



Urstadt Biddle Properties Inc. (UBP)

Updated December 17th, 2021 by Nikolaos Sismanis

Key Metrics

Current Price:	\$18.77	5 Year CAGR Estimate:	5.9%	Market Cap:	\$809.7 M
Fair Value Price:	\$18.13	5 Year Growth Estimate:	2.0%	Ex-Dividend Date:	01/04/2022
% Fair Value:	104%	5 Year Valuation Multiple Estimate:	-0.7%	Dividend Payment Date:	01/14/2022
Dividend Yield:	4.6%	5 Year Price Target	\$20.01	Years Of Dividend Growth:	1
Dividend Risk Score:	F	Retirement Suitability Score:	D	Last Dividend Increase:	3.6%

Overview & Current Events

Urstadt Biddle Properties is a fully integrated, self-administered Real Estate Investment Trust engaged in the acquisition, ownership, and management of commercial real estate, primarily neighborhood and community shopping centers, anchored by supermarkets, pharmacy/drug-stores, and wholesale clubs, with a concentration in the metropolitan tri-state area outside of the City of New York. Urstadt Biddle owns or has equity interests in 79 properties, comprising a total of 5.1 million square feet of gross leasable area. It also owns and operates self-storage facilities at two of its retail properties, which are managed by the publicly-traded Extra Space Storage (EXR).

On December 16th, 2021, Urstadt Biddle Properties reported its FQ4 results for the period ending October 31st, 2021. Note that the trust's fiscal year ends every October 31st. Total revenues came in at \$34.0 million for the quarter, 5.2% higher year-over-year. The increase was driven by a strong rebound in Urstadt Biddle's tenants' businesses and new demand for vacant space at the REIT's properties previously disrupted by the pandemic. FFO was \$14.1 million or \$0.33 per diluted share, compared with \$12.7 million or \$0.30 per diluted share in last year's fourth quarter. During the period, the trust managed to achieve a 4.9% average increase in base rental rates on new leases and a 9.4% average increase in base rental rates on lease renewals.

Subsequent to the quarter-end (as of December 1st), the trust had collected 94% of the total base rent, common area maintenance charges, and real estate taxes payable for the period of April 2020 through October 2021. Hence, some of the trust's tenants continue to struggle. During its fiscal year, the trust has renewed 600,000 square feet of space and signed 142,000 square feet of new leases. This resulted in the percentage of its portfolio leased increasing by 1.5% to 91.9%. We project an initial FY-2022 FFO/share of \$1.25, to be narrowed as we advance through the new fiscal year.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
FFO/shr	\$1.04	\$0.93	\$1.03	\$1.08	\$1.21	\$1.12	\$1.43	\$1.33	\$1.06	\$1.22	\$1.25	\$1.38
DPS	\$0.90	\$0.90	\$0.90	\$0.90	\$0.92	\$0.94	\$0.96	\$0.98	\$0.69	\$0.66	\$0.86	\$1.10
Shares¹	28.1	30.7	31.0	34.2	35.2	37.7	37.9	38.3	38.7	39.3	39.3	42.0

Urstadt Biddle has been a steady performer over the years. That said, the trust's FFO/share growth has been rather underwhelming amid the challenging environment retail properties have faced over the past few years. COVID-19 further pressured the trust's rental collection and occupancy rates, which are far from optimal, as illustrated in its most recent results. Still, the trust does have potential FFO/share growth drivers going forward, including signing new and renewing leases at higher rates. Operating around NYC, the trust is benefiting in that regard. For context, the trust features an average base rent per square foot of \$23.67, which is one of the highest amongst its industry peers (avg. is around \$19.00). We have utilized an FFO/share growth of 2% in our estimates, however, based on the uncertainty regarding a more substantial growth and the trust's historical performance.

Urstadt Biddle has paid uninterrupted dividends since 1969. While the trust managed to increase the dividend during the Great Financial Crisis, dividend cuts have occurred in the past, and most recently last year amid the challenges

¹ Share count is in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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imposed on retail location by the pandemic. Following an improving performance, we have utilized a DPS CAGR estimate of 5% through 2026, assuming that payouts will again converge towards the trust's underlying FFO/share generation.

Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/FFO	17.3	18.8	17.9	15.7	15.2	14.7	11.8	12.7	9.5	13.9	15.0	14.5
Avg. Yld.	4.9%	5.3%	5.1%	5.3%	4.8%	5.2%	5.4%	5.5%	5.5%	3.8%	4.6%	5.5%

Urstadt Biddle P/FFO has historically hovered in the mid-teens. A notable valuation compression towards the low-teens has occurred over the past few years, likely due to retail properties attracting weaker investor interest lately. While the trust's future growth prospects may be overall underwhelming, we can't ignore its historically solid results. Hence, we feel that a multiple around 14.5 fairly reflects the risks/rewards of its investment case. This implies a slight multiple compression from the stock's current levels, nonetheless. We also expect the stock's yield to trend upwards over time.

