



# NNN REIT, Inc. (NNN)

Updated August 18<sup>th</sup>, 2025 by Samuel Smith

## Key Metrics

<b>Current Price:</b>	\$41.6	<b>5 Year CAGR Estimate:</b>	9.8%	<b>Market Cap:</b>	\$7.7 B
<b>Fair Value Price:</b>	\$47.5	<b>5 Year Growth Estimate:</b>	2.3%	<b>Ex-Dividend Date:</b>	10/31/25 <sup>1</sup>
<b>% Fair Value:</b>	88%	<b>5 Year Valuation Multiple Estimate:</b>	2.7%	<b>Dividend Payment Date:</b>	11/15/25 <sup>1</sup>
<b>Dividend Yield:</b>	5.8%	<b>5 Year Price Target</b>	\$53	<b>Years of Dividend Growth:</b>	36
<b>Dividend Risk Score:</b>	C	<b>Sector:</b>	Real Estate	<b>Rating:</b>	Hold

## Overview & Current Events

National Retail Properties is a REIT that owns single-tenant, net-leased retail properties across the United States. It is focused on retail customers because they are much more likely to accept rent hikes to avoid switching locations and losing their customer base. Thanks to this strategy, National Retail has offered consistent growth with markedly low volatility. It is also characterized by very high occupancy rates; its 15-year low occupancy rate is 96% and it typically ranges between 98%-99%.

On July 30, 2025, NNN REIT reported results for the second quarter ended June 30, 2025, reflecting stable performance across its triple-net lease portfolio. Total revenue was \$232.1 million, up from \$221.5 million in the prior year, driven by rental income growth from new property acquisitions and contractual rent escalations. Net income attributable to common shareholders was \$105.7 million, or \$0.56 per diluted share, compared with \$100.2 million, or \$0.53 per share, in the second quarter of 2024. Funds from operations, a key REIT metric, totaled \$176.8 million, or \$0.94 per share, slightly above the \$0.92 per share reported a year earlier. Adjusted funds from operations were \$171.5 million, or \$0.91 per share, compared with \$0.89 in the prior year, demonstrating steady cash flow growth. Portfolio occupancy remained exceptionally high at 99.2%, consistent with the company's long-term stability. During the quarter, NNN acquired 57 properties for approximately \$274 million at an initial cash yield of 7.2%, expanding its retail-focused portfolio across diverse geographies. The company also sold 14 properties for \$62 million, realizing modest gains while recycling capital into higher-yielding assets. The balance sheet remained strong with net debt to EBITDA of 5.3 times and liquidity of \$1.3 billion, providing flexibility for future acquisitions. A quarterly dividend of \$0.575 per share was declared, marking the 36th consecutive annual increase and underscoring NNN's consistent dividend growth record. Overall, the quarter highlighted the REIT's reliable income profile, strong occupancy, disciplined capital allocation, and commitment to delivering long-term shareholder returns through steadily rising dividends.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>FFO/S</b>	\$2.22	\$2.35	\$2.52	\$2.65	\$2.76	\$2.59	\$2.86	\$3.14	\$3.26	\$3.32	<b>\$3.39</b>	<b>\$3.80</b>
<b>DPS</b>	\$1.71	\$1.78	\$1.86	\$1.95	\$2.06	\$2.07	\$2.10	\$2.20	\$2.23	\$2.29	<b>\$2.40</b>	<b>\$2.80</b>
<b>Shares<sup>1</sup></b>	141	147.2	153.6	161.6	171.7	175.3	175.6	181.5	182.5	187.6	<b>188.8</b>	<b>200.0</b>

National Retail Properties has more than doubled its FFO since 2011, but it has also significantly increased its share count in order to fund its acquisitions of properties. As a result, the REIT has grown its FFO per share at a mid-single-digit rate per year on average since 2011. While the impact of dilution is noticeable, the dilution also has another, less obvious effect: it has greatly increased the financial burden of the dividend on the REIT.

