



Gladstone Land Corporation (LAND)

Updated November 17th, 2024, by Josh Arnold

Key Metrics

Current Price:	\$12.00	5 Year CAGR Estimate:	9.5%	Market Cap:	\$434 M
Fair Value Price:	\$14.49	5 Year Growth Estimate:	2.0%	Ex-Dividend Date:	12/20/24 ¹
% Fair Value:	83%	5 Year Valuation Multiple Estimate:	3.8%	Dividend Payment Date:	12/30/24
Dividend Yield:	4.7%	5 Year Price Target	\$16	Years Of Dividend Growth:	10
Dividend Risk Score:	F	Retirement Suitability Score:	D	Rating:	Hold

Overview & Current Events

Gladstone Land Corporation is a real estate investment trust, or REIT, that specializes in the owning and operating of farmland in the U.S. The trust owns about 160 farms, comprising more than 110,000 acres of farmable land. Gladstone's business is made up of three different options available to farmers, all of which are done on a triple-net basis. The trust offers long-term sale leaseback transactions, traditional leases of farmland, and outright purchases of farm properties. Gladstone's portfolio has an appraised value of over \$1.5 billion, and the stock trades with a market capitalization of \$434 million. The trust went public in early 2013 after having been founded in 1997.

Gladstone posted third quarter earnings on November 6th, 2024, and results were slightly better than expected. Adjusted funds-from-operations, or FFO, was \$4.5 million, or 13 cents per share. That was down from \$5.4 million, or 15 cents per share, in the year-ago period.

Total cash lease revenues declined, driven by lower fixed base cash rents, partially offset by additional participation rents. Fixed base cash rents were down primarily from the sale of a large farm in Florida in the first quarter of this year. In addition, Gladstone saw lower rent renewal rates on certain properties.

Cash flow from operations was \$1.4 million lower year-over-year, largely due to payment of certain cash allowances for three specific leases. Estimated NAV per share fell by \$4.76, ending the quarter at \$15.57, which was due to the decrease in valuations of certain farms that were re-appraised. The carrying cost of the company's debt and preferred stock rose as well, eroding NAV further.

We now see 63 cents in adjusted FFO per-share for this year as conditions are clearly worsening for Gladstone.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
AFFO	\$0.25	\$0.40	\$0.54	\$0.56	\$0.51	\$0.57	\$0.66	\$0.70	\$0.74	\$0.67	\$0.63	\$0.70
DPS	\$0.36	\$0.47	\$0.50	\$0.52	\$0.53	\$0.53	\$0.54	\$0.54	\$0.55	\$0.56	\$0.56	\$0.59
Shares²	6.9	8.6	10.8	13.4	16.3	17.9	20.9	34.2	35.7	35.8	36.0	40.0

Gladstone's growth has been irregular since it went public in 2013, although that growth has settled down a bit recently. From 2016 to 2018, Gladstone produced just over \$0.50 in AFFO-per-share annually, which is below where we see long-term earnings potential after recent acquisitions. With margins and revenue growth now both sources of concern, we see growth at just 2% going forward. Acquisitions and rent escalations are likely to be the only sources of AFFO growth in the coming years, as has been the case for some time.

Growth in the trust's portfolio will drive higher rental revenues, but Gladstone continues to suffer from high funding costs. It issues preferred stock with coupons in the mid-to-high single-digits, and issues common stock that has not only an implied cost of a higher share count, but also a dividend yield of 4%+. With capitalization rates in the mid-single digits, it is very difficult for Gladstone to issue such expensive capital and then profitably invest it in new properties. Given this, Gladstone must tightly control operating expenses to move the needle on a per-share basis, which it has

¹ Estimated date

² Share count 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.



Gladstone Land Corporation (LAND)

Updated November 17th, 2024, by Josh Arnold

struggled to accomplish at times in the past. We see this as continuing for the foreseeable future unless it finds a cheaper way to fund acquisitions. We note recent lease renewals were done at unfavorable rates, at the same time as the acquisition landscape is quite negative. The REIT has said it is waiting out this period of higher interest rates as financing cannot be completed at favorable rates at the moment, highlighting this risk.

The dividend was raised fractionally most recently as Gladstone appears to have hit the maximum dividend it can pay until AFFO-per-share increases. The most recent increase was just 0.2%, and while the dividend increase streak is now up to ten years, the dividend is very little changed from a few years ago.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/AFFO	49.3	25.8	18.9	22.0	24.8	21.2	21.6	32.3	25.8	21.6	19.0	23.0
Avg. Yld.	2.9%	4.6%	4.9%	4.2%	4.2%	4.4%	3.8%	2.4%	3.0%	3.9%	4.7%	3.7%

Gladstone’s price-to-AFFO has been very high in recent years and sits at 19 today. We see fair value, given its projected growth and maxed out dividend, at 23 times AFFO. That implies a modest positive impact from the valuation.

The yield is 4.7% today and we see it declining over time as the share price should rise more quickly than the dividend payment.

