Four Corners Property Trust, Inc. (FCPT)

Updated November 20th, 2024 by Felix Martinez

Key Metrics

Current Price:	$29	**5 Year CAGR Estimate:**	7.7%	**Market Cap:**	$2.8 B
Fair Value Price:	$28	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date:**	12/31/24
% Fair Value:	103%	**5 Year Valuation Multiple Estimate:**	-0.5%	**Dividend Payment Date:**	01/15/25
Dividend Yield:	4.9%	**5 Year Price Target**	$34	**Years Of Dividend Growth:**	8
Dividend Risk Score:	F	**Retirement Suitability Score:**	D	**Rating:**	Hold

Overview & Current Events

Four Corners Property Trust was formed after Darden Restaurants, Inc (DRI) spin-off, announced in November 2015. Four Corners Property Trust commenced trading on November 10, 2015, on the New York Stock Exchange under the symbol FCPT. FCPT has become an independent public trust that intends to elect and qualify to be treated as a real estate investment trust (REIT) effective January 1, 2016. FCPT, headquartered in Mill Valley, CA, is a real estate investment trust primarily acquiring and leasing restaurant properties. The Trust seeks to grow its portfolio by acquiring additional real estate to lease, on a net basis, for use in the restaurant and retail industries. The Trust has a seven-year dividend growth history and a market capitalization of $2.8 billion.

On October 30th, 2024, FCPT reported third-quarter financial and operating results for Fiscal Year (FY)2024. The company reported its financial results for Q3 2024, reflecting continued portfolio growth and financial stability. Rental revenue for the quarter increased by 3.7% year-over-year to $59.3 million, while net income attributable to common shareholders rose to $25.6 million, consistent at $0.27 per diluted share. For the nine months ended September 30, 2024, net income reached $74.3 million, maintaining $0.80 per diluted share. Adjusted funds from operations (AFFO) per diluted share grew to $0.43 for the quarter and $1.29 for the nine-month period, demonstrating incremental year-over-year growth.

FCPT acquired 21 properties in Q3 2024 for $70.7 million at an initial weighted average cash yield of 7.2%, expanding its portfolio to 1,153 properties across 47 states. The portfolio maintained a 99.6% occupancy rate with a weighted average lease term of 7.3 years. CEO Bill Lenehan highlighted the company's robust balance sheet, bolstered by $224 million in equity raised since July, positioning FCPT to sustain AFFO growth and pursue additional acquisitions. Rent collection remained strong, with 99.8% of contractual rent collected during the quarter.

In terms of capital markets, FCPT generated $207.3 million through its at-the-market (ATM) program, selling 7.6 million shares at an average price of $27.30 per share. As of September 30, 2024, the company had $382 million in liquidity, supported by $44 million in cash and $250 million in undrawn credit. With a net debt-to-adjusted EBITDA ratio of 5.3x, FCPT demonstrated financial discipline, ensuring flexibility for future investments. Additionally, the company declared a dividend of $0.345 per common share for the third quarter.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
FFO	$0.91	$1.51	$1.35	$1.36	$1.41	$1.44	$1.49	$1.56	$1.60	$1.62	***$1.66***	***$2.02***
DPS	NA	NA	$1.17	$1.00	$1.11	$1.17	$1.23	$1.29	$1.34	$1.37	***$1.40***	***$1.62***
Shares[1]	42.0	6.0	60.0	61.0	64.0	69.0	72.0	77.0	81.0	88.0	***88.0***	***88.0***

The most significant growth prospects from FCPT will be the continuation of profitable acquisitions in the future. The Trust does not have a long history of FFO growth, but FCPT has grown FFO at a Compound Annual Growth Rate (CAGR) of 2.9% over the past five years. During the COVID-19 pandemic, most REITs had to cut their dividend, or FFO decreased

[1] Share count is in millions.

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for the year. However, FCPT increased earnings by 4% from FY2019 to FY2020. We expect FCPT to continue to grow FFO at a 4% CAGR for the next five years. We expect the Trust to make $2.02 per share in 2029.

The dividend has been growing steadily, with a five-year average growth rate of 3.7%. We think that the Trust will continue to raise its dividend at a pace of 3% for the next five years.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/FFO	NA	16	15.2	18.9	18.5	18.4	19.9	18.9	16.2	15.6	***17.2***	***17.0***
Avg. Yld.	NA	NA	5.7%	3.9%	4.3%	4.1%	4.1%	4.4%	5.2%	5.4%	***4.9%***	***4.7%***

FCPT currently trades hands with a 17.2x FFO. Over the short history of FCPT, the Trust has five-year multiple averages of 17.8x FFO. However, we think a multiple of 17x FFO is fair for FCPT because it will be in line with the sector median. Thus, this will provide a -0.5% headwind compression over the next five years. The current dividend yield of 4.9% is attractive and higher than its five-year average.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	NA	NA	86.7%	74%	79%	81%	83%	83%	84%	85%	***84%***	***80%***

