



Alpine Income Property Trust, Inc. (PINE)

Updated April 21st, 2023 by Nikolaos Sismanis

Key Metrics

Current Price:	\$15.90	5 Year CAGR Estimate:	10.6%	Market Cap:	\$240.2 M
Fair Value Price:	\$17.05	5 Year Growth Estimate:	3.5%	Ex-Dividend Date:	06/08/2023 ¹
% Fair Value:	93%	5 Year Valuation Multiple Estimate:	1.4%	Dividend Payment Date:	06/30/2023
Dividend Yield:	6.9%	5 Year Price Target	\$20.25	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 138 net leased retail and office properties located in 106 markets in 34 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 14.8% of Alpine's common stock. Alpine Income Property generates around \$45.2 million in annual rental revenues and is headquartered in Daytona Beach, Florida.

On April 20th, 2023, Alpine Income Property Trust reported its Q1 results for the period ending March 31st, 2023. For the quarter, total revenues came in at \$11.2 million, 3.4% higher year-over-year, with recent property disposals pulling back growth. Specifically, during the quarter, Alpine didn't acquire any properties, but it did sell 10 properties. The sales were for a total disposition volume of \$56.2 million at a weighted average exit cash cap rate of 6.1%.

AFFO also declined by 12.7% to \$5.6 million. Due to the issuance of common stock to raise further funds to partially assist with its acquisitions in previous quarters, AFFO/share came in at \$0.36, declining by an even more significant 25%.

At the end of the quarter, Alpine's Weighted-Average Remaining Lease Term was 7.3 years, and the portfolio was 99.4% occupied. For FY2023, management continues to expect AFFO/share to come out between \$1.52 and \$1.57. We have utilized the midpoint of this range in our estimates.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
AFFO/shr	---	---	---	---	---	---	\$0.09	\$1.04	\$1.59	\$1.77	\$1.55	\$1.84
DPS	---	---	---	---	---	---	\$0.06	\$0.82	\$1.02	\$1.09	\$1.10	\$1.31
Shares²	---	---	---	---	---	---	7.9	7.6	9.8	11.9	15.7	25.0

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 year-over-year. The trust has achieved nearly 300% accretive portfolio growth since its inception, which is quite impressive. Its current growth drivers include property acquisitions, which takes place at attractive low-cost financing (Alpine borrowed \$60 million in a 5-year term at just 2.16% in 2022), as well as rent escalations. Currently, around half of its annualized base rent is subject to rent escalations.

However, Alpine's growth in the coming quarters is set to slow down, as rising rates will result in growing interest expenses in the near-term and more expensive refinances in the medium-term. At the end of Q1, Alpine's weighted average cost of debt stood at 3.51%, up from 2.10% at the end of fiscal 2021. With interest expenses comprising just over 40% of operating cash flows, such massive increases in the cost of debt can have a great effect on its profitability margins. This is why the company has guided for lower AFFO/share in fiscal 2023. We forecast a medium-term growth of 3.5% for both AFFO/share and the dividend-per-share from a lower AFFO/share base of \$1.55.

¹ Estimated dates based on past dividend dates.

² 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.



Alpine Income Property Trust, Inc. (PINE)

Updated April 21st, 2023 by Nikolaos Sismanis

Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/AFFO	---	---	---	---	---	---	---	14.4	11.9	10.0	10.3	11.0
Avg. Yld.	---	---	---	---	---	---	---	5.6%	5.6%	6.2%	6.9%	6.5%

Alpine's valuation multiple currently stands at 10.3X the midpoint of management's expected AFFO/share. The stock's multiple has corrected substantially to take into account the impact of rising interest rates on Alpine's profitability. Despite this, we think that the shares are now undervalued, and we maintain our fair price to AFFO ratio of 11, which we believe more accurately reflects Alpine's growth potential. At 6.9% Alpine's dividend yield in on the high-end of the stock's historical average.

