



RPT Realty (RPT)

Updated November 7th, 2022 by Nikolaos Sismanis

Key Metrics

Current Price:	\$10.01	5 Year CAGR Estimate:	10.4%	Market Cap:	\$870.2 M
Fair Value Price:	\$11.44	5 Year Growth Estimate:	2.5%	Ex-Dividend Date:	12/19/22
% Fair Value:	88%	5 Year Valuation Multiple Estimate:	2.7%	Dividend Payment Date:	01/03/22
Dividend Yield:	5.2%	5 Year Price Target	\$12.94	Years Of Dividend Growth:	1
Dividend Risk Score:	D	Retirement Suitability Score:	C	Rating:	Buy

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 46 net lease retail properties, which together represent 15.0 million square feet of gross leasable area. As of its latest filings, the company's pro-rata share of the aggregate portfolio was 94% leased. RPT realty generates around \$220 million in annual rental revenues and is headquartered in New York, New York.

On November 2nd, 2022, RPT Realty reported its Q3-2022 results for the period ending September 30th, 2022. Total revenues came in at \$54.7 million, a relatively flat year-over-year. Specifically, while rental income, the company's biggest revenue contributor, fell 1.7% to \$52.5 million, higher management and fee income offset this decline.

FFO came in at \$24.1 million, or \$0.26 per diluted share, compared to \$24.0 million, or \$0.27 per diluted share, for the same period in 2021. The result reflects higher income from net acquisition activity and higher same-property NOI, partially offset by general and administrative expenses and lower termination income.

Same-property NOI grew 1.6% year-over-year. The increase was primarily driven by higher base rent which contributed 2.6%, partially offset by higher rental income not probable of collection. During Q3, RPT Realty signed 85 leases totaling 696,725 square feet.

Blended re-leasing spreads on comparable leases were 8.5%, with an annualized base rent of \$17.24 per square foot. Re-leasing spreads on one comparable new and 59 renewal leases were 10.3% and 8.5%, respectively. Management marginally raised its FY2022 FFO per diluted share guidance to be between \$1.02 and \$1.05 (up from \$1.01 to \$1.05 previously). Accordingly, we have raised our prior estimate by a cent.

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	\$1.04	\$1.18
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.

¹ Share count is in millions.

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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 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	9.6	11.0
Avg. Yld.	5.1%	4.5%	4.4%	4.6%	5.6%	6.4%	6.9%	7.2%	2.8%	3.1%	5.2%	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 9.6 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 could advance if management proceeds to raise the dividend towards its pre-pandemic levels over the next half-decade ceteris paribus.

Safety, Quality, Competitive Advantage, & Recession Resiliency

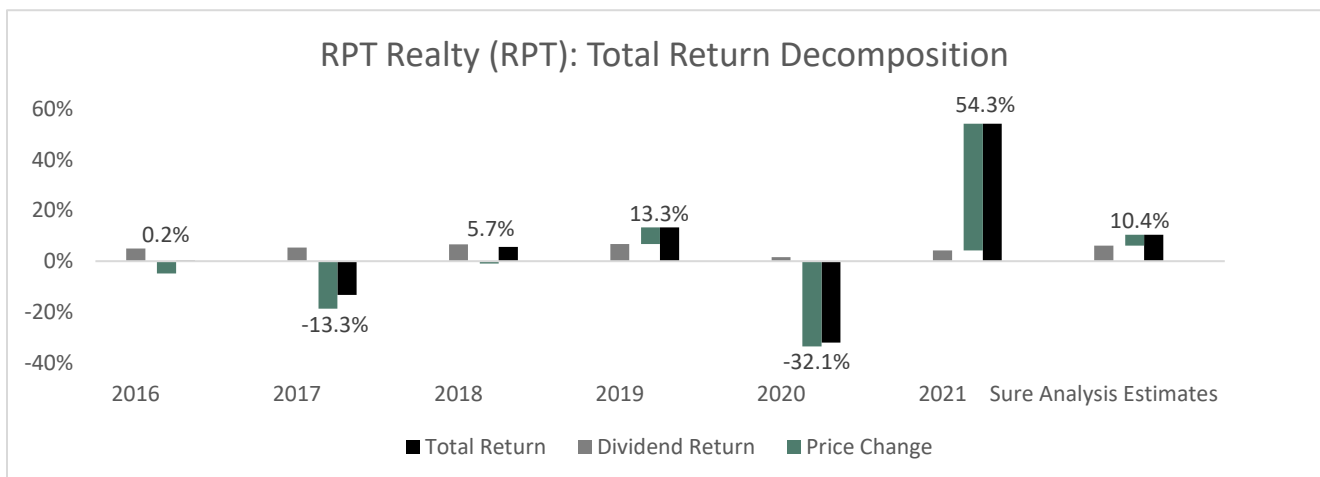
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	65%	61%	82%	60%	64%	66%	72%	88%	27%	46%	50%	72%

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. For instance, over 70% of the portfolio has a grocery-anchored component, while due to its credit-worthy tenants, the occupancy and leasing rates stood at 88.9% and 94%, respectively, as of Q3 2022. 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. That said, our projected growth rates and 5.2% yield, combined with expectations for a strong valuation tailwind, suggest annualized returns of 10.4% through 2027. RPT earns a buy 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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