



RPT Realty (RPT)

Updated December 5th, 2021 by Nikolaos Sismanis

Key Metrics

Current Price:	\$13.02	5 Year CAGR Estimate:	5.2%	Market Cap:	\$1.09 B
Fair Value Price:	\$11.96	5 Year Growth Estimate:	2.5%	Ex-Dividend Date:	12/17/2021
% Fair Value:	109%	5 Year Valuation Multiple Estimate:	-1.7%	Dividend Payment Date:	01/03/2021
Dividend Yield:	3.7%	5 Year Price Target	\$13.53	Years Of Dividend Growth:	1
Dividend Risk Score:	D	Retirement Suitability Score:	D	Last Dividend Increase:	60%

Overview & Current Events

RPT Realty is a Real Estate Investment Trust (REIT) engaged in the business of owning and operating a national portfolio of open-air shopping destinations principally located in the top U.S. markets. The company's portfolio currently consists of 57 multi-tenant shopping centers (including nine shopping centers owned through a joint venture) and 30 net lease retail properties, which together represent 14.0 million square feet of gross leasable area. As of its latest filings, the company's pro-rata share of the aggregate portfolio was 92.5% leased. RPT realty generates around \$200 million in annual rental revenues and is headquartered in New York, New York.

On November 3rd, 2021, RPT Realty reported its Q3-2021 results for the period ending September 30th, 2021. Total revenues came in \$55.2 million, 18.7% higher year-over-year. Specifically, rental income, the company's biggest revenue contributor, grew 17.6% to \$53.3 million.

FFO came in at \$24.0 million, or \$0.27 per diluted share, compared to \$16.6 million, or \$0.20 per diluted share for the same period in 2020. The increase was primarily driven by lower rental income not probable of collection and straight-line rent reserves and higher NOI (net operating income) from acquisitions completed in 2021. Specifically, same-property NOI grew 9.6% year-over-year, while rental income not probable of collection and higher base rent contributed 9.9% and 1.1% to same property NOI growth, respectively.

During the third quarter of 2021, RPT Realty signed 52 leases totaling 280,453 square feet. Blended re-leasing spreads on comparable leases were 8.2%, with an annualized base rent of \$15.93 per square foot. Re-leasing spreads on six comparable new, and 31 renewal leases, were 16.0% and 5.2%, respectively. Hence the growth in same-property NOI.

Through November 3rd (subsequently to the quarter-end), RPT had acquired nine multi-tenant, open-air shopping centers valued at \$499.4 million or \$351.1 million at the company's pro-rata share, covering 2.6 million square feet.

Following a better-than-expected quarter, management raised its FY-2021 FFO per diluted share guidance to \$0.90 to \$0.94 from \$0.88 to \$0.92 previously. We have utilized the midpoint of this range in our calculations.

Growth on a Per-Share Basis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
FFO/shr	\$0.71	\$1.02	\$1.16	\$0.95	\$1.36	\$1.35	\$1.34	\$1.23	\$1.00	\$0.81	\$0.92	\$1.04
DPS	\$0.65	\$0.66	\$0.71	\$0.78	\$0.82	\$0.86	\$0.88	\$0.88	\$0.88	\$0.22	\$0.48	\$0.77
Shares¹	38.5	44.1	59.7	72.1	79.0	79.4	79.5	80.1	87.7	80.0	86.4	100.0

RPT Realty's performance has been rather stable over the past decade. That said, the company has not delivered meaningful FFO/share growth, with retail locations, and especially shopping malls, struggling to attract satisfactory rent growth levels, and frequently suffering from soft occupancy levels.

Going forward, FFO/share is to potentially be powered by RPT's acquisition pipeline and rental hikes. Specifically, the company recently closed over \$500 million of gross acquisitions of multi and single-tenant properties platforms in high growth, target markets of Boston, Atlanta, Nashville, and Tampa. Boston, in fact, which is a high-growth market, should

¹ Share count is in millions.

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be moving from no exposure in RPT's portfolio to its third-largest market. The company's strong new lease spreads as of recently could be indicating further growth in NOI going forward. Still, we remain prudent due to the uncertainty surrounding the industry. Hence, we forecast FFO/share growth of 2.5% through 2026. In terms of the dividend, RPT slashed it during the Great Financial Crisis and once again last year amid COVID-19 adversely impacting shopping centers. We have utilized a 10% DPS CAGR in the medium term, expecting payouts to gradually recover closer to RPT's FFO/share levels.

Valuation Analysis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Now	2026
Avg. P/FFO	12.7	11.6	13.3	17.9	11.4	13.3	9.4	11.0	12.5	8.6	14.2	13.0
Avg. Yld.	7.0%	5.1%	4.5%	4.4%	4.6%	5.6%	6.4%	6.9%	7.2%	2.8%	3.7%	5.7%

RPT's P/FFO has been rather consistent over the past decade, hovering between the high-single and low double-digits. The multiple appears slightly expanded based on RPT's current price and expected FFO/share, likely due to investors expecting modest growth ahead. Still, we feel that a P/FFO of around 13 better suits the company's risk profile.

