Alpine Income Property Trust, Inc. (PINE)

Updated October 21st, 2022 by Nikolaos Sismanis

Key Metrics

Current Price:	$17.05	**5 Year CAGR Estimate:**	9.5%	**Market Cap:**	$219.6 M
Fair Value Price:	$17.50	**5 Year Growth Estimate:**	3.5%	**Ex-Dividend Date:**	12/08/2022[1]
% Fair Value:	97%	**5 Year Valuation Multiple Estimate:**	0.5%	**Dividend Payment Date:**	12/30/2022
Dividend Yield:	6.5%	**5 Year Price Target**	$20.78	**Years Of Dividend Growth:**	4
Dividend Risk Score:	F	**Retirement Suitability Score:**	C	**Rating:**	Buy

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. Based on Alpine's latest filings, its portfolio consists of 146 net leased retail and office properties located in 104 markets in 35 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 August 22nd, Alpine Income Property Trust raised its dividend by 1.9% to a quarterly rate of $0.275.

On October 20th, 2022, Alpine Income Property Trust reported its Q3 results for the period ending September 30th, 2022. Total revenues came in at $11.53 million, 41.1% higher year-over-year following the trust's sustained acquisition spree since its inception. During the quarter, Alpine acquired nine net lease retail properties for a purchase price of $36.7 million, reflecting a weighted average going-in cash cap rate of 7.1%. Following a $234 million straight-line rent adjustment, AFFO grew by a milder, but still impressive 18.3% to $5.7 million. Due to the issuance of common stock to raise further funds to partially assist with its acquisitions, AFFO/share increased by a lower yet strong 13.5% to $0.42.

At the end of the quarter, Alpine's Weighted-Average Remaining Lease Term was 7.7 years, and the portfolio was 100% occupied. For FY2022, management (as we had predicted) raised its outlook, expecting AFFO/share to come out between $1.74 and $1.76 (previously $1.58 and $1.63). 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
AFFO/shr	---	---	---	---	---	---	---	$0.09	$1.04	$1.59	***$1.75***	***$2.08***
DPS	---	---	---	---	---	---	---	$0.06	$0.82	$1.02	***$1.10***	***$1.31***
Shares[2]	---	---	---	---	---	---	---	7.9	7.6	9.8	***13.6***	***30.0***

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 more than 260% 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 borrowed $60 million in a 5-year term at just 2.16% last year), as well as rent escalations.

Currently, around half of its annualized base rent is subject to rent escalations. We have lowered our medium-term AFFO/share CAGR forecast from 6% to 3.5% in the medium-term. The trust's ongoing growth trajectory points towards greater growth ahead, though we remain prudent due to the rapid rise in interest rates. In terms of the dividend, the trust's latest sequential raise was 1.9%, to an annualized rate of $1.10. We have also lowered our projected dividend growth rate to 3.5%.

Our growth estimates are likely to change as uncertainty regarding the trajectory of interest rates subsides.

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[1] Estimated dates based on past dividend dates.

[2] Share count is in millions.

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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	***9.7***	***10.0***
Avg. Yld.	---	---	---	---	---	---	---	---	5.6%	5.6%	***6.5%***	***6.3%***

Alpine's valuation multiple currently stands at 9.7 times the high point of management's expected AFFO. We believe this is a somewhat fair multiple, reflecting both Alpine robust leasing profile and the risks attached to rising rates. We have lowered our fair multiple from 12.5 to 10 to reflect the latest macroeconomic developments.

