



Ladder Capital (LADR)

Updated February 15th, 2023 by Quinn Mohammed

Key Metrics

Current Price:	\$11.5	5 Year CAGR Estimate:	8.7%	Market Cap:	\$1.5 B
Fair Value Price:	\$11.4	5 Year Growth Estimate:	2.0%	Ex-Dividend Date: ¹	03/30/2023
% Fair Value:	100%	5 Year Valuation Multiple Estimate:	-0.1%	Payment Date: ²	04/15/2023
Dividend Yield:	8.0%	5 Year Price Target	\$13	Years of Dividend Growth:	1
Dividend Risk Score:	F	Retirement Suitability Score:	C	Rating:	Hold

Overview & Current Events

Ladder Capital Corp (LADR) is a commercial real estate finance company structured as an internally managed REIT. LADR originates and invests in a portfolio of commercial real estate and real estate-related assets, diversified by region and property type. LADR capitalizes on CRE-related loans, securities and real estate and other investments. LADR was founded in October 2008 and completed their IPO in February 2014. They received REIT status at the beginning of 2015, nearly one year after the IPO. The holding company is headquartered in New York, NY. LADR has a fully integrated, highly experienced management team and employs nearly 65 full-time industry professionals.

On September 15th, Ladder declared a \$0.23 per share quarterly dividend, which was a penny increase.

The company has \$6.0 billion worth of assets on its balance sheet and a market capitalization of \$1.5 billion. Its assets include \$3.9 billion of loans, \$700 million of real estate equity, \$588 million of securities, and \$609 million of cash and cash equivalents. The \$3.9 billion loan portfolio is predominantly senior secured first mortgage loans. The securities portfolio is a source of stable recurring net interest income and is comprised mostly of CMBS bonds. The real estate portfolio is comprised of roughly 5.2 million square feet and is a source of stable recurring cash flows with potential NAV upside. It is financed with long-term, non-recourse, fixed-rate financing.

Ladder reported fourth quarter 2022 results on February 9th, 2023, and announced distributable earnings of \$38.9 million, or \$0.31 of distributable EPS. This marks a 15% sequential increase compared to Q3 2022. After-tax distributable return on average equity was 10.2%, up from 9.1% in the previous quarter.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Core EPS	-	\$1.36	\$1.85	\$1.48	\$1.54	\$2.03	\$1.60	\$0.60	\$0.49	\$1.16	\$1.27	\$1.40
DPS	-	-	\$2.23	\$1.29	\$1.21	\$1.54	\$1.36	\$0.94	\$0.80	\$0.88	\$0.92	\$0.97
Shares³	-	98	52	108	110	98	106.0	112.4	125.3	125.2	125.1	145.0

LADR uses Core EPS to measure growth rather than basic diluted EPS as a corporation would, or FFO as a typical REIT would, since they are in a sense a hybrid of these two. Core EPS compounded at 2.8% from the trust's IPO up to the 2020 pandemic, however the current 5-year average Core EPS growth is -5.5%, primarily due to the impact of COVID shut-downs. We expect LADR to grow core EPS in the next five years at around 2% annually. We forecast earnings of \$1.40 in 2028 based on 2% earnings growth from expected 2023 earnings of \$1.27 per share. However, continued growth in interest rates could lead to higher returns. LADR expects to capitalize on increasing interest rates as most of their loan portfolio is comprised of floating-rate loans with interest rate floors, so we are watching rates closely. The pandemic hit the commercial real estate sector hard, and it could take longer to bounce back than anticipated.

LADR had a solid track record of increasing dividends until the coronavirus pandemic hit and caused a 40% reduction in the dividend in 2Q2020. LADR will pay out enough to retain their status as a REIT. The dividend is currently \$0.92. The

¹ Estimate

² Estimate

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.



Ladder Capital (LADR)

Updated February 15th, 2023 by Quinn Mohammed

future expected dividend is difficult to forecast considering LADR frequently pays special dividends, however we expect they will try and increase it albeit at a much slower pace, at about half of earnings growth.

Shares outstanding have been choppy just like most of LADR's other metrics. It has effectively reduced its share count in certain periods and raised it in others. Given the nature of REITs often offering shares to raise capital, combined with LADR's loans and securities activities, we expect share count to rise over time.

Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/CE	-	14.4	6.7	9.3	8.9	7.6	10.6	16.1	23.3	9.6	9.0	9.0
Avg. Yld.	-	-	17.9%	9.4%	8.9%	9.9%	8.0%	9.8%	6.6%	7.1%	8.0%	7.7%

Over the last five years, LADR has traded at an average P/Core EPS (P/CE) of 13.4. We peg fair value at about 9.0 times core EPS, which it trades at today, implying no valuation change. The average dividend yield over the last five years has been 8.3%, and we are expecting the yield will remain in this high range. The dividend was reduced in 2020 as COVID-19 threatened the business. The payout ratio is still high but appears to be moderating as the company's results bounce back.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	-	-	121%	87%	79%	76%	85%	157%	163%	76%	72%	69%

