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Jun 23, 2021

Welltower Inc. (WELL)

$82.22 (As of 06/22/21)

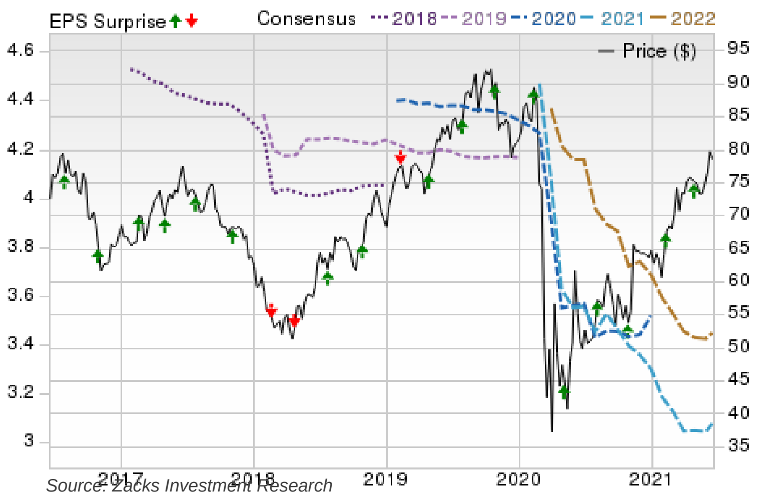
Price Target (6-12 Months): **$87.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 04/09/21) Prior Recommendation: Underperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:C
	Value: D | Growth: C | Momentum: A	

Summary

Welltower inked an agreement to acquire Holiday Retirement's 86-property seniors housing portfolio for $1.58 billion. The move is a strategic fit given the significant cash-flow growth scope from the recovery in seniors housing and portfolio reinvestment. Notably, this healthcare REIT's seniors housing operating portfolio is seeing a healthy rebound in occupancy and the company is capitalizing on this recovery, along with a solid demographic trend by focusing on acquisitions, capital recycling and operator transitions. A decent balance-sheet position supports such growth endeavors. Also, its shares have outperformed the industry in the past three months. Yet, the senior housing landscape is likely to be competitive in 2021, as operators try to fill unoccupied units. Near-term earnings dilution from large-scale asset sales is worrisome.

Price, Consensus & Surprise



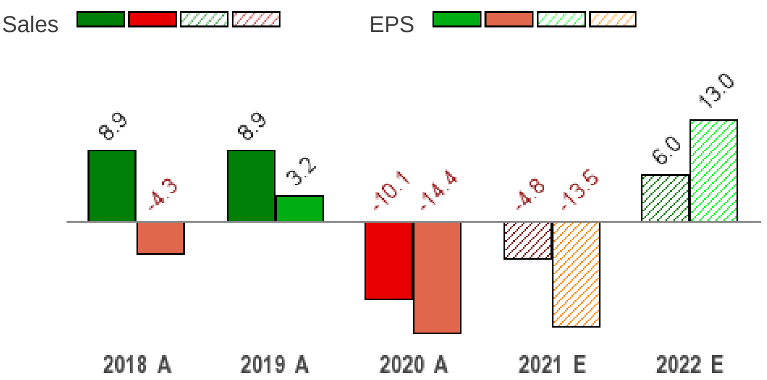
Data Overview

52-Week High-Low	**$83.18 - $47.18**
20-Day Average Volume (Shares)	**1,978,499**
Market Cap	**$34.3 B**
Year-To-Date Price Change	**27.2%**
Beta	**1.04**
Dividend / Dividend Yield	**$2.44 / 3.0%**
Industry	**REIT and Equity Trust - Other**
Zacks Industry Rank	**Bottom 21% (200 out of 252)**

Last EPS Surprise	**6.7%**
Last Sales Surprise	**-3.6%**
EPS F1 Estimate 4-Week Change	**1.0%**
Expected Report Date	**08/04/2021**
Earnings ESP	**1.9%**

P/E TTM	**24.6**
P/E F1	**26.7**
PEG F1	**5.5**
P/S TTM	**7.8**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022	1,144 E	1,161 E	1,181 E	1,193 E	4,651 E
2021	1,052 A	1,097 E	1,119 E	1,135 E	4,387 E
2020	1,259 A	1,188 A	1,037 A	1,122 A	4,606 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	$0.83 E	$0.86 E	$0.90 E	$0.92 E	$3.48 E
2021	$0.80 A	$0.74 E	$0.77 E	$0.80 E	$3.08 E
2020	$1.02 A	$0.86 A	$0.84 A	$0.84 A	$3.56 A

*Quarterly figures may not add up to annual.

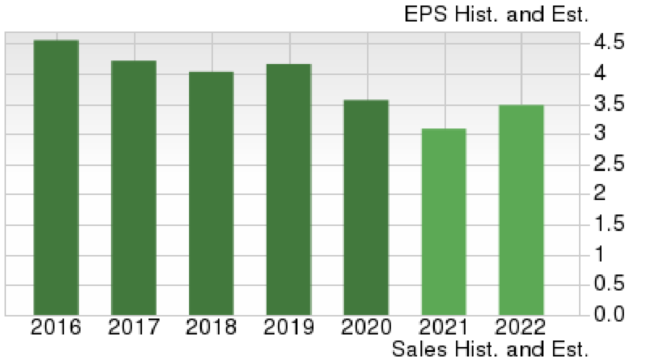
The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 06/22/2021. The report's text and the analyst-provided price target are as of 06/23/2021.

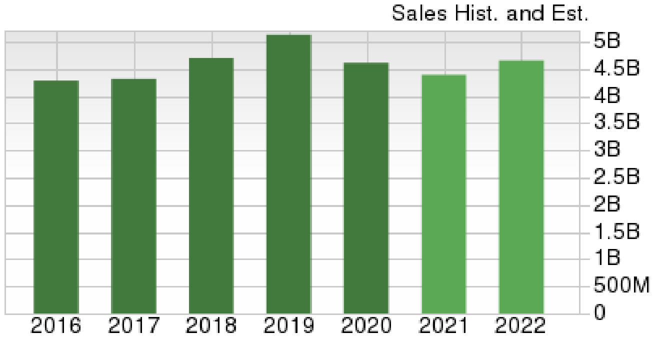
Overview

Toledo, OH-based, Welltower Inc., formerly known as Health Care REIT, Inc. is a real estate investment trust (REIT) that is engaged in investments with seniors housing operators, post-acute providers and health systems. Founded in 1970, this company was the first REIT to invest exclusively in healthcare facilities. Its portfolio is concentrated in major, high-growth markets in the United States, Canada and the U.K. In addition to this, the company also offers a vast range of property management and development services.

