



VICI Properties (VICI)

Updated November 5th, 2024 by Aristofanis Papadatos

Key Metrics

Current Price:	\$32	5 Year CAGR Estimate:	11.4%	Market Cap:	\$33.1 B
Fair Value Price:	\$35	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	12/18/2024 ¹
% Fair Value:	91%	5 Year Valuation Multiple Estimate:	2.0%	Dividend Payment Date:	1/3/2025
Dividend Yield:	5.4%	5 Year Price Target	\$45	Years Of Dividend Growth:	6
Dividend Risk Score:	F	Retirement Suitability Score:	C	Rating:	Buy

Overview & Current Events

VICI Properties (VICI) is an experiential real estate investment trust (REIT) that owns one of the largest portfolios of gaming, hospitality, and entertainment destinations, including the well-known Caesars Palace. It was formed in late 2017 as a spin-off from Caesars Entertainment (CZR) and now has 54 gaming facilities comprising 127 million square feet, approximately 60,300 hotel rooms and more than 500 restaurants, bars, nightclubs and sportsbooks. It has a market capitalization of \$33.1 billion. Caesars Entertainment generates ~50% of the rental income of VICI Properties.

Many REITs are vulnerable to the work-from-home trend, which has resulted from the pandemic. Many REITs are also vulnerable to the “Amazon effect”, as the shift of consumers to online shopping has led numerous retail stores out of business. VICI Properties is much more resilient than most REITs to these threats, as the core experiences its tenants offer cannot be achieved at home, work or digitally.

On May 3rd, 2022, VICI Properties acquired MGM Growth Properties (MGP) for \$17.2 billion. VICI Properties now owns 10 properties on the Las Vegas Strip and thus it has become the largest experiential REIT, with enhanced diversification. It also received investment credit rating and thus executed the largest bond offering in REIT history. Moreover, it was added to the S&P 500 in June-2022 and thus became the fastest REIT to get from IPO to S&P 500 inclusion.

In late October, VICI Properties reported (10/31/24) financial results for the third quarter of fiscal 2024. It grew its revenue 7% over the prior year's quarter and grew its funds from operations (FFO) per share 5%, mostly thanks to the acquisition of MGM Growth properties. The REIT has proved resilient to the pandemic and high inflation. The hefty issuance of new shares has not prevented the REIT from growing its FFO per share significantly in the last two years. Thanks to sustained positive business trends, the REIT marginally improved its guidance for its FFO per share this year, from \$2.24-\$2.26 to \$2.25-\$2.26, thus implying 5% growth at the mid-point. We have kept our forecast intact at \$2.25.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
FFO	---	---	---	\$0.19 ²	\$1.43	\$1.24	\$1.64	\$1.82	\$1.93	\$2.15	\$2.25	\$2.87
DPS	---	---	---	---	\$1.00	\$1.14	\$1.26	\$1.38	\$1.50	\$1.61	\$1.73	\$2.12
Shares³	---	---	---	228	367	439	542	637	963	1043	1060	2000

VICI Properties has proved markedly resilient to the pandemic and the inflationary environment prevailing right now. In addition, VICI Properties has identified several prospective properties in order to expand its footprint in Las Vegas and other areas. It acquired \$4.6 billion of properties in 2020, \$22.8 billion of properties in 2022 and \$1.8 billion of properties in 2023. The acquisition of MGM Growth Properties, whose value is approximately equal to the market cap of VICI Properties before the deal, is a major acquisition. Overall, we expect the REIT to grow its FFO per share at a 5.0% average annual rate over the next five years. This is lower than the 8.5% average annual growth rate achieved in the last five years, but we prefer to be conservative due to the short history of the REIT.

¹ Estimated date.

² Only includes October-December 2017.

³ 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	---	---	---	---	14.2	18.0	13.6	16.2	15.9	14.6	14.2	15.7
Avg. Yld.	---	---	---	---	4.9%	5.1%	5.7%	4.7%	4.9%	5.1%	5.4%	4.7%

VICI Properties is trading at a P/FFO ratio of 14.2, which is lower than its 5-year average P/FFO ratio of 15.7. The cheap valuation has resulted from the impact of nearly 23-year high interest rates on the present value of future cash flows. If the stock trades at its average valuation level in five years, it will enjoy a 2.0% annualized gain in its returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	---	---	---	---	69.9%	91.9%	76.8%	75.8%	77.7%	74.9%	76.9%	73.8%

