



EastGroup Properties, Inc. (EGP)

Updated February 8th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	\$175	5 Year CAGR Estimate:	9.2%	Market Cap:	\$8.6 B
Fair Value Price:	\$160	5 Year Growth Estimate:	8.0%	Ex-Dividend Date:	03/27/2025 ¹
% Fair Value:	109%	5 Year Valuation Multiple Estimate:	-1.7%	Dividend Payment Date:	04/15/2025
Dividend Yield:	3.2%	5 Year Price Target	\$235	Years Of Dividend Growth:	14
Dividend Risk Score:	F	Retirement Suitability Score:	D	Rating:	Hold

Overview & Current Events

EastGroup Properties is an internally-managed equity real estate investment trust founded in 1969. The trust is a leading provider of multi-tenant distribution and logistics facilities primarily in Sunbelt markets such as in the states of Florida, Texas, Arizona, California, and North Carolina. As of its latest filings, it owned just over 500 industrial properties and one office building in 12 states. The trust's property portfolio is currently 98% leased to over 1,600 tenants, with none accounting for more than 1.7% of its total annualized base rent. EastGroup generates over \$640 million in annual rental revenues and is headquartered in Ridgeland, Mississippi.

On February 6th, 2025, EastGroup reported its Q4 and full-year results for the period ending December 31st, 2024. For the quarter, revenues came in at almost \$164.0 million, 10% higher year-over-year, which was again driven by increased leasing activity, growing rental rates, and several acquisitions over the past four quarters.

FFO of \$108.2 million was up 13.2% compared to last year or 5.9% higher on a per-share basis to \$2.15. The difference in growth rates is due to the additional shares issued to fund the recent acquisitions. To illustrate EastGroup's operational excellence, this marks 47 consecutive quarters of higher FFO/share as compared to the prior-year quarter, which is truly a long-term trend. For the year FFO per share reached a record of \$8.35

EastGroup continues to experience great demand for its industrial properties, posting an average occupancy of 95.8% for its operating portfolio during the quarter, even though this was 230 bps below last year's figure.

Due to solid e-commerce and last-mile delivery trends, the REIT's Sunbelt properties are in high demand. Management issues its 2025 guidance, expecting FFO/share between \$8.80 and \$9.00. We have applied the midpoint of this range in our estimates.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
FFO/shr	\$3.67	\$4.02	\$4.25	\$4.66	\$4.98	\$5.38	\$6.09	\$7.00	\$7.79	\$8.35	\$8.90	\$13.08
DPS	\$2.34	\$2.44	\$2.52	\$2.72	\$2.94	\$3.08	\$3.58	\$4.70	\$5.04	\$5.34	\$5.60	\$8.23
Shares²	32.1	32.6	34	35.4	37.4	39.1	40.3	42.6	45.2	48.8	48.8	55.0

As mentioned earlier, EastGroup's FFO/share growth track record is truly one of the most impressive amongst all REITs. Besides achieving operational excellence, including maximizing its occupancy and benefiting from an ever-growing demand for distribution centers amid e-commerce's growth, the company enjoys excellent demographic tailwinds. Specifically, the company's properties are located in 13 of 15 fastest-growing markets in the United States, while its two largest by income states, Texas (~34% of annualized base rent) and Florida (~25% of ABR), are likely to see strong rental growth ahead amid their overall net adds in populations and income-tax-free statuses. While rising interest rates could slow down the company's growth, we forecast FFO/share growth of 8% in the medium-term based on the company's ongoing momentum.

¹ Estimated dates based on past dividend dates.

² Share count is 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.



EastGroup Properties, Inc. (EGP)

Updated February 8th, 2025 by Nikolaos Sismanis

EastGroup also features one of the most impressive dividend growth track records amongst its industry peers, having hiked its dividend in 27 of the last 31 years. The REIT paused dividend growth during the Great Recession, but the dividend has never been cut. We have set our dividend growth estimate at 8% through 2030.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/FFO	16.3	16.7	20.5	20.4	24.1	24.5	32.8	25.0	20.7	20.9	19.6	18.0
Avg. Yld.	3.9%	3.6%	2.9%	2.9%	2.5%	2.3%	1.8%	2.7%	3.1%	3.1%	3.2%	3.5%

Despite current challenges from elevated interest rates affecting EastGroup, its forward price-to-FFO ratio now stands at 19.6, not too far from its historical average of about 22. We attribute this resilience to the company's properties driving growth in suboptimal market conditions. However, due to seeking a higher yield and a wider margin of safety, we've maintained the stock's fair multiple at 18 times, anticipating a soft headwind in its valuation moving forward.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	64%	61%	59%	58%	59%	57%	59%	67%	65%	64%	63%	63%

