CTO Realty Growth (CTO)

Updated February 25th, 2025 by Quinn Mohammed

Key Metrics

Current Price:	$19	**5 Year CAGR Estimate:**	12.6%	**Market Cap:**	$606 M
Fair Value Price:	$22	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date[1]:**	03/13/2025
% Fair Value:	88%	**5 Year Valuation Multiple Estimate:**	2.6%	**Dividend Payment Date[1]:**	03/31/2025
Dividend Yield:	8.0	**5 Year Price Target**	$26	**Years Of Dividend Growth:**	0
Dividend Risk Score:	F	**Retirement Suitability Score:**	C	**Rating:**	Buy

Overview & Current Events

CTO Realty Growth is a real estate investment trust which owns and operates a diversified portfolio of income properties totaling approximately 4.7 million square feet in the U.S. CTO also owns a significant 15% interest in Alpine Income Property Trust, which is a publicly traded net lease REIT that trades under the ticker PINE on the NYSE. CTO Realty Growth is headquartered in Daytona Beach, Florida and trades on the NYSE under the ticker symbol CTO. It has a market capitalization of $606 million. While the trust has been publicly traded since 1973, it has only become a registered REIT in 2020.

CTO Realty traces its roots all the way back to 1902 when Seven Naval Store companies were consolidated into Consolidated Naval Stores Trust. In 1910, Tomoka Land Trust was created as a subsidiary to Consolidated Naval Stores Trust. In 1969, Tomoka Land Trust changed its name to Consolidated Tomoka Land Co. (CTO). Finally, in 2020, the same year the trust became a REIT, Consolidated Tomoka Land Co. changed its name to CTO Realty Growth, Inc, a name that aligns with the future of CTO and acknowledges its 110-year history.

On April 27th, 2022, the company announced that a three-for-one stock split was approved. Shareholders at the close of business on June 27th, 2022 received two more shares of CTO Realty Growth for each share held. New shares were distributed on June 30th, 2022. The post-split price was reflected on July 1st, 2022. The primary reason for the split was to improve tradability and accessibility of the common stock.

On February 20th, 2025, CTO Realty Growth announced it earned adjusted FFO per share of $0.49 for fourth quarter 2024, 5.8% lower vs Q4 2023. The company reported flat same-property NOI compared to the prior year.

In 2024, CTO acquired six retail properties (totaling 1.3M square feet) and one vacant land parcel for $227 million. CTO also sold two retail properties for $38 million which had a weighted average exit cash cap rate of 8.7%.

Leadership initiated its 2025 outlook and expects AFFO per diluted share of $1.93 to $1.98. Guidance includes the expectation for $100 million to $200 million to purchase income producing assets with a target investment initial cash yield of 8.0% to 8.5%.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
AFFO	-	-	-	$0.80	$0.99	$1.86	$1.45	$1.83	$1.91	$2.00	***$1.96***	***$2.38***
DPS	$0.03	$0.04	$0.06	$0.09	$0.15	$4.63	$1.33	$1.49	$1.52	$1.52	***$1.52***	***$1.68***
Shares	17.7	17.1	16.8	16.2	14.4	14.1	17.7	19.9	25.9	30.7	***31.0***	***40.0***

CTO Realty Growth has a unique history and has measured its growth through different metrics across its history. Prior to 2020, CTO Realty Growth operated as a regular corporation and had a different name. Historically, the trust focused on growing earnings per share, and it did so for a long period of time. However, the trust now utilizes adjusted FFO to measure its financial progress. The results of 2020 include many one-time items related to the transformation of the

[1] Estimate

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.

trust into a real estate investment trust. This also explains the large special dividend which was paid as a result of the conversion.

We expect that CTO can increase its AFFO per share by 4.0% annually going forward. It will drive earnings growth through capital recycling and focusing on constructing a real estate portfolio with durable and stable tenants located in the faster growing, business friendly states like Florida, Texas, and Georgia. Its 15% ownership position in PINE allows for the trust to benefit from external management, which provides in-place cash flow and upside. The trust will continue shedding single-tenant properties in favor of multi-tenant properties.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/AFFO	-	-	-	25.7	20.7	11.0	12.2	11.2	9.0	9.1	***9.7***	***11.0***
Avg. Yld.	0.1%	0.2%	0.3%	0.4%	0.6%	2.1%	5.8%	6.7%	8.9%	8.4%	***8.0%***	***6.4%***

To value CTO today, we utilize the trust's adjusted FFO. The trust's price-to-adjusted FFO of 9.7 times is below our estimated fair value of 11.0 times, implying a 2.6% valuation tailwind over the intermediate term. The 8.0% yield today is extremely strong, off the back of the massive dividend increase in 2021 as well as the lower share price.

