



Plymouth Industrial REIT (PLYM)

Updated November 12th, 2024 by Quinn Mohammed

Key Metrics

Current Price:	\$20	5 Year CAGR Estimate:	11.6%	Market Cap:	\$957 M
Fair Value Price:	\$23	5 Year Growth Estimate:	5.0%	Ex-Dividend Date¹:	12/27/2024
% Fair Value:	86%	5 Year Valuation Multiple Estimate:	3.1%	Dividend Payment Date¹:	01/31/2024
Dividend Yield:	4.9%	5 Year Price Target:	\$29	Years of Dividend Growth:	3
Dividend Risk Score:	D	Retirement Suitability Score:	C	Rating:	Buy

Overview & Current Events

Plymouth Industrial REIT is a full-service, vertically integrated real estate investment trust which acquires, owns, and manages single and multi-tenant industrial properties, which include distribution centers, warehouses, light industrial and small bay industrial properties. The majority of the property portfolio is located in Florida, Ohio, Indiana, Tennessee, Illinois, and Georgia. As of September 30, 2024, the trust owned and managed 223 buildings, totaling 34.9 million square feet in over 10 markets. Plymouth Industrial REIT is headquartered in Boston, Massachusetts, and trades on the NYSE under the ticker symbol PLYM. The industrial REIT has a market capitalization of \$957 million.

Plymouth's property portfolio resides almost entirely within The Golden Triangle states, which is within a day's drive to 70% of the U.S. population, and contains more ports than any other region in the country.

On February 21st, 2024, Plymouth Industrial announced a quarterly dividend of \$0.24 per share, a 6.7% increase.

Plymouth Industrial reported third quarter 2024 results on November 6th, 2024. The trust reported core funds from operations (FFO) of \$0.44 per common share, down two cents compared to last year. Adjusted FFO per share of \$0.40 was a 4.8% decrease compared to Q3 2023. Same store net operating income (NOI) on a cash basis rose by 0.6% year-over-year when excluding early termination income.

On July 18th, 2024, Plymouth acquired a 1.6M square foot portfolio of industrial properties across Memphis, Tennessee. It paid \$100.5 million for a portfolio of 14 buildings that are 94% leased to 46 tenants. And on August 27th, Plymouth entered a strategic partnership with Sixth Street, which will provide it with \$500 million of capital to pursue acquisitions.

Leadership reduced its 2024 guidance, now forecasting core FFO per share to be \$1.83 to \$1.85 (from \$1.88 to \$1.90 previously). Additionally, management estimates same store NOI on a cash basis to increase by 5.00% to 5.25% (from ~7.25% prior) compared to 2023. Same store portfolio occupancy is estimated to be between 97.0% to 97.5% for the year. Finally, management estimates ending the year with 45.9 million weighted average common shares and units outstanding.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
AFFO	---	---	---	\$0.38	\$0.86	\$1.64	\$1.64	\$1.36	\$1.64	\$1.73	\$1.84	\$2.35
DPS	---	---	---	\$0.75	\$1.50	\$1.50	\$1.15	\$0.84	\$0.88	\$0.90	\$0.96	\$1.01
Shares²	---	---	---	2.2	4	8.5	18.4	34.7	42.6	45.0	45.9	75.0

Since PLYM had its IPO in mid-2017, when comparing year-over-year results, we must start with the year 2018 which is the first full year of financial results. From 2018 to 2023, Plymouth grew adjusted FFO by 15% annually. Given the short trading history of PLYM, it's difficult to infer a sustainable level of growth in the medium term, but we estimate PLYM can grow AFFO by 5.0% annually.

Plymouth will grow its property portfolio by targeting industrial properties which are positioned for above average growth, have low vacancy and are in limited supply markets, and properties whose tenants are likely to renew and

¹ Estimate

² In millions

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expand their leases, and have a high expectation of increasing rents on tenant rollover. Plymouth's acquisition targets have projected initial yields between 6.5% and 7.5%, with strong rent growth potential and priced at a discount to replacement cost. In fact, PLYM's current portfolio was acquired at a ~53% discount to replacement cost. These properties are most often warehouses, distribution, light manufacturing, or small bay industrial properties.

In 2021, Plymouth acquired 24 buildings totaling 6.4 million square feet for \$371 million, and in 2022, it acquired 44 buildings totaling 4.2 million square feet for \$254 million.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/AFFO	---	---	---	47.5	18.4	10.7	8.7	23.5	13.3	12.5	10.8	12.5
Avg. Yld.	---	---	---	2.8%	10.5%	8.6%	9.9%	4.3%	3.9%	4.1%	4.9%	3.4%

The current P/AFFO of 10.8 is a discounted against our fair value estimate of 12.5. This differential in fair value could result in a 3.1% annual gain due to a valuation tailwind. Its five-year average dividend yield is 6.2%. In the early days of the COVID pandemic, PLYM slashed the dividend by 44%, which is the primary reason the current yield is much lower than this average now.