We believe that growth will slow moving forward as investment spreads compress, and the law of large numbers makes it increasingly challenging to move the needle with acquisitions. The trust's high level of occupancy should afford it low-single-digit levels of revenue growth, while slightly increasing margins should continue to see it growing FFO-per-share

<sup>1</sup> In millions

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at a mid-single-digit rate despite the ever-rising share count. The bulk of National Retail's FFO-per-share growth will come from net new property acquisitions.

## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/FFO	15.4	16.7	14.8	16.1	19.2	15.4	16.5	14.4	11.8	12.0	12.3	14.0
Avg. Yld.	5.0%	4.5%	5.0%	4.6%	3.9%	5.2%	4.5%	4.9%	5.8%	5.7%	5.8%	5.3%

Using expected FFO numbers for this year, National Retail Properties is trading at a price-to-FFO ratio of 12.3. The trust's 10-year average price-to-FFO ratio is 14, and, while some year's average multiples have been far higher due to low interest rates and strong results, we believe that current headwinds and somewhat elevated interest rates justify a lower valuation. Therefore, we are placing 14 times FFO as our fair value estimate.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	77%	76%	74%	74%	75%	80%	73%	70%	68%	69%	71%	74%

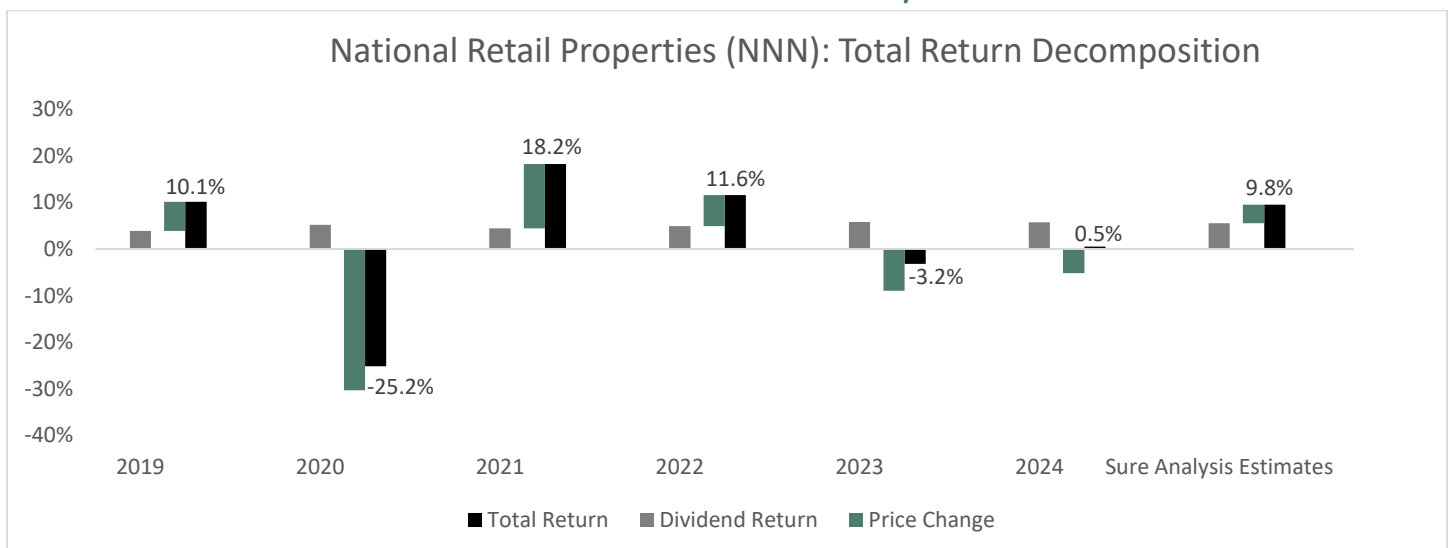
National Retail's payout ratio is being maintained at nearly three-quarters of FFO, and we believe it will stay there for the foreseeable future. Given this, the dividend is fairly safe at this point with the trust's rising earnings. On the other hand, National Retail Properties is significantly impacted by recessions. In the Great Recession, its funds from operations per share plunged 34%, from \$1.99 in 2008 to \$1.31 in 2010. Nevertheless, given that the financial crisis was triggered by the bubble in the housing market, the performance of the REIT in that crisis was satisfactory.