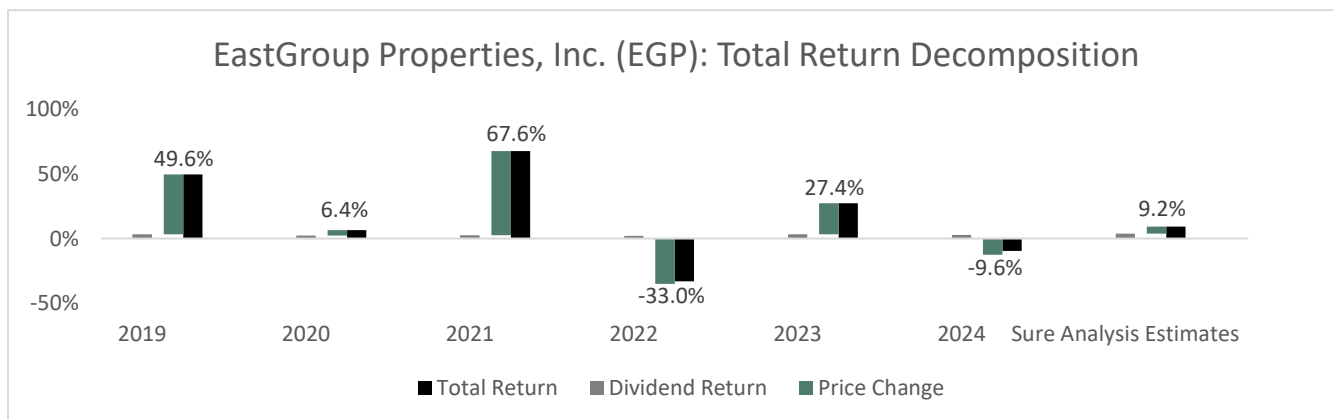
We consider EastGroup's dividend very safe. Payouts are widely covered, and EastGroup's latest bold DPS hike should further increase investors' confidence in that regard. The company showcases some of the highest quality characteristics amongst its peers. These include record occupancy rates, excellent rental growth prospects due to ideal demographics, and relatively cheap financing, including average cost of debt of around 3.34%.

Finally, cash flows are greatly diversified, with EastGroup's top 10 tenants accounting for 7.2% of the total annualized base rent. The company's advantageous industry of operations is also a great benefit in terms of driving its future growth. We believe the company displays a great competitive advantage by specializing in the Sunbelt markets. Further, due to the critical nature of its distribution properties, cash flows should remain relatively resilient even under a recession. This was the case both during the Great Financial Crisis and the COVID-19 pandemic.

Final Thoughts & Recommendation

EastGroup has delivered excellent growth in its financials and capital returns over the past few years. The company's results have remained very strong even in the face of elevated interest rates, while its unique qualities are likely to lead to strong FFO/share and dividend growth moving forward. However, we view the stock as modestly overpriced in the current market environment. This could prove to be a headwind on total shareholder return prospects. We project annualized returns of 9.2% in the medium-term. Shares continue to earn a hold rating.

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.



EastGroup Properties, Inc. (EGP)

Updated February 8th, 2025 by Nikolaos Sismanis

Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	220	235	253	274	300	331	363	409	487	571
Gross Profit	157	168	179	194	214	238	260	294	353	417
Gross Margin	71.4%	71.3%	70.6%	70.8%	71.2%	71.9%	71.5%	71.9%	72.5%	73.0%
SG&A Exp.	13	15	13	15	14	17	15	16	17	17
D&A Exp.	70	73	78	84	92	105	116	127	154	171
Operating Profit	74	79	88	95	109	117	128	151	183	228
Operating Margin	33.7%	33.7%	34.6%	34.7%	36.1%	35.2%	35.3%	36.9%	37.6%	39.9%
Net Profit	48	48	96	83	89	122	108	158	186	200
Net Margin	21.8%	20.4%	37.7%	30.3%	29.5%	36.7%	29.9%	38.6%	38.2%	35.0%
Free Cash Flow	116	130	139	155	165	196	196	256	317	338

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	1,576	1,662	1,826	1,953	2,132	2,546	2,721	3,215	4,036	4,519
Cash & Equivalents	0	0	1	0	0	0	0	4	0	40
Accounts Receivable	29	32	34	37	41	46	49	59	71	82
Goodwill & Int. Ass.	14	12	14	13	13	19	16	20	22	21
Total Liabilities	1,000	1,103	1,184	1,202	1,227	1,344	1,450	1,644	2,082	1,911
Long-Term Debt	933	1,035	1,116	1,129	1,121	1,208	1,316	1,457	1,862	1,675
Shareholder's Equity	571	555	638	749	903	1,201	1,270	1,570	1,953	2,608
LTD/E Ratio	1.63	1.87	1.75	1.51	1.24	1.01	1.04	0.93	0.95	0.64

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	3.1%	3.0%	5.5%	4.4%	4.3%	5.2%	4.1%	5.3%	5.1%	4.7%
Return on Equity	8.8%	8.5%	16.0%	12.0%	10.7%	11.6%	8.8%	11.1%	10.6%	8.8%
ROIC	3.3%	3.1%	5.7%	4.6%	4.5%	5.5%	4.3%	5.6%	5.5%	5.0%
Shares Out.	31.3	32.1	32.6	34.0	35.4	37.4	39.2	40.4	42.7	45.3
Revenue/Share	6.99	7.30	7.76	8.05	8.46	8.83	9.24	10.14	11.40	12.59
FCF/Share	3.70	4.04	4.26	4.55	4.64	5.22	5.00	6.35	7.41	7.46

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

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.