

# ModernGraham Valuation

## Company Name:

Health Care REIT,  
Inc.

Company Ticker HCN

Date of Analysis

8/12/2015



## Stage 1: Is this company suitable for the Defensive Investor or the Enterprising Investor?

*Defensive Investor; must pass 6 out of the following 7 tests.*

1. Adequate Size of the Enterprise	Market Cap > \$2Bil	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	Fail
3. Earnings Stability	Positive EPS for 10 years prior	Pass
4. Dividend Record	Dividend Payments for 10 years prior	Pass
	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	Fail
5. Earnings Growth	PEmg < 20	Fail
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	Pass
7. Moderate Price to Assets		

*Enterprising Investor; must pass 4 out of the following 5 tests, or be suitable for the Defensive Investor.*

1. Sufficiently Strong Financial Condition	Current Ratio > 1.5	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	Fail
3. Earnings Stability	Positive EPS for 5 years prior	Pass
4. Dividend Record	Currently Pays Dividend	Pass
5. Earnings Growth	EPSmg greater than 5 years ago	Pass

### Suitability

<b>Defensive</b>	<b>No</b>
<b>Enterprising</b>	<b>Yes</b>

## Stage 2: Determination of Intrinsic Value

EPSmg	1.84
MG Growth Estimate	6.45%
<b>MG Value</b>	<b>\$39.29</b>
MG Value based on 3% Growth	\$26.63
MG Value based on 0% Growth	\$15.61
Market Implied Growth Rate	14.32%

### MG Opinion

Current Price	\$68.20
% of Intrinsic Value	173.59%
<b>Opinion</b>	<b>Overvalued</b>

## Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$32.68
PEmg	37.13
Current Ratio	1.90
PB Ratio	1.63
Dividend Yield	4.75%
Number of Consecutive Years of Dividend Growth	8

### Useful Links:

<a href="#">ModernGraham tagged articles</a>	<a href="#">Morningstar</a>
<a href="#">Google Finance</a>	<a href="#">MSN Money</a>
<a href="#">Yahoo Finance</a>	<a href="#">Seeking Alpha</a>
<a href="#">GuruFocus</a>	<a href="#">SEC Filings</a>

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$3.61	Next Fiscal Year Estimate	\$1.84
Dec14	\$1.45	Dec14	\$0.93
Dec13	\$0.28	Dec13	\$0.74
Dec12	\$0.98	Dec12	\$1.12
Dec11	\$0.90	Dec11	\$1.28
Dec10	\$0.83	Dec10	\$1.51
Dec09	\$1.49	Dec09	\$1.78
Dec08	\$2.76	Dec08	\$1.82
Dec07	\$1.46	Dec07	\$1.36
Dec06	\$1.31	Dec06	\$1.33
Dec05	\$1.15	Dec05	\$1.37
Dec04	\$1.39	Dec04	\$1.52
Dec03	\$1.60	Dec03	\$1.63
Dec02	\$1.48	Dec02	\$1.72
Dec01	\$1.52	Dec01	\$1.90
Dec00	\$1.91	Dec00	\$2.10
Dec99	\$2.21	Dec99	\$2.13
Dec98	\$2.24	<b>Balance Sheet Information Jun15</b>	
Dec97	\$2.12	Total Current Assets	\$1,239,000,000
Dec96	\$2.18	Total Current Liabilities	\$650,437,000
Dec95	\$1.16	Long-Term Debt	\$11,552,370,000
		Total Assets	\$27,407,480,000
		Intangible Assets	\$68,321,000
		Total Liabilities	\$12,720,310,000
		Outstanding Shares	351,366,000



Disclaimer:

This valuation is not investment advice. Anyone who is considering making an investment decision should speak to a registered investment advisor.

The author did not hold a position in any company mentioned in this article at the time of publication and had no intention of changing those holdings within the next 72 hours.

## Recommended Reading:

Other  
ModernGraham  
posts about the  
company

[47 Companies in the Spotlight This Week – 5/16/15](#)  
[Health Care REIT Inc. Quarterly Valuation – May 2015 \\$HCN](#)  
[15 Companies in the Spotlight This Week – 5/3/2014](#)  
[Health Care REIT \(HCN\) Annual Valuation – 2014](#)

Other  
ModernGraham  
posts about related  
companies

[Kimco Realty Corporation Analysis – August 2015 Update \\$KIM](#)  
[American Campus Communities Inc. Analysis – Initial Coverage \\$ACC](#)  
[Ventas Inc. Analysis – 2015 Update \\$VTR](#)  
[National Retail Properties Inc. Analysis – Initial Coverage \\$NNN](#)  
[SL Green Realty Corp Analysis – Initial Coverage \\$SLG](#)  
[Essex Property Trust Inc. Analysis – Initial Coverage \\$ESS](#)  
[Equity Residential Analysis – 2015 Update \\$EQR](#)  
[Macerich Stock Analysis – May 2015 Quarterly Update \\$MAC](#)  
[Iron Mountain Inc. Annual Valuation – 2015 \\$IRM](#)  
[Vornado Realty Trust Annual Valuation – 2015 \\$VNO](#)