



EPR Properties (EPR)

Updated February 28th, 2025, by Josh Arnold

Key Metrics

Current Price:	\$52	5 Year CAGR Estimate:	8.9%	Market Cap:	\$4 B
Fair Value Price:	\$56	5 Year Growth Estimate:	2.0%	Ex-Dividend Date:	02/28/25
% Fair Value:	94%	5 Year Valuation Multiple Estimate:	1.3%	Dividend Payment Date:	03/17/25
Dividend Yield:	6.8%	5 Year Price Target	\$61	Years Of Dividend Growth:	4
Dividend Risk Score:	F	Retirement Suitability Score:	C	Rating:	Hold

Overview & Current Events

EPR Properties is a specialty real estate investment trust, or REIT, that invests in properties in specific market segments that require industry knowledge to operate effectively. It selects properties it believes have strong return potential in Entertainment, Recreation, and Education. The REIT structures its investments as triple net, a structure that places the operating costs of the property on the tenants, not the REIT. The portfolio includes about \$7 billion in investments across 300+ locations in 44 states, including over 250 tenants. Total revenue should be in excess of \$600 million this year, and the stock is valued at \$4 billion.

EPR posted fourth quarter and full-year earnings on February 26th, 2025, and results were better than expected on both the top and bottom lines. Funds-from-operations came to \$1.23, which was a penny ahead of estimates. Revenue was up 3% to \$177 million, beating estimates by \$16 million.

Adjusted FFO per-share was down from \$1.29 in Q3, but higher from \$1.16 in the year-ago period. Revenue was also down from Q3, but higher from the year-ago period.

Property operating expenses were \$15.2 million, higher from \$14.6 million in Q3, and \$14.8 million a year ago. Adjusted EBITDAre of \$136 million was lower from \$143 million in Q3, but higher from \$129 million last year.

Management noted \$263 million in deployments for the year in 2024, as it looks to reduce its exposure to theater and education assets, with that capital being recycled into expanding experiential assets.

Management suggested a further \$150 million in additional spending for experiential assets for 2025 and 2026, implying a much-reduced pace of capital spending.

Guidance for 2025 was introduced at ~\$5 per share in adjusted FFO. We've set our initial estimate accordingly. That would represent a slight gain from 2024, but still, notably, below that of 2023.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
AFFO	\$4.44	\$4.82	\$5.02	\$6.10	\$5.44	\$1.43	\$3.09	\$4.69	\$5.18	\$4.87	\$5.05	\$5.58
DPS	\$3.63	\$3.84	\$4.08	\$4.32	\$4.50	\$1.51	\$1.50	\$3.25	\$3.30	\$3.40	\$3.54	\$3.72
Shares¹	58	64	71	74	78	75	75	75	76	76	76	78

EPR managed to grow nicely in the years since the financial crisis, which saw its AFFO fall to just \$1.30 in 2009. From 2010 to 2019, EPR compounded AFFO at almost 8% annually. Of course, 2020 proved to be a significantly down year, with a recovery in 2021 that continues today. However, earnings have plateaued and 2025 looks to be another year below that of 2023.

Previously, EPR enjoyed exceedingly high occupancy rates, which afforded it pricing power and higher margins over time. We used to like EPR's exposure to experiential parts of the economy, but with uncertainty surrounding these businesses, we're cautious on EPR's future. That said, current results seem to indicate that the worst is behind EPR, and

¹ Share count in millions

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the Regal restructuring is a big step forward. We're moving our growth estimate to 2% as we think EPR's current level of earnings is sustainable, but tough to grow meaningfully from for the time being.

The dividend is at a rate of \$3.54 per share annually, which we believe will grow somewhat in the years to come. The stock yields 6.8% now, which is impressive given the trust went several months with no dividend payment. EPR has now raised its dividend for four consecutive years with is March 2025 boost. In addition, the dividend is paid monthly, rather than quarterly, so it's yield is extremely attractive.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/AFFO	12.9	14.7	14.2	10.4	13.8	25.7	15.6	7.9	9.4	9.1	10.3	11.0
Avg. Yld.	6.3%	5.4%	5.7%	6.8%	6.0%	4.1%	3.1%	8.6%	6.8%	7.7%	6.8%	6.1%

EPR's normalized price-to-AFFO-per-share ratio, excluding 2009, has averaged 13.3 since 2010. We see fair value at 11 times AFFO, as we see conditions as having normalized for the most part. At a current valuation of 10.3 times AFFO, we view EPR as slightly undervalued.

