



Equity LifeStyle Properties, Inc. (ELS)

Updated November 5th, 2024 by Felix Martinez

Key Metrics

Current Price:	\$69	5 Year CAGR Estimate:	6.4%	Market Cap:	\$13.9 B
Fair Value Price:	\$62	5 Year Growth Estimate:	6.0%	Ex-Dividend Date:	12/27/24
% Fair Value:	112%	5 Year Valuation Multiple Estimate:	-2.2%	Dividend Payment Date:	01/10/25
Dividend Yield:	2.8%	5 Year Price Target	\$83	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 \$13.9 billion.

On October 21st, 2024, Equity LifeStyle Properties reported third-quarter earnings for Fiscal Year (FY)2024. For the quarter ending September 30, ELS achieved a 4.9% increase in Normalized Funds from Operations (FFO) per common share, reaching \$0.72, with a nine-month figure of \$2.16 per share—an improvement of 5.6% year-over-year. Core property revenues for the quarter rose by 4.4%, while income from property operations, excluding management, saw a 5.8% increase. Manufactured housing (MH) base rental income also increased by 6.2% for both the quarter and nine months, largely due to rate increases and higher occupancy.

ELS reported modest growth in its RV and marina segments, with base rental income increasing by 1.3% in the third quarter and annual rental income by 6.2%. Property operating expenses grew at a lower rate than revenues, increasing by 2.8% for the quarter and 3.4% for the year-to-date, which contributed positively to the company's margin. Additionally, ELS generated \$314.2 million in net proceeds from stock sales, which it applied to repay a \$300 million term loan, thus enhancing its balance sheet position. The company also reported costs from cleanup efforts following Hurricanes Helene and Milton, though it expects minimal financial impact due to adequate insurance coverage.

Looking forward, ELS updated its 2024 guidance, narrowing its FFO projections to a range of \$2.96 to \$3.02 per share, with MH and RV base rental income anticipated to grow by 5.8% to 6.4% and 2.7% to 3.3%, respectively. For 2025, preliminary rent rate assumptions include a 5.0% increase for approximately half of MH residents and a 5.5% increase for annual RV sites, reflecting a sustained demand for ELS's properties. The company remains well-positioned with solid revenue growth across its portfolios and a strategic focus on operational efficiency and balance sheet improvements.

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	\$2.96	\$3.96
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

¹ Share count is in millions.

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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 6.8%. 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 \$3.96 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.

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	23.5	21.0
Avg. Yld.	2.5%	2.3%	2.4%	2.2%	2.3%	1.5%	2.2%	1.7%	2.5%	2.5%	2.8%	3.1%

Currently, ELS is overvalued to our fair price of \$62. The Trust has a P/FFO of 23.5 based on FY2024 earnings of \$2.96 per share. We think a sensible P/FFO ratio is 21.0. The current valuation provides a headwind of (2.2)% for the next five years. The present dividend yield is also a good indicator of the Trust's current valuation. The dividend yield of 2.8% is slightly higher than its ten-year average of 2.2%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

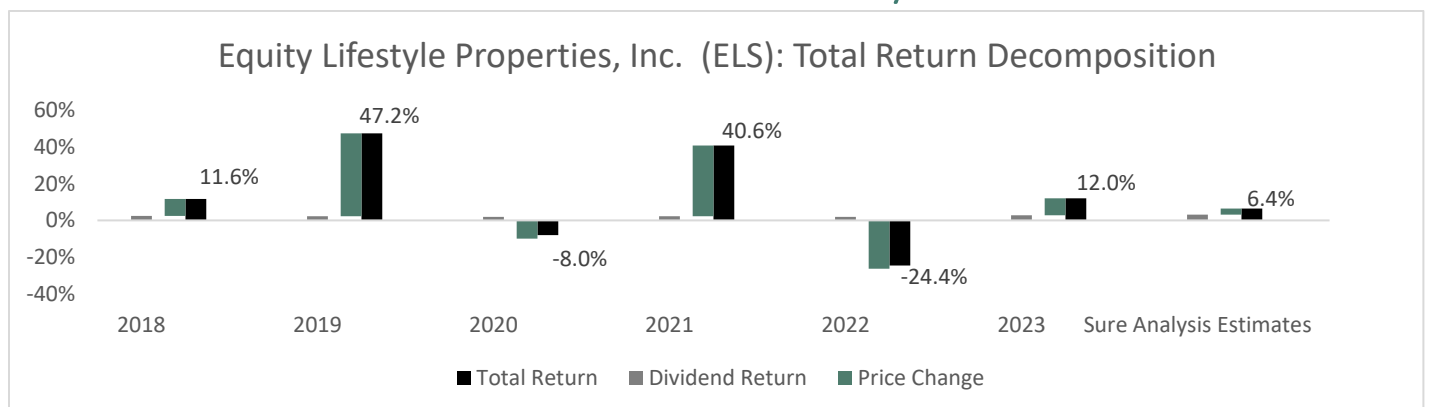
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	48.1%	49.3%	51.2%	54.4%	56.7%	51.2%	63.1%	57.3%	60.3%	65.1%	65%	65%

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 2.4 and a long-term debt cap ratio of 70.8%. The dividend is very well covered, with only 65% 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 6.4%. 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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