports its financials in CAD. All figures in this report have been converted to USD unless otherwise noted.

On March 10th, 2025, Northwest Healthcare REIT posted its Q4 and full-year results for the period ending December 31st, 2024. Revenue came in at \$72 million, down 18% year-over-year due to significant asset sales. Net operating income came in at \$54 million, with occupancy holding at 96.4% and a 13.6-year WALE, supported by inflation-linked leases covering over 96% of rent.

Q4 FFO was \$0.07 per unit, down from \$0.11 last year, reflecting the smaller portfolio and ongoing deleveraging. During the year, the REIT sold \$980 million of assets and used proceeds to repay over \$770 million of debt, lowering its average interest rate to 5.52%. A 16% workforce reduction is expected to save ~\$2.6 million annually, and in early 2025, the REIT raised \$350 million in unsecured debt after securing a BBB (low) credit rating. For the year, FFO per share was \$0.25. For FY2025, we expect FFO/share of \$0.32.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
FFO	\$0.48	\$0.67	\$0.69	\$0.58	\$0.61	\$0.65	\$0.66	\$0.52	\$0.43	\$0.25	\$0.32	\$0.32
DPS	\$0.64	\$0.60	\$0.64	\$0.59	\$0.62	\$0.63	\$0.63	\$0.59	\$0.49	\$0.25	\$0.25	\$0.25
Shares¹	52.7	69.4	101.0	103.6	153.6	176.0	224.1	240.6	243.3	247.8	247.8	250.0

Northwest Healthcare Properties' has seen its FFO per share fluctuate significantly over the past decade. During the first years of this period, FFO per unit grew steadily, driven by portfolio expansion, rising occupancy, and the transformative Generation REIT acquisition. This was a powerful growth phase, marked by scale, accretive acquisitions, and improving lease terms across a growing international footprint. Between 2018 and 2020, FFO per unit declined modestly to \$0.56. The REIT was heavily focused on strategic moves, including the Healthscope transaction and entry into Europe, but these came with higher leverage, development-related drag, and temporary dilution. COVID added further headwinds, though rent collections remained solid.

In 2021, FFO bounced to \$0.61 before declining to \$0.51 in 2022, as inflation and higher interest costs began to pressure margins. G&A scaled up alongside asset management ambitions, and while the REIT expanded its platform, profitability quality weakened. FFO started to fall sharply from there, as the company turned its focus to a portfolio downsizing and shift toward balance sheet repair. While the REIT improved its leverage and liquidity position, its profitability has been substantially squeezed. We forecast no growth in FFO and the dividend moving forward, as we don't believe the REIT is

¹ Share count is in millions.

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well-positioned to thrive in the current market environment. In September of 2023, the REIT slashed its distribution from a monthly rate of CAD \$0.06667 to CAD \$0.03. It has remained at the same level since then.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/FFO	---	13.9	15.4	19.2	18.7	17.6	19.2	24.3	19.6	20.4	14.7	9.0
Avg. Yld.	---	6.4%	6.0%	5.3%	5.4%	5.5%	5.0%	4.7%	5.8%	4.9%	5.3%	8.7%

Northwest's P/FFO multiple trended upward until 2022, driven by falling rates, solid cash flows, and rising institutional interest in healthcare real estate. Since then, the multiple has come down, reflecting pressure on FFO from asset sales, higher interest costs, and dilution tied to its recent repositioning efforts. At 14.7x FFO today, we find the REIT to be way overvalued. We have set our fair multiple at 9.0x. At this level, the distribution yield would better compensate investors for the underlying risks involved.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	133%	90%	93%	102%	102%	97%	95%	113%	114%	100%	78%	78%

