Alpine Income Property Trust, Inc. (PINE)

Updated February 11th, 2022 by Nikolaos Sismanis

Key Metrics

Current Price:	$19.40	**5 Year CAGR Estimate:**	11.9%	**Market Cap:**	$243 M
Fair Value Price:	$19.50	**5 Year Growth Estimate:**	7.0%	**Ex-Dividend Date:**	03/18/2022[1]
% Fair Value:	99%	**5 Year Valuation Multiple Estimate:**	0.1%	**Dividend Payment Date:**	03/30/2021
Dividend Yield:	5.6%	**5 Year Price Target**	$27.35	**Years Of Dividend Growth:**	3
Dividend Risk Score:	F	**Retirement Suitability Score:**	C	**Last Dividend Increase:**	5.9%[2]

Overview & Current Events

Alpine Income Property Trust is a real estate trust that owns and operates a high-quality portfolio of commercial net lease properties. Its portfolio consists of 113 net leased retail and office properties located in 62 markets in 28 states. The trust was formed in August of 2019, has no employees, and is externally managed by Alpine Income Property Manager. The manager is owned by the publicly traded trust CTO Realty Growth (CTO), which also owns 22.3% of Alpine's common stock. Alpine Income Property generates around $30.1 million in annual rental revenues and is headquartered in Daytona Beach, Florida.

On February 10th, 2022, Alpine Income Property Trust reported its Q4 results for the period ending December 31st, 2021. Total revenues came in at $9.47 million, a 76% increase year-over-year following the trust's acquisition spree since its inception. During the FY2021, Alpine has acquired 68 net lease properties for a combined purchase price of $260.3 million. Following economies of scale and lower total costs after its manager's fees, AFFO grew by an even higher 72.7% to $5.3 million. Due to the issuance of common stock to raise further funds to partially assist with its acquisitions, AFFO/share increased by a lower, but still strong 13.9% to $0.41.

At the end of the quarter, Alpine's Weighted-Average Remaining Lease Term was 7.9 years, and the portfolio was 100% occupied. For FY2022, management expects AFFO/share to come out between $1.51 and $1.56. We have utilized the higher-end of this range in our estimates due to the trust's results likely pointing towards a much greater figure, let alone one within this range. The guidance seems too conservative based on Alpine's leasing profile too.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
AFFO/shr	---	---	---	---	---	---	---	$0.09	$1.04	$1.59	***$1.56***	***$2.19***
DPS	---	---	---	---	---	---	---	$0.06	$0.82	$1.02	***$1.08***	***$1.51***
Shares[3]	---	---	---	---	---	---	---	7.9	7.6	9.8	***17.8***	***60.0***

Due to its very recent inception, Alpine Income Property Trust does not have a historical track record to show. However, its financials have been growing at a very rapid pace by the quarter. The trust has achieved approximately 250% accretive portfolio growth since its inception, which is quite impressive. Its current growth drivers include its acquisition spree, which takes place at extremely low-cost financing (Alpine recently borrowed $60 million in a 5-year term at just 2.16%), as well as rent escalations.

Currently, more than half of its annualized base rent is subject to rent escalations. We forecast an AFFO CAGR of 7% in the medium-term. The trust's ongoing growth trajectory points towards a greater growth ahead, though we remain prudent due to its very short history of operations. In terms of the dividend, the trust's latest sequential raise was 5.9%, to an annualized rate of $1.08. We have also utilized a 7% growth rate in our calculations, though both this and our AFFO/share estimate are likely to change as the trust evolves.

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[1] Estimated dates based on past dividend dates.
[2] Sequential (quarter-over-quarter) DPS growth.
[3] 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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Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/AFFO	---	---	---	---	---	---	---	---	14.4	11.9	***12.4***	***12.5***
Avg. Yld.	---	---	---	---	---	---	---	---	5.6%	5.6%	***5.6%***	***5.5%***

Alpine's valuation multiple currently stands at around 12.4x the trust's underlying AFFO. Considering Alpine's rapid growth and above-average yield, the stock seems relatively undervalued versus its peers. We believe this is mainly attributable to its brief history both in terms of its operations and time as a publically traded security, which may discourage some investors from allocating capital. While we believe the stock deserves a premium relative to its growth, we assume a relatively constant valuation ahead to account for any unforeseen risks before the trust matures further.

