CT Real Estate Investment Trust (CTRRF)

Published April 4th, 2025 by Kody Kester

Key Metrics

Current Price:	$10.06	**5 Year Annual Expected Total Return:**	9.1%	**Market Cap:**	$2.4B
Fair Value Price:	$11.31	**5 Year Growth Estimate:**	1.5%	**Ex-Dividend Date[1]:**	04/30/25
% Fair Value:	89%	**5 Year Valuation Multiple Estimate:**	2.4%	**Dividend Payment Date:**	05/15/25
Dividend Yield:	6.5%	**5 Year Price Target**	$12.22	**Years Of Dividend Growth[2]:**	11
Dividend Risk Score:	F	**Sector:** Real Estate		**Rating:**	Hold

Overview & Current Events

Since its founding and initial public offering in 2013, CT Real Estate Investment Trust has gone on to become one of Canada's largest retail REITs. The company was formed as part of a spinoff of Canadian retailer and vehicle service company Canadian Tire's real estate assets (beginning with the initial transfer of 256 properties). Canadian Tire has owned a controlling stake in CTRRF throughout the latter's corporate history.

As of December 31st, 2024, CTRRF owned 376 properties and 31 million square feet of gross leasable area throughout Canada, with the majority being concentrated in Ontario (145) and Quebec (79). The fair market value for these properties was estimated to be 7.2 billion CAD at the time. Unsurprisingly, the close relationship with Canadian Tire means that more than 90% of annualized base rent is derived from the company.

The appeal to this concentration is that the retailer has been in business for more than a century and enjoys a 100% brand recognition rate in Canada. With nearly 12 million active Triangle Rewards loyalty members, Canadian Tire knows how to leverage its brand recognition. Nearly a quarter of Canadian Tire's properties are owned by third parties, so consolidating these represents one growth avenue for CTRRF. Another growth catalyst for the company is the 881,000 square feet of ongoing development activity at the end of 2024.

On February 10th, CTRRF shared its fourth-quarter earnings report for the period ended December 31st, 2024. The company's property revenue in native currency increased by 3.9% year-over-year to 145.4 million. Adjusting for currency translation, CTRRF's property revenue edged 1.8% higher over the year-ago period to $104.7 million. This was due to a 30-basis point improvement in occupancy rate to 99.4%, a slight increase in gross leasable area, and 1.5% annual rent escalators. The company's AFFO per unit increased by 1.7% in native currency to 0.308. Accounting for foreign currency exchange, CTRRF's AFFO per unit decreased by 0.4% to $0.223.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
AFFOPS	$0.63	$0.64	$0.73	$0.70	$0.77	$0.81	$0.87	$0.85	$0.91	$0.86	***$0.87***	***$0.94***
DPS	$0.52	$0.51	$0.54	$0.56	$0.57	$0.60	$0.67	$0.66	$0.66	$0.67	***$0.65***	***$0.70***
Shares[3]	189.6	206.9	213.7	220.3	228.2	231.0	233.2	234.7	235.5	236.8	***236.8***	***242.8***

Over the past decade, CTRRF's AFFO per unit has compounded by 3.5% annually. In more recent years, AFFO per unit has grown by nearly 1.5% annually. Moving forward, we believe that the REIT's AFFO per unit will continue to grow by about 1.5% each year. That's because CTRRF has plenty of projects with Canadian Tire that are currently in development. Along with further consolidation of third-party Canadian Tire locations and annual lease escalators, this should more than cancel out the continued deterioration of the CAD against the USD in the years ahead.

[1] Estimated dates based on past dividend dates.

[2] In its original Canadian Dollar declaration.

[3] Share count is in millions.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/AFFO	15.0	17.7	15.8	14.6	15.4	15.1	15.3	13.3	12.2	11.6	***11.6***	***13.0***
Avg. Yld.	5.5%	4.5%	4.7%	5.5%	4.8%	4.9%	5.0%	5.9%	6.0%	6.7%	***6.5%***	***5.7%***

CTRRF's P/AFFO ratio has ranged from as low as the low-double-digits to as high as the high-teens over the past decade. This works out to an average P/AFFO ratio of 14.6. Given that 10-year U.S. Treasury yields will likely remain higher than they have over the last decade, we believe that fair value is one standard deviation below the 10-year average. This would equate to a P/AFFO ratio of approximately 13. Relative to the current multiple of 11.6, this could represent a moderate margin of safety.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	83%	80%	74%	80%	74%	74%	77%	78%	73%	78%	***75%***	***75%***