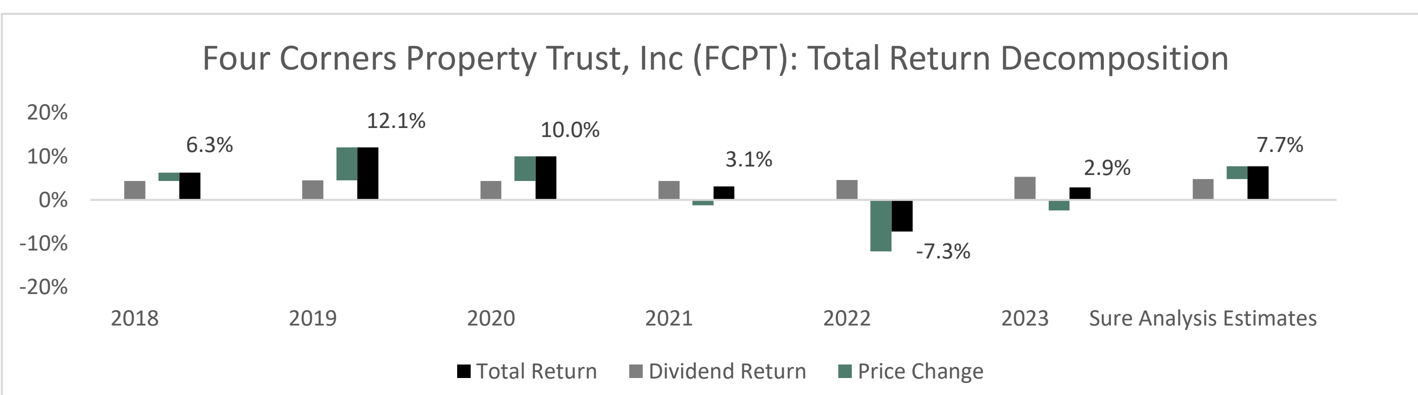
FCPT's competitive advantage is that it has a good management team. Also, the Trust is structured as a triple-net lease, which means property maintenance, taxes, and insurance are the tenant's responsibility. This results in strong operating margins in the 80-90% range for this sector, compared to most shopping center REITs' ~65% operating margins. FCPT does not have a long history, but the Trust held steadfast during the COVID-19 pandemic. From 2019 to 2020, revenue grew 6.9%, and FFO increased 4%. This speaks volumes as most retail REITs struggle mightily during the pandemic. Also, FCPT did not have to cut its dividend.

FCPT had a good balance sheet. The Trust has an interest coverage ratio of 2.9 and a debt-to-equity ratio of 0.9. The Trust currently has $16 million cash on hand. The dividend payment is in line with other REITs paying out 84% of its FFO.

Final Thoughts & Recommendation

FCPT is a well-run retail REIT with a good balance sheet. The Trust went through the COVID-19 pandemic like it was not even there. The Trust looks fairly valued, with an expected total return for the next five years to be 7.7%. However, we rate it as a hold.

Total Return Breakdown by Year



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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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	18	33	124	133	144	160	171	199	223	251
Gross Profit	1	16	106	114	124	139	151	170	187	210
Gross Margin	4.3%	49.2%	85.6%	85.8%	86.5%	86.8%	88.5%	85.2%	84.0%	83.7%
SG&A Exp.	0	2	11	12	13	14	15	18	20	23
D&A Exp.	1	4	21	22	24	26	29	35	41	51
Operating Profit	0	11	75	80	87	99	107	117	126	137
Operating Margin	-0.6%	32.4%	60.2%	60.4%	60.6%	61.6%	62.5%	58.8%	56.4%	54.6%
Net Profit	0	6	157	71	82	73	77	86	98	95
Net Margin	0.2%	17.0%	126%	53.6%	57.4%	45.3%	45.2%	42.9%	43.8%	37.8%
Free Cash Flow	1	22	71	79	81	105	91	122	142	165
Income Tax	-0.1	3	-80	0.0	0.3	0.3	0.2	-1	0	0

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	12	929	937	1069	1343	1446	1668	1903	2199	2452
Cash & Equivalents	0	98	27	64	92	5	11	6	26	16
Accounts Receivable		0.1	0.2	0.4	1	0.4	1	1	3	3
Inventories	0.11	0.2	0.2	0.2	0.2	0.2	3	0	8	0
Goodwill & Int. Ass.			2	4	19	58	96	104	106	118
Total Liabilities	3	488	467	546	644	719	824	939	1060	1192
Accounts Payable	0.5	1	1	1	1	1	0	1	1	1
Long-Term Debt	0	392	439	516	616	670	754	878	995	1113
Shareholder's Equity	9	442	465	514	691	721	841	962	1136	1258
LTD/E Ratio	0	0.89	0.94	1.00	0.89	0.93	0.90	0.91	0.88	0.88

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	0.3%	1.2%	16.8%	7.1%	6.8%	5.2%	5.0%	4.8%	4.8%	4.1%
Return on Equity	0.3%	2.5%	34.6%	14.6%	13.7%	10.3%	9.9%	9.5%	9.3%	8.0%
ROIC	0.3%	1.4%	18.0%	7.3%	7.0%	5.4%	5.2%	5.0%	4.9%	4.2%
Shares Out.	42.0	6.0	60.0	61.0	64.0	69.0	72.0	77.0	81.8	88.8
Revenue/Share	0.42	5.34	2.08	2.19	2.23	2.33	2.39	2.59	2.73	2.82
FCF/Share	0.02	3.46	1.19	1.30	1.26	1.53	1.28	1.59	1.74	1.86

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