



Realty Income (O)

Updated March 1st, 2025 by Samuel Smith

Key Metrics

Current Price:	\$58	5 Year CAGR Estimate:	8.4%	Market Cap:	\$51.0 B
Fair Value Price:	\$60	5 Year Growth Estimate:	2.7%	Ex-Dividend Date:	4/3/25 ¹
% Fair Value:	97%	5 Year Valuation Multiple Estimate:	0.7%	Dividend Payment Date:	4/15/25 ²
Dividend Yield:	5.6%	5 Year Price Target	\$69	Years Of Dividend Growth:	28
Dividend Risk Score:	B	Retirement Suitability Score:	A	Rating:	Hold

Overview & Current Events

Realty Income is a retail real estate focused REIT that has become famous for its successful dividend growth history and monthly dividend payments. Today, the trust owns thousands of properties. Realty Income owns retail properties that are not part of a wider retail development (such as a mall), but instead are standalone properties. This means that the properties are viable for many different tenants, including government services, healthcare services, and entertainment. Realty Income was founded in 1969 and is headquartered in San Diego.

On February 25, 2025, Realty Income Corporation reported its financial results for the fourth quarter of 2024. The company achieved a 1.8% increase in core funds from operations (FFO) for the year, alongside over \$550 million in acquisition volume. The year concluded with a strong 98.5% occupancy rate. These achievements reflect the dedication and expertise of Realty Income's best-in-class team, positioning the company well for the near term. The company also maintained a strong balance sheet, with a weighted average debt maturity of 14 years and a sector-leading annual dividend increase, marking the 28th consecutive year of dividend growth.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
AFFOPS	\$2.74	\$2.88	\$3.05	\$3.19	\$3.30	\$3.39	\$3.59	\$3.90	\$4.00	\$4.19	\$4.28	\$4.90
DPS	\$2.27	\$2.39	\$2.53	\$2.64	\$2.72	\$2.80	\$2.82	\$2.98	\$3.05	\$3.13	\$3.22	\$3.88
Shares³	251	260	284	304	334	373	591	661	861	892	892	900

Realty Income does not generate overly high funds-from-operations growth rates on a per-share basis, but the growth that the REIT is experiencing has been very steady, coming almost every year at a mid-single digits CAGR. As a result, the REIT has been able to grow its AFFO per share and its dividend per share for many years and is today a Dividend Aristocrat.

Realty Income generates its growth through growing rents at existing locations, via contracted rent increases or by leasing properties to new tenants at higher rates, but also by acquiring new properties. Realty Income expects to increase its investments in international markets moving forward. It made a first deal in the UK in 2019 and plans to do more such deals in the future when it finds attractive targets. These acquisitions will help drive profits in the long run, although they may not pay off immediately, as the issuance of new shares dilutes shareholders in the near term.

Realty Income's properties are relatively Amazon-proof, as the REIT owns standalone properties that can be used as cinemas, fitness centers, pharmacies, dollar stores, etc. Realty Income's properties are in demand and will likely remain so. The occupancy rate across the portfolio is around 99%, and tenants generally report high rent coverage ratios.

¹ Estimate

² Estimate

³ In Millions

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
P/AFFO	19	19.8	18.7	19.7	22.4	18.3	20.1	16.7	12.5	13.0	13.6	14.0
Avg. Yld.	4.4%	4.2%	4.4%	4.2%	3.7%	4.5%	3.9%	4.6%	6.1%	5.7%	5.6%	5.7%

Realty Income has been a high-quality retail REIT for many years. The trust's track record of dividend growth, as well as its solid operational performance, even during the last financial crisis, are reasons for its above-average fair value multiple, though we have recently reduced it to account for rising long-term interest rates. Shares currently look fairly valued, as shares trade roughly in-line with our fair value estimate of 14x.