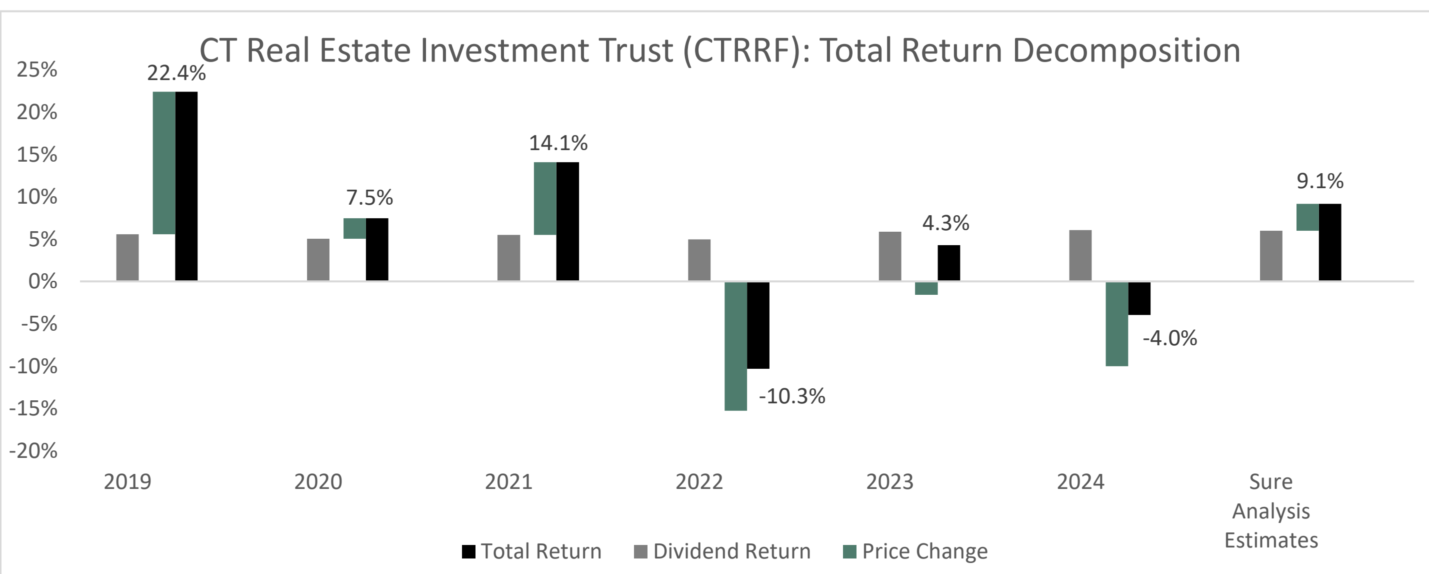
CTRRF's strategic partnership with Canadian Tire is a unique competitive advantage. The company can acquire new stores or distribution centers, often without having to compete with others on the open market. That tends to lead to favorable terms.

Another strength of CTRRF is its robust balance sheet. The company's indebtedness ratio to close out 2024 was 41.1%. Its interest coverage ratio of 3.6x in 2024 was relatively solid for a REIT. The company also had $299 million in cash and an unused committed bank credit facility at its disposal as of December 31st, 2024. Thus, S&P and the Canadian rating agency DBRS award investment-grade, BBB credit ratings on stable outlooks. CTRRF's distribution is also reasonably well-covered, with it expected to be 75% in 2025. This should give it room to build on its 11-year distribution growth streak in the native currency.

Final Thoughts & Recommendation

CTRRF's 6.5% yield, 1.5% annual AFFO per unit growth, and 2.4% annual valuation multiple upside could generate 9.1% annual total returns through 2030. As a result, we're initiating coverage with 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.

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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	296	307	342	365	368	375	410	410	409	422
Gross Profit	228	235	266	281	289	292	325	324	324	330
Gross Margin	77.0%	76.3%	77.8%	77.0%	78.3%	77.9%	79.1%	79.1%	79.1%	78.3%
SG&A Exp.	8	8	9	9	11	10	12	11	11	12
Operating Profit	221	227	258	271	278	283	313	313	313	319
Operating Margin	74.5%	73.8%	75.3%	74.4%	75.4%	75.4%	76.3%	76.4%	76.3%	75.5%
Net Profit	184	196	245	232	231	137	364	250	170	317
Net Margin	62.0%	63.6%	71.6%	63.7%	62.8%	36.5%	88.8%	60.9%	41.5%	75.0%
Free Cash Flow	200	193	232	241	256	264	296	284	291	292

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	3,135	3,719	4,338	4,191	4,612	4,843	5,098	5,043	5,251	5,051
Cash & Equivalents	18	5	9	4	7	4	3	2	16	2
Accounts Receivable	2	2	2	2	2	4	2	3	3	3
Total Liabilities	1,540	1,798	2,063	1,926	2,060	2,196	2,213	2,223	2,351	2,195
Long-Term Debt	294	639	870	824	858	942	962	984	1,078	1,065
Shareholder's Equity	747	812	929	959	1,121	1,162	1,272	1,251	1,287	1,273
LTD/E Ratio	0.39	0.79	0.94	0.86	0.77	0.81	0.76	0.79	0.84	0.84

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	5.6%	5.7%	6.1%	5.4%	5.3%	2.9%	7.3%	4.9%	3.3%	6.1%
Return on Equity	11.1%	11.1%	11.7%	10.2%	9.6%	5.3%	13.2%	8.7%	5.9%	11.0%
ROIC	9.8%	8.8%	8.6%	7.4%	7.1%	3.9%	9.8%	6.5%	4.4%	8.0%
Shares Out.	189.6	206.9	213.7	220.3	228.2	231.0	233.2	234.7	235.5	236.8
Revenue/Share	0.92	1.00	1.09	1.08	1.17	1.16	1.29	1.25	1.21	1.26
FCF/Share	0.62	0.63	0.74	0.72	0.81	0.82	0.93	0.87	0.86	0.87

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