Welltower's consolidated portfolio can be categorized into three operating segments — triple-net, seniors housing operating or SHO (operated through RIDEA structures) and OM facilities. As of first-quarter 2021, 39.2% of the company's net operating income (NOI) came from SHO assets (559 properties), 35.7% from triple-net assets (649 properties) and 25.1% from OM facilities (290 properties).

The company's SHO properties include seniors apartments, independent living, continuing care retirement communities, assisted living, independent supportive living communities and care homes, with and without nursing. Moreover, triple-net properties include the property types mentioned earlier along with long-term/post-acute care facilities. Under the triple-net segment, properties are primarily leased under triple-net leases and the company is not involved in the management of the property. Welltower's OM properties are leased to multiple tenants.





On Jun 21, Welltower inked an agreement to buy Holiday Retirement's 86-property seniors housing portfolio for $1.58 billion. The move aligns with Atria Senior Living's acquisition of Holiday Retirement. The buyout values the portfolio at $152,000 per unit, marking a discount to expected replacement costs in excess of 30%. On the deal's closure, likely in third-quarter 2021, Atria will assume operations of the properties and retain Holiday Retirement's in-place senior management and staff.

Note: *All EPS numbers presented in this report represent funds from operations ("FFO") per share. FFO, a widely used metric to gauge the performance of REITs, is obtained after adding depreciation and amortization and other non-cash expenses to net income.*

Source: Zacks Investment Research

Reasons To Buy:

With a diversified portfolio of healthcare assets, strategic repositioning efforts and strong balance-sheet position, Welltower will benefit amid rising healthcare spending and aging population.

- Welltower has a diversified portfolio in the healthcare real estate industry that allows it to explore opportunities in different markets based on individual market dynamics. The company usually leases its healthcare facilities under "triple net" leases, where the tenant pays all taxes, insurance and maintenance for the properties in addition to rent. Moreover, the company establishes and is expanding business relationships with experienced healthcare management companies or operators who lease these properties on a long-term basis. These activities insulate the company from short-term market swings and drive steady top-line growth. Welltower noted that for its triple-net portfolio, it collected 96% of rent due in the first quarter.

- Welltower is focusing on strategic portfolio optimization and synergistic collaborations with health systems to invest in the next generation assets of health and wellness care delivery. In fact, the company has resorted to capital-recycling activities to finance near-term investment and development opportunities. From the beginning of the year through Apr 27, the company completed $1.3 billion of pro-rata gross investments, exclusive of development funding. Moreover, restructuring initiatives have enabled the company to attract top-class operators while dispositions have improved the quality of its cash flows. In fact, Welltower's operator transition from Genesis HealthCare to other leading regional skilled nursing operators for 51 of its properties will significantly de-risk the company's portfolio by reducing exposure to the troubled operator. Also, future deployment of $745 million of transaction proceeds offers significant value accretion opportunities.

- The national healthcare expenditure is projected to increase in the coming years with senior citizens incurring higher medical expenses compared with the average population. Therefore, in the wake of aging baby boomers, we expect Welltower to benefit from this trend. Also, the healthcare sector is relatively immune to the macroeconomic problems faced by office, retail and apartment companies and offers stability to the company amid market volatility. This is because, even during tough economic conditions, consumers prioritize the spending on healthcare services while curtailing discretionary purchases.

- Historically, there has been a favorable outpatient visits trend compared with in-patient admissions. Banking on this, the company is optimizing its OM portfolio and growing relationships with strategic health system partners and deploying capital in strategic acquisitions. In fact, in 2020, the company completed buyouts and joint venture investments in 17 OM assets for $246.5 million. Given the favorable secular trends and growing need for value-based care, the company's efforts to strengthen its OM footprint will boost long-term growth. Moreover, it collected 99% of rent due for the first quarter.

- Welltower remains focused on improving its SHO portfolio through addition of strategic properties and recycling of capital on the back of dispositions. Through these prudent capital-allocation measures, the company has improved its SHO portfolio operator diversification and expanded geographic footprint in high barrier-to-entry urban markets. Recently, Welltower inked an agreement to acquire Holiday Retirement's 86-property seniors housing portfolio for $1.58 billion. The move seems a strategic fit, given the significant cash-flow growth scope from the recovery in seniors housing and portfolio reinvestment. Moreover, subsequent to the first-quarter end, the company purchased two seniors housing properties in Philadelphia and Quebec for a pro-rata investment of $68 million. Markedly, stronger demographics and increasing penetration rates have favorably positioned the portfolio for long-term growth. Also, most of the company's assisted living and memory care communities have completed the final scheduled vaccinations. The rapid distribution of COVID-19 vaccinations at assisted living and memory care facilities in the United States and the U.K. has reduced total resident case counts and Welltower's communities are now accepting new residents. This has resulted in higher move-in activity and occupancy growth in recent weeks. In fact, quarter to date through Jun 18, 2021, SHO portfolio's occupancy has expanded 140 basis points (bps), surpassing compared with the company's initial guidance of around 130 bps gain for the full second quarter.

- Welltower has a decent balance-sheet position and ample liquidity to meet near-term obligations and fund its development pipeline. In light of the pandemic, the company continues to undertake several steps, including monetization of its healthcare assets, to de-lever its balance sheet and enhance liquidity by tapping the debt and equity markets. In fact, since the beginning of the year through Jun 21, the company efficiently issued $1.36 billion of equity through the at the market program on forward basis at average price of $77.80 per share. Also, the company expects to receive a total of $838 million in pro rata disposition proceeds through Jun 30, 2021 and an additional $618 million in disposition proceeds in the second half of 2021 from assets held for sale as of first quarter. The company also announced closing of an expanded $4.7 billion unsecured revolving line of credit, replacing its existing line of credit of roughly $3 billion. Moreover, Welltower's debt maturities are well-laddered, with weighted average maturity of 7.3 years, enhancing its financial flexibility. Finally, investment-grade credit rating of BBB+, and Baa1 from S&P Global Ratings and Moody's, respectively, as of the first-quarter end will enable it to access the debt market at favorable terms.

- Shares of Welltower have gained 15.5%, outperforming the industry's growth of 13.2% over the past three months. Also, the trend in estimate revision of 2021 FFO per share indicate a favorable outlook for the company as estimates have been revised marginally upward over the past week. Therefore, given the progress on fundamentals and upward estimate revision, there is decent upside potential to the stock in the near-term.

