



Equity LifeStyle Properties, Inc. (ELS)

Updated February 10th, 2024 by Felix Martinez

Key Metrics

Current Price:	\$67	5 Year CAGR Estimate:	6.8%	Market Cap:	\$13.0 B
Fair Value Price:	\$61	5 Year Growth Estimate:	6.0%	Ex-Dividend Date:	03/27/24
% Fair Value:	110%	5 Year Valuation Multiple Estimate:	-1.9%	Dividend Payment Date:	04/12/24
Dividend Yield:	2.9%	5 Year Price Target	\$81	Years Of Dividend Growth:	19
Dividend Risk Score:	D	Retirement Suitability Score:	D	Rating:	Hold

Overview & Current Events

Equity LifeStyle Properties, Inc is a real estate investment trust which engages in the ownership and operation of lifestyle-oriented properties consisting primarily of manufactured home and recreational vehicle communities. The Trust was founded by James M. Hankins in December 1992 and is headquartered in Chicago, IL. Equity LifeStyle Properties operates through the following segments: Property Operations; and Home Sales and Rentals Operations. The Property Operations segment owns and operates land lease properties. The Home Sales and Rentals Operations segment purchases, sells, and leases homes at the properties. Today, Equity LifeStyle Properties, Inc. owns or has a controlling interest in more than 400 communities and resorts in 33 states and British Columbia, with more than 165,000 sites. The Trust employs 4,000 employees across the country. Equity LifeStyle Properties, Inc trades on the New York Stock Exchange under the ticker ELS. The Trust has a strong dividend growth history. The company has been increasing its dividend for nineteen consecutive years and has a current market capitalization of \$13.0 billion.

On January 29th, 2024, Equity LifeStyle Properties reported fourth-quarter earnings for Fiscal Year (FY)2023. The company reported robust financial performance for Q4 2023. Total revenues increased by \$20.0 million to \$360.6 million, while net income for common stockholders rose by \$18.9 million to \$91.9 million. Earnings per common share also saw a positive change from \$0.39 to \$0.49.

Non-GAAP financial measures showed significant improvement, with Funds from Operations (FFO) per common share and OP Unit increasing by \$0.13 to \$0.76, and Normalized FFO per common share and OP Unit rising by \$0.07 to \$0.71. Core portfolio performance in Q4 2023 exhibited a 6.6% increase in core property operating revenues to \$318.8 million, and core income from property operations, excluding property management, grew by 5.2% to \$186.7 million.

Looking forward to 2024, the Board of Directors approved an annual dividend rate of \$1.91 per share of Common Stock, marking a 6.7% increase over the previous year's rate of \$1.79 per share. The Board will determine each quarterly dividend amount at its discretion in advance of payment.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
FFO	\$1.35	\$1.52	\$1.66	\$1.80	\$1.94	\$2.09	\$2.17	\$2.53	\$2.72	\$2.75	\$2.89	\$3.87
DPS	\$0.65	\$0.75	\$0.85	\$0.98	\$1.10	\$1.07	\$1.37	\$1.45	\$1.64	\$1.79	\$1.91	\$2.56
Shares¹	183.0	184.0	185.0	187.0	190.0	192.0	193.0	192.6	195.3	195.0	195.0	195.0

The continuation of acquiring properties and increasing core income from property operations will help drive FFO to grow for years to come. Over the past ten years, ELS has had a CAGR of 8.2% and a five-year CAGR of 6.7%. We think this will start to slow down as the Trust matures. Thus, we believe a 6.0% FFO growth rate is rational for the next five years. This will give us an FFO of \$3.87 per share in 2029. We also expect the Trust to continue its dividend growth history and grow its dividend at a 6.0% rate or higher as it did with the most recent increase.

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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/FFO	19.2	21.9	21.8	24.7	25.1	33.7	29.2	34.9	23.8	25.7	23.1	21.0
Avg. Yld.	2.5%	2.3%	2.4%	2.2%	2.3%	1.5%	2.2%	1.7%	2.5%	2.5%	2.9%	3.1%

Currently, ELS is overvalued to our fair price of \$61. The Trust has a P/FFO of 23.1 based on FY2024 earnings of \$2.89 per share. We think a sensible P/FFO ratio is 21.0. The current valuation provides a headwind of (1.9)% for the next five years. The present dividend yield is also a good indicator of the Trust's current valuation. The dividend yield of 2.9% is higher than its ten-year average of 2.2%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

