



Universal Health Realty Income Trust (UHT)

Updated May 7th, 2025 by Samuel Smith

Key Metrics

Current Price:	\$38.8	5 Year CAGR Estimate:	10.8%	Market Cap:	\$536 M
Fair Value Price:	\$44.0	5 Year Growth Estimate:	2.5%	Ex-Dividend Date:	06/24/25 ¹
% Fair Value:	88%	5 Year Valuation Multiple Estimate:	2.6%	Dividend Payment Date:	06/30/25 ²
Dividend Yield:	7.6%	5 Year Price Target	\$50	Years Of Dividend Growth:	40
Dividend Risk Score:	D	Sector:	Real Estate	Rating:	Hold

Overview & Current Events

Universal Health Realty Income Trust operates as a real estate investment trust (REIT), specializing in the healthcare sector. The trust owns healthcare and human service-related facilities. Its property portfolio includes acute care hospitals, medical office buildings, rehabilitation hospitals, behavioral healthcare facilities, sub-acute care facilities and childcare centers. The trust was founded in 1986 and currently has a market capitalization of \$536 million. Universal Health's portfolio consists of 76 properties located in 21 states.

On April 28, 2025, Universal Health Realty Income Trust (UHT) reported its financial results for the first quarter ended March 31, 2025. The company achieved net income of \$4.8 million, or \$0.34 per diluted share, compared to \$5.3 million, or \$0.38 per diluted share, in the same period of the previous year. This decrease was primarily attributed to a \$401,000 reduction in property-level income and a \$122,000 increase in interest expenses, reflecting higher average borrowings and rising interest rates. Funds from operations (FFO) totaled \$11.9 million, or \$0.86 per diluted share, down from \$12.4 million, or \$0.90 per share, in the first quarter of 2024. Total revenues declined by 2.4% to \$24.5 million, with lease revenue from Universal Health Services (UHS) facilities decreasing by 3.9% to \$8.3 million and non-related party lease revenue declining by 1.1% to \$14.3 million. Operating expenses were \$15.5 million, a 1% decrease from the previous year, while depreciation and amortization remained steady at \$6.8 million. Interest expenses increased by 2.7% to \$4.7 million, due to higher average borrowings and interest rates under the company's credit agreement. Despite these challenges, UHT maintained its quarterly dividend at \$0.735 per share, amounting to a total payout of \$10.2 million in March 2025. As of March 31, 2025, the company had \$75.5 million in available borrowing capacity under its \$425 million credit agreement, which extends through September 30, 2028. Management expressed concerns about ongoing macroeconomic pressures, including staffing challenges, interest rate fluctuations, and potential Medicaid funding reductions, which could impact future financial performance.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
FFO	\$2.88	\$3.09	\$3.10	\$3.28	\$3.35	\$3.29	\$3.61	\$3.54	\$3.23	\$3.46	\$3.67	\$4.15
DPS	\$2.56	\$2.60	\$2.64	\$2.68	\$2.72	\$2.76	\$2.76	\$2.84	\$2.88	\$2.92	\$2.94	\$3.00
Shares³	13.3	13.6	13.7	13.7	13.8	13.8	13.8	13.8	13.8	13.9	13.9	14.0

For REITs, it is better to use FFO rather than EPS, as traditional GAAP earnings are influenced by depreciation, which is a significant *non-cash* expense for a real estate trust. Going forward, Universal Health will benefit from changing demographics. The U.S. is an aging society, with over 70 million Baby Boomers, those generally born between 1946 and 1964. As the sizable Baby Boomer generation ages, demand for healthcare facilities is poised to grow.

REITs that own healthcare properties, such as Universal Health, are in a prime position to capitalize on the changing demographic landscape. Universal Health's growth will be accomplished by rising rents on existing properties, and by

¹ Estimate

² Estimate

³ In millions

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acquiring new properties. This is somewhat offset on a per-share basis as a result of raising funds via issuing equity. Overall, we anticipate low-single-digit (2.5%) annualized growth over the intermediate term, in line with the trust's consistent past.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
P/FFO	17.4	21.2	24.2	18.7	34	18	16	13.5	10.4	10.9	10.6	12.0
Avg. Yld.	5.1%	4.0%	3.5%	4.4%	2.4%	4.7%	4.8%	5.9%	8.6%	7.7%	7.6%	6.0%

Over the past decade, shares of Universal Health have traded hands with an average price-to-FFO of ~17. This was marked by a considerable multiple expansion coming out of the recession – starting at 11 and growing to 34 times FFO recently before falling to today's level of 10.6. While the business has proven itself to be very stable, due to the mediocre growth prospects, we are not willing to assign a valuation above the historical average. Moreover, rising interest rates have pushed our fair value estimate down further. That said, shares are currently undervalued relative to our fair value estimate of 12. Meanwhile, the dividend ought to add nicely to shareholder returns, although we do not expect a lot of growth from here given the already fairly high payout ratio.