Safety, Quality, Competitive Advantage, & Recession Resiliency

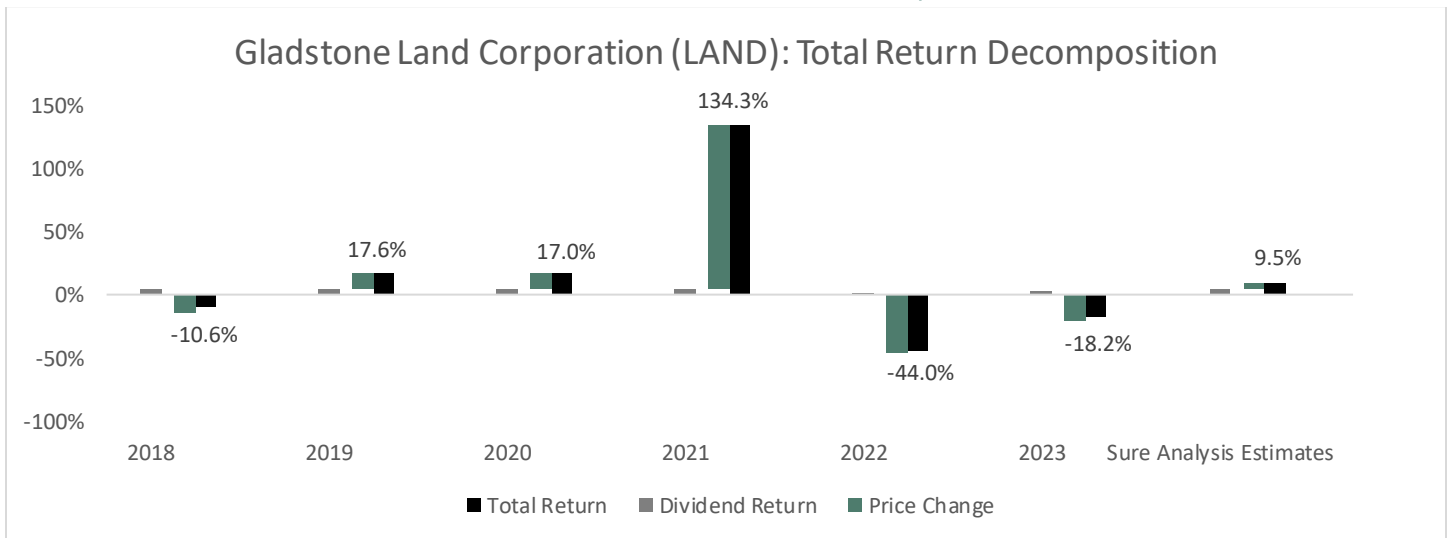
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	144%	118%	93%	93%	104%	93%	82%	77%	74%	84%	89%	85%

Gladstone offers farmers a diverse portfolio of high-quality properties, but it doesn’t necessarily have a competitive advantage. Recessions may hurt the trust’s earnings as farmers that operate on low margins may struggle if a downturn occurs. Weather is another risk factor for Gladstone and its farmers, as crop destruction can occur for a variety of reasons. The dividend should be sustainable at 89% of AFFO-per-share for this year and very small yearly increases.

Final Thoughts & Recommendation

Gladstone’s share price has performed quite poorly in recent months, which has improved its yield, valuation, and total return prospects. We forecast total annual returns of 9.5%, consisting of the dividend yield of 4.7% and growth of 2%, with a positive impact from the valuation. We reiterate our hold rating.

Total Return Breakdown by Year



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.



Gladstone Land Corporation (LAND)

Updated November 17th, 2024, by Josh Arnold

Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	7	12	17	25	37	41	57	75	89	90
Gross Profit	7	11	17	24	35	38	55	73	86	86
Gross Margin	94.0%	93.3%	95.5%	94.7%	94.4%	93.9%	96.8%	96.6%	96.6%	95.6%
SG&A Exp.	3	3	4	4	5	5	8	10	13	14
D&A Exp.	2	3	5	7	9	13	17	27	35	37
Operating Profit	2	5	7	11	12	19	28	32	34	33
Operating Margin	29.5%	42.3%	42.2%	45.3%	33.0%	47.4%	48.5%	42.1%	38.2%	36.7%
Net Profit	(0)	1	0	(0)	3	2	5	3	5	15
Net Margin	-1.7%	4.8%	2.6%	-0.1%	7.2%	4.3%	8.6%	4.6%	5.6%	16.7%
Free Cash Flow	1	2	(1)	1	(12)	9	8	26	24	27
Income Tax	0	---	---	---	---	---	---	---	---	---

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	152	229	334	462	565	817	1,067	1,352	1,457	1,387
Cash & Equivalents	3	3	2	3	15	14	9	17	61	19
Inventories	---	---	---	2	---	---	---	---	---	54
Goodwill & Int. Ass.	1	2	2	5	6	5	4	4	6	5
Total Liabilities	92	151	246	344	384	538	683	762	726	668
Accounts Payable	2	3	3	7	9	10	9	11	16	10
Long-Term Debt	86	142	207	301	336	482	624	668	627	574
Shareholder's Equity	60	78	77	110	176	277	384	587	731	720
LTD/E Ratio	1.44	1.82	2.70	2.74	1.91	1.74	1.63	1.14	0.86	0.80

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	-0.1%	0.3%	0.2%	0.0%	0.5%	0.3%	0.5%	0.3%	0.3%	1.0%
Return on Equity	-0.2%	0.8%	0.6%	0.0%	1.8%	0.8%	1.5%	0.7%	0.7%	2.0%
ROIC	-0.1%	0.3%	0.2%	0.0%	0.6%	0.3%	0.6%	0.3%	0.4%	1.1%
Shares Out.	6.9	8.6	10.8	13.4	16.3	17.9	20.9	34.2	34.6	35.7
Revenue/Share	1.05	1.38	1.73	2.08	2.37	2.08	2.56	2.48	2.58	2.53
FCF/Share	0.13	0.17	(0.14)	0.11	(0.79)	0.46	0.38	0.86	0.68	0.76

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

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.