Safety, Quality, Competitive Advantage, & Recession Resiliency

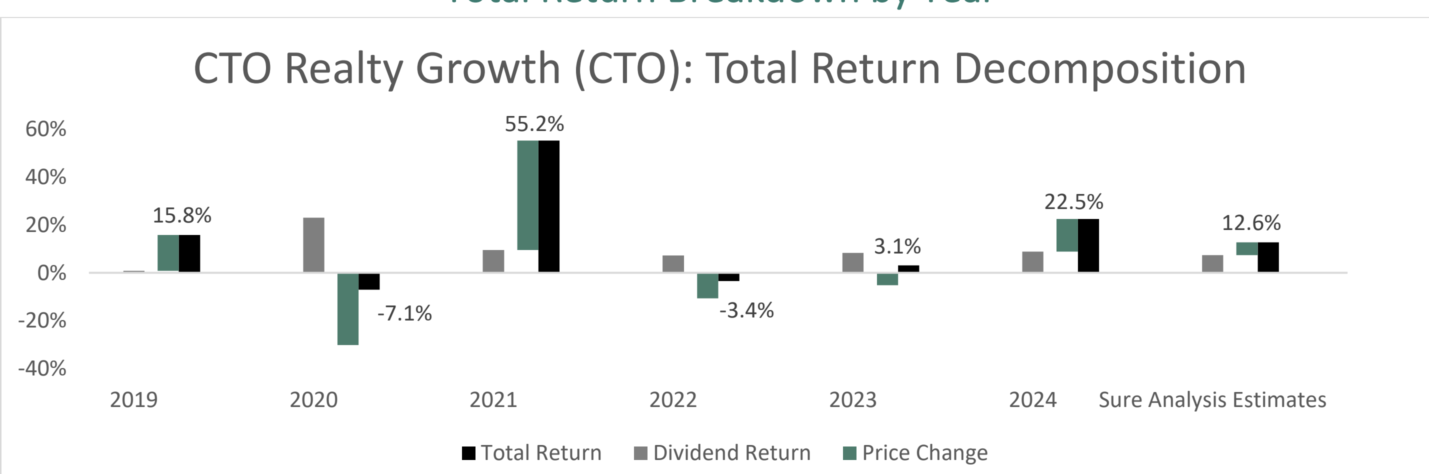
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	6%	4%	2%	6%	13%	83%	92%	81%	80%	76%	***78%***	***70%***

The trust's payout ratio, for most of its history, was very well covered since the dividend was very small. The trust had raised its dividend for nine consecutive years, even throughout the pandemic. But it has kept its dividend flat in the last two years. Now that the trust has converted into a REIT, it must pay out to shareholders the vast majority of its earnings, thus the payout ratio is ballooning. This should normalize and moderate over the coming years as adjusted FFO grow faster than the dividend. While not a major competitive advantage, it was unique that CTO owned subsurface oil, gas, and mineral interests which it leased for exploration to exploration firms. However, it sold all of these in February 2024.

Final Thoughts & Recommendation

CTO Realty Growth is a unique real estate investment trust with a history spanning over 110 years. The company has only recently been converted into a REIT in 2020, and financial results have improved every year since 2021. The trust is currently trading at a 12% discount to our fair value estimate, and we forecast total returns of 12.6%. CTO maintains its buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	43	66	39	44	45	56	70	82	109	125
Gross Profit	29	46	30	35	38	41	48	59	79	91
Gross Margin	68.0%	69.3%	78.4%	79.9%	84.2%	73.0%	68.1%	72.2%	72.5%	72.8%
SG&A Exp.	9	10	10	10	10	10	11	13	14	16
D&A Exp.	5	8	13	16	16	19	21	29	44	65
Operating Profit	15	27	8	9	12	12	16	18	21	10
Operating Margin	35.5%	41.6%	20.0%	21.4%	27.2%	21.2%	23.1%	21.5%	19.3%	8.0%
Net Profit	8	16	42	37	115	79	30	3	6	-2
Net Margin	19.4%	24.7%	107.9%	85.1%	255.8%	139.2%	42.6%	3.8%	5.5%	-1.6%
Free Cash Flow	23	-28	-37	-62	16	17	28	56	46	69
Income Tax	5	12	-22	6	5	-83	-3	-3	1	0

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	404	409	466	556	703	667	733	987	990	1182
Cash & Equivalents	4	8	6	2	6	4	9	19	10	9
Accounts Receivable	3	2	3	5	4	7	6	8	11	19
Goodwill & Intang.	20	35	39	44	49	50	101	117	97	79
Total Liabilities	264	260	282	345	418	316	303	482	532	569
Accts Payable	2	2	2	1	1	1	1	3	3	3
Long-Term Debt	167	166	196	248	287	274	278	446	495	519
Shareholder’s Equity	135	148	184	212	285	351	430	505	458	613
LTD/E Ratio	1.24	1.12	1.06	1.17	1.01	0.78	0.65	0.88	1.08	0.85

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	2.5%	4.0%	9.5%	7.3%	18.3%	11.5%	4.3%	0.4%	0.6%	-0.2%
Return on Equity	6.3%	11.5%	25.1%	18.8%	46.3%	24.7%	7.7%	0.7%	1.2%	-0.4%
ROIC	3.1%	5.2%	12.0%	8.9%	22.3%	13.1%	4.5%	0.4%	0.6%	-0.2%
Shares Out.	5.9	5.7	5.6	5.4	4.8	4.7	5.9	18.5	22.5	25.4
Revenue/Share	7.38	11.57	6.93	7.90	8.99	11.98	11.93	4.45	4.84	4.90
FCF/Share	3.91	-4.98	-6.65	-11.14	3.28	3.60	4.68	3.03	2.06	2.73

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