



Regency Centers Corporation (REG)

Updated February 11th, 2022 by Nikolaos Sismanis

Key Metrics

Current Price:	\$71	5 Year CAGR Estimate:	7.4%	Market Cap:	\$12.0 B
Fair Value Price:	\$71	5 Year Growth Estimate:	4.0%	Ex-Dividend Date:	03/15/2022
% Fair Value:	99%	5 Year Valuation Multiple Estimate:	0.3%	Dividend Payment Date:	04/05/2022
Dividend Yield:	3.5%	5 Year Price Target	\$87	Years Of Dividend Growth:	9
Dividend Risk Score:	D	Retirement Suitability Score:	D	Last Dividend Increase:	5.0%

Overview & Current Events

Regency Centers Corporation is a fully integrated real estate investment trust specializing in retail locations whose tenants include highly productive grocers, restaurants, service providers, and various other best-in-class retailers. The trust has full or partial ownership interests in 405 retail properties primarily anchored by market-leading grocery stores. Its properties are principally located in affluent and infill trade areas across the United States and contain more than 50 million square feet of gross leasable area. The trust generates about \$1 billion in revenues and is based in Jacksonville, Florida.

On February 10th, 2022, Regency Centers Corporation reported its Q4 results for the period ending December 31st, 2021. Revenues grew by 15.5% to \$290.0 million compared to last year. Higher revenues were attributed to Regency's properties recovering from the disruption caused by the pandemic throughout 2020.

Nareit FFO grew 34.5% \$174.2 million year-over-year, driven by continued improvement in operating trends and the collection of revenues reserved in prior periods. On a per-share basis, FFO landed at \$1.01 compared to \$0.76 in Q4-2020. In addition, Regency had collected 99% of the fourth quarter pro-rata base rent as of February 7th, 2022. Further, the trust's wholly-owned portfolio plus its pro-rata share of co-investment partnerships had a leased occupancy of 94.1% at the end of the quarter, 60 basis points higher sequentially. Regency's same-property portfolio was 94.3% leased, suggesting an improvement of 50 basis points from the previous quarter as well.

For FY2022, management forecasts same-property net operating income growth excluding termination fees of -1.25% to +0.25%. Further, FFO/share is expected to be between \$3.72 and \$3.80. We have utilized the midpoint of this range in our estimates.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
FFO/shr	\$2.47	\$2.63	\$2.91	\$2.92	\$2.74	\$3.10	\$3.84	\$3.90	\$2.95	\$4.02	\$3.76	\$4.57
DPS	\$1.85	\$1.85	\$1.88	\$1.94	\$2.00	\$2.10	\$2.22	\$2.34	\$2.38	\$2.41	\$2.50	\$2.97
Shares¹	89.6	91.4	92.4	94.4	100.9	159.5	169.7	167.5	170.2	171.4	171.4	200.0

Regency has achieved a solid track record of modestly but gradually higher FFO/share over time. The 10-year and 5-year FFO/share CAGRs stand at 5.6% and 3.9%, respectively. Over the past few years, the trust has faced increased pressure due to retail locations suffering against consumers' shift towards e-commerce. While its largest tenants include grocery majors such as Kroger (3.3% of annualized rent), TJX (2.6%), and Whole Foods (2.5%), which shouldn't go out of business any time soon, Regency's growth prospects remain limited. Still, some are worth noting. Regency's current growth drivers include the enchantment its portfolio value within its development pipeline as well as the pursuit of additional accretive investment opportunities. Consequently, we estimate FFO/share growth of 4% in the medium term.

Regency slashed its dividend during the Great Recession and resumed its DPS growth in 2015. Since then, dividends have grown annually. We expect DPS growth of around 3.5% in the medium-term, which underlying FFOs could sustain.

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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Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/FFO	19.8	18.3	19.6	23.6	31.4	20.6	17.2	17.2	13.5	16.6	18.8	19.0
Avg. Yld.	3.8%	3.9%	3.3%	2.8%	2.3%	3.3%	3.4%	3.5%	6.0%	3.5%	3.5%	3.4%

Regency has traded at a relatively consistent valuation, around 20 times its FFO. While the stock has rallied from last year's lows, we believe that the current valuation multiple is rather fair, reflecting both the underlying risks and the trust's tenant diversification. We expect a medium-term P/FFO of around 19, quite close to the current multiple. The stock is currently offering a yield of 3.5% and, despite the risks associated with retail REITs, we expect it to remain at similar levels due to the lack of substantial yields in the current market environment.