Safety, Quality, Competitive Advantage, & Recession Resiliency

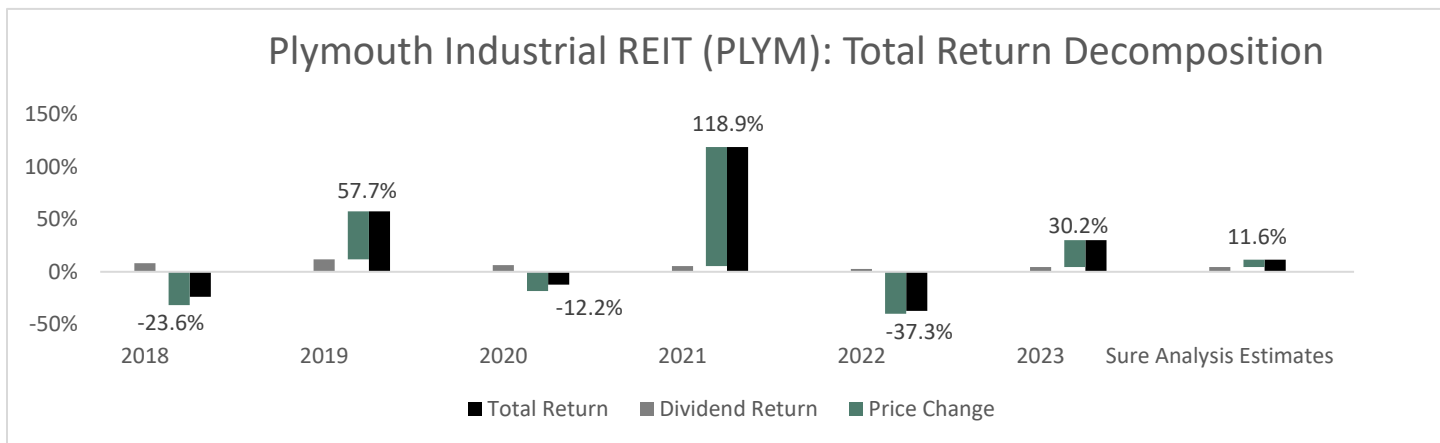
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	---	---	---	197%	174%	91%	70%	62%	54%	52%	52%	43%

Plymouth Industrial's payout ratio was stretched when the trust became public, posting ratios of above 100% until 2019. However, in 2020, the trust slashed the dividend, and the payout ratio became far more reasonable at 70%, well covered by AFFO. Since the trust has cut the dividend once in its history, the chance that it could happen again may be elevated. Additionally, the trust cut the dividend pre-emptively, when in hindsight it was not necessary as industrial properties held up well during the pandemic due to the surge in e-commerce and warehouse demand, which is evident in 2020 full year results. Plymouth Industrial's "boots-on-the-ground" strategy give it a slight competitive advantage in its markets, as employees residing near its properties can proactively respond to tenant and property needs.

Final Thoughts & Recommendation

Plymouth Industrial REIT operates in a strong real estate sector, as light industrial properties have seen resilient demand. The trust is fairly new to public markets, but in this short time, it has grown FFO by mid-double digits. PLYM trades at 86% of our fair value estimate and with total expected returns of 11.6% annually, it earns a buy rating. However, the trust slashed its dividend in 2020, thus it may not be a good choice for dividend growth investors.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	3	19	20	25	49	75	110	141	184	200
Gross Profit	2	14	14	17	32	48	72	93	127	137
Gross Margin	77.3%	70.2%	70.2%	66.9%	64.5%	63.8%	65.3%	66.1%	69.2%	68.5%
SG&A Exp.	3	5	4	5	6	7	10	13	16	15
D&A Exp.	2	12	11	14	25	36	54	69	92	91
Operating Profit	-3	-3	-1	-3	-1	3	5	9	16	30
Op. Margin	-108%	-17.0%	-7.2%	-10.4%	-2.2%	4.2%	4.5%	6.7%	8.5%	15%
Net Profit	-18	-49	-37	-9	-19	-10	-14	-15	-17	14
Net Margin	-692%	-252%	-186.0%	-35.1%	-38.0%	-13.8%	-12.6%	-10.7%	-9.2%	7%
Free Cash Flow	-159	-5	0.2	8	15	28	42	58	72	82

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	170	150	146	330	470	685	920	1271	1521	1442
Cash & Equivalents	5.0	0.7	0.9	12.9	5.4	10.5	15.7	26.2	11.0	14.5
Goodwill & Int.	19	15	11	28	38	57	66	76	71	51
Total Liabilities	182	211	183	270	346	442	581	767	998	954
Accounts Payable	4	4	5	16	22					74
Long-Term Debt	174	197	145	246	317	397	518	688	914	870
Total Equity	-12	-61	-98	4	-12	108	199	356	471	483
LTD/E Ratio	-14.03	-3.22	-1.48	4.63	2.90	1.68	1.55	1.38	1.77	1.80

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	---	-30.5%	-25.0%	-3.7%	-4.7%	-1.8%	-1.7%	-1.4%	-1.2%	0.9%
Return on Equity	---	---	---	---	---	-21.6%	-9.0%	-5.4%	-4.1%	2.7%
ROIC	---	-32.8%	-30.4%	-4.2%	-5.0%	-1.9%	-1.8%	-1.5%	-1.3%	1.0%
Shares Out.	---	---	---	2.2	4.0	8.5	18.4	30.9	39.8	43.6
Revenue/Share	---	0.73	5.32	5.48	11.54	12.22	8.85	5.98	4.61	4.58
FCF/Share	-0.81	-43.93	-1.32	0.06	3.77	3.69	3.26	2.27	1.82	1.88

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

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