Tanger Inc. (SKT)

Updated May 6th, 2025 by Quinn Mohammed

Key Metrics

Current Price:	$30	**5 Year CAGR Estimate:**	7.2%	**Market Cap:**	$3.5 B
Fair Value Price:	$29	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date[1]:**	07/31/2025
% Fair Value:	101%	**5 Year Valuation Multiple Estimate:**	-0.2%	**Dividend Payment Date[1]:**	08/15/2025
Dividend Yield:	3.9%	**5 Year Price Target:**	$36	**Years of Dividend Growth:**	4
Dividend Risk Score:	F	**Sector:**	Real Estate	**Rating:**	Hold

Overview & Current Events

Tanger Inc. (SKT) is one of the largest owners and operators of outlet centers in the United States and Canada. Tanger operates and owns, or has a stake in, a portfolio of 37 outlet shopping centers, 1 adjacent managed center, and 3 open-air lifestyle centers. SKT owns properties across 21 states and in Canada, totaling more than 16 million square feet. SKT leases to more than 3,000 stores operated by over 700 different brand name companies. The company is headquartered in Greensboro, North Carolina. Its market capitalization is $3.5 billion. Tanger's outlet centers are known for their tenant mix comprised of leading designer and brand-name manufacturers.

In April 2025, Tanger announced a 6.4% dividend increase to $1.17 per share annually.

Tanger reported first quarter 2025 results on April 30th, 2025. It announced funds from operations (FFO) rose 4% to $0.53 per share from $0.51 per share in the prior year quarter. Core FFO of $0.53 per share was also higher by 2% compared to Q1 2024. Funds available for distribution (FAD) payout ratio for the quarter was 53%.

As of April 30, 2025, Tanger had renewals executed or in process for 57% of the total portfolio space scheduled to expire during 2025. The consolidated portfolio occupancy rate was 95.7% at quarter-end, a steep decline from 98.0% a year ago. Average tenant sales per square foot improved by eighteen dollars to $455 in the trailing twelve months, compared to $437 per square feet in the twelve months ended March 31, 2024.

Management maintained its 2025 guidance for core FFO of $2.22 to $2.30, which would represent 4% to 8% year-over-year growth.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
AFFO	$2.22	$2.37	$2.46	$2.48	$2.31	$1.57	$1.76	$1.83	$1.96	$2.13	***$2.26***	***$2.75***
DPS	$1.10	$1.26	$1.35	$1.39	$1.42	$0.71	$0.72	$0.80	$0.97	$1.09	***$1.17***	***$1.29***
Shares[2]	100.0	100.0	100.0	98.0	98.0	97.0	106.8	110.4	111.3	115.8	***120.0***	***153.2***

Tanger has seen funds from operations per share shrink in the trailing nine years, in large part due to the significant impact the pandemic had on its growth trajectory. AFFO per share had grown steadily prior to the COVID pandemic, however the multiple government-mandated store closures, stay-at-home orders, and expiring leases severely damaged its AFFO. The pandemic's impact was so great that the company slashed its dividend by half, putting an end to its 27-year dividend growth streak. On the bright side, since 2020, AFFO per share has increased by 7.6% CAGR.

With the pandemic now in the rearview, Tanger is returning to growth, but off a lower comparison base. Tanger opened its 37th center in Nashville on October 27th, 2023. It was 291K square feet and 96.5% leased. Additionally, Tanger is beginning to shake up its portfolio, with the addition of its first non-outlet center, Bridge Street Town Centre, an 825K square foot open-air lifestyle center in Huntsville, AL, that consists of more than 80 retail stores, restaurants, and entertainment venues, which the company acquired on November 30, 2023 for $193.5 million. It also recently acquired

[1] Estimate

[2] In millions

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The Promenade at Chenal in Little Rock, Arkansas, and Pinecrest in Cleveland, Ohio for $73 million and $167 million, respectively.

We forecast that AFFO per share could grow by 4% per annum over the next five years.

We are impressed by the history of SKT's share count as it has remained fairly stable over the last decade, which is uncommon for a REIT. Given Tanger's renewed focus on acquiring growth, we think the share count will increase at a more rapid rate in the coming years to fund these purchases.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/AFFO	7.6	9.5	9.7	11.1	11.8	12.7	9.8	9.2	11.1	14.0	***13.1***	***13.0***
Avg. Yld.	9.8%	8.2%	8.0%	7.4%	5.0%	6.2%	3.6%	4.3%	4.2%	3.5%	***3.9%***	***3.6%***

The current P/AFFO of 13.1 based on 2025's forecasted AFFO per share represents a premium to the 5-year average of 11.4. As a result, Tanger is trading just above our estimate of fair value, which is 13 times AFFO. This implies the potential for a valuation headwind that could negatively impact total returns by -0.2% annually.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	50%	53%	55%	56%	61%	45%	41%	44%	49%	51%	***52%***	***47%***

