



RPT Realty (RPT)

Updated February 17th, 2023 by Nikolaos Sismanis

Key Metrics

Current Price:	\$10.84	5 Year CAGR Estimate:	7.9%	Market Cap:	\$943.3 M
Fair Value Price:	\$10.89	5 Year Growth Estimate:	2.5%	Ex-Dividend Date:	03/17/23
% Fair Value:	100%	5 Year Valuation Multiple Estimate:	0.1%	Dividend Payment Date:	04/03/23
Dividend Yield:	5.2%	5 Year Price Target	\$12.32	Years Of Dividend Growth:	3
Dividend Risk Score:	D	Retirement Suitability Score:	C	Rating:	Hold

Overview & Current Events

RPT Realty is a Real Estate Investment Trust (REIT) engaged in the business of owning and operating a national portfolio of open-air shopping destinations principally located in the top U.S. markets. The company's portfolio currently consists of 44 wholly-owned shopping centers, 13 shopping centers owned through its grocery anchored joint venture, and 48 retail properties owned through its net lease joint venture. As of its latest filings, the company's pro-rata share of the aggregate portfolio was 93.8% leased. RPT realty generates around \$220 million in annual rental revenues and is headquartered in New York, New York.

On February 9th, 2023, RPT Realty increased its dividend by 7.7% to a quarterly rate of \$0.14.

On February 15th, 2023, RPT Realty reported its Q4-2022 and full-year results for the period ending December 31st, 2022. For the quarter, total revenues came in at \$51.5 million, down 8% year-over-year. Specifically, rental income, the company's biggest revenue contributor, fell 9.2% to \$48.9 million. Higher management and fee income marginally offset this decline. FFO came in at \$21.0 million, or \$0.24 per diluted share, compared to \$13.9 million, or \$0.16 per diluted share, for the same period in 2021. The significant increase was due to a \$17.2 million provision for impairment that had negatively impacted results last year.

Same-property NOI grew 1.1% year-over-year. The increase was primarily driven by higher base rent, partially offset by lower net recoveries. Blended re-leasing spreads on comparable leases were 5.6%, with an annualized base rent of \$15.54 per square foot. Re-leasing spreads on one comparable new, and 49 renewal leases were 24.3% and 5.0%, respectively. Management introduced its FY2023 FFO per diluted share guidance to be between \$0.97 and \$1.01.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
FFO/shr	\$1.16	\$0.95	\$1.36	\$1.35	\$1.34	\$1.23	\$1.00	\$0.81	\$0.85	\$1.02	\$0.99	\$1.12
DPS	\$0.71	\$0.78	\$0.82	\$0.86	\$0.88	\$0.88	\$0.88	\$0.22	\$0.39	\$0.52	\$0.56	\$0.82
Shares¹	59.7	72.1	79.0	79.4	79.5	80.1	87.7	79.9	81.0	84.2	84.20	100.0

RPT Realty's performance has been rather stable over the past decade. That said, the company has not delivered meaningful FFO/share growth, with retail locations, especially shopping malls, struggling to attract satisfactory rent growth levels and frequently suffering from soft occupancy levels. Going forward, FFO/share is to potentially be powered by RPT's acquisition pipeline and rental hikes. Specifically, since the start of 2021, RPT has acquired over \$1.1 billion of shopping centers across its three investment platforms in high-growth target markets of Boston, Atlanta, Nashville, and Tampa. Boston, in fact, which is a high-growth market, just recently moved from no exposure in RPT's portfolio to its second-largest market. The company's strong new lease spreads as of recently could indicate further growth in NOI going forward. Still, we remain prudent due to the uncertainty surrounding the industry. Hence, we forecast FFO/share growth of 2.5% through 2028. In terms of the dividend, RPT slashed it during the Great Financial Crisis and once again last year amid COVID-19 adversely impacting shopping centers. We have utilized an 8% dividend CAGR in the medium-term, expecting payouts to gradually recover closer to RPT's FFO/share levels.

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.



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Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/FFO	13.3	17.9	11.4	13.3	9.4	11.0	12.5	8.6	14.7	11.2	10.9	11.0
Avg. Yld.	4.5%	4.4%	4.6%	5.6%	6.4%	6.9%	7.2%	2.8%	3.1%	4.6%	5.2%	6.7%

RPT's P/FFO has been rather consistent over the past decade, hovering between the high-single and low double-digits. The current multiple of 10.9 appears to fairly value the company, reflecting our humble growth estimates. We expect the stock's P/FFO to remain close to 11, below its decade average of 12.3 due to higher interest rates. The dividend yield could advance if management proceeds to raise the dividend towards its pre-pandemic levels, but it is already notable.

