



Brixmor Property (BRX)

Updated February 16th, 2023 by Kay Ng

Key Metrics

Current Price:	\$23	5 Year CAGR Estimate:	7.0%	Market Cap:	\$6.9B
Fair Value Price:	\$23	5 Year Growth Estimate:	3.0%	Ex-Dividend Date:	04/03/23
% Fair Value:	100%	5 Year Valuation Multiple Estimate:	0.0%	Dividend Payment Date:	04/17/23
Dividend Yield:	4.5%	5 Year Price Target	\$27	Years Of Dividend Growth:	2
Dividend Risk Score:	D	Retirement Suitability Score:	C	Rating:	Hold

Overview & Current Events

Brixmor (BRX) was founded in 2003 and is an internally managed REIT that has about 373 shopping centers. Its retail properties are positioned in the top 50 metropolitan areas in the United States. It is one of the largest open-air retail landlords domestically. About 70% of its centers are grocery-anchored. Brixmor's largest tenants (by annualized base rent) are TJX Companies Inc. (TJX) and The Kroger Co. (KR) with no tenant contributing more than 3.5% of annualized based rent ("ABR").

Brixmor reported its Q4 and full-year 2022 results on 02/13/23. For the quarter, it generated 4.5% higher in revenues to \$308.6 million, including rental income that increased 5.3% to \$308.5 million. It also reported funds from operations ("FFO") of \$147.0 million, 7.0% higher than the prior year's quarter. On a per-share basis, FFO was \$0.49, an improvement of 6.5% year over year. As well, it witnessed an increase in same property net operating income ("NOI") of 7.3%. Brixmor has an investment pipeline that is focused on investing in communities where it sees future growth and is also divesting in stagnant areas. For the quarter, it stabilized \$66.7 million of reinvestment projects at an average incremental NOI yield of 9% and sold \$112.8 million of assets. The REIT ended the quarter with an in-process reinvestment pipeline that totaled \$342.9 million at an expected average incremental NOI yield of 9%.

The full-year 2022 results provide a bigger picture. Revenue rose 5.7% to \$1,218 million, including rental income that increased 6.2% to \$1,217 million. FFO was up 12.7% to \$588.9 million. FFO per share rose 11.4% to \$1.95. Same-property NOI increased 6.6% to \$800 million. In 2022, Brixmor stabilized \$179.3 million of reinvestment projects at an average incremental NOI yield of 10%, made acquisitions of \$410.6 million, and sold \$287.4 million of assets.

Management provided initial guidance for 2023: same property NOI growth of 1.5%-3.5% and FFO-per-share guidance of \$1.95 to \$2.03. Consequently, we initiated our 2023 FFOPS estimate at the midpoint of the range, at \$1.99.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
FFOPS	\$1.67	\$1.81	\$1.97	\$2.06	\$2.08	\$1.89	\$1.91	\$1.47	\$1.75	\$1.95	\$1.99	\$2.31
DPS	\$0.80	\$0.73	\$0.92	\$1.00	\$1.06	\$1.11	\$1.12	\$0.57	\$0.86	\$0.96	\$1.04	\$1.21
Shares¹	230	297	298	304	305	300	298	298	299	302	304	312

Brixmor restored its quarterly dividends totalling \$0.86 per share for 2021 and has been raising its dividend steadily since on a sustainable payout ratio. The annualized amount of \$1.04 is still not back to the 2019 levels, yet. We estimate about 3.0% dividend growth rate through 2028. From 2013 to 2022, Brixmor increased its FFO per share by 1.7% per year. Its leases are signed at below-market rates, which means that when the leases are up, the REIT has the potential to reset to prices that are closer to the market rate. BRX's 2022 same-property NOI growth of 6.6% was still higher than normal. Management expects the 2023 same-property NOI growth be lower to 1.5%-3.5%. Brixmor's reinvestment projects can be a growth driver, but they take time to be put into service. Further, the REIT might take it slowly to maintain the company's liquidity and financial position. Brixmor was rewarded with a Fitch credit rating upgrade from 'BBB-' to 'BBB' in Q2 2022. Eventually, we expect the cash distribution to restore to previous levels. The FFOPS in 2022

¹ Shares in millions; Years of Dividend Growth: Restored a dividend in 2021 and began increasing dividend in Q1 2022.

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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finally surpassed the 2019 levels. For now, we maintain a five-year FFOPS growth rate of 3.0% for the stock. We also project that the dividend can increase at a similar rate. We will improve its FFO and dividend estimates if the REIT executes well over time.

Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
P/FFO	14.1	13.8	17.1	16.1	14.1	12.6	10.2	8.8	13.7	12.5	11.6	11.6
Avg. Yld.	---	3.6%	2.9%	3.6%	5.0%	6.5%	5.7%	4.4%	2.9%	3.4%	4.5%	4.5%

Much of the growth that Brixmor is experiencing now is from a recovery after the pandemic disruptions in 2020. The retail industry as a whole will still experience headwinds from online sales. The majority of Brixmor's tenants are anchored by businesses, including food and fitness, that should not be greatly impacted by online sales. In a higher interest rate environment, we target a P/FFO of 11.6, which matches the average P/FFO between 2018 and 2022. Brixmor trades at a multiple of 11.6, which is fair.