Safety, Quality, Competitive Advantage, & Recession Resiliency

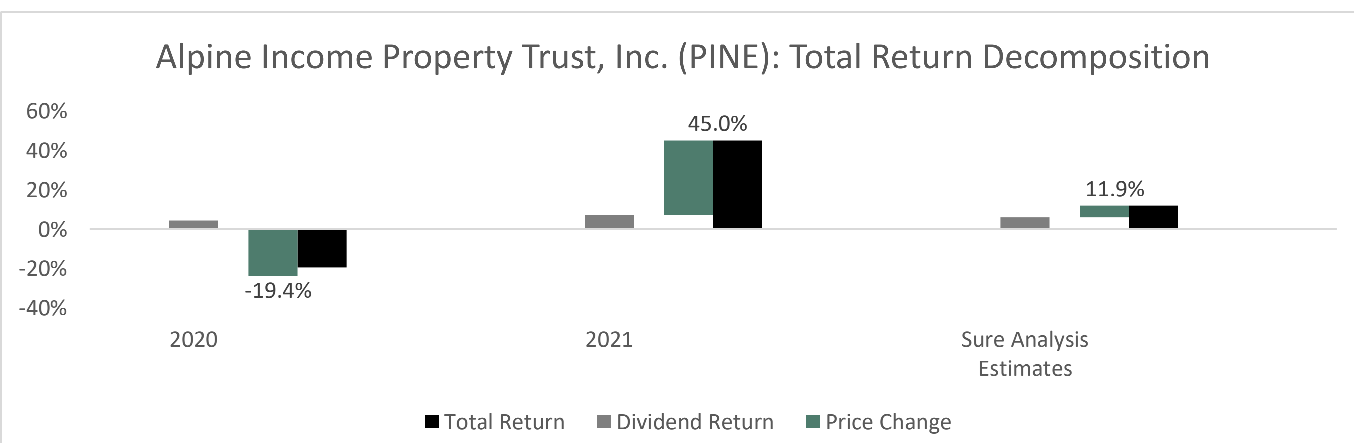
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	---	---	---	---	---	---	---	64%	79%	64%	***69%***	***69%***

We consider Alpine's dividend to be relatively safe considering the comfortable payout ratio and the trust's latest per-share hike. Alpine's qualities include fantastic cash flow visibility backed by multi-year leases, contractually embedded rent hikes that counter inflation, low-cost financing, and an experienced management team backed by the much larger REIT, CTO. Further, no State and no tenant account for more than 18% and 8% of total rental revenues. Additionally, a large chunk of the trust's tenants comprises investment-grade firms, with Wells Fargo, Academy Sports + Outdoors, and Dollar General accounting for 8%, 5%, and 5% of total rental revenues, respectively. Finally, few companies can claim 100% occupancy levels. For these reasons, we believe the trust would perform resiliently during a recession, but note that it has not been tested under a prolonged one. We don't note any particular competitive advantages apart from the combination of qualities mentioned above as a whole distinguishing Alpine amongst its peers.

Final Thoughts & Recommendation

Overall, Alpine Income Property Trust seems like a high-quality REIT, with excellent characteristics despite its short trading history. We estimate annualized returns of around 11.9% through 2027, powered by the REIT's dividend, our AFFO/share growth rate assumption of 7%, and relatively stable valuation expectations. Returns are likely to be greater based on the trust's ongoing performance trajectory, though we remain conservative due to Alpine's lack of a longer track record. Shares are rated as a buy.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue							8	12		19
Gross Profit							7	10		17
Gross Margin							82.6%	86.2%		88.0%
SG&A Exp.							1	1		5
D&A Exp.							3	5		10
Operating Profit							3	4		2
Operating Margin							36.7%	34.3%		12.1%
Net Profit							3	4		1
Net Margin							33.3%	34.3%		5.1%
Free Cash Flow							5	6		9
Income Tax										

Balance Sheet Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Assets							126	127	164	262
Cash & Equivalents							0	0	12	2
Goodwill & Int. Ass.							12	11	22	37
Total Liabilities							6	2	3	112
Accounts Payable									0	0
Long-Term Debt							-	-		106
Shareholder's Equity							120	124	138	127
LTD/E Ratio							-	-		0.84

Profitability & Per Share Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Return on Assets								3.2%		0.5%
Return on Equity								3.3%		0.7%
ROIC								3.3%		0.5%
Shares Out.									7.9	7.6
Revenue/Share							0.93	1.28		2.18
FCF/Share							0.58	0.62		1.07

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