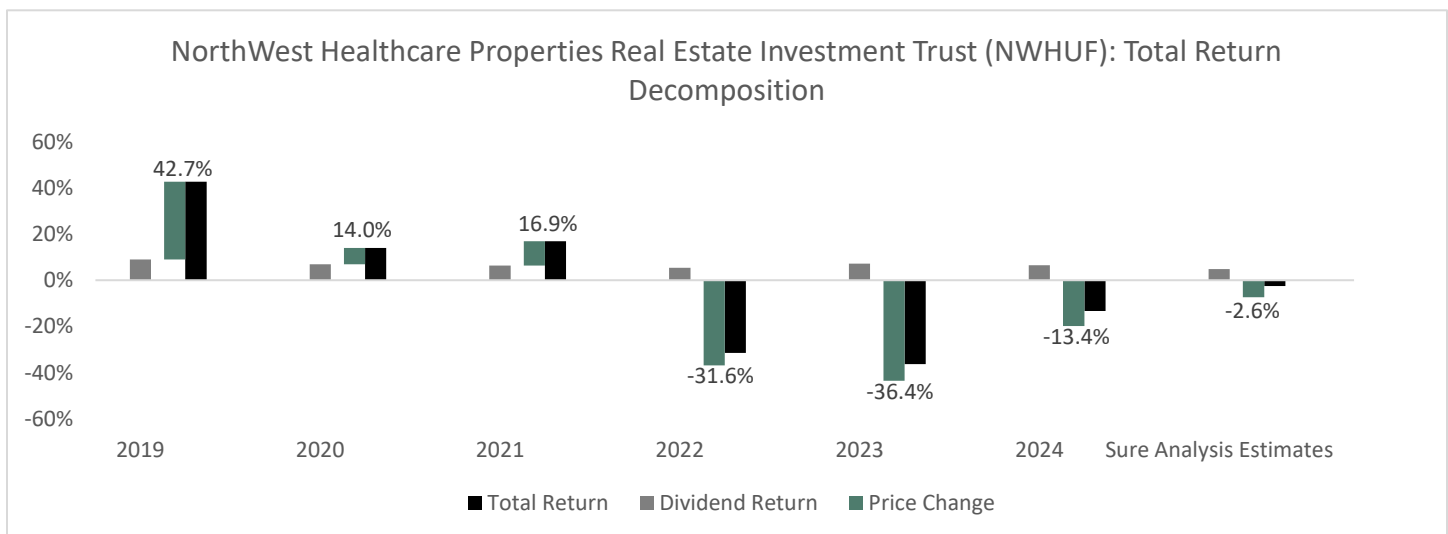
Northwest's portfolio is anchored by mission-critical healthcare assets across five regions, with 96.4% occupancy and a WALE of 13.6 years. Leases are predominantly long-term, triple-net, and inflation-indexed, as over 96% of rental income is linked to CPI or fixed increases. The REIT partners with top-tier hospital operators and benefits from strong tenant credit quality, especially in Brazil and Australasia. Its scale, sector focus, and asset management platform create a competitive edge, particularly through JV partnerships and recurring management income.

But while healthcare demand is generally resilient, Northwest faces elevated financial risk due to its still-high leverage, variable rate exposure, and the earnings drag from recent asset sales. The structure is more complex than peers, with a mix of consolidated and JV assets, and FX adds another layer of volatility. In a downturn, fundamentals should hold up, but earnings may remain pressured as the REIT works through its balance sheet repositioning.

Final Thoughts & Recommendation

Northwest offers defensive healthcare exposure, but ongoing balance sheet repair, earnings pressure, and structural complexity limit its near-term appeal. Besides the lack of dividend growth recently and lack of future growth prospects, we find the stock to be overvalued as well. Thus, we rate the stock a sell.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	156	209	242	270	276	279	299	348	376	337
Gross Profit	114	155	185	208	219	222	231	268	286	255
Gross Margin	73.4%	73.8%	76.4%	77.2%	79.3%	79.6%	77.3%	77.0%	76.1%	75.6%
SG&A Exp.	20	15	19	21	26	22	32	37	43	42
D&A Exp.	0	1	1	1	1	1	1	1	1	3
Operating Profit	95	140	166	187	193	200	213	243	255	224
Operating Margin	60.7%	66.7%	68.4%	69.5%	70.0%	71.7%	71.2%	70.0%	67.8%	66.3%
Net Profit	92	43	52	51	(1)	235	347	49	(257)	(219)
Net Margin	58.7%	20.5%	21.5%	18.8%	-0.5%	84.1%	116.1%	14.2%	-68.4%	-64.8%
Free Cash Flow	36	74	69	72	97	141	99	175	78	63
Income Tax	33	41	39	56	66	11	99	61	(14)	(36)

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	1,946	2,469	3,725	3,724	4,237	4,584	5,541	6,273	5,751	4,215
Cash & Equivalents	11	15	57	34	147	113	49	65	54	36
Accounts Receivable	3	6	3	8	17	3	5	7	6	6
Goodwill & Int. Ass.	64	107	145	94	68	70	70	62	62	59
Total Liabilities	1,338	1,586	2,409	2,488	2,648	2,595	2,777	3,516	3,425	2,416
Accounts Payable	32	33	47	55	71	72	71	98	95	73
Long-Term Debt	1,026	1,259	1,918	2,062	2,083	2,177	2,299	2,703	2,943	2,085
Shareholder's Equity	371	522	754	696	1,010	1,285	1,876	1,810	1,503	1,089
LTD/E Ratio	2.76	2.41	2.55	2.96	2.06	1.69	1.23	1.49	1.96	1.91

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	6.8%	1.9%	1.7%	1.4%	0.0%	5.3%	6.9%	0.8%	-4.3%	-4.4%
Return on Equity	26.4%	5.8%	4.7%	4.0%	-0.1%	13.1%	14.6%	1.8%	-10.1%	-10.6%
ROIC	8.7%	2.3%	1.9%	1.6%	0.0%	6.0%	7.5%	0.9%	-4.8%	-4.8%
Shares Out.	52.7	69.4	101.0	103.6	153.6	176.0	224.1	240.6	243.3	247.8
Revenue/Share	2.96	3.02	2.40	2.60	1.80	1.59	1.33	1.44	1.55	1.36
FCF/Share	0.69	1.07	0.68	0.69	0.63	0.80	0.44	0.73	0.32	0.25

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

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