Alpine Income Property Trust, Inc. (PINE)

Updated July 20th, 2024 by Nikolaos Sismanis

Key Metrics

Current Price:	$16.80	**5 Year CAGR Estimate:**	8.6%	**Market Cap:**	$249.4 M
Fair Value Price:	$16.20	**5 Year Growth Estimate:**	3.5%	**Ex-Dividend Date:**	09/13/2024[1]
% Fair Value:	104%	**5 Year Valuation Multiple Estimate:**	-0.7%	**Dividend Payment Date:**	09/30/2024
Dividend Yield:	6.5%	**5 Year Price Target**	$19.24	**Years Of Dividend Growth:**	4
Dividend Risk Score:	F	**Retirement Suitability Score:**	C	**Rating:**	Hold

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 137 net leased retail and office properties located in 104 markets in 35 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 has a 16% interest in the company. Alpine Income Property Trust generates around $45.6 million in annual rental revenues and is headquartered in Daytona Beach, Florida.

On July 18th, 2024, Alpine Income Property posted its Q2 results for the period ending June 30th, 2024. For the quarter, total revenues came in at $12.5 million, up 9.2% year-over-year. The company acquired one high-quality net lease retail property leased to two tenants for $14.6 million. Additionally, it originated one first mortgage construction loan with a total funding commitment of $6.1 million, of which $4.6 million was funded during the quarter at a yield of 11.5%.

AFFO rose by 9.5% to $6.4 million, following the top line's growth. Further, AFFO/share grew by a more significant rate of 16.2% to $0.43. This was due to a lower share count due to recent share repurchases.

At the end of the quarter, Alpine's weighted average remaining lease term was 6.6 years, and the portfolio was 99.1% occupied. For FY2024, management raised its AFFO/share guidance, expecting it to range from $1.60 to $1.64 (up from $1.53 to $1.58). We have utilized the midpoint of the updated range in our estimates.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
AFFO/shr	---	---	---	---	---	$0.09	$1.04	$1.59	$1.77	$1.49	***$1.62***	***$1.92***
DPS	---	---	---	---	---	$0.06	$0.82	$1.02	$1.09	$1.10	***$1.10***	***$1.31***
Shares[2]	---	---	---	---	---	7.9	7.6	9.8	12.0	13.9	***14.9***	***17.0***

Due to its very recent inception, Alpine Income Property Trust does not have a historical track record to show. However, its financials have grown at a very rapid pace since its inception. The trust has achieved nearly 300% accretive portfolio growth since its inception, which is quite impressive.

This growth was powered through property acquisitions, which took 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.

Alpine's recent growth has experienced a deceleration due to the unattractiveness of debt issuance amidst rising rates. However, we remain optimistic about the medium-term outlook for FFO/share, as Alpine has successfully addressed potential challenges by securing an attractive fixed cost of debt at 3.84% through 2026.

We forecast a medium-term growth of 3.5% for both AFFO/share and the dividend-per-share from an AFFO/share base of $1.62.

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[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.

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Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/AFFO	---	---	---	---	---	---	14.4	11.9	10	10.5	***10.4***	***10.0***
Avg. Yld.	---	---	---	---	---	---	5.6%	5.6%	6.2%	6.7%	***6.5%***	***6.8%***

Alpine's valuation multiple currently stands at 10.4x the midpoint of management's expected AFFO/share. The stock's multiple reflects the impact of rising interest rates on Alpine's growth prospects. At their current levels, we believe that shares are more or less fairly valued. Hence, we have set our fair price-to-AFFO ratio of 10, which we believe accurately reflects Alpine's investment case. At 6.5%, Alpine's dividend yield is on the high end of the stock's historical average.

