



# RPT Realty (RPT)

Updated November 6<sup>th</sup>, 2023 by Nikolaos Sismanis

## Key Metrics

<b>Current Price:</b>	\$11.29	<b>5 Year CAGR Estimate:</b>	6.3%	<b>Market Cap:</b>	\$972.6 M
<b>Fair Value Price:</b>	\$10.40	<b>5 Year Growth Estimate:</b>	2.5%	<b>Ex-Dividend Date:</b>	12/06/23
<b>% Fair Value:</b>	109%	<b>5 Year Valuation Multiple Estimate:</b>	-1.6%	<b>Dividend Payment Date:</b>	12/21/23
<b>Dividend Yield:</b>	5.0%	<b>5 Year Price Target</b>	\$11.76	<b>Years Of Dividend Growth:</b>	3
<b>Dividend Risk Score:</b>	D	<b>Retirement Suitability Score:</b>	D	<b>Rating:</b>	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 94.5% leased. RPT realty generates around \$220 million in annual rental revenues and is headquartered in New York, New York.

On August 28<sup>th</sup>, 2023, Kimco Realty (KIM) agreed to acquire RPT Realty. RPT shareholders will get 0.6049 Kimco shares for each RPT share they own. At the time of the announcement, that represented a 19% premium to RPT's share price. The transaction is expected to close at the beginning of 2024. The stock price of RPT will remain dynamic until the merger's completion, correlating with the fluctuations in the value of Kimco Realty's stock.

On November 2<sup>nd</sup>, 2023, RPT Realty reported its Q3 results for the period ending September 30<sup>th</sup>, 2023. For the quarter, total revenues came in at \$54.9 million, essentially flat year-over-year. FFO came in at \$16.6 million, or \$0.19 per diluted share, compared to \$24.1 million, or \$0.26 per diluted share, for the same period in 2022.

The decline in FFO was due to an \$11.1 million extraordinary gain on the sale of real estate the company had reported in the prior year period. Operations remained mostly stable, excluding this one-off item, with NOI growing by 2.6% year-over-year. The increase was primarily driven by higher base rent, lower rent not probable of collection, and higher net recovery income, partially offset by higher non-recoverable expenses. Blended re-leasing spreads on comparable leases were 11.4%, with an annualized base rent of \$17.54 per square foot. Re-leasing spreads on six comparable new and 41 renewal leases were 49.9% and 7.4%, respectively.

In light of the previously announced proposed merger with Kimco Realty, the company didn't provide guidance, and it did not affirm past guidance.

## Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
<b>FFO/shr</b>	\$1.16	\$0.95	\$1.36	\$1.35	\$1.34	\$1.23	\$1.00	\$0.81	\$0.85	\$1.02	<b>\$0.99</b>	<b>\$1.12</b>
<b>DPS</b>	\$0.71	\$0.78	\$0.82	\$0.86	\$0.88	\$0.88	\$0.88	\$0.22	\$0.39	\$0.52	<b>\$0.56</b>	<b>\$0.82</b>
<b>Shares<sup>1</sup></b>	59.7	72.1	79.0	79.4	79.5	80.1	87.7	79.9	81.0	84.2	<b>85.7</b>	<b>100.0</b>

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.

<sup>1</sup> Share count is in millions.

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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.

## 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	11.4	10.5
Avg. Yld.	4.5%	4.4%	4.6%	5.6%	6.4%	6.9%	7.2%	2.8%	3.1%	4.6%	5.0%	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 11.4 appears to be elevated relative to our fair P/FFO of 10.5. Our estimate accounts for higher interest rates. Still, RPT's valuation multiple is mostly irrelevant now, as the stock follows the movement of Kimco Realty's stock due to the upcoming merger announcement.

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

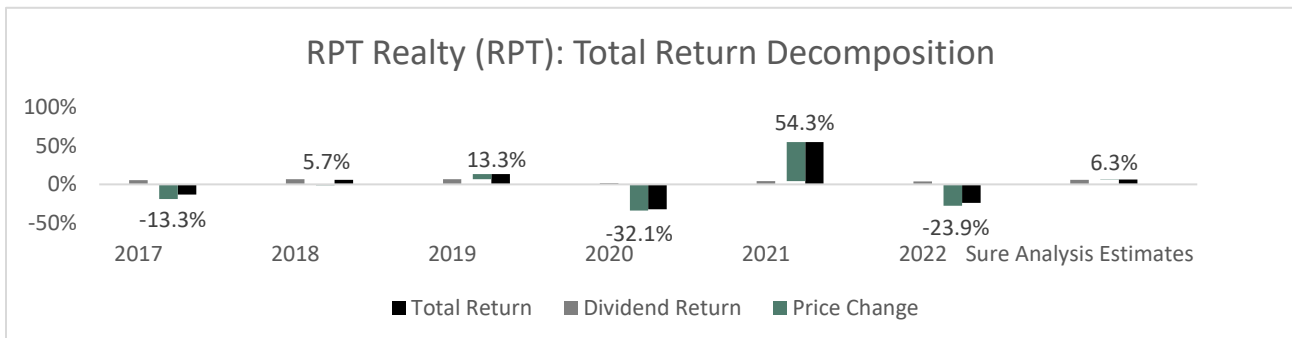
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	61%	82%	60%	64%	66%	72%	88%	27%	46%	51%	57%	73%

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 Q3 2023 stood at 89.9% and 94.2%, 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 performance has been rather underwhelming historically, while 2020's dividend cut illustrated RPT's vulnerability during challenging conditions. Assuming some valuation headwinds over the medium-term, combined with the yield of 5.0% and our growth estimates, we would forecast annualized return potential of 6.3% through 2028. That would earn the stock a hold rating. Still, our forecast is more or less meaningless given the upcoming merger with Kimco Realty.

## 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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