

3 Healthcare High Dividend Stocks Beating The Market Pullback

by Robert Hauver

Looking for a safe place to hide during this latest market pullback? Healthcare was not only the leading sector in 2014- it has also led the market for most of 2015. Here's a look at how the Healthcare sector has fared vs. the S&P 500, over the last 3 months, which just about coincides with the market highs of September 18, 2014. The Healthcare sector is up 3.81%, vs. a -1.44% loss for the S&P 500:



Digging further, we found 2 high dividend stocks within the Healthcare sector, which have both outperformed this sector and the market - HCP Inc., (HCP), (a Dividend Aristocrat), and Sabra Healthcare REIT, Inc., (SBRA).

Here's a chart of these 2 dividend paying stocks over the same 3-month period, vs. the S&P 500. HCP is up nearly 10%, and SBRA is up nearly 7% during this period, vs. a -1.44% loss for the S&P 500:



Dividends: Our [High Dividend Stocks By Sector Tables](#), lists both of these stocks, in the Healthcare section. In addition, we also follow a third related high yield stock- Sabra's preferred stock issue, SBRAP, which currently yields nearly 7%, and has also beaten the market during this same 3-month period, having risen 3.08%.

Although HCP has a low 5-year dividend growth rate of 2.94%, it has increased its dividend per share for 29 consecutive years.

SBRA has raised its quarterly dividend from \$.32 in 2011, to the current \$.39 payout. Sabra amply covers its SBRAP preferred dividends by a factor of 3.22, i.e. its net income is 3.22 times its preferred dividend payout.

Ticker	Forward Common Dividend Yield	Most Recent Quarterly Dividend	Next Ex-Dividend Date	FFO PAYOUT RATIO (ttm)	Pay Date
HCP	4.86%	\$0.5450	2/6/15	71.24%	2/25/14
SBRA	5.98%	\$0.3900	2/12/15	99.35%	2/26/14
SBRAP	6.83%	\$0.4453125	2/12/15	Preferred Dividend Coverage: 3.22x	2/26/14

Preferred Long-Term Yield: The table below summarizes your net annualized yield for SBRAP, based upon 2 conditions:

1. You were to hold SBRAP until its 2018 liquidation date
2. Sabra redeems/buys back your SBRAP shares at the call date

Since SBRAP is trading at \$1.08 above its \$25.00 liquidation price, we subtracted this amount from the dividends that you'd collect between now and 3/21/18. You'd end up with a \$4.71 net profit, which equals a 5.54% annualized yield:

Ticker	12/17/14 Price	Quarterly Dividend	LIQUIDATION PRICE	Pre-Call Date Dividends	BREAKEVEN; Dividends + Price Gains vs. Liquidation Price	CURRENT PRICE VS. CALL PRICE	CALL DATE	TOTAL LIQUIDATION PROFIT AT CALL DATE	ANNUALIZED YIELD
SBRAP	\$26.08	\$0.4453125	\$25.00	\$5.789	\$21.37	\$1.08	3/21/18	\$4.71	5.54%

Options: Our [Covered Calls Table](#) and [Cash Secured Puts Table](#) don't yet carry any call options or put options for HCP or SBRA, as their options yields aren't currently that attractive. However, we do have over 30 other trades in each of these tables, which offer interesting income opportunities.

Valuations: Although HCP is a much larger firm than SBRA, (its market cap is over 13 times that of SBRA), surprisingly, the 2 firms have very similar Price/Book and Price/Sales valuations. In terms of share price/Funds From Operations, (Price/FFO), SBRA seems to be getting a higher price from the market, partially because of its higher dividend yield. (Funds From Operations typically strips out depreciation and amortization from expenses, and is used extensively by REIT's, to give investors a clearer idea of how much money the firm has to pay dividends.)

Ticker	Company	Industry	Market Cap	Country
HCP	HCP, Inc.	REIT - Healthcare Facilities	\$20.45B	USA
SBRA	Sabra Health Care REIT, Inc.	REIT - Healthcare Facilities	\$1.54B	USA
		INDUSTRY AVERAGES	\$5.90B	

Ticker	12/17/14 Price	Price/FFO (trailing 12 months)	P/E	Forward P/E	P/Sales	P/Book
HCP	\$44.83	14.65	21.93	21.59	9.32	1.90
SBRA	\$26.10	16.95	47.07	18.41	9.31	2.02
		INDUSTRY AVERAGES	67.98	33.48	10.34	2.35

Financials: In addition to having a much lower debt load, HCP is the clear winner in its management efficiency ratios, although SBRA does have a slightly higher operating margin.

Ticker	Return on Assets	Return on Equity	Return on Investment	Total Debt/Equity	Operating Margin
HCP	6.30%	11.80%	6.50%	0.86	59.00%
SBRA	1.90%	4.90%	3.00%	1.94	62.10%
INDUSTRY AVERAGES	3.16%	7.32%	4.34%	1.14	42.02%

Earnings: The market also seems to be favoring SBRA over HCP, due to SBRA's stronger growth in revenue, funds from operations, in addition to dividend growth:

	Growth: 2014 vs. 2013 (Q1-Q3) HCP	Growth: 2014 vs. 2013 (Q1-Q3) SBRA
REVENUE:	5.94%	31.46%
NET INCOME/DILUTED COMMON SHARES	6.04%	5.13%
FUNDS FROM OPERATIONS(FFO)	0.27%	14.61%
COMMON DIVIDENDS PAID (2014 vs. 2013)	3.81%	11.03%

Company Profiles:

HCP: Invests primarily in real estate serving the healthcare industry in the United States. HCP's portfolio of assets is diversified among 5 distinct sectors: senior housing, post-acute/skilled nursing, life science, medical office and hospitals. A publicly traded company since 1985, HCP was the first healthcare REIT selected to the S&P 500 index.

SBRA: investment portfolio included 154 real estate properties held for investment and leased to operators/tenants under triple-net lease agreements, consisting of 102 skilled nursing/transitional care facilities, 50 senior housing facilities, and two acute care hospitals, plus 14 debt investments.

Disclosure: Author had no positions yet in HCP or SBRA at the time of this publication

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