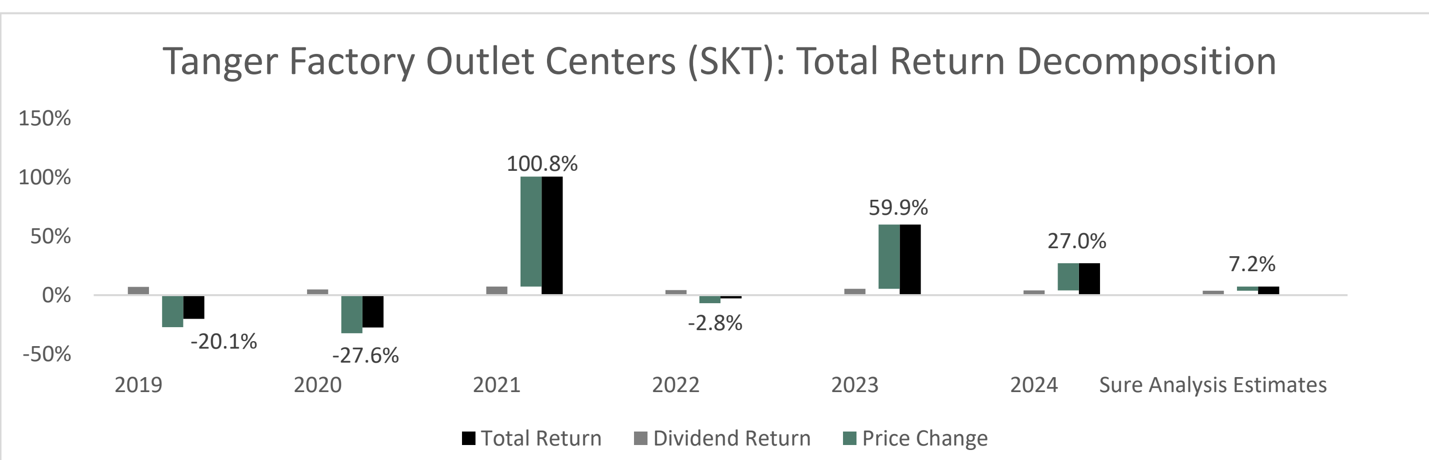
Tanger's dividend payout ratio is well covered by FFO. At 52% forecast for 2025, this leaves plenty of room for the company to increase the dividend into 2030 and beyond.

SKT's management has a track record of success spanning over four decades. These 44 years of outlet industry experience, extensive development expertise, and strong retail relationships give them their competitive advantage in the outlet business. SKT went through the Great Recession virtually unscathed as AFFO fell only 2.2% from 2008 to 2010. Outlet centers provide good value for the cost and so this industry should see similar or growing foot traffic and earnings when the population tightens their purse string, however, store closures due to COVID-19 have not made this possible and suffocated its revenue stream in 2020.

Final Thoughts & Recommendation

Tanger was gravely affected by the pandemic and the trust lost its 27-year dividend growth streak. We are forecasting total annualized returns of 7.2%, stemming from 4.0% AFFO per share growth and the 3.9% dividend yield, partly offset by -0.2% annual headwind due to multiple contraction. SKT earns a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	439	466	488	495	478	390	427	443	464	
Gross Profit	293	314	333	334	321	253	286	299	319	
Gross Margin	66.7%	67.4%	68.2%	67.6%	67.0%	64.8%	67.0%	67.5%	68.8%	
SG&A Exp.	44	47	44	44	54	48	66	72	76	
D&A Exp.	104	115	128	132	123	117	110	112	109	
Operating Profit	144	152	161	158	144	88	110	115	134	
Op. Margin	32.9%	32.6%	33.0%	32.0%	30.0%	22.6%	25.8%	26.0%	28.9%	
Net Profit	211	194	68	44	88	-36	9	82	99	
Net Margin	48.1%	41.6%	13.9%	8.8%	18.4%	-9.3%	2.1%	18.5%	21.3%	
Free Cash Flow	221	239	253	258	220	165	218	214	230	

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	2315	2526	2540	2385	2285	2190	2157	2218	2324	
Cash & Equivalents	22	12	6	9	17	85	161	212	13	
Inventories										
Goodwill & Int. Ass.	57	75	50	29	11	-4	-17	-31	-8	
Total Liabilities	1709	1821	1928	1879	1829	1831	1658	1704	1733	
Long-Term Debt	1552	1688	1764	1713	1570	1568	1397	1428	1439	
Total Equity	575	670	582	480	433	341	478	492	567	
LTD/E Ratio	2.70	2.52	3.03	3.57	3.62	4.59	2.92	2.91	2.54	

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	9.6%	8.0%	2.7%	1.8%	3.8%	-1.6%	0.4%	3.8%	4.4%	
Return on Equity	39.4%	31.1%	10.9%	8.2%	19.2%	-9.4%	2.2%	16.9%	17.9%	
ROIC	10.2%	8.5%	2.9%	1.9%	4.1%	-1.8%	0.5%	4.3%	5.0%	
Shares Out.	94.8	95.3	94.5	93.3	92.8	92.6	102.0	105.6	106.5	
Revenue/Share	4.64	4.89	5.17	5.30	5.15	4.21	4.18	4.19	4.36	
FCF/Share	2.33	2.51	2.68	2.77	2.38	1.78	2.13	2.03	2.16	

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