Safety, Quality, Competitive Advantage, & Recession Resiliency

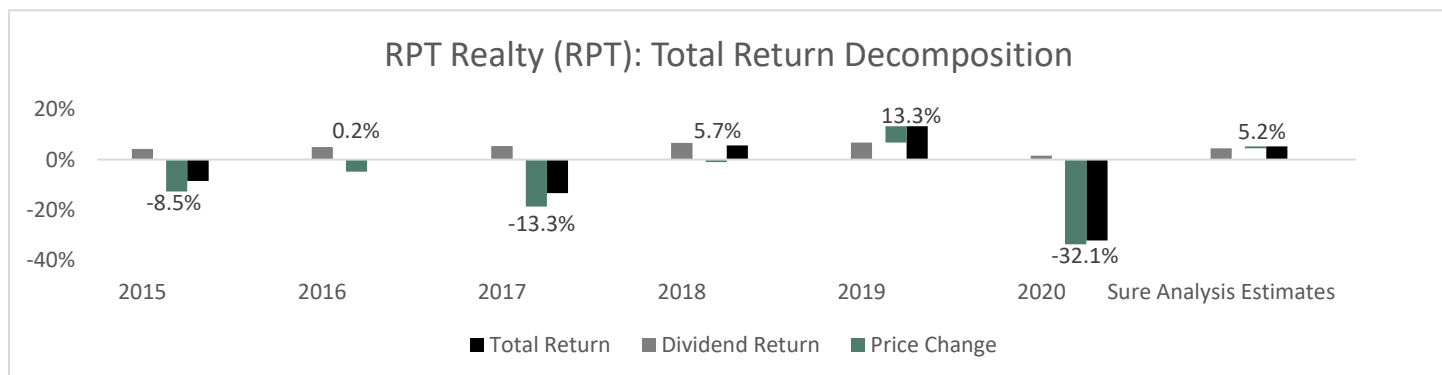
Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
Payout	92%	65%	61%	82%	60%	64%	66%	72%	88%	27%	52%	74%

While RPT's dividend has been slashed twice since 2007, we consider the current payout levels rather comfortable, likely supporting modest DPS hikes in the medium term as well. The company does not possess any particular competitive advantages. However, it does showcase some attractive characteristics. 100% of RPT's shopping centers are open-air, likely to attract higher foot traffic during the ongoing pandemic. Further, 70% of the portfolio has a grocery-anchored component, while due to its credit-worthy tenants, the occupancy rate stood at 91.1% during Q3, having held up relatively well since the start of the pandemic. Nonetheless, a prolonged recession or events that would damage retail sales could severely impact the company.

Final Thoughts & Recommendation

RPT's potential to grow in the medium term appears plausible, but the current environment certainly does not help its mission. The stock's performance has been rather underwhelming historically, while last year's cut illustrated RPT's vulnerability during a challenging economic environment. Our expected FFO/share and DPS growth rates combined with the possibility for a valuation compression point towards annualized returns of 5.2%. RPT earns a hold rating as a result.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	114	125	170	218	252	261	265	261	234	192
Gross Profit	81	90	124	156	178	186	187	185	163	128
Gross Margin	70.8%	72.1%	72.7%	71.4%	70.8%	71.3%	70.4%	70.9%	69.5%	66.6%
SG&A Exp.	20	19	21	22	20	22	23	31	30	26
D&A Exp.	37	40	57	81	89	92	91	87	79	77
Operating Profit	27	32	46	53	69	72	73	66	54	25
Operating Margin	24.0%	25.9%	27.3%	24.3%	27.3%	27.7%	27.5%	25.4%	23.1%	12.9%
Net Profit	(27)	7	11	(2)	65	60	69	18	92	(10)
Net Margin	-23.4%	5.8%	6.5%	-1.1%	25.9%	22.9%	26.1%	6.8%	39.1%	-5.3%
Free Cash Flow	20	24	41	30	45	49	55	29	34	40
Income Tax	1	(0)	0	0	0	0	0	0	0	(0)

Balance Sheet Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Assets	1,049	1,165	1,652	1,944	2,136	2,061	2,030	1,928	1,919	1,950
Cash & Equivalents	12	4	6	9	7	4	8	41	110	209
Accounts Receivable	26	23	25	28	43	43	46	45	45	44
Goodwill & Int. Ass.	14	26	70	79	91	77	64	49	36	28
Total Liabilities	568	605	854	1,046	1,232	1,173	1,145	1,097	1,070	1,149
Accounts Payable	19	22	32	44	54	57	57	56	55	45
Long-Term Debt	519	541	753	918	1,084	1,021	999	963	931	1,028
Shareholder's Equity	349	430	670	772	790	775	772	720	736	690
D/E Ratio	1.15	1.02	0.98	1.05	1.23	1.18	1.16	1.19	1.12	1.31

Profitability & Per Share Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Return on Assets	-2.5%	0.7%	0.8%	-0.1%	3.2%	2.8%	3.4%	0.9%	4.8%	-0.5%
Return on Equity	-7.1%	1.8%	2.0%	-0.3%	8.3%	7.6%	8.9%	2.4%	12.6%	-1.4%
ROIC	-2.7%	0.7%	0.8%	-0.1%	3.4%	3.1%	3.6%	1.0%	5.1%	-0.6%
Shares Out.	38.5	44.1	59.7	72.1	79.0	79.4	79.5	80.1	87.7	80.0
Revenue/Share	2.97	2.84	2.85	3.03	3.19	3.28	3.33	3.25	2.67	2.40
FCF/Share	0.53	0.54	0.69	0.41	0.57	0.61	0.69	0.36	0.39	0.50

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

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