



RPT Realty (RPT)

Updated August 4th, 2023 by Nikolaos Sismanis

Key Metrics

Current Price:	\$10.58	5 Year CAGR Estimate:	7.7%	Market Cap:	\$934.1 M
Fair Value Price:	\$10.40	5 Year Growth Estimate:	2.5%	Ex-Dividend Date:	09/19/23
% Fair Value:	102%	5 Year Valuation Multiple Estimate:	-0.4%	Dividend Payment Date:	10/02/23
Dividend Yield:	5.3%	5 Year Price Target	\$11.76	Years Of Dividend Growth:	3
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 43 wholly-owned shopping centers, 13 shopping centers owned through its grocery anchored joint venture, and 49 retail properties owned through its net lease joint venture. As of its latest filings, the company's pro-rata share of the aggregate portfolio was 94.9% leased. RPT realty generates around \$220 million in annual rental revenues and is headquartered in New York, New York.

On August 2nd, 2023, RPT Realty reported its Q2 results for the period ending June 30th, 2023. For the quarter, total revenues came in at \$51.1 million, down 7.7% year-over-year. Specifically, rental income, the company's biggest revenue contributor, fell 10% to \$48.2 million. Higher management and fee income marginally offset this decline. FFO came in at \$24.1 million, or \$0.25 per diluted share, compared to \$22.0 million, or \$0.23 per diluted share, for the same period in 2022.

The growth in FFO was driven by higher same-property NOI, which grew 0.3% year-over-year. The increase was primarily driven by higher base rent growth of 3.4% after adjusting for abatements associated with offsetting reversals of rent not probable of collection. Blended re-leasing spreads on comparable leases were 21.1%, with an annualized base rent of \$19.34 per square foot. Re-leasing spreads on 12 comparable new and 58 renewal leases were 56% and 10.7%, respectively. Management affirmed its FY2023 FFO per diluted share guidance to be between \$0.97 and \$1.01.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
FFO/shr	\$1.16	\$0.95	\$1.36	\$1.35	\$1.34	\$1.23	\$1.00	\$0.81	\$0.85	\$1.02	\$0.99	\$1.12
DPS	\$0.71	\$0.78	\$0.82	\$0.86	\$0.88	\$0.88	\$0.88	\$0.22	\$0.39	\$0.52	\$0.56	\$0.82
Shares¹	59.7	72.1	79.0	79.4	79.5	80.1	87.7	79.9	81.0	84.2	85.6	100.0

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, 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 investment 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 indicate 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 2028. 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 an 8% dividend CAGR in the medium-term, expecting payouts to gradually recover closer to RPT's FFO/share levels.

¹ Share count is in millions.

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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Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/FFO	13.3	17.9	11.4	13.3	9.4	11.0	12.5	8.6	14.7	11.2	10.7	10.5
Avg. Yld.	4.5%	4.4%	4.6%	5.6%	6.4%	6.9%	7.2%	2.8%	3.1%	4.6%	5.3%	7.0%

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 10.7 appears to be relatively in line with our fair P/FFO of 10.5. Our estimate is still below RPT's decade average of 12.3 to account for higher interest rates. The dividend yield could advance if management proceeds to raise the dividend towards its pre-pandemic levels, but it is already notable.

