RioCan Real Estate Investment Trust (RIOCF)

Updated May 10th, 2025, by Kody Kester

Key Metrics

Current Price:	$12.30	**5 Year Annual Expected Total Return:**	9.3%	**Market Cap:**	$3.7B
Fair Value Price:	$15.08	**5 Year Growth Estimate:**	0.0%	**Ex-Dividend Date:**	05/30/25[1]
% Fair Value:	82%	**5 Year Valuation Multiple Estimate:**	4.2%	**Dividend Payment Date:**	06/06/25[1]
Dividend Yield:	6.7%	**5 Year Price Target**	$15.08	**Years Of Dividend Growth:**	4[2]
Dividend Risk Score:	F	**Sector:**	Real Estate	**Rating:**	Hold

Overview & Current Events

Founded in 1993, RioCan Real Estate Investment Trust owns, manages, and develops retail-focused, mixed-use properties located in prime, high-density transit-oriented areas where Canadians shop, live, and work. RIOCF was one of the first REITs in Canada. A year after its founding, RIOCF held its initial public offering on the Toronto Stock Exchange.

As of March 31st, 2025, the company wholly owned or co-owned stakes in 177 properties spanning an aggregate net leasable area of approximately 32 million square feet. Additionally, the company has a pipeline of approximately 21 million square feet zoned for future development.

As alluded to earlier, RIOCF's annualized contractual gross rent is mostly derived from retail properties (85.1%). Office properties chip in another 10.5%, and residential rental properties contribute the remaining 4.4% to RIOCF's annualized rent. The company's strategy is to focus primarily on necessity-based retail. These include grocery stores and pharmacies (20.0% of annualized rent) and are buoyed by exceptionally strong tenants like Walmart and Costco. Essential goods and services made up 24.0% of annualized rent and included tenants like the Bank of Montreal, TD Bank, and Royal Bank of Canada. Value retailers contributed 13.0% of annualized rent and include Dollarama, as well as TJX Companies' HomeSense and Winners brands. RIOCF's 98.0% committed occupancy (98.7% for retail) is a testament to the effectiveness of its approach.

On May 5th, RIOCF released its first-quarter earnings report for the period ended March 31st, 2025. The company's revenue fell by 8.5% year-over-year to $255.4 million in the quarter (adjusting for average CAD to USD conversion rates in Q1 2024 and Q1 2025). That was largely driven by unfavorable exchange rates and a decrease in equity-accounted investments due to tenant Hudson's Bay Company's filing for creditor protection under the Companies' Creditors Arrangement Act. Even with those headwinds, RIOCF's AFFO per unit edged 3% higher over the year-ago period to $0.34 during the quarter (accounting for average CAD to USD conversion rates in Q1 2024 and Q1 2025).

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
AFFOPS	$1.13	$1.14	$1.28	$1.23	$1.26	$1.10	$1.09	$1.10	$1.15	$1.06	***$1.16***	***$1.16***
DPS	$1.10	$1.06	$1.09	$1.11	$1.09	$1.07	$0.77	$0.78	$0.80	$0.81	***$0.83***	***$0.83***
Units[3]	322.5	326.6	323.7	305.1	317.7	317.8	309.8	300.4	300.5	300.5	***297.2***	***282.6***

RIOCF's AFFO per unit grew slightly in CAD terms from 1.57 in 2015 to 1.81 in 2024. However, the devaluation of the CAD to the USD over that time resulted in a slight decrease in AFFO per unit in USD terms. Moving forward, we expect the CAD to continue to lose a bit of ground to the USD. However, we think that this can be offset by RIOCF's decent fundamentals. The company's 98% committed occupancy rate referenced earlier was the strongest in its history. Blended leasing spreads of 17.5% in Q1 2025 also show RIOCF to be fundamentally strong. That's why we believe that the company's AFFO per unit will hold steady in USD from the anticipated 2025 base of $1.16 over the next five years.

[1] Estimated based on past dividend dates.

[2] In its original, Canadian Dollar declaration.

[3] Unit count is in millions.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
P/AFFO	15.3	17.5	15.3	14.2	16.3	12.0	16.6	14.2	12.2	12.0	***10.6***	***13.0***
Avg. Yld.	6.4%	5.3%	5.6%	6.4%	5.3%	8.1%	4.2%	5.0%	5.7%	6.4%	***6.7%***	***5.5%***

Over the past decade, RIOCF's P/AFFO ratio has ranged from as little as the low double-digits to as much as the high teens. This resulted in an average P/AFFO ratio of 14.6 over that time. We expect 10-year U.S. Treasury yields to eventually settle about 100 basis points higher than the 10-year average of 2.5%. On one hand, that's why we don't foresee a return to a multiple of 14.6 as an appropriate fair value. On the other hand, the current multiple of 10.6 also seems low. Thus, we're just about splitting the difference between the current P/AFFO ratio of 10.6 and the average of 14.6. This gives us a fair value P/AFFO ratio of approximately 13.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	97%	93%	85%	90%	87%	97%	71%	71%	70%	76%	***72%***	***72%***

In real estate, it's all about location, location, location. RIOCF's concentration of 94% of its ABR being derived from major urban centers in Canada differentiates it from the peer group average of just 68%. This is because such locations come with strong and consistent consumer demand. That can help tenants to more easily thrive in just about any operating environment, which is what ultimately keeps the rent checks coming to RIOCF.