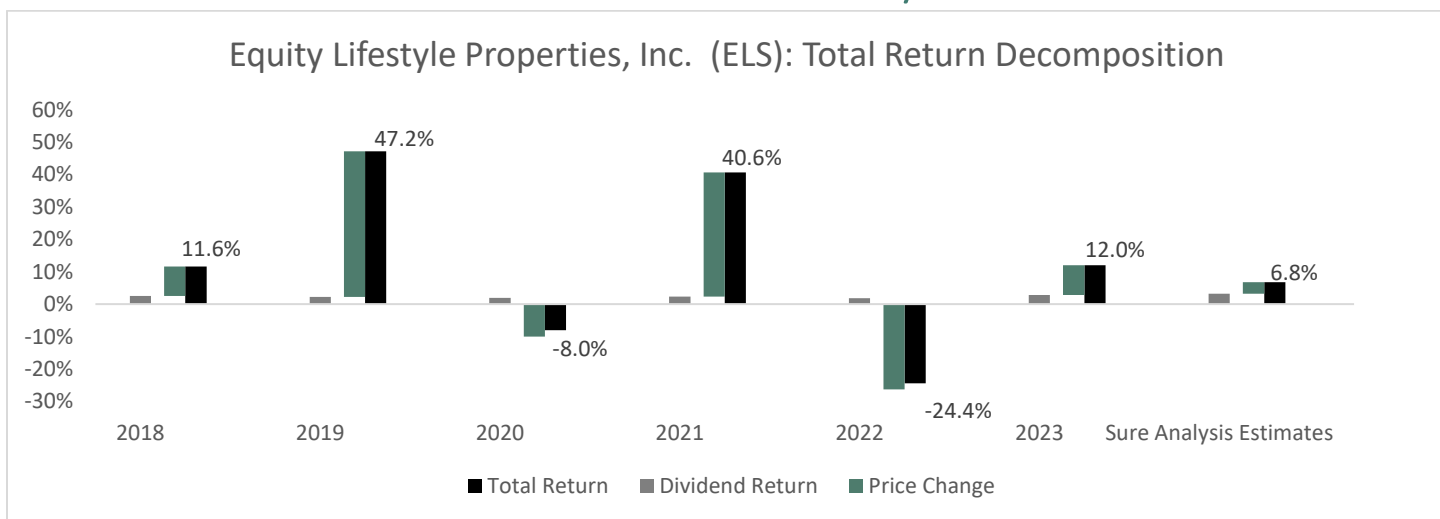
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	48.1%	49.3%	51.2%	54.4%	56.7%	51.2%	63.1%	57.3%	60.3%	65.1%	66%	66%

ELS's competitive advantage is that Equity LifeStyle has a national presence and excellent reputation within the industry, which allows the Trust to pursue opportunities to increase customer service and deliver quality earnings for shareholders. During the Great Recession in 2007-2010, the Trust performed very well. In 2008, FFO increased 5% from \$0.76 per share 2007 to \$0.80 per share in 2008. In 2009, FFO jumped by 12% to \$0.99 per share. During the COVID-19 pandemic, the Trust saw the same results. In 2020, FFO grew 4% to \$2.17 per share. Thus, ELS is a resilient, high-quality Trust. ELS does not have an S&P Credit Rating. However, the Trust's balance sheet is satisfactory, with a current debt to equity ratio of 2.3 and a long-term debt cap ratio of 71.2%. The dividend is very well covered, with only 63% of FFO going toward its dividend payment. Since 2005, ELS has not had a dividend payout ratio higher than 65%.

Final Thoughts & Recommendation

Equity LifeStyle Properties is a fantastic trust to own in a portfolio. The Trust has a solid business model that allows it to rapidly expand its affordable housing segment. The healthy balance sheet will help drive high acquisition volumes. The current risk is that the Trust is overvalued to our fair price estimate. We expect a five-year annual rate of return of 6.8%. This is primarily because of the higher valuation. Thus, ELS is considered a hold at the current price.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	761	807	856	912	968	1021	1080	1260	1,431	1,472
Gross Profit	437	464	491	520	556	591	615	699	701	740
Gross Margin	57.4%	57.4%	57.3%	57.0%	57.4%	57.9%	57.0%	55.5%	49.0%	50.3%
SG&A Exp.	85	90	93	99	108	112	119	136	96	96
D&A Exp.	116	117	122	125	139	154	158			
Operating Profit	234	255	277	298	311	327	341	375	406	441
Operating Margin	30.8%	31.5%	32.4%	32.6%	32.1%	32.0%	31.6%	29.8%	28.4%	30.0%
Net Profit	128	139	173	198	213	279	228	262	285	314
Net Margin	16.8%	17.3%	20.2%	21.7%	22.0%	27.4%	21.1%	20.8%	19.9%	21.3%
Free Cash Flow	222	259	233	252	232	186	249			

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	3,446	3,400	3,479	3,610	3,926	4,151	4,419	5,308	5,493	5,614
Cash & Equivalents	74	80	56	36	69	29	24	123	22	30
Total Liabilities	2,467	2,408	2,397	2,510	2,732	2,829	3,114	3,822	3,975	4,115
Long-Term Debt	2,212	2,126	2,091	2,200	2,348	2,408	2,667	3,274	3,388	3,519
Shareholder's Equity	776	789	872	1,032	1,122	1,250	1,234	1,415	1,445	1,429
LTD/E Ratio	2.43	2.30	2.07	2.13	2.09	1.93	2.16	2.31	2.34	2.46

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	3.7%	4.1%	5.0%	5.6%	5.6%	6.9%	5.3%	5.4%	5.3%	5.7%
Return on Equity	16.7%	17.8%	20.9%	20.8%	19.7%	23.5%	18.4%	19.8%	19.9%	21.9%
ROIC	4.0%	4.4%	5.5%	6.1%	6.2%	7.7%	5.9%	6.0%	5.9%	6.3%
Shares Out.	183.0	184.0	185.0	187.0	190.0	192.0	193.0	192.6	195.3	195.4
Revenue/Share	4.16	4.39	4.63	4.88	5.09	5.32	5.61	6.89	7.33	7.53
FCF/Share	1.21	1.41	1.26	1.35	1.22	0.97	1.30			

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

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