



W. P. Carey (WPC)

Updated March 25th, 2022 by Jonathan Weber

Key Metrics

Current Price:	\$82	5 Year CAGR Estimate:	4.8%	Market Cap:	\$15B
Fair Value Price:	\$68	5 Year Growth Estimate:	3.5%	Ex-Dividend Date:	03/30/22 ¹
% Fair Value:	120%	5 Year Valuation Multiple Estimate:	-3.6%	Dividend Payment Date:	04/14/22 ²
Dividend Yield:	5.2%	5 Year Price Target	\$81	Years Of Dividend Growth:	24
Dividend Risk Score:	C	Retirement Suitability Score:	A	Last Dividend Increase:	0.2%

Overview & Current Events

W.P. Carey is a commercial real estate focused REIT that operates two segments: real estate ownership and investment management. The REIT operates more than 1,200 single tenant properties on a net lease basis, across the US and Northern and Western Europe. W.P. Carey was founded more than 40 years ago and is headquartered in New York, NY.

W. P. Carey reported its fourth quarter earnings results on February 11. The trust reported that its revenues totaled \$375 million during the quarter, which was 22% more than the revenues that W. P. Carey generated during the previous year's period. Revenues came in well above the analyst consensus estimate, beating it by a hefty \$44 million.

During the fourth quarter the trust was more profitable than what the analyst community expected, as funds-from-operations came in at \$1.30 on a per-share basis, which was \$0.10 more than the analyst consensus. Funds-from-operations were up by 8% on a per-share basis compared to the previous year's quarter.

W. P. Carey has announced its guidance for 2022, forecasting funds from operations in a range of \$5.18 to \$5.30 on a per-share basis, which means a meaningful improvement versus 2021 at the midpoint of the guidance range. 2021 had been a recovery year for W.P. Carey, which saw the company get back to pre-pandemic levels of profitability. In 2022, it looks like the recovery will continue, on the back of strong investment volumes of \$1.5+ billion (management forecast).

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
FFOPS	\$3.76	\$4.22	\$4.81	\$4.99	\$5.12	\$5.30	\$5.41	\$5.00	\$4.60	\$5.03	\$5.25	\$6.24
DPS	\$2.44	\$3.39	\$3.69	\$3.81	\$3.90	\$4.01	\$4.09	\$4.15	\$4.18	\$4.22	\$4.22	\$4.66
Shares³	69	68	104	104	107	108	146	165	177	187	190	200

W. P. Carey generated FFO-per-share growth at a rate of 6% annually between 2009 and 2019, which is a very solid growth rate for a real estate investment trust, as these usually are low-growth vehicles. The growth rate has slowed down over the years, though, as W. P. Carey's FFO-per-share growth rate averaged just 3% between 2014 and 2018. FFOPS was lower in 2020 than 2014 as a result of COVID-19 and its impact on the REIT's operations.

W. P. Carey invests additional money into new properties continuously. Since 2012 the REIT invested more than \$10 billion into new assets by either purchasing entire REITs or through asset/portfolio purchases. W. P. Carey can access debt markets at favorable rates, which lowers the trust's cost of capital, which then allows for improved investment spreads. Since W. P. Carey cannot finance these acquisitions with debt alone, and since the REIT does not retain a large portion of its cash flows, W. P. Carey issues new shares regularly. A factor that drives organic revenue growth is that the contracts W. P. Carey and the tenants sign include ongoing rent increases, which results in growing revenues even without new asset purchases. These growth factors should persist going forward, which is why W. P. Carey should be able to increase its profits over the coming years. Due to the defensive nature of its business, W.P. Carey remained profitable during the pandemic and was even able to raise its dividend.

¹ Estimated date

² Estimated date

³ 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
P/FFO	12.4	13.4	12.9	12.7	12.2	12.4	12.0	15.8	15.2	16.3	15.6	13.0
Avg. Yld.	5.2%	5.2%	5.7%	6.0%	6.2%	6.1%	6.3%	5.3%	6.0%	5.1%	5.2%	5.7%

W. P. Carey's share price has moved up since our last update, and shares trade well above the pandemic lows. Right now, shares are trading for roughly 15-16 times this year's expected funds from operations, which is a premium over the historic mean. The dividend yield is still relatively high, at more than 5%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	64.9%	80.3%	76.7%	76.4%	76.2%	75.7%	75.6%	83.0%	90.9%	83.9%	80.4%	74.7%