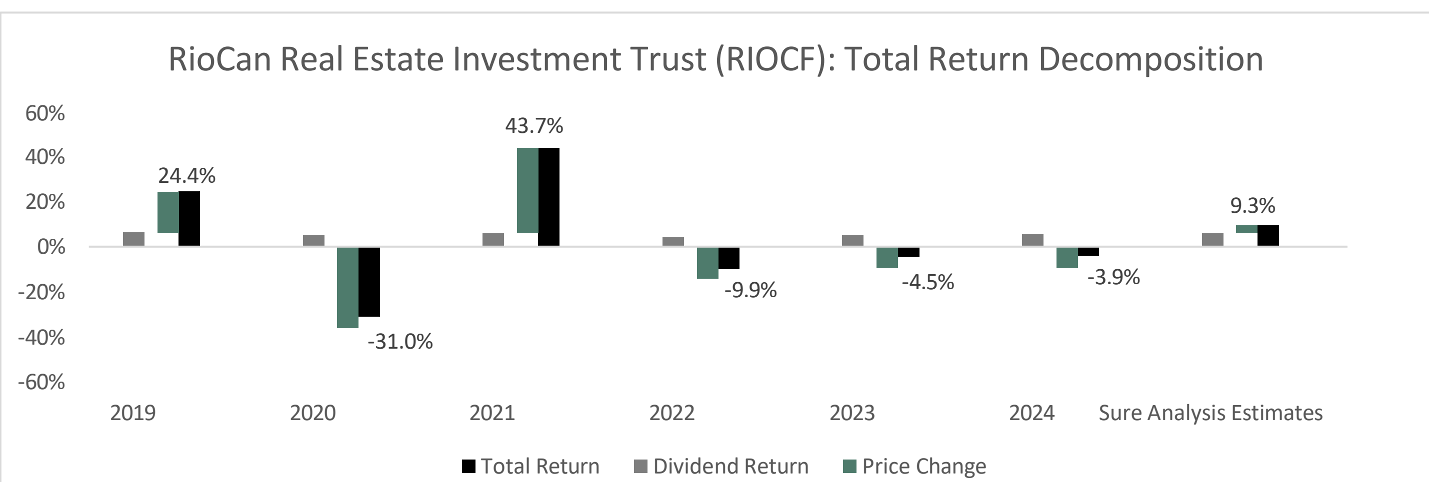
Financially, RIOCF is reasonably healthy. The company's adjusted debt to adjusted EBITDA ratio improved sequentially from 8.98x in Q4 2024 to 8.96x in Q1 2025, within its targeted range of 8.0x to 9.0x. RIOCF expects this to improve further to the mid-8x range in 2025. That's why it enjoys an investment-grade, BBB credit rating from the Canadian credit rating agency, DBRS.

RIOCF's FFO payout ratio of approximately 60% (in native currency) is the lowest payout ratio among its peers. That leaves it with excess free cash flow to reinvest in its business each year. Even in USD, the payout ratio is expected to be in the low 70% range in 2025. This should give RIOCF room to gradually grow its distribution in native currency, although we think further deterioration in the CAD to USD exchange rate will likely offset this growth.

Final Thoughts & Recommendation

RIOCF's 6.7% yield, flat AFFO per unit, and 4.2% annual valuation multiple expansion potential could lead to 9.3% annual total returns over the next five years. That's why we're reiterating our 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	852	856	891	886	999	854	937	933	832	904
Gross Profit	520	528	569	556	564	508	560	548	529	541
Gross Margin	61.1%	61.7%	63.8%	62.8%	56.4%	59.5%	59.7%	58.7%	63.6%	59.8%
SG&A Exp.	44	44	41	48	40	35	47	48	52	52
D&A Exp.	4	3	8	4	3	3	3	4	2	1
Operating Profit	473	481	520	504	520	470	509	497	476	487
Operating Margin	55.5%	56.2%	58.3%	56.9%	52.1%	55.0%	54.3%	53.2%	57.1%	53.9%
Net Profit	111	627	552	408	585	(48)	477	182	29	345
Net Margin	13.0%	73.3%	61.9%	46.0%	58.5%	-5.7%	50.9%	19.5%	3.5%	38.2%
Free Cash Flow	282	61	(21)	(14)	24	27	21	87	(4)	59
Income Tax	1	(3)	(0)	(1)	1	8	(0)	1	(10)	(1)

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	11,527	10,513	11,433	10,282	11,627	11,973	11,904	11,127	11,188	10,780
Cash & Equivalents	60	40	56	55	72	187	61	64	94	133
Accounts Receivable	33	30	15	13	13	34	23	20	27	32
Inventories	33	36	105	151	83	168	170	200	164	198
Total Liabilities	5,815	4,572	5,035	4,653	5,269	5,907	5,699	5,432	5,582	5,514
Accounts Payable	75	44	43	41	44	68	72	65	52	58
Long-Term Debt	4,442	4,193	4,691	4,313	4,892	5,433	5,230	4,968	5,172	5,103
Shareholder's Equity	5,520	5,834	6,397	5,629	6,358	6,066	6,205	5,695	5,607	5,266
LTD/E Ratio	0.78	0.71	0.73	0.77	0.77	0.90	0.84	0.87	0.92	0.97

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	0.9%	5.7%	5.0%	3.8%	5.3%	-0.4%	4.0%	1.6%	0.3%	3.1%
Return on Equity	1.8%	10.8%	8.9%	6.8%	9.8%	-0.8%	7.8%	3.1%	0.5%	6.4%
ROIC	1.0%	6.2%	5.2%	3.9%	5.5%	-0.4%	4.2%	1.6%	0.3%	3.3%
Shares Out.	322.5	326.6	323.7	305.1	317.7	317.8	309.8	300.4	300.5	300.5
Revenue/Share	2.66	2.63	2.73	2.82	3.25	2.69	2.95	3.05	2.77	3.01
FCF/Share	0.88	0.19	(0.06)	(0.04)	0.08	0.08	0.07	0.28	(0.01)	0.20

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