Safety, Quality, Competitive Advantage, & Recession Resiliency

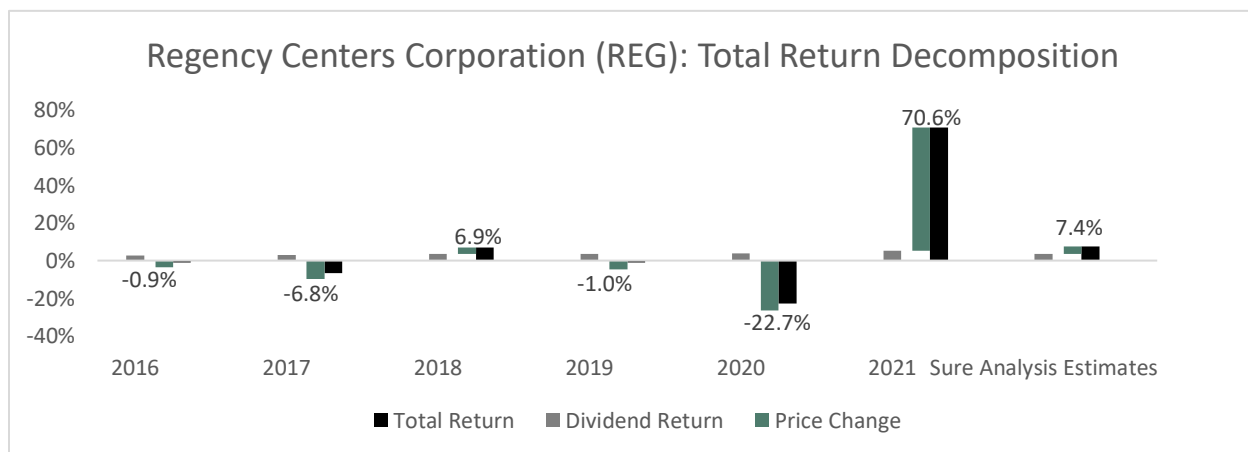
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	75%	70%	65%	66%	73%	68%	58%	60%	81%	60%	66%	65%

While Regency did cut its dividend back during the Great Financial Crisis, due to the resiliency shown during the pandemic combined with the relatively comfortable 66% payout ratio based on this year's expected FFO/share, we don't expect a dividend cut. That being said, if the trust's financials were to be under pressure again, a cut is not unlikely either. Overall, Regency enjoys some decent qualities, including a quality tenant base of blue-chip companies, with no tenant accounting for more than 3.3% of total revenues. It also maintains a strong balance sheet with a BBB+ credit rating from S&P, has \$1.2 billion in liquidity, and features a net debt to EBITDA ratio of 5.1, which is rather tolerable. Still, we can't ignore the fact the trust is currently operating in what is likely the least attractive real estate sub-sector, with issues such as missing rental collections already materializing. A prolonged recession is likely to adversely impact the trust's financials and lead to a dividend cut.

Final Thoughts & Recommendation

Regency Centers has shown a robust track record of FFO generation, maintaining solid financials even during the pandemic despite facing significant headwinds during the past year. The recent 5% dividend increase and management's stable guidance have further bolstered our confidence in the stock. Driven by our prudent growth rate estimates and the current dividend, we forecast annualized medium-term returns of around 7.4%. We rate shares a hold. Interested investors should be wary of the underlying risks involved in holding retail REITs.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	470	474	489	538	570	614	984	1,121	1,133	1,016
Gross Profit	350	354	364	401	425	453	731	815	827	703
Gross Margin	74.4%	74.8%	74.5%	74.6%	74.6%	73.7%	74.2%	72.7%	73.0%	69.2%
SG&A Exp.	56	62	61	60	66	65	68	65	75	75
D&A Exp.	134	128	134	148	147	162	334	360	374	346
Operating Profit	166	166	164	185	205	211	240	380	370	270
Operating Margin	35.4%	35.1%	33.6%	34.3%	35.9%	34.4%	24.3%	33.9%	32.6%	26.5%
Net Profit	51	26	150	187	150	165	176	249	239	45
Net Margin	10.9%	5.5%	30.6%	34.8%	26.3%	26.8%	17.9%	22.2%	21.1%	4.4%
Free Cash Flow	218	257	251	278	286	297	470	610	621	499
Income Tax	3	13		(1)	-	-	(10)			

Balance Sheet Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Assets	3,987	3,853	3,914	4,197	4,183	4,489	11,146	10,945	11,132	10,937
Cash & Equivalents	11	22	81	114	37	13	45	45	113	376
Accounts Receivable	53	54	57	66	78	85	114	126	143	126
Goodwill & Int. Ass.	27	42	45	52	105	119	811	701	550	363
Total Liabilities	2,117	2,108	2,052	2,261	2,100	1,864	4,413	4,494	4,842	4,879
Accounts Payable	102	127	147	181	165	139	234	225	214	302
Long-Term Debt	1,982	1,942	1,855	2,021	1,864	1,642	3,595	3,715	3,920	3,923
Shareholder's Equity	1,533	1,406	1,518	1,582	1,729	2,266	6,692	6,398	6,213	5,985
LTD/E Ratio	1.10	1.12	1.01	1.06	0.91	0.63	0.54	0.58	0.63	0.66

Profitability & Per Share Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Return on Assets	1.3%	0.7%	3.9%	4.6%	3.6%	3.8%	2.3%	2.3%	2.2%	0.4%
Return on Equity	3.5%	1.8%	10.2%	12.1%	9.1%	8.3%	3.9%	3.8%	3.8%	0.7%
ROIC	1.3%	0.7%	4.0%	4.9%	3.8%	4.0%	2.4%	2.4%	2.4%	0.4%
Shares Out.	87.8	89.6	91.4	92.4	94.4	100.9	159.5	169.7	167.5	169.2
Revenue/Share	5.33	5.29	5.35	5.82	6.01	6.07	6.15	6.59	6.75	6.00
FCF/Share	2.47	2.87	2.74	3.01	3.01	2.93	2.94	3.59	3.70	2.95

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

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