However, investors should keep in mind that its downside potential will likely be significant whenever the next recession shows up, particularly given its current valuation. The trust lacks any durable competitive advantages, though its scale and business network are gradually growing over time, which could give it increasing pricing power and economies of scale.

## Final Thoughts & Recommendation

National Retail Properties is an attractive dividend growth stock given its 5.8% dividend yield backed by a strong balance sheet, well-diversified portfolio, impressive dividend growth streak, and lengthy growth runway. Given that it offers an estimated 9.8% annualized total return over the next half decade alongside relatively low risk, we rate it a Hold.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Revenue</b>	483	534	585	623	670	661	726	773	828	869
<b>Gross Profit</b>	463	513	562	598	643	632	698	747	800	837
<b>Gross Margin</b>	95.9%	96.1%	96.0%	96.0%	95.9%	95.7%	96.1%	96.6%	96.6%	96.3%
<b>SG&amp;A Exp.</b>	35	37	34	34	38	38	45	50	47	45
<b>D&amp;A Exp.</b>	135	149	174	174	189	197	205	224	239	250
<b>Operating Profit</b>	294	327	354	389	416	397	448	473	514	542
<b>Operating Margin</b>	60.8%	61.3%	60.6%	62.5%	62.1%	60.2%	61.7%	61.2%	62.0%	62.4%
<b>Net Profit</b>	198	240	265	292	299	229	290	335	392	397
<b>Net Margin</b>	41.0%	44.9%	45.3%	47.0%	44.6%	34.6%	39.9%	43.3%	47.4%	45.7%
<b>Free Cash Flow</b>	341	415	422	472	502	450	568	578	612	636

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Total Assets</b>	5,460	6,334	6,561	7,103	7,435	7,638	7,751	8,146	8,662	8,873
<b>Cash &amp; Equivalents</b>	14	295	1	114	1	267	171	3	1	9
<b>Accounts Receivable</b>	3	3	4	4	3	4	3	4	4	3
<b>Goodwill &amp; Int. Ass.</b>	72	65	51	66	76	70	67	62	53	44
<b>Total Liabilities</b>	2,118	2,417	2,720	2,949	3,103	3,319	3,849	4,023	4,505	4,510
<b>Long-Term Debt</b>	1,976	2,312	2,580	2,851	2,988	3,221	3,746	3,916	4,361	4,374
<b>Shareholder's Equity</b>	2,767	2,997	3,208	3,522	3,987	3,974	3,902	4,124	4,157	4,362
<b>LTD/E Ratio</b>	0.59	0.59	0.67	0.69	0.69	0.75	0.96	0.95	1.05	1.00

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Return on Assets</b>	3.8%	4.1%	4.1%	4.3%	4.1%	3.0%	3.8%	4.2%	4.7%	4.5%
<b>Return on Equity</b>	6.2%	6.6%	6.8%	7.3%	7.1%	5.3%	7.1%	8.3%	9.5%	9.3%
<b>ROIC</b>	3.9%	4.1%	4.2%	4.4%	4.2%	3.1%	3.8%	4.3%	4.7%	4.6%
<b>Shares Out.</b>	141	147.2	153.6	161.6	171.7	175.3	175.6	181.5	182.5	187.6
<b>Revenue/Share</b>	3.59	3.69	3.91	3.98	4.06	3.84	4.16	4.37	4.56	4.72
<b>FCF/Share</b>	2.54	2.87	2.82	3.02	3.04	2.61	3.25	3.27	3.37	3.45

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

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