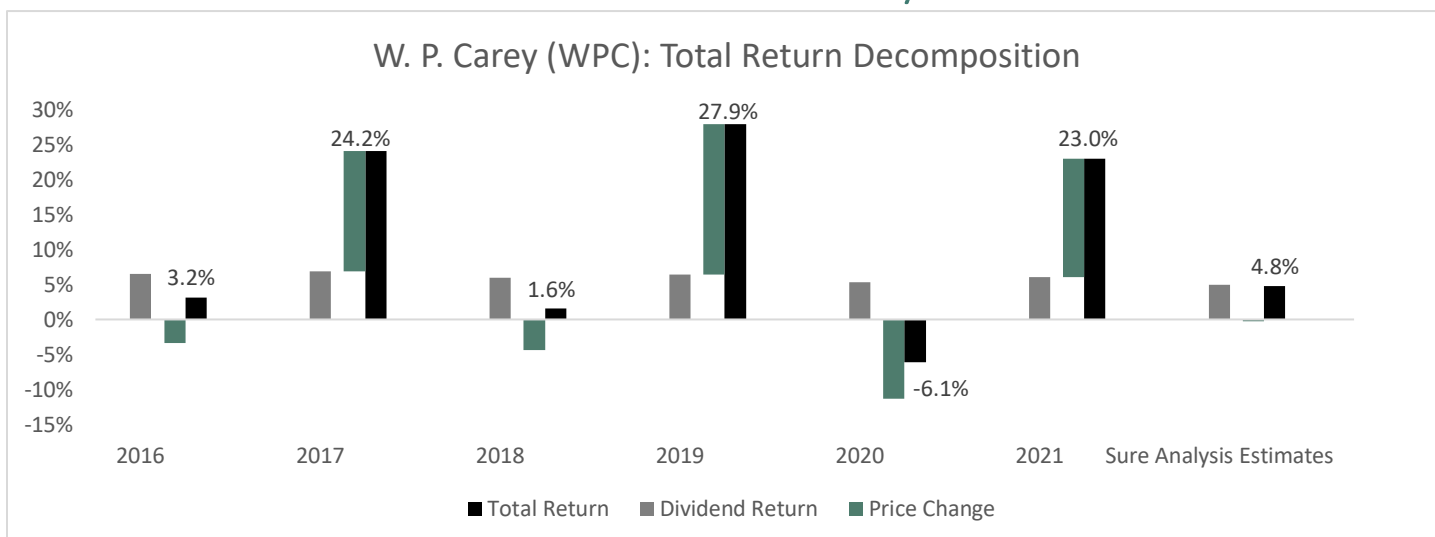
W. P. Carey has grown its dividend very regularly during the last decade. There has not been a dividend cut or dividend freeze during that time frame. The dividend payout ratio is high, as the REIT is paying out more than 80% of its funds from operations via dividends this year. We still believe that the dividend is sustainable, especially as W. P. Carey did not have any problems financing its dividend during previous recessions.

W.P. Carey is quite recession-proof, as even during the last financial crisis the REIT managed to keep its profits stable. Due to diversification across industries, as well as geographically (65% US, 30% Europe, 5% other), W. P. Carey is not overly dependent on the progress of any single market, which makes the REIT a safer investment. This safety is underlined by long-lasting contracts, remarkably high occupancy rates of ~99%, considerable scale, and an investment grade credit rating. W. P. Carey is one of the biggest players in its industry, and its focus on the sale-and-lease-back-transactions niche markets means that it is unlikely that competitors or new market entrant will hurt its business.

Final Thoughts & Recommendation

W. P. Carey is a fundamentally strong low-risk REIT, and the trust has a very solid dividend growth track record. W. P. Carey is active in an attractive and non-cyclical market segment. The REIT has been weathering the pandemic relatively well, and is forecasting ongoing growth in 2022 that will lift W.P. Carey's funds from operations-per-share above pre-pandemic levels from 2019. Forecasted total returns aren't especially attractive, which is why we rate the stock a hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	352	490	908	938	942	848	886	1,233	1,209	1,332
Gross Profit	224	382	694	796	787	728	793	1,083	1,090	1,207
Gross Margin	63.7%	78.0%	76.4%	84.8%	83.6%	85.8%	89.5%	87.9%	90.1%	90.7%
SG&A Exp.	95	108	128	136	115	103	96	102	93	107
D&A Exp.	55	131	248	317	283	316	349	545	509	548
Operating Profit	85	152	329	387	396	371	405	534	554	625
Operating Margin	24.0%	31.0%	36.2%	41.3%	42.1%	43.8%	45.8%	43.3%	45.8%	46.9%
Net Profit	62	99	240	172	268	277	412	305	455	410
Net Margin	17.6%	20.2%	26.4%	18.4%	28.4%	32.7%	46.5%	24.8%	37.7%	30.8%
Free Cash Flow	74	194	375	500	547	521	509	812	802	926
Income Tax	7	1	18	38	3	3	14	26	(21)	28

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	4,609	4,679	8,648	8,742	8,454	8,231	14,183	14,061	14,708	15,481
Cash & Equivalents	124	118	199	157	155	162	218	196	249	165
Accounts Receivable	0	4	3	4	5	4	1	1	0	0
Goodwill & Int. Ass.	1,063	1,072	2,244	2,100	2,458	2,498	3,856	4,031	4,093	4,131
Total Liabilities	2,352	2,476	4,758	5,181	5,029	4,820	7,353	7,113	7,829	7,897
Accounts Payable	159	166	294	342	267	263	404	487	604	573
Long-Term Debt	1,968	2,067	4,089	4,480	4,441	4,265	6,379	6,054	6,696	6,792
Shareholder's Equity	1,987	1,904	3,751	3,427	3,302	3,192	6,824	6,942	6,877	7,582
LTD/E Ratio	0.99	1.09	1.09	1.31	1.35	1.34	0.93	0.87	0.97	0.90

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	2.0%	2.1%	3.6%	2.0%	3.1%	3.3%	3.7%	2.2%	3.2%	2.7%
Return on Equity	4.7%	5.1%	8.5%	4.8%	8.0%	8.5%	8.2%	4.4%	6.6%	5.7%
ROIC	2.2%	2.3%	3.9%	2.2%	3.4%	3.6%	3.9%	2.3%	3.4%	2.9%
Shares Out.	69	68	104	104	107	108	146	165	177	187
Revenue/Share	7.33	7.03	9.10	8.81	8.79	7.85	7.52	7.20	6.92	7.27
FCF/Share	1.55	2.78	3.76	4.69	5.11	4.82	4.33	4.74	4.58	5.06

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

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