Reasons To Sell:

- The operating environment for senior housing properties has remained challenging in the past few quarters amid the surge in global COVID-19 cases and shelter-at-home orders. To limit the spread of the virus to elderly, who are more susceptible to it, many facilities were shut down along with admission bans as part of population lockdown mandates across many of Welltower's key markets. This affected occupancy, move-ins and move-outs at the company's seniors housing operating assets. In fact, while the company is seeing a recovery in senior housing occupancy at its communities in the United Sates and the U.K; a sharp rise in COVID-19 cases and implementation of shelter-in-place mandates in parts of Canada has resulted in occupancy declines at its Canada communities. Moreover, SHO portfolio average occupancy sequentially declined 310 bps in first-quarter 2021. Also, expenses are expected to continue to remain elevated due to additional health and safety measures adopted in light of the pandemic. Hence, with occupancy declines and rising expenses, the company is likely to witness NOI erosions in the near term.

The pandemic-led occupancy declines and rising expenses at Welltower's seniors housing assets are likely to dent near-term NOI. Stiff competition and earnings dilution from asset sales are woes.

- Solid dividend payouts remain the biggest attraction for REIT investors and Welltower remained committed to that. However, in May 2020, the company made a 30% sequential reduction in quarterly dividend to 61 cents per share and has maintained this payout since then. The company paid out a quarterly cash dividend of 87 cents per share prior to the dividend cut.

- As part of its portfolio-repositioning and liquidity-enhancing efforts, Welltower is disposing of its assets. The company projects to receive a total of $838 million in pro rata disposition proceeds through Jun 30, 2021 and an additional $618 million in disposition proceeds in the second half of 2021. The pro-rata dispositions in 2020 aggregated $3.7 billion. Also, the company's plan to divest stake in the Genesis-operated properties is projected to be dilutive to normalized FFO per share on a yearly basis. While such efforts to reduce exposure to the troubled operators and the skilled nursing facility asset class are strategic fits, the dilutive impact on earnings in the near term from such asset dispositions and any property conversions from triple-net to RIDEA structures cannot be bypassed.

- Welltower operates in an intensely competitive market and competes with national and local healthcare operators regarding factors such as quality, price and range of services provided, and reputation, location and demographics of the population in the surrounding area, along with the financial condition of its tenants and operators. This limits the company's power to significantly raise its top line and ink deals at attractive rates. Due to the pandemic, seniors housing operators have seen significant broad-based occupancy erosions and consequently, the company is likely to see a competitive landscape in 2021 and beyond as operators try to fill unoccupied units. This along with tenant concentration at the company's triple-net portfolio is concerning.

Last Earnings Report

Welltower Q1 FFO Beats Estimates, Occupancy Up in April

Quarter Ending	03/2021
Report Date	Apr 28, 2021
Sales Surprise	-3.60%
EPS Surprise	6.67%
Quarterly EPS	0.80
Annual EPS (TTM)	3.34

Welltower reported normalized FFO per share of 80 cents in first-quarter 2021, which surpassed the Zacks Consensus Estimate of 75 cents. However, the reported figure compares unfavorably with the year-ago quarter's $1.02.

Moreover, it generated revenues of $1.05 billion, which missed the Zacks Consensus Estimate of $1.09 billion. The top line also declined 16.4% year over year.

The company's SHO portfolio continued to be affected by the coronavirus pandemic. In fact, a decline in rental income, and revenues from resident fees and services impeded top-line growth.

Concurrent with the first-quarter earnings release, Welltower announced that it provided a £540-million ($750 million) senior secured loan, a £55-million ($76 million) equity investment and a £30-million ($42 million) delayed facility to a Safanad-led investment group to recapitalize HC-One. HC-One is the largest UK-based seniors housing operating platform.

Moreover, it announced that in the reported quarter, the company delivered two medical office buildings in Charlotte, NC, spanning more than 280,000 square feet of space. Markedly, both buildings are fully master-leased to Atrium Health for 15 years.

Quarter in Details

Welltower's pro-rata gross investments in the first quarter totaled $368 million. This included $209 million in acquisitions, $121 million in development funding and $38 million of loan funding.

From the beginning of the year through Apr 27, the company completed $1.3 billion of pro-rata gross investments, exclusive of development funding.

Apart from this, the company completed property dispositions of $216 million.

Balance Sheet Position

It exited the quarter with $2.1 billion of cash and cash equivalents, up from $303.4 million recorded in the prior-year quarter.

As of Apr 27, the company had near-term liquidity of $4 billion and no material senior unsecured note maturities until 2024.

COVID-19 Update

The company's SHO portfolio witnessed a spot occupancy sequential decline of 230 bps to 73.6% in March from 75.9% in December.

Nonetheless, the rapid distribution of COVID-19 vaccinations at assisted living and memory care facilities in the United States and the U.K. has reduced total resident case counts and 99% of Welltower's communities are now accepting new residents. This has resulted in higher move-in activity and occupancy growth in recent weeks. In fact, from Apr 1 till Apr 23, SHO portfolio occupancy improved nearly 20 bps.

For second-quarter 2021, occupancy is expected to sequentially increase 130 bps.

Further, Welltower collected 96% of first-quarter rents from its triple-net lease operators. In its outpatient medical segment, the company collected 99% of first-quarter rents.

Guidance

The company expects second-quarter 2021 normalized FFO per share of 72-77 cents.

Recent News

Welltower Sees Seniors Housing Occupancy Gains in June - Jun 21, 2021

Going by its recent business update, Welltower's SHO portfolio is seeing a recovery in occupancy. In fact, quarter to date through Jun 18, 2021, the SHO portfolio occupancy expanded 140 basis points (bps), surpassing the company's initial guidance of around 130 bps gain for the full second quarter. Moreover, total portfolio occupancy advanced 180 bps from the pandemic-induced low on Mar 12, 2021.

Since the beginning of the quarter through Jun 18, 2021, the company's U.S. and U.K. SHO portfolios reported occupancy gains of roughly 210 bps and 170 bps, respectively. In addition, though the Canada SHO portfolio saw an occupancy decline of 50 bps through the first two months of the second quarter, it was flat, month to date, through Jun 18.

The return of many communities to pre-COVID conditions helped this performance, with move-in activity remaining solid through June. Additionally, strong sales activity is likely to support this tempo in the near term.