Safety, Quality, Competitive Advantage, & Recession Resiliency

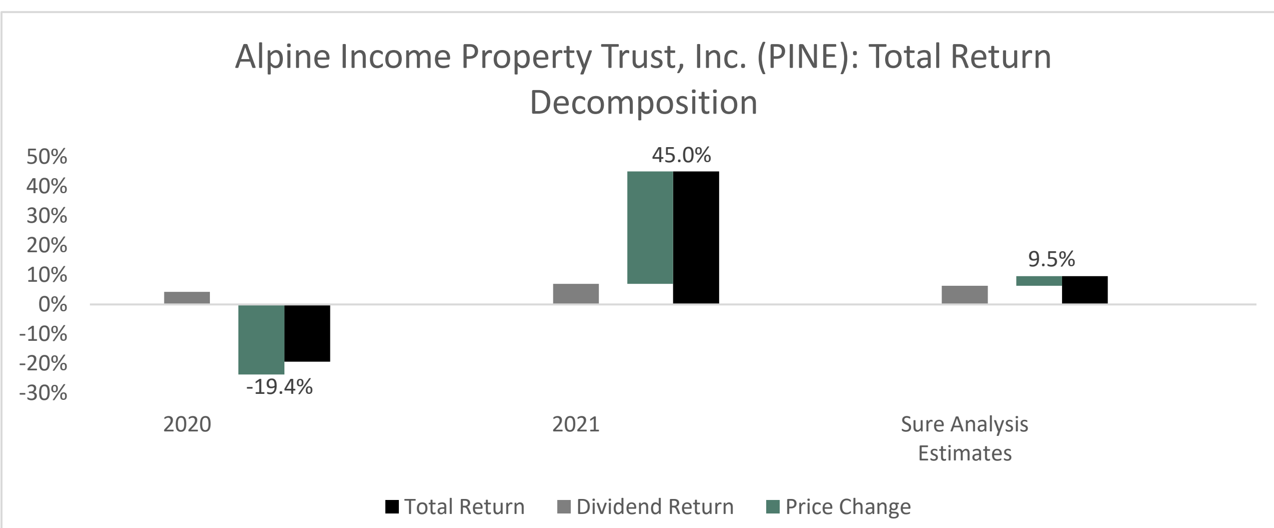
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	---	---	---	---	---	---	---	64%	79%	64%	***63%***	***63%***

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 12% of total rental revenues. Additionally, a large chunk of the trust's tenants comprises investment-grade firms, with Walgreens, Academy Sports + Outdoors, and Walmart accounting for 12%, 5%, and 4% 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 9.5% through 2027, powered by the REIT's dividend, our AFFO/share growth rate assumption of 3.5%, and the possibility for a modest valuation expansion ahead. We remain conservative due to an uncertain macro and real estate environment, but returns are likely to be greater based on the trust's ongoing performance trajectory and lease profile. Thus, shares are still rated as a buy.

Total Return Breakdown by Year



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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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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	---	---	---	---	---	8	12	---	19	30
Gross Profit	---	---	---	---	---	7	10	---	17	26
Gross Margin	---	---	---	---	---	82.6%	86.2%	---	88.0%	86.7%
SG&A Exp.	---	---	---	---	---	1	1	---	5	5
D&A Exp.	---	---	---	---	---	3	5	---	10	16
Operating Profit	---	---	---	---	---	3	4	---	2	5.5
Operating Margin	---	---	---	---	---	36.7%	34.3%	---	12.1%	18.3%
Net Profit	---	---	---	---	---	3	4	---	1	10
Net Margin	---	---	---	---	---	33.3%	34.3%	---	5.1%	33.3%
Free Cash Flow	---	---	---	---	---	5	6	---	9	17
Income Tax	---	---	---	---	---	---	---	---	---	---

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	---	---	---	---	---	126	127	164	262	506
Cash & Equivalents	---	---	---	---	---	0	0	12	2	9
Goodwill & Int. Ass.	---	---	---	---	---	12	11	22	37	59
Total Liabilities	---	---	---	---	---	6	2	3	112	278
Accounts Payable	---	---	---	---	---	---	---	0	0	0
Long-Term Debt	---	---	---	---	---	-	-		106	268
Shareholder’s Equity	---	---	---	---	---	120	124	138	127	197
LTD/E Ratio	---	---	---	---	---	---	---	---	0.84	1.4

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	---	---	---	---	---	---	3.2%	---	0.5%	2.6%
Return on Equity	---	---	---	---	---	---	3.3%	---	0.7%	6.2%
ROIC	---	---	---	---	---	---	3.3%	---	0.5%	2.7%
Shares Out.	---	---	---	---	---	---		7.9	7.6	11
Revenue/Share	---	---	---	---	---	0.93	1.28	---	2.18	2.68
FCF/Share	---	---	---	---	---	0.58	0.62	---	1.07	1.52

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