



Regency Centers Corporation (REG)

Updated May 13th, 2022 by Nikolaos Sismanis

Key Metrics

Current Price:	\$67	5 Year CAGR Estimate:	7.4%	Market Cap:	\$11.5 B
Fair Value Price:	\$67	5 Year Growth Estimate:	4.0%	Ex-Dividend Date:	06/14/2022
% Fair Value:	100%	5 Year Valuation Multiple Estimate:	0.0%	Dividend Payment Date:	07/06/2022
Dividend Yield:	3.8%	5 Year Price Target	\$81	Years Of Dividend Growth:	9
Dividend Risk Score:	F	Retirement Suitability Score:	D	Rating:	Hold

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 406 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 May 3rd, 2022, Regency Centers Corporation reported its Q1 results for the period ending March 31st, 2022. Revenues grew by 10.6% to \$296.8 million compared to last year. Higher revenues were attributed to Regency's properties experiencing increased occupancy and growing rents. This was due to its portfolio fundamentals continuing to benefit from structural tailwinds supporting its suburban trade areas.

Nareit FFO grew 27.9% to \$178.2 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 \$1.03 compared to \$0.90 in Q1-2021.

At the end of the quarter, the trust's wholly-owned portfolio plus its pro-rata share of co-investment partnerships had a leased occupancy of 93.9%, 20 basis points lower sequentially. Regency's same-property portfolio was 94.3% leased, remaining unchanged compared to the previous quarter.

For FY2022, management boosted their outlook. Same-property net operating income growth excluding termination fees is now expected to be between 0% and +1.5% (previously -1.25% to +0.25%). Further, FFO/share is expected to be between \$3.84 and \$3.90 (preciously \$3.72 and \$3.80). We have updated our estimates accordingly.

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	\$3.87	\$4.71
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	171.6	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 4.5%, 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.

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.



Regency Centers Corporation (REG)

Updated May 13th, 2022 by Nikolaos Sismanis

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.

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	17.2	17.2
Avg. Yld.	3.8%	3.9%	3.3%	2.8%	2.3%	3.3%	3.4%	3.5%	6.0%	3.5%	3.8%	3.7%

Regency has traded at a relatively consistent valuation, around 20 times its FFO. While the current multiple of 17.2 could appear relatively cheap, we believe it is rather fair. It reflects both the underlying risks of the ongoing macro environment and the trust's qualities, including tenant diversification. The stock is currently offering a yield of 3.8% and, despite the risks associated with retail REITs, we expect it to remain at similar levels going forward.

Safety, Quality, Competitive Advantage, & Recession Resiliency

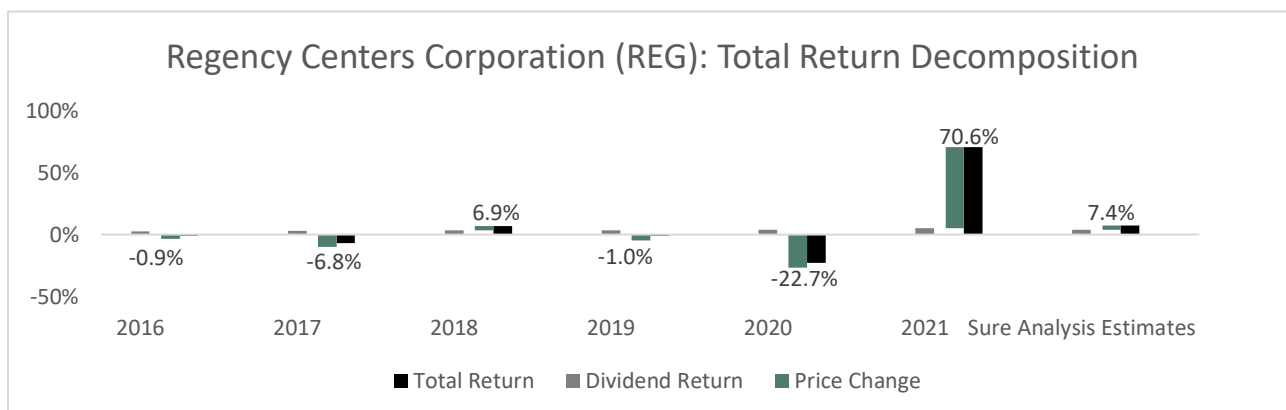
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	75%	70%	65%	66%	73%	68%	58%	60%	81%	60%	66%	63%

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 4.9, 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 latest 5% dividend increase and management's optimistic 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 7.4%. We rate shares a hold due to projected returns. Interested investors should be wary of the underlying risks involved in holding retail REITs.

Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

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.



Regency Centers Corporation (REG)

Updated May 13th, 2022 by Nikolaos Sismanis

Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	474	489	538	570	614	984	1,121	1,133	1,016	1,166
Gross Profit	354	364	401	425	453	731	815	827	703	839
Gross Margin	74.8%	74.5%	74.6%	74.6%	73.7%	74.2%	72.7%	73.0%	69.2%	72.0%
SG&A Exp.	62	61	60	66	65	68	65	75	75	78
D&A Exp.	128	134	148	147	162	334	360	374	346	303
Operating Profit	166	164	185	205	211	240	380	370	270	452
Operating Margin	35.1%	33.6%	34.3%	35.9%	34.4%	24.3%	33.9%	32.6%	26.5%	38.8%
Net Profit	26	150	187	150	165	176	249	239	45	361
Net Margin	5.5%	30.6%	34.8%	26.3%	26.8%	17.9%	22.2%	21.1%	4.4%	31.0%
Free Cash Flow	257	251	278	286	297	470	610	621	499	659
Income Tax	13	---	(1)	---	---	(10)	---	---	---	---

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	3,853	3,914	4,197	4,183	4,489	11,146	10,945	11,132	10,937	10,790
Cash & Equivalents	22	81	114	37	13	45	45	113	376	93
Accounts Receivable	54	57	66	78	85	114	126	143	126	131
Goodwill & Int. Ass.	42	45	52	105	119	811	701	550	363	380
Total Liabilities	2,108	2,052	2,261	2,100	1,864	4,413	4,494	4,842	4,879	4,683
Accounts Payable	127	147	181	165	139	234	225	214	302	322
Long-Term Debt	1,942	1,855	2,021	1,864	1,642	3,595	3,715	3,920	3,923	3,719
Shareholder's Equity	1,406	1,518	1,582	1,729	2,266	6,692	6,398	6,213	5,985	6,037
LTD/E Ratio	1.12	1.01	1.06	0.91	0.63	0.54	0.58	0.63	0.66	0.62

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	0.7%	3.9%	4.6%	3.6%	3.8%	2.3%	2.3%	2.2%	0.4%	3.3%
Return on Equity	1.8%	10.2%	12.1%	9.1%	8.3%	3.9%	3.8%	3.8%	0.7%	6.0%
ROIC	0.7%	4.0%	4.9%	3.8%	4.0%	2.4%	2.4%	2.4%	0.4%	3.7%
Shares Out.	89.6	91.4	92.4	94.4	100.9	159.5	169.7	167.5	169.2	170.7
Revenue/Share	5.29	5.35	5.82	6.01	6.07	6.15	6.59	6.75	6.00	6.83
FCF/Share	2.87	2.74	3.01	3.01	2.93	2.94	3.59	3.70	2.95	3.86

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

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.