Welltower to Buy Seniors Housing Portfolio for $1.58B - Jun 21, 2021

Welltower inked an agreement to acquire Holiday Retirement's 86-property seniors housing portfolio for $1.58 billion. It includes 80 nearly identical independent living and six combination independent/assisted living properties. The move comes in conjunction with Atria Senior Living's acquisition of Holiday Retirement.

The buyout values the portfolio at $152,000 per unit, marking a discount to estimated replacement costs in excess of 30%. Importantly, in the first 12 months post-closing, the transaction is estimated to be 10 cents per share accretive to Welltower's normalized funds from operations.

On closing of the transaction, which is slated to close in third-quarter 2021, Atria Senior Living will assume operations of the properties and retain Holiday Retirement's in-place senior management and staff.

The move is a strategic fit for Welltower, given the substantial cash flow growth opportunities amid the post-COVID recovery in seniors housing fundamentals. As occupancy growth accelerates from near-trough levels of 76.3% as of Jun 20, 2021, the portfolio in discussion is likely to provide substantial net operating income growth in the future. Along with anticipated recovery in occupancy, Atria Senior Living's operational and technological expertise is likely to drive community-level performance. Also, the initial cash cap rate is seen at 6.2%.

Moreover, there are considerable value creation opportunities through portfolio reinvestment. In fact, Welltower and Atria Senior Living plan for capital expenditure of $1.5-$2.0 million per community, in turn, facilitating higher revenues and operating margins in the long term.

In fact, capital improvements are expected to lead to significant growth in property-level performance, even while maintaining Welltower's all-in basis (roughly $165,000-$170,000 per unit) at a substantial discount to replacement costs.

Welltower Invests to Recapitalize UK-based SHO platform – Apr 28, 2021

Welltower announced that it provided a £540-million ($750 million) senior secured loan, a £55-million ($76 million) equity investment and a £30-million ($42 million) delayed facility to a Safanad-led investment group to recapitalize HC-One. HC-One is the largest UK-based seniors housing operating platform.
The company funded the investment through existing balance sheet liquidity, with more than $2 billion of cash and cash equivalents as of the first-quarter 2021 end. It expects the investments to be immediately accretive to earnings.

Welltower Fully Leases Two MOBs to Atrium Health – Apr 28, 2021

Welltower announced that in March 2021, it delivered two medical office buildings in Charlotte, NC, spanning more than 280,000 square feet of space. Markedly, both buildings are fully master-leased to Atrium Health for 15 years.

Welltower's Update on its Exit of Genesis Relationship – Apr 28, 2021

Providing an update on its transaction with Genesis for the operator transition of 51 assets, Welltower noted that 23 assets have already transitioned. This included the nine PowerBack facilities, which were added to the existing master lease with ProMedica Senior Care at $292 million.

Moreover, Welltower entered definitive agreements to dispose of 35 traditional skilled nursing facilities for $496 million to a JV with Aurora Health Network and Peace Capital. Welltower will have a non-controlling stake in the JV. The property sale along with the transfer of operations of the facilities to preeminent regional operators is anticipated to take place in the second and third quarters of the current year.

Also, as of Mar 31, 2021, the aggregate carrying value of Genesis loans receivable was $139 million.

Welltower Limits Genesis Ties, Enhances ProMedica JV – Mar 2, 2021

Welltower announced its plan to terminate leases with Genesis HealthCare for 51 of its properties in a move that will substantially end its relationship with the challenged nursing home giant. The company will pay $86 million as a lease termination fee to Genesis on the completion of the transaction. Net of the amount, the transaction is valued at $880 million or $144,000 per bed.

For these facilities, the healthcare REIT plans to transition to other leading regional skilled nursing operators and/or divest stake by forming a JV.

Per management, “The quality of the Company's portfolio and long-term growth prospects will be significantly enhanced following the transition of assets to regional operators and through the future deployment of proceeds received through these transactions."

Other than the Genesis transaction, Welltower along with its JV partner ProMedica will divest a 25-property portfolio of non-strategic skilled nursing facilities for $265 million. The properties were purchased in 2018 by the 80%/20% JV in 2018, and have an average age of 41 years.

The disposition is anticipated to be closed in tranches in the second and third quarters. The sale of the portfolio will be immediately accretive to EBITDAR coverage and the JV is likely to realize an unlevered IRR of 22% over the asset-ownership period of 2.5 years. Moreover, it enhances the quality of the JV portfolio, positioning it for continued growth, going forward.

Total sale proceeds from these entire transactions amount to $1,145 million.

Genesis Transaction Details

Welltower entered definitive agreements to dispose of 35 traditional skilled nursing facilities for nearly $500 million, by forming a JV with Aurora Health Network and Peace Capital. Also, operations of the facilities will be transitioned to preeminent regional operators in the upcoming months. Welltower will have a participating preferred equity stake in the JV, facilitating the company to enjoy additional value creation and drive growth.

Moreover, the company will incorporate nine PowerBack facilities, valuing $292 million, into its existing JV with ProMedica, thereby, bolstering the partnership. The JV partner will operate these properties under its recently-established ProMedica Senior Care brand.

Welltower entered a new lease agreement with a regional operator to transition the operations of the remaining seven skilled nursing facilities from Genesis. These properties are presently subleased by the company and carry a purchase option that can be exercised in April 2023. It plans to exercise the purchase option and hence has entered a $182-million forward sale agreement with the Aurora Health Network JV for the seven properties.

As for Genesis' loans and equity investment, Welltower noted that the net book value of loans outstanding to the former amount to roughly $137 million currently. Genesis will use the $86 million that it will receive as lease termination fees to repay its borrowings to Welltower.

Also, conditional on the achievement of certain restructuring milestones, Welltower will decrease Genesis' indebtedness by an additional $170 million in exchange for an equity stake in the operator. Specifically, Aurora is likely to inject capital into Genesis, following which Welltower will have a 15% equity ownership in Genesis, allowing the company to benefit from the expected post-COVID recovery in Genesis’ fundamentals.

At the closing of these transactions, Genesis will owe $167 million of debt to Welltower, which will be scheduled to mature on Jan 1, 2024.

Financial Impact

The future deployment of $745 million of transaction proceeds offers significant value accretion opportunities for Welltower. Moreover, the transactions will also significantly de-risk the company’s portfolio by reducing exposure to the troubled operator. While Genesis has fully paid all contractual rent to Welltower through February 2021, Welltower will recognize 8.5% unlevered IRR over the full term of the Genesis relationship.