Safety, Quality, Competitive Advantage, & Recession Resiliency

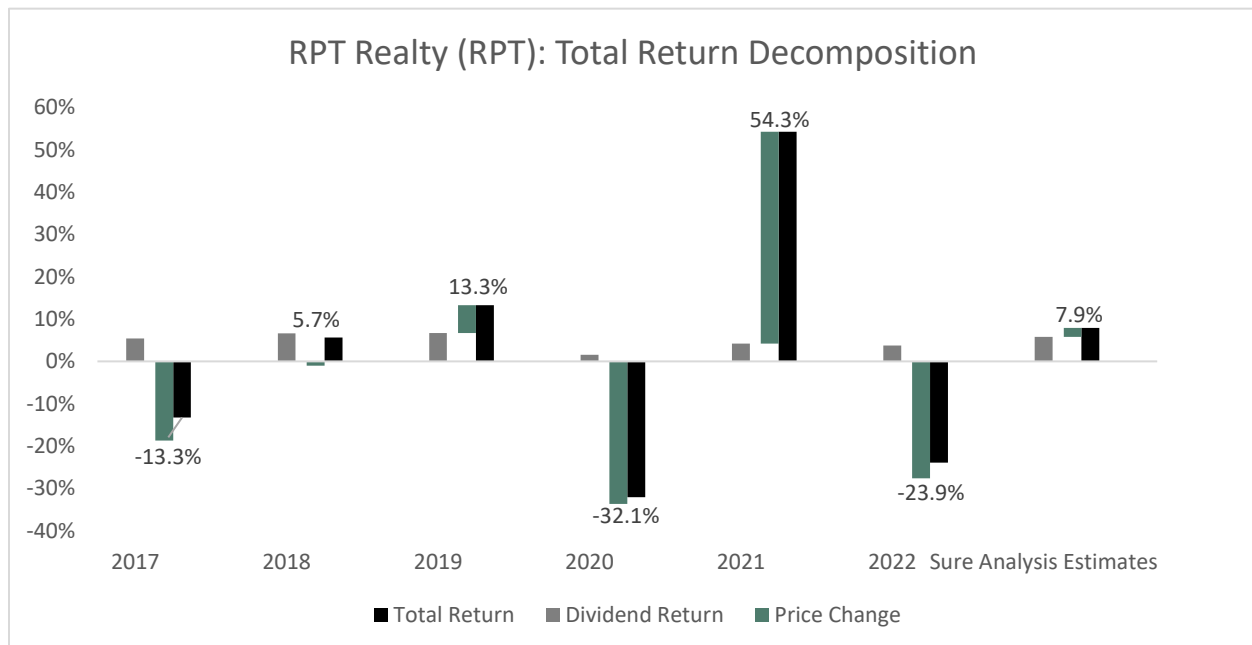
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	61%	82%	60%	64%	66%	72%	88%	27%	46%	51%	57%	73%

While RPT's dividend has been slashed twice since 2007, we consider the current payout levels rather comfortable, likely supporting modest dividend growth in the medium term as well. The company does not possess any particular competitive advantages. However, it does showcase some attractive characteristics. For instance, over 70% of the portfolio has a grocery-anchored component. And, due to its credit-worthy tenants, the occupancy and leasing rates in Q4 2022 stood at 89.9% and 93.8%, respectively. These metrics held up relatively well even during the pandemic. Nonetheless, a prolonged recession or events that would damage retail sales could severely impact the company.

Final Thoughts & Recommendation

RPT's potential to grow in the medium-term appears plausible, but the environment lately has certainly not helped its mission. The stock's performance has been rather underwhelming historically, while 2020's dividend cut illustrated RPT's vulnerability during challenging conditions. Our projected growth rates and 5.2% yield, combined with expectations for a relatively stable valuation ahead, suggest annualized returns of 7.9% through 2028. RPT earns a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	125	170	218	252	261	265	261	234	192	213
Gross Profit	90	124	156	178	186	187	185	163	128	155
Gross Margin	72.1%	72.7%	71.4%	70.8%	71.3%	70.4%	70.9%	69.5%	66.6%	72.8%
SG&A Exp.	19	21	22	20	22	23	31	30	26	32
D&A Exp.	40	57	81	89	92	91	87	79	77	72
Operating Profit	32	46	53	69	72	73	66	54	25	41
Operating Margin	25.9%	27.3%	24.3%	27.3%	27.7%	27.5%	25.4%	23.1%	12.9%	19.2%
Net Profit	7	11	(2)	65	60	69	18	92	(10)	69
Net Margin	5.8%	6.5%	-1.1%	25.9%	22.9%	26.1%	6.8%	39.1%	-5.3%	32.4%
Free Cash Flow	24	41	30	45	49	55	29	34	40	65
Income Tax	(0)	0	0	0	0	0	0	0	(0)	(0)

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	1,165	1,652	1,944	2,136	2,061	2,030	1,928	1,919	1,950	1,902
Cash & Equivalents	4	6	9	7	4	8	41	110	209	13
Accounts Receivable	23	25	28	43	43	46	45	45	44	40
Goodwill & Int. Ass.	26	70	79	91	77	64	49	36	28	40
Total Liabilities	605	854	1,046	1,232	1,173	1,145	1,097	1,070	1,149	1,007
Accounts Payable	22	32	44	54	57	57	56	55	45	47
Long-Term Debt	541	753	918	1,084	1,021	999	963	931	1,028	884
Shareholder's Equity	430	670	772	790	775	772	720	736	690	785
LTD/E Ratio	1.02	0.98	1.05	1.23	1.18	1.16	1.19	1.12	1.31	1.01

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	0.7%	0.8%	-0.1%	3.2%	2.8%	3.4%	0.9%	4.8%	-0.5%	3.6%
Return on Equity	1.8%	2.0%	-0.3%	8.3%	7.6%	8.9%	2.4%	12.6%	-1.4%	9.3%
ROIC	0.7%	0.8%	-0.1%	3.4%	3.1%	3.6%	1.0%	5.1%	-0.6%	3.8%
Shares Out.	44.1	59.7	72.1	79.0	79.4	79.5	80.1	87.7	80.0	82.3
Revenue/Share	2.84	2.85	3.03	3.19	3.28	3.33	3.25	2.67	2.40	2.59
FCF/Share	0.54	0.69	0.41	0.57	0.61	0.69	0.36	0.39	0.50	0.79

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

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