



RPT Realty (RPT)

Updated August 4th, 2022 by Nikolaos Sismanis

Key Metrics

Current Price:	\$10.65	5 Year CAGR Estimate:	8.9%	Market Cap:	\$924.3 M
Fair Value Price:	\$11.33	5 Year Growth Estimate:	2.5%	Ex-Dividend Date:	09/19/22
% Fair Value:	94%	5 Year Valuation Multiple Estimate:	1.2%	Dividend Payment Date:	10/03/22
Dividend Yield:	4.9%	5 Year Price Target	\$12.82	Years Of Dividend Growth:	1
Dividend Risk Score:	D	Retirement Suitability Score:	C	Rating:	Hold

Overview & Current Events

RPT Realty is a Real Estate Investment Trust (REIT) engaged in the business of owning and operating a national portfolio of open-air shopping destinations principally located in the top U.S. markets. The company's portfolio currently consists of 57 multi-tenant shopping centers (including ten shopping centers owned through a joint venture) and 47 net lease retail properties, which together represent 14.9 million square feet of gross leasable area. As of its latest filings, the company's pro-rata share of the aggregate portfolio was 93.3% leased. RPT realty generates around \$220 million in annual rental revenues and is headquartered in New York, New York.

On August 3rd, 2022, RPT Realty reported its Q2-2022 results for the period ending June 30th, 2022. Total revenues came in at \$55.3 million, 5.87% higher year-over-year. Specifically, rental income, the company's biggest revenue contributor, grew 5.3% to \$53.5 million.

FFO came in at \$25.3 million, or \$0.27 per diluted share, compared to \$17.9 million, or \$0.22 per diluted share, for the same period in 2021. The substantial increase was primarily driven by higher income from net acquisition activity and higher same property NOI, partially offset by lower straight-line rent and higher general and administrative expenses.

Same-property NOI grew 4.4% year-over-year. The increase was primarily driven by a decline in rental income not probable of collection, net of abatements, and higher base rent. During the second quarter of 2022, RPT Realty signed 71 leases totaling 292,845 square feet. Blended re-leasing spreads on comparable leases were 13.8%, with an annualized base rent of \$24.01 per square foot. Re-leasing spreads on six comparable new and 42 renewal leases were 60.2% and 5.8%, respectively. This further illustrates the same-property NOI growth.

Management maintained its FY2022 FFO per diluted share guidance to be between \$1.01 and \$1.05. We continue to utilize the midpoint of this range in our calculations.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
FFO/shr	\$1.02	\$1.16	\$0.95	\$1.36	\$1.35	\$1.34	\$1.23	\$1.00	\$0.81	\$0.85	\$1.03	\$1.17
DPS	\$0.66	\$0.71	\$0.78	\$0.82	\$0.86	\$0.88	\$0.88	\$0.88	\$0.22	\$0.39	\$0.52	\$0.84
Shares¹	44.1	59.7	72.1	79.0	79.4	79.5	80.1	87.7	79.9	81.0	84.1	100

RPT Realty's performance has been rather stable over the past decade. That said, the company has not delivered meaningful FFO/share growth, with retail locations, and especially shopping malls, struggling to attract satisfactory rent growth levels, and frequently suffering from soft occupancy levels.

Going forward, FFO/share is to potentially be powered by RPT's acquisition pipeline and rental hikes. Specifically, since the start of 2021, RPT has acquired over \$1.1 billion of shopping centers across its three investments platforms in high growth, target markets of Boston, Atlanta, Nashville, and Tampa. Boston, in fact, which is a high-growth market, just recently moved from no exposure in RPT's portfolio to its second-largest market. The company's strong new lease spreads as of recently could be indicating further growth in NOI going forward. Still, we remain prudent due to the uncertainty surrounding the industry. Hence, we forecast FFO/share growth of 2.5% through 2027. In terms of the

¹ Share count is in millions.

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dividend, RPT slashed it during the Great Financial Crisis and once again last year amid COVID-19 adversely impacting shopping centers. We have utilized a 10% dividend CAGR in the medium-term, expecting payouts to gradually recover closer to RPT's FFO/share levels.

Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/FFO	11.6	13.3	17.9	11.4	13.3	9.4	11.0	12.5	8.6	14.7	10.3	11.0
Avg. Yld.	5.1%	4.5%	4.4%	4.6%	5.6%	6.4%	6.9%	7.2%	2.8%	3.1%	4.9%	6.5%

RPT's P/FFO has been rather consistent over the past decade, hovering between the high-single and low double-digits. The current multiple of 10.3 appears to undervalue the company, despite our humble growth estimates. We expect the stock's P/FFO to expand toward 11, which is still below its decade-average of 12.4. The dividend yield is likely to grow notably if management proceeds to raise the dividend towards its pre-pandemic levels over the next half-decade.