However, the transaction will result in near-term earnings dilution. Specifically, the transaction is projected to be 16 cents dilutive to normalized FFO per share on a yearly basis. Yet, following the deployment of sale proceeds, the negative impact to normalized FFO per share will be reduced to 5 cents yearly.

Dividend Update

On Apr 28, Welltower announced a cash dividend of 61 cents per share for the first quarter. The dividend was paid out on May 20 to stockholders of record as of May 11. This marks the company’s 200th consecutive quarterly cash dividend payout.

Valuation

Welltower's shares have been up 66.5% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance have gained 28.4% and 46.7%, respectively, over the past year.

The S&P 500 Index is up 40.6% in the past year.

The stock is currently trading at 25.27X forward 12-month FFO, which compares to 22.00X for the Zacks sub-industry, 16.17X for the Zacks sector and 21.61X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 25.27X and as low as 7.82X, with a 5-year median of 16.54X. Our neutral recommendation indicates that the stock will perform in line with the market. Our $87 price target reflects 26.74X FFO.

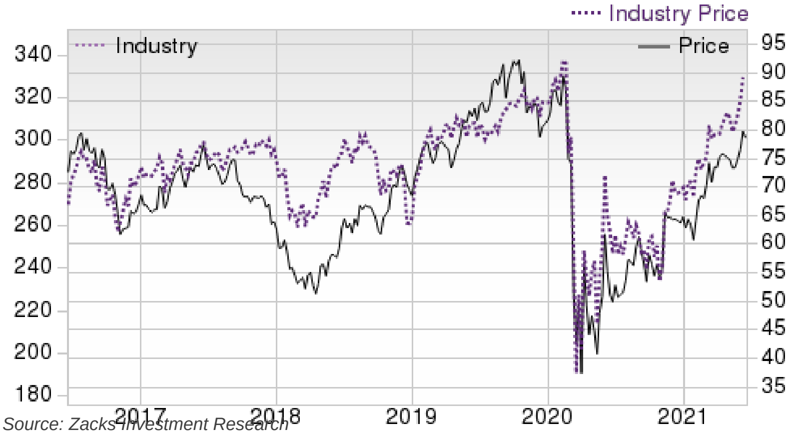
The table below shows summary valuation data for WELL.

Valuation Multiples - WELL

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	25.27	22.00	16.17	21.61
	5-Year High	25.27	22.00	17.25	23.83
	5-Year Low	7.82	14.57	11.60	15.31
	5-Year Median	16.54	16.41	14.94	18.05
P/S F12M	Current	7.59	8.54	8.56	4.69
	5-Year High	7.59	8.54	8.56	4.74
	5-Year Low	2.64	5.47	5.08	3.21
	5-Year Median	5.75	6.41	6.21	3.72
P/B TTM	Current	2.06	2.75	3.31	7.03
	5-Year High	2.35	2.80	3.43	7.08
	5-Year Low	0.82	1.63	1.77	3.84
	5-Year Median	1.76	2.33	2.64	5.02

As of 06/22/2021 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Bottom 21% (200 out of 252)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Healthcare Realty Trust Incorporated **(HR)**	Neutral	3
Healthcare Trust of America, Inc. **(HTA)**	Neutral	3
Medical Properties Trust, Inc. **(MPW)**	Neutral	3
Omega Healthcare Investors, Inc. **(OHI)**	Neutral	3
Healthpeak Properties, Inc. **(PEAK)**	Neutral	3
Ventas, Inc. **(VTR)**	Neutral	3
LTC Properties, Inc. **(LTC)**	Underperform	4
Sabra Healthcare REIT, Inc. **(SBRA)**	Underperform	5

The positions listed should not be deemed a recommendation to buy, hold or sell.

Industry Comparison Industry: Reit And Equity Trust - Other

Industry Peers

	WELL	X Industry	S&P 500	OHI	PEAK	VTR
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	C	-	-	C	D	C
Market Cap	34.33 B	2.97 B	30.14 B	8.62 B	18.15 B	21.96 B
# of Analysts	11	4	12	4	8	11
Dividend Yield	2.97%	2.80%	1.35%	7.31%	3.56%	3.07%
Value Score	D	-	-	C	D	C
Cash/Price	0.08	0.03	0.06	0.01	0.01	0.01
EV/EBITDA	30.20	19.16	17.08	19.60	22.07	20.44
PEG F1	5.54	3.16	2.05	4.53	5.42	5.80
P/B	2.06	1.53	4.08	2.08	2.48	2.18
P/CF	16.92	15.95	17.37	17.09	18.75	14.34
P/E F1	26.85	19.29	20.93	10.97	21.25	20.26
P/S TTM	7.80	7.70	3.37	9.44	8.76	5.95
Earnings Yield	3.75%	4.88%	4.67%	9.12%	4.72%	4.94%
Debt/Equity	0.87	0.86	0.66	1.30	0.79	1.17
Cash Flow ($/share)	4.86	1.70	6.83	2.14	1.80	4.08
Growth Score	C	-	-	C	D	C
Historical EPS Growth (3-5 Years)	-4.49%	0.89%	9.59%	-1.76%	-11.29%	-4.91%
Projected EPS Growth (F1/F0)	-13.38%	6.22%	21.62%	3.41%	-3.35%	-12.95%
Current Cash Flow Growth	-10.86%	-2.34%	0.99%	-24.72%	31.62%	2.35%
Historical Cash Flow Growth (3-5 Years)	3.37%	10.49%	7.28%	2.92%	241.03%	2.33%
Current Ratio	3.89	1.63	1.39	3.73	1.26	0.69
Debt/Capital	47.11%	46.63%	41.51%	56.59%	44.06%	53.87%
Net Margin	16.82%	11.08%	11.95%	25.12%	13.47%	-2.47%
Return on Equity	5.66%	2.61%	16.48%	5.63%	-1.56%	-0.89%
Sales/Assets	0.13	0.11	0.51	0.10	0.13	0.15
Projected Sales Growth (F1/F0)	-4.76%	6.15%	9.48%	20.25%	-9.55%	-2.67%
Momentum Score	A	-	-	F	A	A
Daily Price Change	2.04%	-0.43%	0.51%	-0.16%	-0.47%	1.60%
1-Week Price Change	-1.47%	-4.28%	0.00%	-5.01%	-4.86%	-2.62%
4-Week Price Change	9.88%	3.50%	1.39%	0.44%	0.39%	5.67%
12-Week Price Change	12.74%	7.01%	7.27%	-1.35%	5.32%	6.98%
52-Week Price Change	59.71%	25.58%	35.61%	25.31%	24.88%	65.09%
20-Day Average Volume (Shares)	1,978,499	683,034	1,876,146	2,075,067	3,789,044	1,662,130
EPS F1 Estimate 1-Week Change	0.83%	0.00%	0.00%	0.26%	0.08%	0.06%
EPS F1 Estimate 4-Week Change	1.04%	0.00%	0.03%	-2.91%	0.16%	0.24%