Safety, Quality, Competitive Advantage, & Recession Resiliency

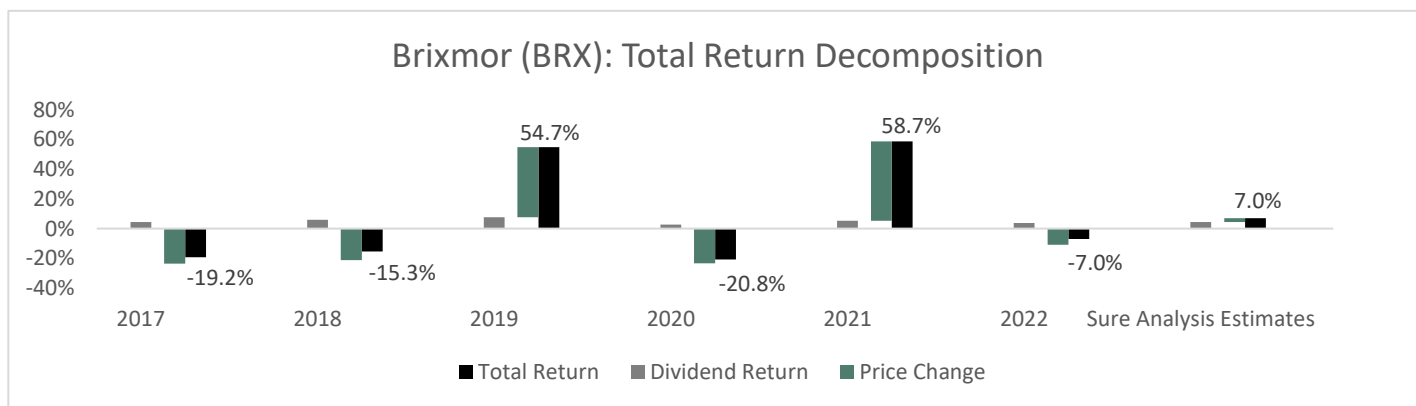
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	48%	40%	47%	49%	51%	59%	59%	39%	49%	49%	52%	52%

Brixmor has fostered strong relationships with national retailers, and, in return, it receives insights into their strategies and priority access to their expansion plans. Our previous concern that similar real estate companies such as Kimco Realty Corporation (KIM) with a similar portfolio performed poorly during the 2008 crisis came to fruition. In the 2020 economic downturn, Brixmor stock was down +60% from peak to trough and suspended its dividend for a portion of the year. The company has survived partly because it has ~70% of properties that have grocery anchors. At the end of 2022, Brixmor had total liquidity of \$1.3 billion and no debt maturities until June 2024. Its debt-to-equity ratio was 1.94x, while its debt-to-asset ratio was 66%. Its Fitch credit rating is BBB. It also has an investment-grade credit rating of BBB- from S&P Global.

Final Thoughts & Recommendation

Brixmor appears to have stabilized from the pandemic impacts. Over the next five years, we estimate total returns of 7.0% in the stock from a 4.5% dividend, FFO-per-share growth rate of 3.0%, and no valuation change. We rate Brixmor as a "hold" at current levels.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	1,146	1,237	1,266	1,276	1,283	1,234	1,168	1,053	1,152	1,218
Gross Profit	861	928	956	968	968	921	872	773	854	906
Gross Margin	75.1%	75.0%	75.5%	75.9%	75.4%	74.6%	74.7%	73.4%	74.2%	74.4%
SG&A Exp.	121	80	98	92	92	94	102	98	105	117
D&A Exp.	450	442	418	387	375	352	332	336	327	333
Operating Profit	291	395	430	479	495	465	438	339	422	444
Operating Margin	25.4%	31.9%	33.9%	37.6%	38.6%	37.7%	37.5%	32.2%	36.6%	36.5%
Net Profit	-94	89	194	276	300	366	275	121	270	354
Net Margin	-8.2%	7.2%	15.3%	21.6%	23.4%	29.7%	23.5%	11.5%	23.4%	29.1%
Free Cash Flow	332	479	524	567	552	542	529	443	552	566
Income Tax	1,146	1,237	1,266	1,276	1,283	1,234	1,168	1,053	1,152	

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	10,172	9,682	9,498	9,320	9,154	8,242	8,142	8,342	8,377	8,436
Cash & Equivalents	114	61	70	51	57	42	19	369	297	16
Accounts Receivable	179	182	180	178	232	228	234	240	235	264
Total Liabilities	6,887	6,702	6,578	6,393	6,246	5,406	5,399	5,661	5,659	5,571
Long-Term Debt	5,981	6,023	5,974	5,839	5,676	4,886	4,861	5,167	5,165	5,036
Shareholder's Equity	2,342	2,904	2,870	2,923	2,908	2,836	2,744	2,681	2,718	2,865
LTD/E Ratio	2.55	2.07	2.08	2.00	1.95	1.72	1.77	1.93	1.90	1.76

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	-0.9%	0.9%	2.0%	2.9%	3.3%	4.2%	3.4%	1.5%	3.2%	4.2%
Return on Equity	-4.6%	3.4%	6.7%	9.5%	10.3%	12.8%	9.8%	4.5%	10.0%	12.7%
ROIC	-1.0%	1.0%	2.2%	3.1%	3.5%	4.5%	3.6%	1.6%	3.4%	4.5%
Shares Out.	230	297	298	304	305	300	298	298	299	302
Revenue/Share	6.07	5.06	4.15	4.18	4.20	4.08	3.90	3.54	3.86	4.04
FCF/Share	1.76	1.96	1.72	1.86	1.81	1.79	1.77	1.49	1.85	1.88

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

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