

ModernGraham Valuation

Company Name:

HCP, Inc.

Company Ticker HCP

Date of Analysis

10/13/2015



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 | \$17,934,881,629 | Pass |
| 2. Sufficiently Strong Financial Condition | Current Ratio > 2 | 2.03 | Pass |
| 3. Earnings Stability | Positive EPS for 10 years prior | | Pass |
| 4. Dividend Record | Dividend Payments for 10 years prior | | Pass |
| 5. Earnings Growth | Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end | -25.14% | Fail |
| 6. Moderate PEmg Ratio | PEmg < 20 | 22.75 | Fail |
| 7. Moderate Price to Assets | PB Ratio < 2.5 OR PB*PEmg < 50 | 1.76 | Pass |

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 | 2.03 | Pass |
| 2. Sufficiently Strong Financial Condition | Debt to NCA < 1.1 | 20.45 | 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

| | |
|---------------------|------------|
| Defensive | No |
| Enterprising | Yes |

Stage 2: Determination of Intrinsic Value

| | |
|-----------------------------|----------------|
| EPSmg | \$1.71 |
| MG Growth Estimate | 6.43% |
| MG Value | \$36.50 |
| MG Value based on 3% Growth | \$24.78 |
| MG Value based on 0% Growth | \$14.52 |
| Market Implied Growth Rate | 7.12% |

MG Opinion

| | |
|----------------------|----------------------|
| Current Price | \$38.87 |
| % of Intrinsic Value | 106.50% |
| Opinion | Fairly Valued |

Stage 3: Information for Further Research

| | |
|--|----------|
| Net Current Asset Value (NCAV) | -\$23.88 |
| Graham Number | \$24.75 |
| PEmg | 22.75 |
| Current Ratio | 2.03 |
| PB Ratio | 1.76 |
| Dividend Yield | 5.71% |
| Number of Consecutive Years of Dividend Growth | 11 |

Useful Links:

| | |
|--|-------------------------------|
| ModernGraham tagged articles | Morningstar |
| Google Finance | MSN Money |
| Yahoo Finance | Seeking Alpha |
| GuruFocus | SEC Filings |

| EPS History | | EPSmg History | |
|---------------------------|--------|--|------------------|
| Next Fiscal Year Estimate | \$1.23 | Next Fiscal Year Estimate | \$1.71 |
| Dec14 | \$2.00 | Dec14 | \$1.85 |
| Dec13 | \$2.13 | Dec13 | \$1.63 |
| Dec12 | \$1.90 | Dec12 | \$1.35 |
| Dec11 | \$1.29 | Dec11 | \$1.20 |
| Dec10 | \$1.00 | Dec10 | \$1.34 |
| Dec09 | \$0.40 | Dec09 | \$1.58 |
| Dec08 | \$1.79 | Dec08 | \$2.07 |
| Dec07 | \$2.71 | Dec07 | \$2.05 |
| Dec06 | \$2.66 | Dec06 | \$1.60 |
| Dec05 | \$1.12 | Dec05 | \$1.05 |
| Dec04 | \$1.11 | Dec04 | \$1.01 |
| Dec03 | \$0.97 | Dec03 | \$0.97 |
| Dec02 | \$0.96 | Dec02 | \$1.00 |
| Dec01 | \$0.85 | Dec01 | \$1.04 |
| Dec00 | \$1.07 | Dec00 | \$1.13 |
| Dec99 | \$1.13 | Dec99 | \$1.17 |
| Dec98 | \$1.27 | Balance Sheet Information Jun15 | |
| Dec97 | \$1.10 | Total Current Assets | \$1,078,584,000 |
| Dec96 | \$1.06 | Total Current Liabilities | \$530,222,000 |
| Dec95 | \$1.42 | Long-Term Debt | \$11,213,360,000 |
| | | Total Assets | \$22,348,130,000 |
| | | Intangible Assets | \$627,584,000 |
| | | Total Liabilities | \$12,115,340,000 |
| | | Shares Outstanding (Diluted Average) | 462,106,000 |





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

- [18 Companies in the Spotlight This Week – 10/25/14](#)
- [HCP Inc. Annual Stock Valuation – 2014 \\$HCP](#)
- [5 Undervalued Companies to Research With a Low Beta – October 2014](#)
- [5 Highest Dividend Yields Among Undervalued Companies for the Defensive Investor – September 2014](#)
- [5 Undervalued Companies to Research with a Low Beta – September 2014](#)

Other ModernGraham posts about related companies

- [Essex Property Trust Inc. Analysis – October 2015 Update \\$ESS](#)
- [Macerich Company Analysis – September 2015 Update \\$MAC](#)
- [Alexandria Real Estate Equities Inc. Analysis – Initial Coverage \\$ARE](#)
- [Weyerhaeuser Company Analysis – August 2015 Update \\$WY](#)
- [Boston Properties Inc. Analysis – August 2015 Update \\$BXP](#)
- [Health Care REIT Inc. Analysis – August 2015 Update \\$HCN](#)
- [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](#)