EPS F1 Estimate 12-Week Change	-0.18%	0.41%	3.59%	-0.02%	0.41%	-1.37%
EPS Q1 Estimate Monthly Change	3.48%	0.00%	0.00%	-2.44%	0.28%	0.71%

Source: Zacks Investment Research

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we maintain a balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	D
Growth Score	C
Momentum Score	A
VGM Score	C

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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Returns quoted represent past performance which is no guarantee of future results. Investment returns and principal value will fluctuate so that when shares are redeemed, they may be worth more or less than their original cost. Current performance may be higher or lower than the performance shown.

Investing involves risk; principal loss is possible. There is no guarantee that companies that can issue dividends will declare, continue to pay or increase dividends.

Glossary of Terms and Definitions

52-Week High-Low: The range of the highest and lowest prices at which a stock has traded during the past year. This range is determined based on the stock's daily closing price which may differ from the intra-day high or low. Many investors use it as a technical indicator to determine a stock's current value and future price movement. The idea here is that if price breaks out from the 52-week range, in either direction, the momentum may continue in the same direction.

20-Day Average Volume (Shares): The average number of shares of a company traded in a day over the last 20 days. It is a direct indication of a security's overall liquidity. The higher the average daily trading volume, the easier it is to enter or exit the stock at a desired price with more buyers and sellers being available.

Daily Price Change: This is the percentage difference between a trading day's closing price and the prior trading day's closing price. This item is updated at 9 p.m. EST each day.

1-Week Price Change: This is the percentage change in a stock's closing price over the last 5 trading days. This change reflects the collective buying and selling sentiment over the 1-week period.

A strong weekly price increase for the stock, especially when accompanied by increased volume, is an indication of it gaining momentum.

4-Week Price Change: This is the percentage change in a stock's closing price over the last 20 trading days or past 4 weeks. This is a mediumterm price change metric and an indication of the stock gaining momentum.

12-Week Price Change: This is the percentage change of a stock's closing price over the last 60 trading days or past 12 weeks. Similar to 4-week price change, this is a medium-term price change metric. It shows whether a stock has been enjoying strong investor demand, or if it has been in consolidation, or distress over this period.

52-Week Price Change: This is the percentage change in a stock's closing price over the last 260 trading days or past 52 weeks. This long-term price change metric is a good reference point for investors. Some investors seek stocks with the best percentage price change over the last 52 weeks, expecting the momentum to continue.

Market Cap: The number of outstanding common shares of a company times its latest price per share. This figure represents a company's size, which indicates various characteristics, including price stability and risk, in which investors could be interested.

Year-To-Date Price Change: Change in a stock's daily closing price in the period of time beginning the first day of the current calendar year through to the previous trading day.

# of Analysts: Number of EPS estimates used in calculating the current-quarter consensus. These estimates come from the brokerage analysts tracking this stock. However, the number of such analysts tracking this stock may not match the number of estimates, as all brokerage analysts may not come up with an estimate or provide it to us.

Beta: A measure of risk commonly used to compare the volatility of a stock to the overall market. The S&P 500 Index is the base for calculating beta and carries a value of 1. A stock with beta below 1 is less risky than the market as a whole. And a stock with beta above 1 is riskier.

Dividend: The portion of earnings a company is expected to distribute to its common shareholders in the next 12 months for each share they own. Dividends are usually paid quarterly. Dividend payments reflect positively on a company and help maintain investors' trust. Investors typically find dividend-paying stocks appealing because the dividend adds to any market price appreciation to result in higher return on investment (ROI). Moreover, a steady or increasing dividend payment provides investors a cushion in a down market.

Dividend Yield: The ratio of a company's annual dividend to its share price. The annual dividend used in the ratio is calculated based on the mostrecent dividend paid by the company. Dividend yield is an estimate of the dividend-only return from a stock in the next 12 months. Since dividend itself doesn't change frequently, dividend yield usually changes with a stock's price movement. As a result, often an unusually high dividend yield is a result of weak stock price.

S&P 500 Index: The Standard & Poor's 500 (S&P 500) Index is an unmanaged group of securities considered to be representative of the stock market in general. It is a market-capitalization-weighted index of stocks of the 500 largest U.S. companies. Each stock's weight in the index is proportionate to its market value.

Industry: One of the 250+ groups that Zacks classifies all stocks into based on the nature of business. These groups are termed as expanded (aka "X") industries and map to their respective (economic) sectors; Zacks has 16 sectors.

Zacks Industry Rank: The Zacks Industry Rank is determined by calculating the average Zacks Rank for all stocks in the industry and then assigning an ordinal rank to it. For example, an industry with an average Zacks Rank of 1.6 is better than an industry with an average Zacks Rank of 2.3. So, the industry with the better average Zacks Rank would get a better Zacks Industry Rank. If an industry has the best average Zacks Rank, it would be considered the top industry (1 out of 250+), which would place it at the top 1% of Zacks-ranked industries. Studies have shown that roughly half of a stock's price movement can be attributed to the industry group it belongs to. In fact, the top 50% of Zacks-ranked industries outperforms the bottom 50% by a factor of more than 2 to 1.

Last EPS Surprise: The percentage deviation of a company's last reported earnings per share from the Zacks Consensus Estimate. Companies with a positive earnings surprise are more likely to surprise again in the future (or miss again if they recently missed).

Last Sales Surprise: The percentage deviation of a company's last reported sales from the Zacks Consensus Estimate.

Expected Report Date: This is an estimated date of a company's next earnings release. The information originated or gathered by Zacks Investment Research from its information providers or publicly available sources is the basis of this estimate.