Safety, Quality, Competitive Advantage, & Recession Resiliency

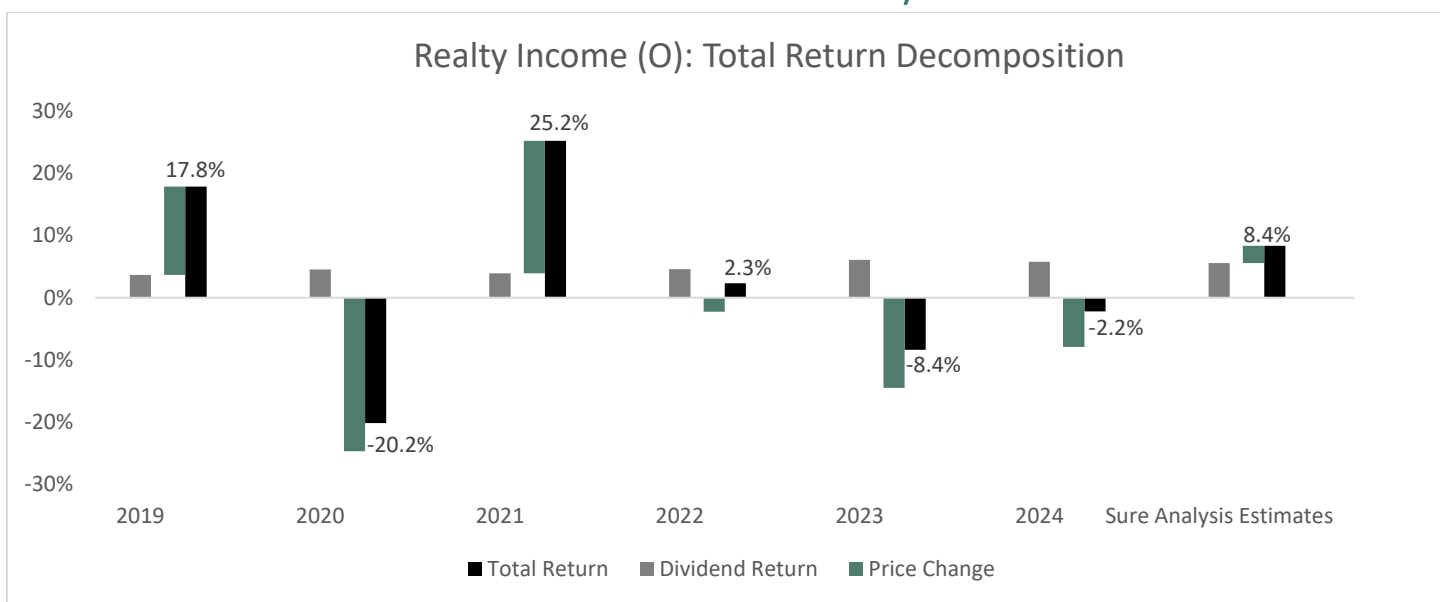
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	83%	83%	83%	83%	82%	83%	79%	76%	76%	75%	75%	79%

Realty Income has a relatively high dividend payout ratio, but that has been true for all of the last decade. In fact, its current dividend payout ratio is close to the bottom of the historical range. Due to the steady growth of Realty Income's profits, even during the last financial crisis, the dividend looks sustainable, despite the fact that Realty Income pays out around 75% of its funds-from-operations to its owners in the form of dividends. Realty Income's most important competitive advantage is its world-class management team that has successfully guided the trust in the past. Management is highly adept at finding attractive investment opportunities while also growing rents from existing properties, which has been very profitable for its shareholders. Due to the focus on standalone properties that can be used in many different ways, Realty Income is relatively safe from the so-called retail apocalypse.

Final Thoughts & Recommendation

Realty Income stands out from other retail REITs thanks to its very consistent dividend and earnings growth track record. The trust is well-recognized among income investors due to making monthly dividend payments. At the current price, Realty Income does offer an attractive yield of 5.6%, and Realty Income is trading marginally below our fair value estimate. Meanwhile, its growth rate is expected to slow moving forward. Due to its decent forecasted total returns of 8.4%, we rate Realty Income a Hold at the current price.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	1,023	1,103	1,216	1,328	1,488	1,647	2,080	3,344	4,079	5,271
Gross Profit	968	1,040	1,146	1,262	1,400	1,542	1,947	3,117	3,762	4,893
Gross Margin	94.6%	94.3%	94.3%	95.0%	94.0%	93.6%	93.6%	93.2%	92.2%	92.8%
SG&A Exp.	49	52	58	84	66	73	97	138	145	177
D&A Exp.	409	450	499	540	594	677	898	1,670	1,895	2,396
Operating Profit	509	538	589	638	739	792	952	1,309	1,722	2,321
Operating Margin	49.8%	48.8%	48.5%	48.0%	49.7%	48.1%	45.8%	39.1%	42.2%	44.0%
Net Profit	284	316	319	364	436	395	359	869	872	861
Net Margin	27.7%	28.6%	26.2%	27.4%	29.3%	24.0%	17.3%	26.0%	21.4%	16.3%
Free Cash Flow	694	800	876	941	1,069	1,116	1,322	2,564	2,959	3,573
Income Tax	3	3	6	5	6	15	32	45	52	67

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	11845	13153	14058	15260	18555	20740	43138	49673	57779	68835
Cash & Equivalents	40	9	7	10	54	824	259	171	233	445
Accounts Receivable	82	105	120	145	182	286	427	543	711	878
Goodwill & Int. Ass.	1,050	1,097	1,210	1,214	1,508	1,725	8,952	8,900	8,749	11,255
Total Liabilities	5,292	6,366	6,667	7,140	8,751	9,723	18,008	20,830	24,672	29,783
Long-Term Debt	4,821	5,840	6,111	6,500	7,902	8,817	15,443	18,111	21,520	26,227
Shareholder's Equity	6,136	6,371	7,372	8,089	9,774	10,985	25,053	28,713	32,941	38,841
LTD/E Ratio	0.74	0.86	0.83	0.80	0.81	0.80	0.62	0.63	0.65	0.68

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	2.5%	2.5%	2.3%	2.5%	2.6%	2.0%	1.1%	1.9%	1.6%	1.4%
Return on Equity	4.7%	4.7%	4.5%	4.7%	4.9%	3.8%	2.0%	3.2%	2.8%	2.4%
ROIC	2.6%	2.6%	2.4%	2.6%	2.7%	2.1%	1.2%	2.0%	1.7%	1.4%
Shares Out.	251	260	284	304	334	373	591	661	861	892
Revenue/Share	4.33	4.32	4.44	4.58	4.71	4.77	5.02	5.46	5.89	6.10
FCF/Share	2.94	3.13	3.20	3.24	3.38	3.23	3.19	4.19	4.27	4.14

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

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