The yield is at a very impressive 6.8% presently following the most recent dividend increase, and action in the share price. We expect the combination of a potentially higher valuation and higher dividend payments to keep the yield around 6%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	82%	80%	81%	71%	83%	106%	49%	69%	64%	70%	70%	67%

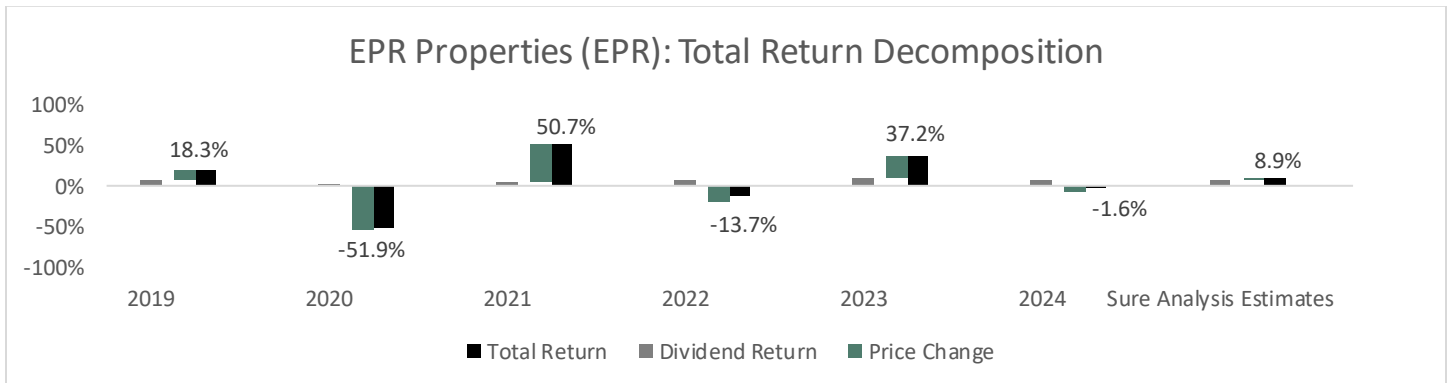
We are forecasting the payout ratio to decline to 70% of AFFO by 2030, which is in line with most years in the past decade as we believe EPR will want to reduce the risk of another dividend suspension and/or cut.

EPR's competitive advantage is its portfolio of specialized properties. EPR has methodically identified the most profitable properties through years of experience and focuses its investments in these areas. It certainly isn't immune to recessions, but it remained profitable during the worst of the financial crisis and continued to pay its dividend. We see EPR as one of the better-run REITs in our coverage universe for these reasons, but we also note that the damage done to EPR's experiential tenants during the pandemic was enormous.

Final Thoughts & Recommendation

EPR is undervalued in our view, driving a potential 1.3% tailwind. We like the strong operating history and track record of capital returns, and the high dividend yield of 6.8% is making the stock attractive, even with little growth. With total projected returns at 8.9%, we are moving the stock from buy to hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	421	493	518	640	652	415	532	611	660	641
Gross Profit	398	471	487	610	591	356	475	555	602	582
Gross Margin	94.4%	95.4%	94.0%	95.4%	90.7%	85.9%	89.3%	91.5%	91.2%	90.8%
SG&A Exp.	50	38	43	49	46	43	44	52	56	50
D&A Exp.	90	108	133	153	172	170	164	163	167	165
Operating Profit	258	326	322	423	386	112	289	342	378	354
Operating Margin	61.4%	66.0%	62.2%	66.1%	59.2%	27.1%	54.3%	52.0%	57.3%	55.2%
Net Profit	195	225	263	267	202	(132)	99	176	173	146
Net Margin	46.2%	45.6%	50.7%	41.7%	31.0%	-32%	18.5%	26.7%	26.2%	22.8%
Free Cash Flow	278	305	398	484	440	65	307	442	447	393
Income Tax	0	1	2	2	(3)	17	2	1	2	1

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	4,217	4,865	6,191	6,131	6,578	6,704	5,801	5,759	5701	5617
Cash & Equivalents	4	19	42	6	529	1,026	289	108	78	22
Accounts Receivable	62	75	83	85	85	116	76	54	64	85
Goodwill & Int. Ass.	9	15	29	42	45	42	38	37	35	32
Total Liabilities	2,143	2,679	3,264	3,266	3,572	4,074	3,183	3,223	3247	3293
Accounts Payable	92	120	137	168	123	105	73	80	95	108
Long-Term Debt	1,982	2,486	3,029	2,986	3,103	3,694	2,804	2,810	2816	2860
Shareholder's Equity	2,074	2,186	2,927	2,865	3,006	2,630	2,618	2,536	2454	2323
LTD/E Ratio	0.96	1.14	1.03	1.04	1.03	1.40	1.07	1.11	1.15	1.23

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	4.9%	5.0%	4.8%	4.3%	3.2%	-2.0%	1.6%	3.0%	3.0%	2.6%
Return on Equity	9.7%	10.6%	10.3%	9.2%	6.9%	-4.7%	3.8%	6.8%	6.9%	6.1%
ROIC	5.1%	5.2%	4.9%	4.5%	3.4%	-2.1%	1.7%	3.3%	3.3%	2.8%
Shares Out.	58	64	71	74	78	75	75	75	76	76
Revenue/Share	7.22	7.77	7.27	8.61	8.49	5.46	7.11	8.14	8.71	8.43
FCF/Share	4.77	4.81	5.59	6.52	5.72	0.86	4.11	5.89	5.91	5.17

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

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