Earnings ESP: The Zacks Earnings ESP compares the Most Accurate Estimate to the Zacks Consensus Estimate for the yet-to-be reported quarter. The Most Accurate Estimate is the most recent version of the Zacks Consensus EPS Estimate. The idea here is that analysts revising their estimates closer to an earnings release have the latest information, which could potentially be more accurate than what they and others contributing to the consensus had predicted earlier. Thus, a positive or negative Earnings ESP reading theoretically indicates the likely deviation of the actual earnings from the consensus estimate. However, the model's predictive power is significant for positive ESP readings only. A positive Earnings ESP is a strong predictor of an earnings beat, particularly when combined with a Zacks Rank #1 (Strong Buy), #2 (Buy) or #3 (Hold). Our research shows that stocks with this combination produce a positive surprise nearly 70% of the time.

Periods:

TTM: Trailing 12 months. Using TTM figures is an effective way of analyzing the most-recent financial data in an annualized format that helps neutralize the effects of seasonality and other quarter-to-quarter variation.

F1: Current fiscal year. This period is used to analyze the estimates for the ongoing full fiscal year.

F2: Next fiscal year. This period is used to analyze the estimates for the next full fiscal year.

F12M: Forward 12 months. Using F12M figures is an effective way of analyzing the near-term (the following four unreported quarters) estimates in an annualized manner. Instead of typically representing estimates for the full fiscal year, which may not represent the nitty-gritty of each quarter, F12M figures suggest an all-inclusive annualized estimate for the following four quarters. The annualization helps neutralize the potential effects of seasonality and other quarter-to-quarter variations.

P/E Ratio: The price-to-earnings ratio measures a company's current market price per share relative to its earnings per share (EPS). Usually, the trailing-12-month (TTM) EPS, current-fiscal-year (F1) EPS estimate, or forward-12-month (F12M) EPS estimate is used as the denominator. In essence, this ratio shows what the market is willing to pay today for each dollar of EPS. In other words, this ratio gives a sense of what the relative value of the company is at the already reported level of earnings or at a future level of earnings.

It is one of the most widely-used multiples for determining the value of a company and helps comparing its valuation with that of a competitor, the industry group or a benchmark.

PEG Ratio: The price/earnings to growth ratio is a stock's P/E ratio using current fiscal year (F1) EPS estimate divided by its expected EPS growth rate over the coming 3 to 5 years. This ratio essentially determines a stock's value by factoring in the company’s expected earnings growth and is thus believed to provide a more complete picture than just the P/E ratio, particularly for faster-growing companies.

P/S Ratio: The price-to-sales ratio is calculated as a company’s current price per share divided by trailing 12 months (TTM) sales or revenues per share. This ratio shows what the market is willing to pay today for each dollar of TTM sales per share. The P/S ratio is at times the only valuation metric when the company has yet to become profitable.

Cash/Price Ratio: The cash-to-price ratio or Cash Yield is calculated as cash and marketable securities per share divided by the company’s current share price. Like the earnings yield, which shows the anticipated yield (or return) on a stock from earnings for each dollar invested, the cash yield does the same, with cash being the source of return instead of earnings. For example, a cash/price ratio of 0.08 suggests a return of 8% or 8 cents for every $1 investment.

EV/EBITDA Ratio: The EV/EBITDA ratio, also known as Enterprise Multiple, is calculated as a company’s enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by EBITDA (earnings before interest, taxes, depreciation and amortization). Usually, trailing-12-month (TTM) or forward-12-month (F12M) EBITDA is used as the denominator.

EV/Sales Ratio: The enterprise value-to-sales ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by annual sales. It is an expansion of the P/S valuation, which uses market value instead of enterprise value. The EV/Sales ratio is perceived as more accurate than P/S, in part, because the market capitalization does not take a company's debt into account when valuing it.

EV/CF Ratio: The enterprise value-to-cash flow ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by the trailing-12-month (TTM) operating cash flow. It's a measure of how long it would take to buy the entire business if you were able to use all the company's operating cash flow.

The EV/CF ratio is perceived as more accurate than the P/CF ratio, in part, because the market price does not take a company's debt into account when valuing it.

EV/FCF Ratio: The enterprise value-to-free cash flow metric compares a company's enterprise value to its trailing-12-month (TTM) free cash flow (FCF). This metric is very similar to the EV/CF ratio, but is considered a more exact measure owing to the fact that it uses free cash flow, which subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding growth activities and payments to shareholders.

P/EBITDA Ratio: The P/EBITDA ratio is calculated as a company's per share market value divided by EBITDA (earnings before interest, taxes, depreciation, and amortization). This metric is very similar to the EV/EBITDA ratio, but is considered a little less exact measure as it uses market price, which does not take a company's debt into account. However, since EBITDA is often considered a proxy for cash income, the metric is used as a measure of what the market is willing to pay today for each dollar of the company's cash profitability in the trailing 12 months (TTM) or forward 12 months (F12M).

P/B Ratio: The price-to-book ratio is calculated as a company's current price per share divided by its book value (total assets – liabilities – preferred stocks) per share. In short, the book value is how much a company is worth. In other words, it reflects the total value of a company's assets that its common shareholders would receive if it were to be liquidated. So, the P/B ratio indicates whether you're paying higher or lower than what would remain if the company went bankrupt immediately. Investors typically use this metric to determine how a company's stock price stacks up to its intrinsic value.

P/TB Ratio: The price-to-tangible-book value ratio is calculated as a the per share market value of a company divided by the value of its tangible assets (total assets – liabilities – preferred stocks – intangible assets) per share. Tangible book value is the same thing as book value except it excludes the value of intangible assets to get a step closer to the baseline value of the company.

P/CF Ratio: The price-to-cash flow ratio measures a company's per share market price relative to its trailing-12-month (TTM) operating cash flow per share. This metric is used to determine whether a company is undervalued or overvalued relative to another stock, industry or sector. And like the P/E ratio, a lower number is typically considered better from the value perspective.

One of the reasons why P/CF ratio is often preferred over P/E ratio is the fact that operating cash flow adds back non-cash expenses such as depreciation and amortization to net income. This feature helps valuing stocks that have positive cash flow but are not profitable because of large noncash charges.

P/FCF Ratio: The price-to-free cash flow ratio is an extension of P/CF ratio, which uses trailing-12-month (TTM) free cash flow per share instead of operating cash flow per share. This metric is considered a more exact measure than P/CF ratio, as free cash flow subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding activities that generate additional revenues.

Earnings Yield: The earnings yield is calculated as current fiscal year (F1) EPS estimate divided by the company's current share price. The ratio, which is the inverse of the P/E ratio, measures the anticipated yield (or return) from earnings for each dollar invested in a stock today.