Safety, Quality, Competitive Advantage, & Recession Resiliency

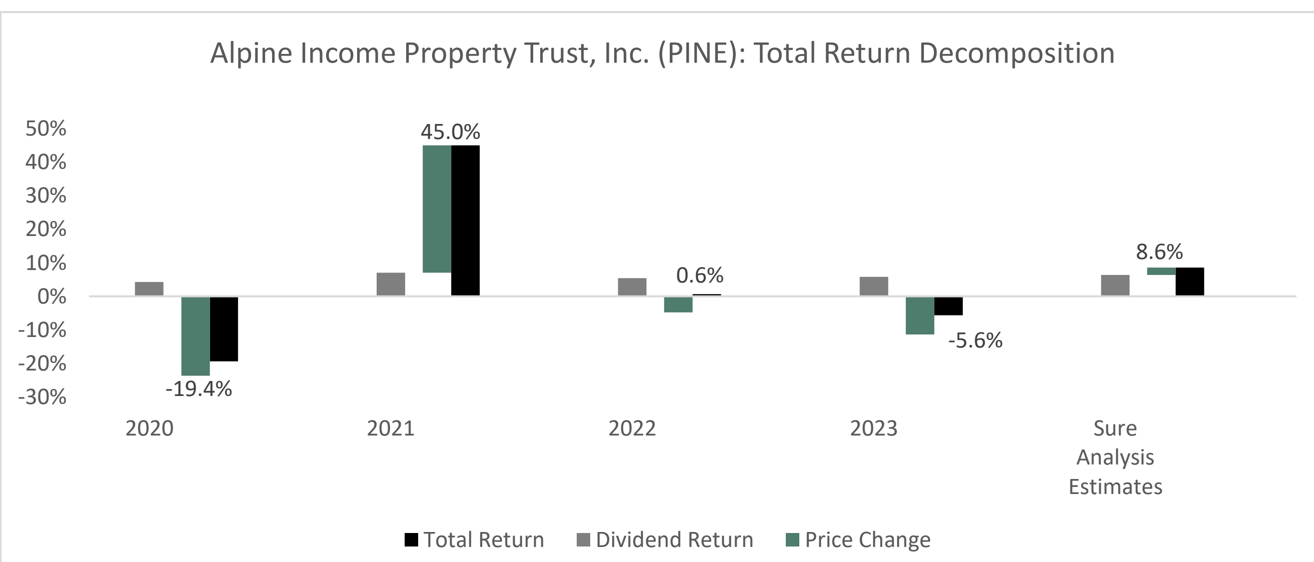
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	---	---	---	---	---	64%	79%	64%	62%	74%	***68%***	***68%***

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 12% of total rental revenues each. Also, a large chunk of the trust's tenants comprises investment-grade firms, with Walgreens, DICK'S Sporting Goods, and Lowe's, accounting for 12%, 10%, and 9% of total rental revenues, respectively. Finally, few companies can claim near 100% occupancy levels. For these reasons, we believe revenues-wise, 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 that distinguish Alpine from its peers.

Final Thoughts & Recommendation

Overall, Alpine Income Property Trust seems like a high-quality REIT with excellent characteristics despite its short trading history. However, note that we expect the company’s growth to be subpar from the rates it achieved during a low-rate environment. Nevertheless, we estimate annualized returns of around 8.6% through 2029, powered by the 6.5% dividend yield, AFFO/share growth of 3.5%, and the possibility of a slight valuation headwind. We rate PINE a hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	---	---	---	8	12	---	19	30	45	46
Gross Profit	---	---	---	7	10	---	17	26	40	35
Gross Margin	---	---	---	82.6%	86.2%	---	88.0%	86.7%	88.9%	76.1%
SG&A Exp.	---	---	---	1	1	---	5	5	6	2
D&A Exp.	---	---	---	3	5	---	10	16	23	25
Operating Profit	---	---	---	3	4	---	2	5.5	10.4	7
Operating Margin	---	---	---	36.7%	34.3%	---	12.1%	18.3%	23.1%	15.2%
Net Profit	---	---	---	3	4	---	1	10	29.7	3
Net Margin	---	---	---	33.3%	34.3%	---	5.1%	33.3%	66%	6.5%
Free Cash Flow	---	---	---	5	6	---	9	17	24.7	26
Income Tax	---	---	---	---	---	---	---	---	---	---

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	---	---	---	126	127	164	262	506	573	565
Cash & Equivalents	---	---	---	0	0	12	2	9	9	4
Goodwill & Int. Ass.	---	---	---	12	11	22	37	59	60	49
Total Liabilities	---	---	---	6	2	3	112	278	278	289
Accounts Payable	---	---	---	---	---	0	0	0	0	0
Long-Term Debt	---	---	---	-	-		106	268	267	276
Shareholder's Equity	---	---	---	120	124	138	127	197	262	251
LTD/E Ratio	---	---	---	---	---	---	0.84	1.4	1.02	1.1

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	---	---	---	---	3.2%	---	0.5%	2.6%	5.5%	0.5%
Return on Equity	---	---	---	---	3.3%	---	0.7%	6.2%	13.0%	1.0%
ROIC	---	---	---	---	3.3%	---	0.5%	2.7%	5.6%	0.5%
Shares Out.	---	---	---	---		7.9	7.6	11	13.68	15.6
Revenue/Share	---	---	---	0.93	1.28	---	2.18	2.68	3.30	2.93
FCF/Share	---	---	---	0.58	0.62	---	1.07	1.52	1.80	1.65

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