Brixmor Property (BRX)

Updated February 17th, 2024 by Kay Ng

Key Metrics

Current Price:	$23	**5 Year CAGR Estimate:**	8.5%	**Market Cap:**	$7B
Fair Value Price:	$24	**5 Year Growth Estimate:**	3.5%	**Ex-Dividend Date:**	04/01/24
% Fair Value:	96%	**5 Year Valuation Multiple Estimate:**	0.8%	**Dividend Payment Date:**	04/15/24
Dividend Yield:	4.7%	**5 Year Price Target**	$29	**Years Of Dividend Growth[1]:**	3
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 362 retail 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 74% of its centers are anchored by grocery stores. Brixmor's largest tenants (by annualized base rent) are TJX Companies Inc. (TJX) and The Kroger Co. (KR). No individual tenant contributes more than 3.4% of annualized based rent ("ABR").

Brixmor reported its Q4 and full-year 2023 results on 02/12/24. For the quarter, it generated revenues of $316.5 million (up 2.6% year over year), including rental income growth of 2.6% to $316.4 million. It also reported funds from operations ("FFO") of $154.7 million, 5.2% higher than the prior year's quarter. On a per-share basis, FFO was $0.51, an improvement of 4.1% year over year**.** It also saw an increase in same property net operating income ("NOI") of 3.1%. 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 $119.5 million of reinvestment projects at an average incremental NOI yield of 9% and sold $21.6 million of assets. The REIT ended the quarter with an in-process reinvestment pipeline that totaled $429.2 million at an expected average incremental NOI yield of 9%.

The full year results provide a bigger picture. Revenue rose 2.2% to $1.2 billion, while FFO increased by 4.5% to $615.6 million and the FFO per share climbed 4.6% to $2.04. Management provided initial guidance for 2024, as follows: Same property NOI growth of 2.5%-3.5% and FFO-per-share of $2.06 to $2.10. Consequently, we set our 2024 FFOPS estimate to the midpoint of $2.08.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
FFOPS	$1.81	$1.97	$2.06	$2.08	$1.89	$1.91	$1.47	$1.75	$1.95	$2.04	***$2.08***	***$2.47***
DPS	$0.73	$0.92	$1.00	$1.06	$1.11	$1.12	$0.57	$0.86	$0.96	$1.04	***$1.09***	***$1.29***
Shares[1]	297	298	304	305	300	298	298	299	302	302	***303***	***311***

After pausing its dividend in 2020, Brixmor restarted its quarterly dividends in 2021 and has been raising its dividend steadily since. The annualized amount of $1.09 is almost back to the 2019 levels. We estimate a dividend growth rate of about 3.5% through 2029. From 2014 to 2023, Brixmor increased its FFO per share by 1.3% per year. Its leases are signed at below-market rates, which means that when the leases are up, the REIT has the potential to raise prices. BRX's 2023 same-property NOI growth was 4.0%. Management expects the 2024 same-property NOI growth to be lower at 2.5%-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. Eventually, we expect the cash distribution to be restored to previous levels. In 2022, Brixmor's FFOPS finally surpassed the 2019 levels. For now, we maintain a five-year FFOPS growth rate of 3.5% for the stock. We also project that the dividend can increase at a similar rate. We would improve its FFO and dividend estimates if the REIT executes well over time.

[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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Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
P/FFO	13.8	17.1	16.1	14.1	12.6	10.2	8.8	13.7	12.5	10.9	***11.1***	***11.6***
Avg. Yld.	3.6%	2.9%	3.6%	5.0%	6.5%	5.7%	4.4%	2.9%	3.4%	4.9%	***4.7%***	***4.5%***

Much of the growth that Brixmor experienced in 2022 was from a recovery after the pandemic disruptions in 2020. The retail industry, as a whole, is still experiencing headwinds from e-commerce and growth slowed to more normalized levels in 2023. The majority of Brixmor's tenants are anchored by businesses, including food and fitness, which should not be greatly impacted by e-commerce. In a higher interest rate environment, we target a P/FFO of 11.6. Brixmor trades at a multiple of 11.1, which suggests a fairly-valued stock.