Safety, Quality, Competitive Advantage, & Recession Resiliency

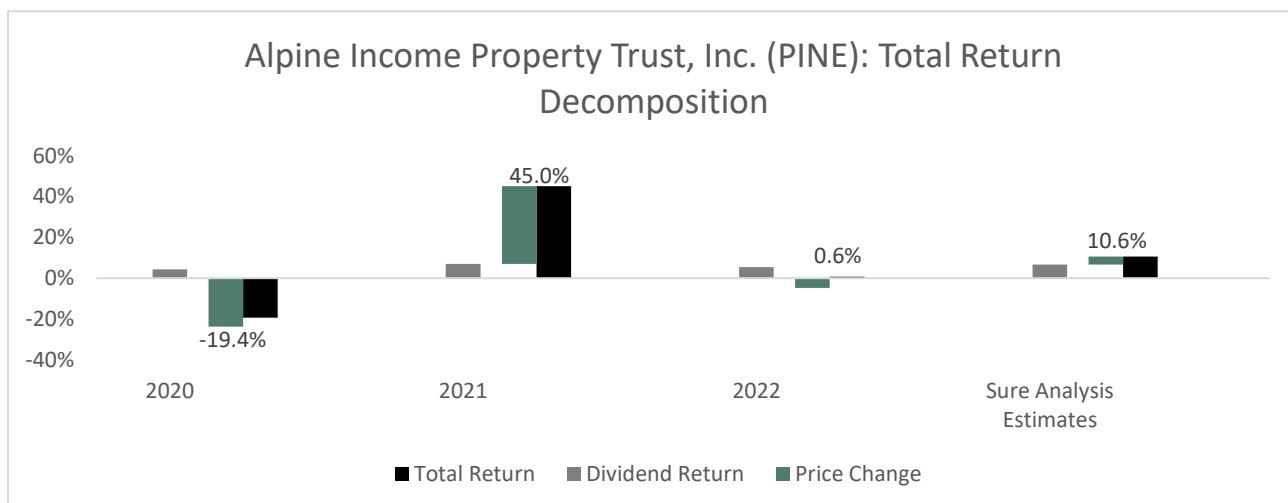
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	---	---	---	---	---	---	64%	79%	64%	62%	71%	71%

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 10% and 13% of total rental revenues. Additionally, a large chunk of the trust's tenants comprises investment-grade firms, with Walgreens, DICK'S Sporting Goods, and Lowe's accounting for 13%, 8%, and 6% of total rental revenues, respectively. Finally, few companies can claim near 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. That said, we expect the company's growth to slow down materially from the rates it achieved during a low-rates environment. We estimate annualized returns of around 10.6% through 2028, powered by the 6.9% dividend yield, AFFO/share growth of 3.5%, and the possibility for a 1.4% annual valuation tailwind. The stock earns a buy rating.

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.



Alpine Income Property Trust, Inc. (PINE)

Updated April 21st, 2023 by Nikolaos Sismanis

Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	---	---	---	---	8	12	---	19	30	45
Gross Profit	---	---	---	---	7	10	---	17	26	40
Gross Margin	---	---	---	---	82.6%	86.2%	---	88.0%	86.7%	88.9%
SG&A Exp.	---	---	---	---	1	1	---	5	5	6
D&A Exp.	---	---	---	---	3	5	---	10	16	23
Operating Profit	---	---	---	---	3	4	---	2	5.5	10.4
Operating Margin	---	---	---	---	36.7%	34.3%	---	12.1%	18.3%	23.1%
Net Profit	---	---	---	---	3	4	---	1	10	29.7
Net Margin	---	---	---	---	33.3%	34.3%	---	5.1%	33.3%	66%
Free Cash Flow	---	---	---	---	5	6	---	9	17	24.7
Income Tax	---	---	---	---	---	---	---	---	---	---

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	---	---	---	---	126	127	164	262	506	573
Cash & Equivalents	---	---	---	---	0	0	12	2	9	9
Goodwill & Int. Ass.	---	---	---	---	12	11	22	37	59	60
Total Liabilities	---	---	---	---	6	2	3	112	278	278
Accounts Payable	---	---	---	---	---	---	0	0	0	0
Long-Term Debt	---	---	---	---	-	-	---	106	268	267
Shareholder's Equity	---	---	---	---	120	124	138	127	197	262
LTD/E Ratio	---	---	---	---	---	---	---	0.84	1.4	1.02

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	---	---	---	---	---	3.2%	---	0.5%	2.6%	5.5%
Return on Equity	---	---	---	---	---	3.3%	---	0.7%	6.2%	13.0%
ROIC	---	---	---	---	---	3.3%	---	0.5%	2.7%	5.6%
Shares Out.	---	---	---	---	---	---	7.9	7.6	11	13.68
Revenue/Share	---	---	---	---	0.93	1.28	---	2.18	2.68	3.30
FCF/Share	---	---	---	---	0.58	0.62	---	1.07	1.52	1.80

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.