Safety, Quality, Competitive Advantage, & Recession Resiliency

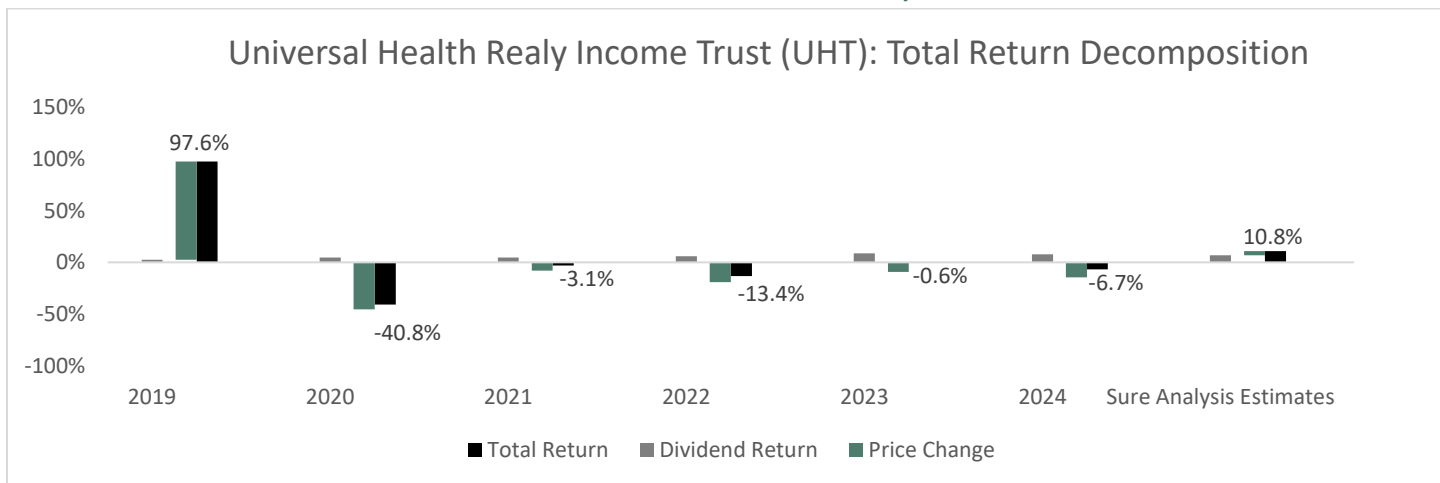
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	89%	84%	85%	82%	81%	84%	76%	80%	89%	84%	80%	72%

Universal Health does not have significant competitive advantages, in our view. As a small-cap trust, Universal Health is considerably smaller than other healthcare REITs. Universal Health can be expected to fare relatively well during economic downturns, but it is not immune from recessions. The trust remained profitable during the Great Recession of 2007-2009, and it continued to raise its dividend each year. However, it did see FFO decline slightly in 2010 and 2011. Universal Health has a nice dividend yield and a secure payout. These are arguably the most important metrics for income investors. REITs are required to distribute at least 90% of their taxable income, and in exchange, do not pay income tax at the top level. The trust has also increased its dividend for over three consecutive decades.

Final Thoughts & Recommendation

Shares currently trade below historical multiples and offer an attractive 7.6% dividend yield. The bad news is that projected annualized growth is still not high. Collectively, UHT shares earn a Hold rating as the low expected dividend growth keeps this from being a highly compelling buy.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	64	67	72	76	77	78	84	91	96	99
Operating Profit	21	23	24	27	26	26	29	31	31	37
Operating Margin	32.7%	33.8%	33.4%	35.0%	33.4%	33.3%	34.3%	33.8%	32.8%	37.2%
Net Profit	24	17	46	24	19	19	109	21	15	19
Net Margin	37.0%	25.7%	63.1%	31.7%	24.6%	24.9%	130%	23.3%	16.1%	19.4%
Free Cash Flow	21	(20)	37	39	38	42	35	47	43	47

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	459	525	490	484	489	494	598	608	596	581
Cash & Equivalents	4	4	3	5	6	6	23	8	8	7
Accounts Receivable	6	8	9	10	11	11	12	14	14	15
Goodwill & Int. Ass.	20	24	21	17	15	12	10	9	9	7
Total Liabilities	263	333	279	285	307	335	363	378	395	401
Long-Term Debt	252	316	256	261	274	295	329	343	359	368
Shareholder's Equity	195	191	211	199	182	159	235	229	201	180
LTD/E Ratio	1.29	1.65	1.22	1.32	1.51	1.86	1.40	1.50	1.79	2.05

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	5.3%	3.5%	9.0%	5.0%	3.9%	4.0%	20.0%	3.5%	2.6%	3.3%
Return on Equity	11.9%	8.9%	22.7%	11.8%	10.0%	11.4%	55.4%	9.1%	7.2%	10.1%
ROIC	5.5%	3.6%	9.4%	5.2%	4.1%	4.3%	21.4%	3.7%	2.7%	3.5%
Shares Out.	13.3	13.6	13.7	13.7	13.8	13.8	13.8	13.8	13.8	13.9
Revenue/Share	4.81	4.98	5.31	5.55	5.61	5.67	6.11	6.57	6.92	7.15
FCF/Share	1.61	(1.46)	2.71	2.83	2.73	3.05	2.52	3.39	3.11	3.39

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

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