Safety, Quality, Competitive Advantage, & Recession Resiliency

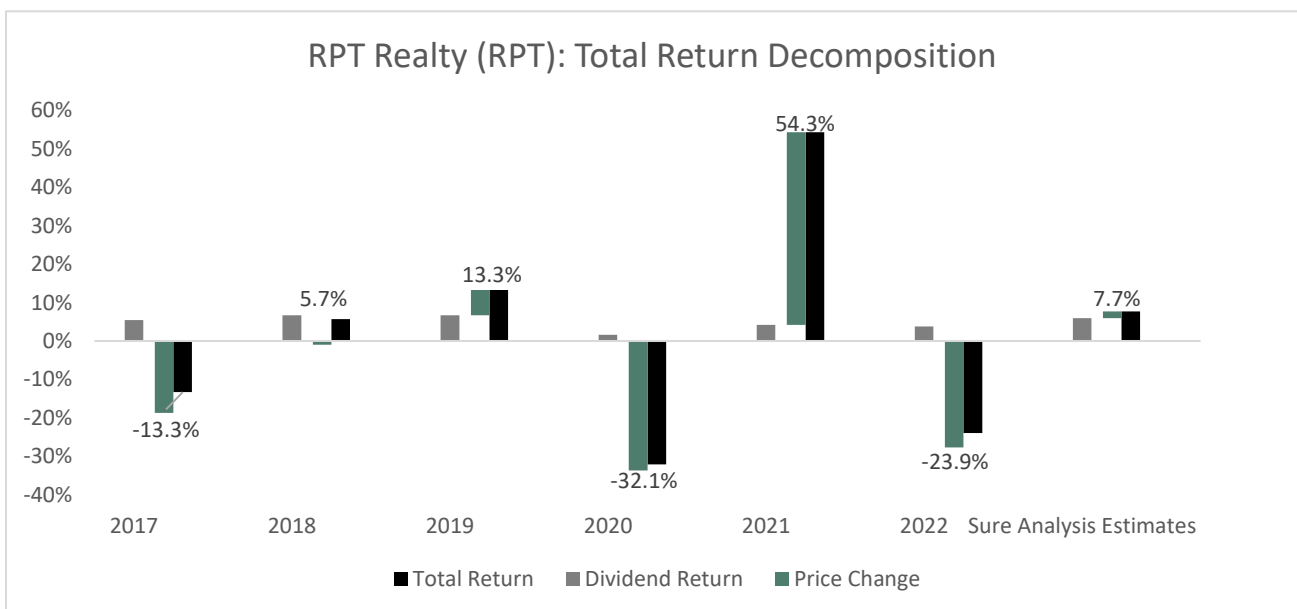
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	61%	82%	60%	64%	66%	72%	88%	27%	46%	51%	57%	73%

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. And, due to its credit-worthy tenants, the occupancy and leasing rates in Q2 2023 stood at 91.6% and 94.9%, respectively. 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 2020's dividend cut illustrated RPT's vulnerability during challenging conditions. Assuming a relatively stable valuation over the medium-term, combined with the rather notable yield of 5.3% and our growth estimates, we forecast annualized return potential of 7.7% through 2028. Accordingly, RPT earns a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	170	218	252	261	265	261	234	192	213	218
Gross Profit	124	156	178	186	187	185	163	128	155	151
Gross Margin	72.7%	71.4%	70.8%	71.3%	70.4%	70.9%	69.5%	66.6%	72.8%	69.3%
SG&A Exp.	21	22	20	22	23	31	30	26	32	37
D&A Exp.	57	81	89	92	91	87	79	77	72	75
Operating Profit	46	53	69	72	73	66	54	25	41	35
Operating Margin	27.3%	24.3%	27.3%	27.7%	27.5%	25.4%	23.1%	12.9%	19.2%	16.1%
Net Profit	11	(2)	65	60	69	18	92	(10)	69	84
Net Margin	6.5%	-1.1%	25.9%	22.9%	26.1%	6.8%	39.1%	-5.3%	32.4%	38.5%
Free Cash Flow	41	30	45	49	55	29	34	40	65	68
Income Tax	0	0	0	0	0	0	0	(0)	(0)	0

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	1,652	1,944	2,136	2,061	2,030	1,928	1,919	1,950	1,902	1,946
Cash & Equivalents	6	9	7	4	8	41	110	209	13	5
Accounts Receivable	25	28	43	43	46	45	45	44	40	36
Goodwill & Int. Ass.	70	79	91	77	64	49	36	28	40	42
Total Liabilities	854	1,046	1,232	1,173	1,145	1,097	1,070	1,149	1,007	968
Accounts Payable	32	44	54	57	57	56	55	45	47	42
Long-Term Debt	753	918	1,084	1,021	999	963	931	1,028	884	855
Shareholder's Equity	670	772	790	775	772	720	736	690	785	868
LTD/E Ratio	0.98	1.05	1.23	1.18	1.16	1.19	1.12	1.31	1.01	0.89

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	0.8%	-0.1%	3.2%	2.8%	3.4%	0.9%	4.8%	-0.5%	3.6%	4.4%
Return on Equity	2.0%	-0.3%	8.3%	7.6%	8.9%	2.4%	12.6%	-1.4%	9.3%	10.2%
ROIC	0.8%	-0.1%	3.4%	3.1%	3.6%	1.0%	5.1%	-0.6%	3.8%	4.7%
Shares Out.	59.7	72.1	79.0	79.4	79.5	80.1	87.7	80.0	82.3	85.5
Revenue/Share	2.85	3.03	3.19	3.28	3.33	3.25	2.67	2.40	2.59	2.55
FCF/Share	0.69	0.41	0.57	0.61	0.69	0.36	0.39	0.50	0.79	0.80

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

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