Safety, Quality, Competitive Advantage, & Recession Resiliency

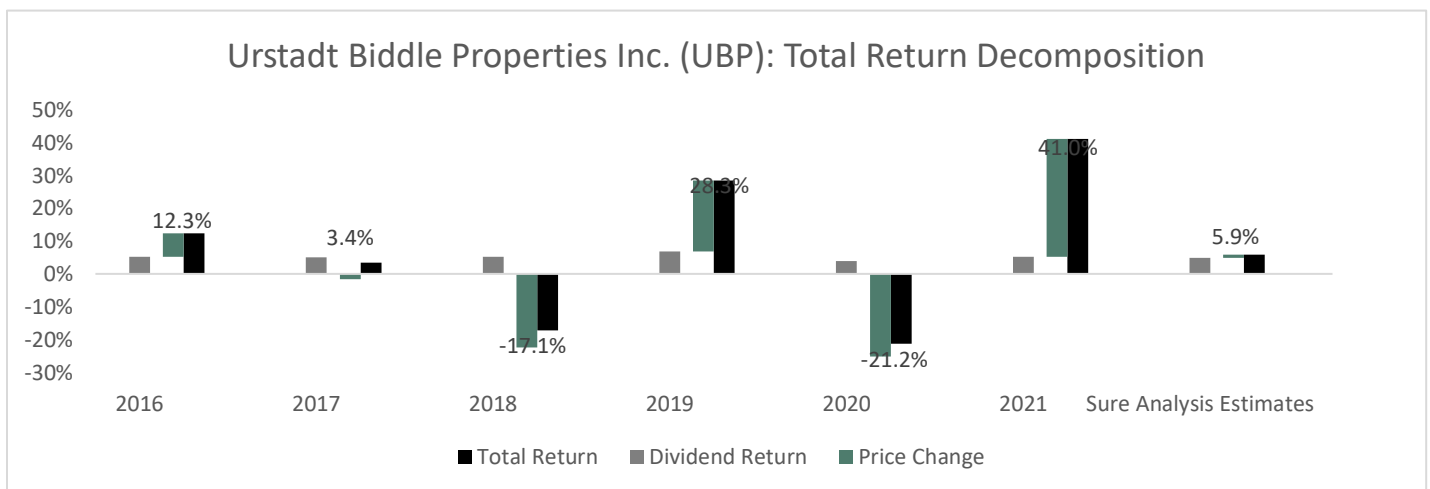
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	87%	97%	87%	83%	76%	84%	67%	74%	65%	54%	69%	79%

Urstadt Biddle's payout ratio has approached worrying levels in the past. However, following the recent cut, we believe that payouts should be relatively safe and likely to grow from here. The trust's primary quality includes operating in one of the most attractive real estate markets, geographically speaking. Its geographical position constitutes above-average rents per square foot and a limited supply of properties in the dense NYC, resulting in a high barrier to entry and a high-cost market translating to a competitive advantage. Further, the trust's portfolio currently consists of ~86% supermarket/pharmacy/wholesale club anchored centers, while 77% of its average base rent is sourced from what management considers "internet resistant tenants". Still, we consider the trust vulnerable to a prolonged recession.

Final Thoughts & Recommendation

Urstadt Biddle features some attractive characteristics that could differentiate it from its retail industry peers. Based on our prudent growth rates and the possibility for the stock to trade a slightly lower multiple in the medium term, we forecast annualized returns of around 5.9% the medium term. We rate Urstadt Biddle Properties a hold as a result.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	90	95	102	115	117	124	135	137	127
Gross Profit	61	62	66	76	80	84	91	91	84
Gross Margin	67.6%	65.3%	64.9%	65.8%	68.1%	67.9%	67.8%	66.7%	66.1%
SG&A Exp.	8	9	8	9	10	10	10	10	11
D&A Exp.	17	18	19	22	23	27	28	28	29
Operating Profit	36	35	38	43	46	47	53	54	44
Operating Margin	39.8%	36.7%	37.0%	37.5%	39.2%	38.3%	39.7%	39.2%	34.3%
Net Profit	28	30	65	49	34	53	37	37	22
Net Margin	31.3%	31.3%	63.7%	42.7%	28.9%	42.8%	27.8%	27.2%	17.5%
Free Cash Flow	53	51	51	53	62	63	72	72	62

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Assets	724	650	819	861	931	997	1,008	1,072	1,010
Cash & Equivalents	78	3	73	7	7	9	10	94	41
Accounts Receivable	22	21	20	22	19	20	23	23	26
Total Liabilities	240	204	344	320	332	409	426	493	439
Long-Term Debt	155	175	246	283	281	301	322	307	334
Shareholder's Equity	272	255	276	336	395	397	392	355	346
D/E Ratio	0.32	0.39	0.52	0.52	0.47	0.51	0.55	0.53	0.59

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020
Return on Assets	4.3%	4.3%	8.9%	5.9%	3.8%	5.5%	3.7%	3.6%	2.1%
Return on Equity	11.0%	11.3%	24.5%	16.1%	9.2%	13.4%	9.5%	10.0%	6.3%
ROIC	6.0%	4.7%	9.7%	6.4%	4.0%	6.0%	4.2%	4.2%	2.5%
Shares Out.	28.1	30.7	31.0	34.2	35.2	37.7	37.9	38.3	38.7
Revenue/Share	3.10	3.00	3.20	3.29	3.24	3.21	3.49	3.51	3.25
FCF/Share	1.80	1.61	1.59	1.51	1.72	1.64	1.85	1.85	1.59

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

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