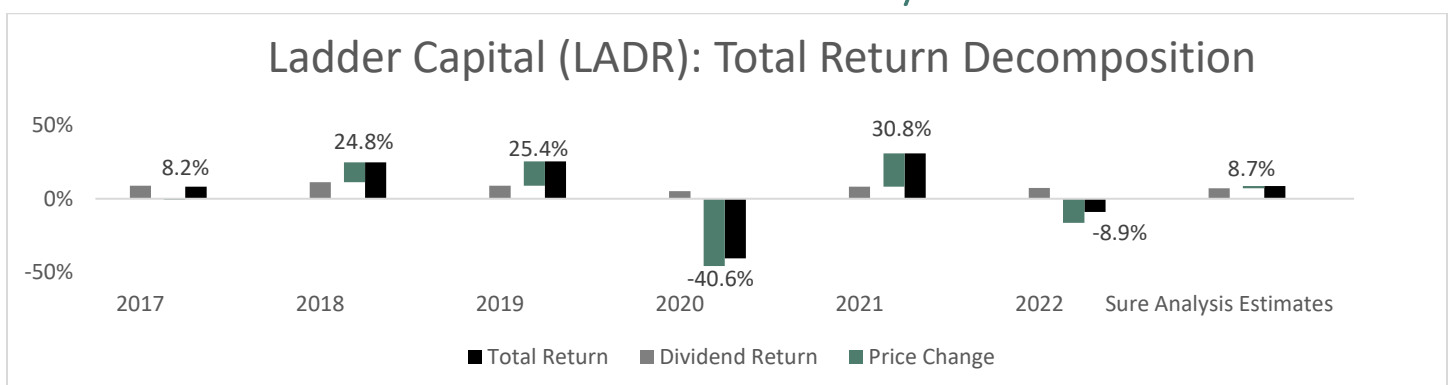
The payout ratio for LADR is calculated as dividends per share divided by core EPS. The payout ratio was very high in 2015, however that was the first year that LADR became an REIT and began paying out virtually all its taxable income as distributions to qualify for its status as REIT. The payout ratio has averaged 106% since 2017.

The competitive advantage LADR has is its experienced management team with over 145 years of cumulative experience. Management and director interests are aligned with shareholders as they own a significant portion of LADR stock. LADR was not a public company at the time of the Great Recession and so we do not have enough historical information to determine just how the stock would fare under these circumstances, however Core EPS and the share price collapsed once the coronavirus shutdowns began, as LADR was heavily affected.

Final Thoughts & Recommendation

LADR can be expected to grow Core EPS by around 2% annually over the next five years as management executes on their loan, securities, and real estate investments strategy. We expect almost the entire return to come from the hefty 8.0% yield. Considering LADR trades at our estimate of fair value, and has an 8.7% annualized total return forecast over the next five years, we reiterate our hold rating on LADR.

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.



Ladder Capital (LADR)

Updated February 15th, 2023 by Quinn Mohammed

Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	308	294	325	269	299	399	293	121	168	340
SG&A Exp.	61	82	62	64	70	60	68	58	38	76
D&A Exp.	22	29	39	39	40	40	37	37	36	31
Net Profit	190	32	74	67	95	180	123	-14	57	142
Net Margin	61.6%	10.7%	22.7%	24.8%	31.9%	45.1%	41.8%	-11.9%	33.7%	41.9%
Free Cash Flow	475	209	-38	338	12	200	183	112	80	107
Income Tax	4	27	15	6	8	7	3	-10	1	5

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	3,489	5,814	5,895	5,578	6,026	6,273	6,669	5,881	5,851	5,951
Cash & Equivalents	79	76	109	45	77	68	58	1254	549	609
Accounts Receivable	15	25	23	24	26	27	21	16	14	25
Goodwill and Intangibles	84	127	140	155	189	162	161	157	142	115
Total Liabilities	2,304	4,309	4,404	4,069	4,537	4,629	5,030	4,333	4,338	4,418
Long-Term Debt	1,605	2,751	3,014	2,835	3,906	3,789	3,044	3,389	3,775	3,398
Shareholder's Equity	60	785	828	971	1,235	1,445	1,458	1,543	1,507	1,533
LTD/E Ratio	1.36	3.50	3.64	2.92	3.16	2.62	2.09	2.20	2.50	2.22

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	6.2%	0.7%	1.3%	1.2%	1.6%	2.9%	1.9%	-0.2%	1.0%	2.4%
Return on Equity	365.3%	7.5%	9.1%	7.4%	8.6%	13.4%	8.4%	-1.0%	3.7%	9.4%
ROIC	8.3%	0.9%	1.7%	1.5%	2.0%	3.3%	2.4%	-0.3%	1.1%	2.8%
Shares Out.	-	98	52	108	110	98	106.0	112.4	124.6	125.8
Revenue/Share	6.34	3.01	6.26	2.50	2.73	4.09	2.76	1.08	1.34	2.70
FCF/Share	9.77	2.14	-0.74	3.14	0.11	2.05	1.72	1.00	0.64	0.85

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.