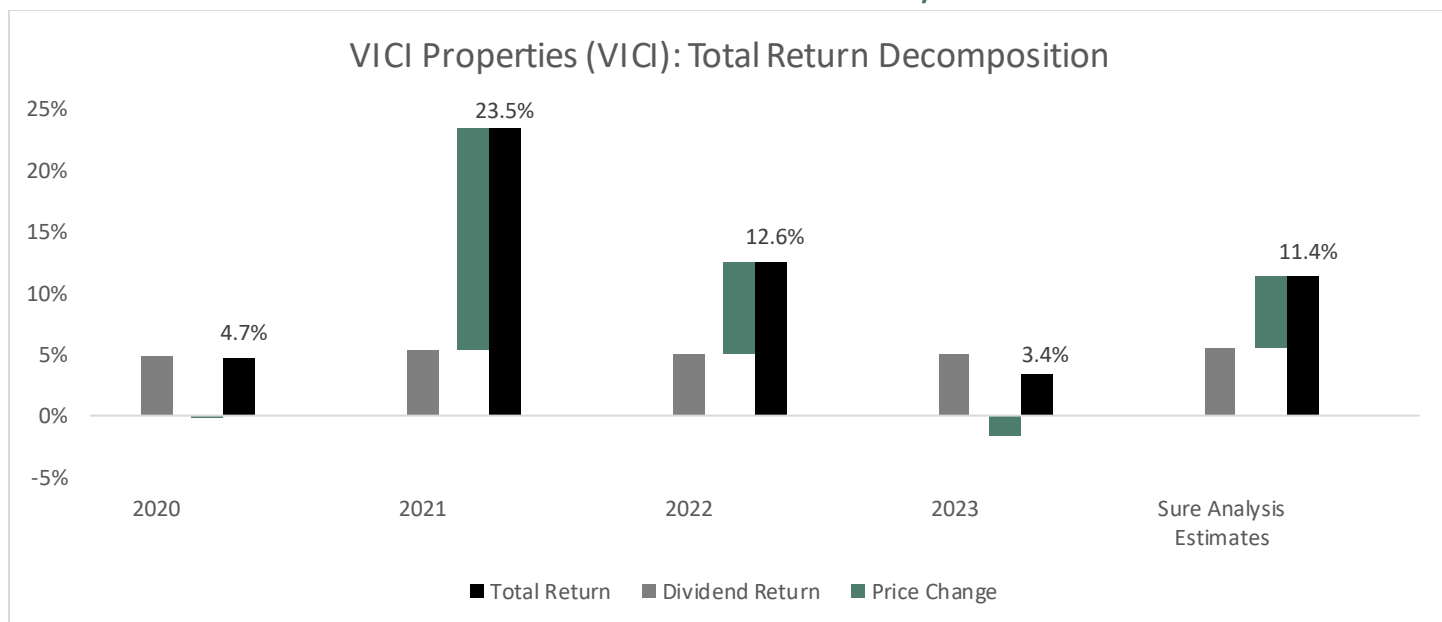
VICI Properties has more than quadrupled its share count during its short history. This is a point of concern, but the REIT has grown its FFO at a higher rate and thus it has grown its FFO per share. It has also recently raised its dividend by 4% and thus it is now offering a 5.4% dividend, with a payout ratio of 77%. Despite the elevated payout ratio, the dividend can be considered safe in the absence of a severe downturn thanks to the growth prospects of the REIT.

VICI Properties has a much more resilient business model than most REITs, as the experiences offered by its tenants are not vulnerable to the “Amazon effect” or the “work from home” trend. A risk factor is the strong dependence on the performance of Caesars Entertainment, which generates ~50% of the rental income of VICI Properties. Due to its strong ties to Caesars Entertainment, the stock and its dividend will come under great pressure whenever the REIT faces an unforeseen headwind, such as a severe recession or another headwind in the business of Caesars Entertainment.

Final Thoughts & Recommendation

VICI Properties has proved resilient to the ongoing economic slowdown while it also has promising growth prospects, including its recent acquisition of MGP. It could offer an 11.4% average annual return until 2029 thanks to 5.0% growth of FFO per share, its 5.4% dividend and a 2.0% potential valuation tailwind. The stock maintains its buy rating, though investors should be aware of the risk related to the aggressive and somewhat risky growth strategy of the REIT.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	19	18	19	201	898	895	1,226	1,510	2,601	3,612
Gross Profit	5	5	5	168	799	876	1,192	1,461	2,578	3,585
Gross Margin	25.6%	25.8%	26.9%	83.2%	89.0%	97.9%	97.3%	96.8%	99.1%	99.3%
SG&A Exp.	2	2	2	11	24	25	31	33	48	60
D&A Exp.	3	3	3	3	4	4	4	3	3	4
Operating Profit	0	0	0	153	771	847	913	1,444	1,632	3,345
Op. Margin	0.2%	0.1%	0.0%	76.1%	85.8%	94.7%	74.5%	95.7%	62.7%	92.6%
Net Profit	0	0	---	43	524	546	892	1,014	1,118	2,514
Net Margin	0.0%	0.0%	0.0%	21.2%	58.3%	61.0%	72.8%	67.2%	43.0%	69.6%
Free Cash Flow	3	2	2	130	496	671	881	873	1,942	2,177

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	---	92	90	9,740	11,333	13,266	17,064	17,597	37,576	44,060
Cash & Equivalents	---	0	1	184	578	1,102	316	740	209	523
Accounts Receivable	---	---	---	---	---	---	---	---	---	---
Goodwill & Int. Ass.	---	---	---	---	---	---	---	---	---	---
Total Liabilities	---	7	6	4,963	4,432	5,217	7,570	5,410	15,286	18,402
Accounts Payable	---	0	0	5	1	1	1	---	---	---
Long-Term Debt	---	0	0	4,786	4,122	4,792	6,766	4,695	13,740	16,724
Shareholder's Equity	---	85	84	4,691	6,817	7,965	9,416	12,108	21,934	25,256
LTD/E Ratio	---	---	---	1.02	0.60	0.60	0.72	0.39	0.63	0.66

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	---	---	---	0.9%	5.0%	4.4%	5.9%	5.9%	4.1%	6.2%
Return on Equity	---	---	---	1.8%	9.1%	7.4%	10.3%	9.4%	6.6%	10.5%
ROIC	---	---	---	0.9%	5.1%	4.6%	6.1%	6.1%	4.2%	6.4%
Shares Out.	---	---	---	228	367	439	542	637	880	1,016
Revenue/Share	0.05	0.05	0.05	0.61	2.44	2.04	2.40	2.62	2.96	3.56
FCF/Share	0.01	0.01	0.01	0.40	1.35	1.53	1.72	1.51	2.21	2.14

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

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