For example, earnings yield for a stock, which is trading at $35 and expected to earn $3 per share in the current fiscal year (F1), would be 0.0857 (3/35 = 0.0857) or 8.57%. In other words, for $1 invested in the stock today, the yield from earnings is anticipated to be 8.57 cents.

Investors most commonly compare the earnings yield of a stock to that of a broad market index (such as the S&P 500) and prevailing interest rates, such as the current 10-year Treasury yield. Since bonds and stocks compete for investors' dollars, stock investors typically demand a higher yield for the extra risk they assume compared to investors of U.S. Treasury-backed securities that offer virtually risk-free returns. This additional return is referred to as the risk premium.

Debt/Equity Ratio: The debt-to-equity ratio is calculated as a company's total liabilities divided by its shareholder equity. This metric is used to gauge a company's financial leverage. In other words, it is a measure of the degree to which a company is financing its operations through debt versus its own funds. The higher the ratio, the higher the risk for shareholders.

However, this ratio is difficult to compare across industry groups where ideal amounts of debt vary. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-equity ratio should be compared with other companies in the same industry.

Cash Flow ($/share): Cash flow per share is calculated as operating cash flow (after-tax earnings + depreciation + other non-cash charges) divided by common shares outstanding. It is used by many investors as a measure of a company's financial strength. Since cash flow per share takes into consideration a company's ability to generate cash by adding back non-cash expenses, it is regarded by some as a more accurate measure of a company's financial situation than earnings per share, which could be artificially deflated.

Current Ratio: The current ratio or liquidity ratio is a company's current assets divided by its current liabilities. It measures a company's ability to pay short-term obligations. A current ratio that is in line with the industry average or slightly higher is generally considered acceptable. A current ratio that is lower than the industry average would indicate a higher risk of distress or default. A higher number is usually better. However, a very high current ratio compared to the industry average could be an indication of inefficient use of assets by management.

Debt/Capital Ratio: Debt-to-capital ratio is a company's total debt (interest-bearing debt + both short- and long-term liabilities) divided its total capital (interest-bearing debt + shareholders' equity). It is a measure of a company's financial leverage. All else being equal, the higher the debt-to-capital ratio, the riskier the stock.

However, this ratio can vary widely from industry to industry, the ideal amount of required debt being different. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-capital ratio should be compared with the same for its industry.

Net Margin: Net margin is calculated as net income divided by sales. It shows how much of each dollar in sales generated by a company translates into profit. For example, if a company's net margin is 15%, its net income is 15 cents for every $1 of sales it makes.

A change in margin can reflect either a change in business conditions, or a company's cost controls, or both. If a company's expenses are growing faster than sales, its net margin will decline. However, different net margin rates are considered good for different industries, so it's better to compare net margin rates of companies in the same industry group.

Return on Equity: Return on equity (ROE) is calculated as trailing-12-month net income divided by trailing-12-month average shareholder equity (including reinvested earnings). This metric is considered a measure of how effectively management is using a company's assets to generate profits. For example, if a company's ROE is 10%, it creates 10 cents profits for every $1 shareholder equity, which is basically the company's assets minus debt. A company's ROE deemed good or bad depends on what's normal for its peers or industry group.

Sales/Assets Ratio: The sales-to-assets ratio or asset utilization ratio or asset turnover ratio is calculated as a company's annual sales divided by average assets (average of assets at the beginning of the year and at the year's end). This metric helps investors understand how effectively a company is using its assets to generate sales. For example, a sales-to-assets ratio of 2.5 indicates that the company generated $2.50 in sales for every $1 of assets on its books.

The higher the sales-to-assets ratio, the better the company is performing. However, similar to many other ratios, the asset turnover ratio tends to be higher for companies in certain industries/sectors than in others. So, a company's sales-to-assets ratio should be compared with the same for its industry/sector.

Historical EPS Growth (3-5 Years): This is the average annual (trailing-12-month) EPS growth rate over the last 3-5 years. This metric helps investors see how a company's EPS has grown from a long-term perspective.

Note: There are many factors that can influence short-term numbers — a recession will reduce this number, while a recovery will inflate it. The longterm perspective helps smooth out short-term events.

Projected EPS Growth (F1/F0): This is the estimated EPS growth rate for the current financial year. It is calculated as the consensus estimate for the current fiscal year (F1) divided by the reported EPS for the last completed fiscal year (F0).

Current Cash Flow Growth: It measures the latest year-over-year change in operating cash flow. Cash flow growth tells an investor how quickly a company is generating inflows of cash from operations. A positive change in the cash flow is desired and shows that more 'cash' is coming in than going out.

Historical Cash Flow Growth (3-5 Years): This is the annualized change in cash flow over the last 3-5 years. The change in a longer period helps put the current reading into proper perspective. By looking at the rate, rather than the actual dollar value, the comparison across the industry and peers becomes easier.

Projected Sales Growth (F1/F0): This metric looks at the estimated sales growth for the current year. It is calculated as sales estimate for the current fiscal year (F1) divided by the reported sales for the last completed fiscal year (F0).

Like EPS growth, a higher rate is better for sales growth. A look at a company's projected sales growth instantly tells you what the outlook is for their products and services. However, different sales growth rates are considered good for different industries, so it's better to compare sales growth rates of companies in the same industry group.

EPS F1 Estimate 1-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past week. The change in a company's consensus EPS estimate (or earnings estimate revision) has proven to be strongly correlated with the near-term price movement of its shares. It is an integral part of the Zacks Rank.

If a stock's consensus EPS estimate is $1.10 now versus $1.00 a week ago, that will be reflected as a 10% upward revision. If, on the other hand, it went from $1.00 to 90 cents, that would be a 10% downward revision.

EPS F1 Estimate 4-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past four weeks.

A stock's earnings estimate revision in a 1-week period is important. But it's more meaningful to look at the longer-term revision. And, of course, the 4-week change helps put the 1-week change into proper perspective.

EPS F1 Estimate 12-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past 12 weeks.

This metric essentially shows how the consensus EPS estimate has changed over a period longer than 1 week or 4 weeks.

EPS Q1 Estimate Monthly Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal quarter over the past four weeks.

While the revision in consensus EPS estimate for the current fiscal year is strongly correlated with the near-term price movement of its shares, the estimate revision for the current fiscal quarter is an important metric as well, especially over the short term, and particularly as a stock approaches its earnings date. If a stock's Q1 EPS estimate decreases ahead of its earnings release, it's usually a negative sign, whereas an increase is a positive sign.