Safety, Quality, Competitive Advantage, & Recession Resiliency

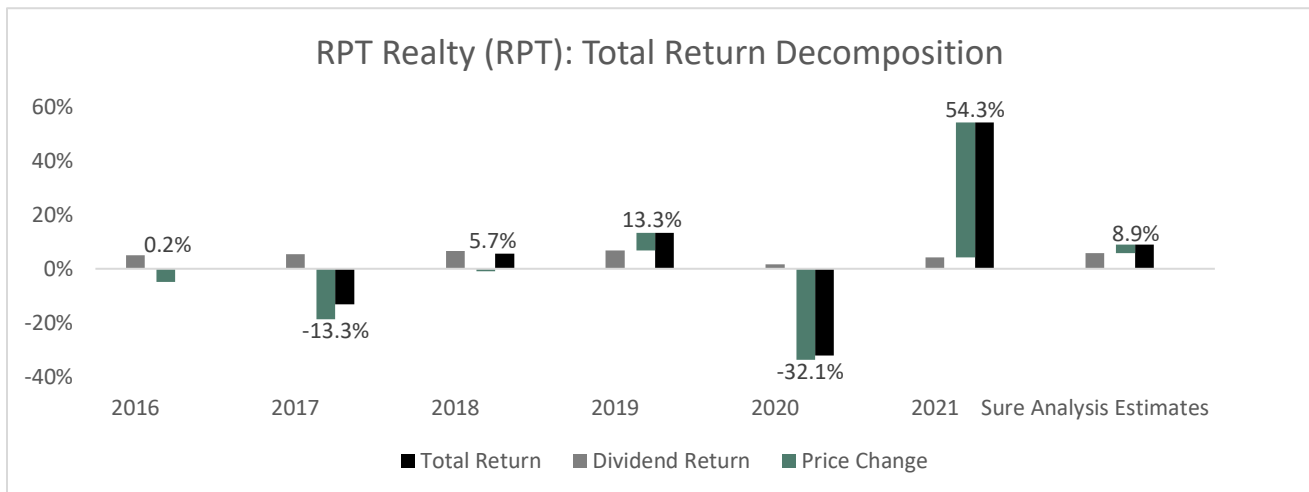
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	65%	61%	82%	60%	64%	66%	72%	88%	27%	46%	50%	72%

While RPT's dividend has been slashed twice since 2007, we consider the current payout levels rather comfortable, likely supporting modest dividend growth in the medium term as well. The company does not possess any particular competitive advantages. However, it does showcase some attractive characteristics. 100% of RPT's shopping centers are open-air, likely to attract higher foot traffic during the ongoing pandemic. Further, 71% of the portfolio has a grocery-anchored component, while due to its credit-worthy tenants, the occupancy and leasing rates stood at 90.3% and 93.3%, respectively, during Q2. These metrics held up relatively well even during the pandemic. Nonetheless, a prolonged recession or events that would damage retail sales could severely impact the company.

Final Thoughts & Recommendation

RPT's potential to grow in the medium-term appears plausible, but the environment lately has certainly not helped its mission. The stock's performance has been rather underwhelming historically, while last year's dividend cut illustrated RPT's vulnerability during challenging conditions. Our projected FFO/share growth rate and yield combined with expectations for a modest multiple expansion suggest annualized returns of 8.9% through 2027. RPT earns a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	125	170	218	252	261	265	261	234	192	213
Gross Profit	90	124	156	178	186	187	185	163	128	155
Gross Margin	72.1%	72.7%	71.4%	70.8%	71.3%	70.4%	70.9%	69.5%	66.6%	72.8%
SG&A Exp.	19	21	22	20	22	23	31	30	26	32
D&A Exp.	40	57	81	89	92	91	87	79	77	72
Operating Profit	32	46	53	69	72	73	66	54	25	41
Operating Margin	25.9%	27.3%	24.3%	27.3%	27.7%	27.5%	25.4%	23.1%	12.9%	19.2%
Net Profit	7	11	(2)	65	60	69	18	92	(10)	69
Net Margin	5.8%	6.5%	-1.1%	25.9%	22.9%	26.1%	6.8%	39.1%	-5.3%	32.4%
Free Cash Flow	24	41	30	45	49	55	29	34	40	65
Income Tax	(0)	0	0	0	0	0	0	0	(0)	(0)

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	1,165	1,652	1,944	2,136	2,061	2,030	1,928	1,919	1,950	1,902
Cash & Equivalents	4	6	9	7	4	8	41	110	209	13
Accounts Receivable	23	25	28	43	43	46	45	45	44	40
Goodwill & Int. Ass.	26	70	79	91	77	64	49	36	28	40
Total Liabilities	605	854	1,046	1,232	1,173	1,145	1,097	1,070	1,149	1,007
Accounts Payable	22	32	44	54	57	57	56	55	45	47
Long-Term Debt	541	753	918	1,084	1,021	999	963	931	1,028	884
Shareholder's Equity	430	670	772	790	775	772	720	736	690	785
LTD/E Ratio	1.02	0.98	1.05	1.23	1.18	1.16	1.19	1.12	1.31	1.01

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	0.7%	0.8%	-0.1%	3.2%	2.8%	3.4%	0.9%	4.8%	-0.5%	3.6%
Return on Equity	1.8%	2.0%	-0.3%	8.3%	7.6%	8.9%	2.4%	12.6%	-1.4%	9.3%
ROIC	0.7%	0.8%	-0.1%	3.4%	3.1%	3.6%	1.0%	5.1%	-0.6%	3.8%
Shares Out.	44.1	59.7	72.1	79.0	79.4	79.5	80.1	87.7	80.0	82.3
Revenue/Share	2.84	2.85	3.03	3.19	3.28	3.33	3.25	2.67	2.40	2.59
FCF/Share	0.54	0.69	0.41	0.57	0.61	0.69	0.36	0.39	0.50	0.79

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

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