Safety, Quality, Competitive Advantage, & Recession Resiliency

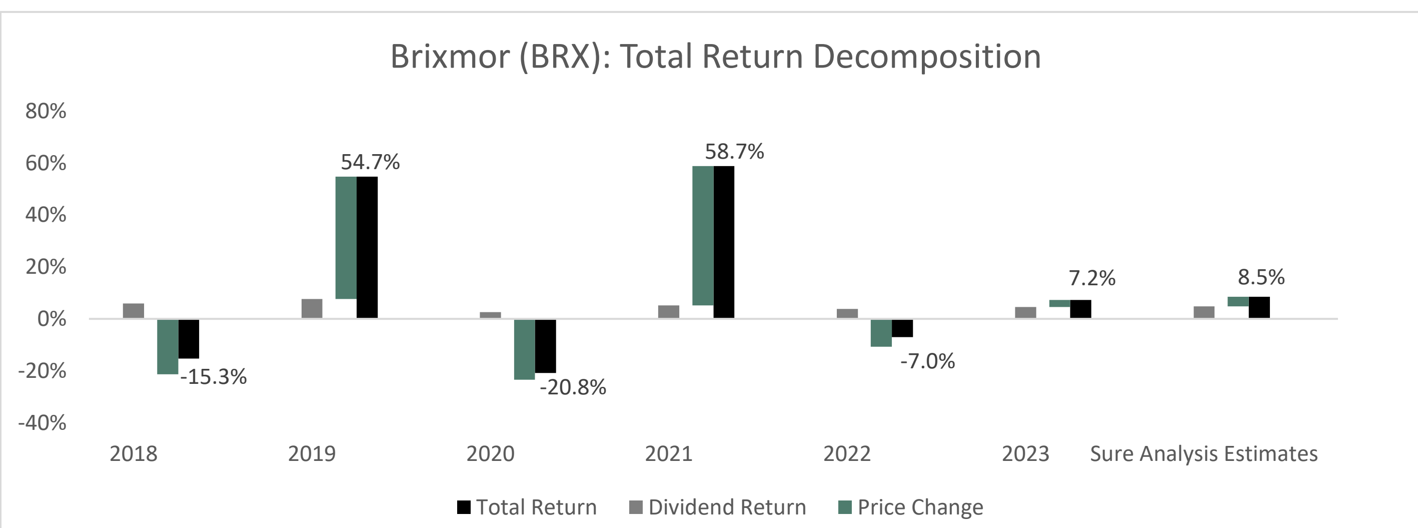
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	40%	47%	49%	51%	59%	59%	39%	49%	49%	51%	***52%***	***52%***

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 ~74% of properties that have grocery anchors. At the end of Q4 2023, Brixmor had total liquidity of $1.2 billion and $300.4 million of debt maturities in June 2024. As well, its debt-to-equity ratio was 1.9x, while its debt-to-asset ratio was 65.8%. Its investment-grade credit rating from S&P Global improved a notch to BBB.

Final Thoughts & Recommendation

Brixmor appears to have stabilized from the pandemic impacts. Over the next five years, we estimate total returns of 8.5% in the stock from a 4.7% dividend, FFO-per-share growth rate of 3.5%, and 0.8% from valuation expansion. We rate Brixmor as a "hold" at current levels.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	1,237	1,266	1,276	1,283	1,234	1,168	1,053	1,152	1,218	1,245
Gross Profit	928	956	968	968	921	872	773	854	906	925
Gross Margin	75.0%	75.5%	75.9%	75.4%	74.6%	74.7%	73.4%	74.2%	74.4%	74.3%
SG&A Exp.	80	98	92	92	94	102	98	105	117	117
D&A Exp.	442	418	387	375	352	332	336	327	333	362
Operating Profit	395	430	479	495	465	438	339	422	444	446
Operating Margin	31.9%	33.9%	37.6%	38.6%	37.7%	37.5%	32.2%	36.6%	36.5%	35.8%
Net Profit	89	194	276	300	366	275	121	270	354	306
Net Margin	7.2%	15.3%	21.6%	23.4%	29.7%	23.5%	11.5%	23.4%	29.1%	24.6%
Free Cash Flow	479	524	567	552	542	529	443	552	566	589
Income Tax	1,237	1,266	1,276	1,283	1,234	1,168	1,053	1,152		

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	9,682	9,498	9,320	9,154	8,242	8,142	8,342	8,377	8,436	8,333
Cash & Equivalents	61	70	51	57	42	19	369	297	16	1
Accounts Receivable	182	180	178	232	228	234	240	235	264	278
Total Liabilities	6,702	6,578	6,393	6,246	5,406	5,399	5,661	5,659	5,571	5,482
Long-Term Debt	6,023	5,974	5,839	5,676	4,886	4,861	5,167	5,165	5,036	4,934
Shareholder's Equity	2,904	2,870	2,923	2,908	2,836	2,744	2,681	2,718	2,865	2,850
LTD/E Ratio	2.07	2.08	2.00	1.95	1.72	1.77	1.93	1.90	1.76	1.73

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	0.9%	2.0%	2.9%	3.3%	4.2%	3.4%	1.5%	3.2%	4.2%	3.6%
Return on Equity	3.4%	6.7%	9.5%	10.3%	12.8%	9.8%	4.5%	10.0%	12.7%	10.7%
ROIC	1.0%	2.2%	3.1%	3.5%	4.5%	3.6%	1.6%	3.4%	4.5%	3.9%
Shares Out.	297	298	304	305	300	298	298	299	302	302
Revenue/Share	5.06	4.15	4.18	4.20	4.08	3.90	3.54	3.86	4.04	4.12
FCF/Share	1.96	1.72	1.86	1.81	1.79	1.77	1.49	1.85	1.88	1.95

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