



Phillips Edison & Company, Inc. (PECO)

Updated February 17th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	\$37	5 Year CAGR Estimate:	2.8%	Market Cap:	\$5.06 B
Fair Value Price:	\$30	5 Year Growth Estimate:	3.0%	Ex-Dividend Date:	02/18/2025
% Fair Value:	122%	5 Year Valuation Multiple Estimate:	-3.9%	Dividend Payment Date:	03/04/2025
Dividend Yield:	3.4%	5 Year Price Target	\$35	Years Of Dividend Growth:	4
Dividend Risk Score:	D	Retirement Suitability Score:	D	Rating:	Sell

Overview & Current Events

Phillips Edison & Company is a real estate investment trust that is one of the nation's largest owners and operators of omni-channel grocery-anchored shopping centers. As of its latest quarterly filings, Phillips Edison & Company owned equity interests in 316 shopping centers, including 294 wholly-owned shopping centers and 22 shopping centers owned through three unconsolidated joint ventures, which comprised about 35.7 million square feet in 31 states. In addition to managing its shopping centers, its third-party investment management business provides comprehensive real estate management services to its unconsolidated joint ventures and one private fund. Phillips Edison & Company generates just over \$660 million in annual revenues, pays dividends on a monthly basis, and is based in Cincinnati, Ohio.

On February 6th, 2025, Phillips Edison & Company released its Q4 and full-year results for the period ending December 31st, 2024. For the quarter, total revenues were \$173.0 million, an increase of 12.1% year-over-year. Same-center NOI grew by 6.5% to \$110.4 million, while new and renewal leasing spreads stood at 30.2% and 20.8%, respectively. Leased portfolio occupancy remained strong at 97.7%.

Despite slightly higher interest and operating expenses, Nareit FFO for the quarter rose 12.0% to \$83.8 million. Nareit FFO per share was \$0.61, up from \$0.56 last year. For the year, Nareit FFO came in at \$2.37.

During the quarter, the company acquired five shopping centers for a total of \$94.6 million, including its prorated share of a joint venture acquisition.

For fiscal 2025, management now expects Nareit FFO/share to land between \$2.47 and \$2.54. This implies a year-over-year growth of 5.9% at the midpoint, which we have applied in our estimates.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
FFO/shr	\$1.85	\$1.77	\$1.28	\$1.94	\$1.99	\$1.99	\$1.81	\$2.15	\$2.25	\$2.37	\$2.51	\$2.90
DPS	\$2.01	\$2.01	\$2.01	\$2.01	\$2.01	\$0.59	\$1.04	\$1.09	\$1.14	\$1.19	\$1.23	\$1.57
Shares¹	62.1	62.2	65.5	80.5	109.0	111.2	116.7	130.3	133.0	136.8	136.8	150.0

Phillips Edison's FFO/share generation has been rather robust over the years, despite the company operating in a rather unfavorable real estate sub-sector. By creating omni-channel grocery-anchored shopping experiences, the company's properties enjoy resilient traffic. Future growth is to be powered by accretive acquisitions, high retention rates, and a focus on increasing occupancy. Driving leasing spreads higher, executing redevelopment projects, and implementing rent hikes in new leases should also lead to NOI growth, which should, in turn, lead to increased FFOs.

In 2020, same-store NOI declined by 4.1% in the midst of the pandemic, followed by a rise of 8.2% in 2021 amid NOI normalizing. In 2022, NOI growth was 4.5%, further converging toward its mean. For context, in 2017, 2018, and 2019, the metric rose by 3.5%, 3.7%, and 3.7%, respectively. Overall, based on the company's historical leasing margins, same-store NOI growth, and portfolio composition, we forecast FFO/share growth of 3% through 2030.

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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In terms of its dividend, Phillips Edison slashed it during the pandemic, despite producing relatively robust results, as payouts were barely covered. Note that the company was not public at the time. The dividend has been increased four times since. Due to adequate room for growth following the slash, we forecast a DPS CAGR of 5% in the medium-term.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/FFO	---	---	---	---	---	---	16.5	14.4	14.2	14.9	14.6	12.0
Avg. Yld.	---	---	---	---	---	---	3.4%	3.5%	3.6%	3.4%	3.4%	4.5%

While the stock's trading history in the public markets is short, shares have attracted a modest premium relative to its retail real estate peers. This is likely attributable to the company's properties being anchored to grocery stores, resulting in more resilient results, as well as dividends being paid monthly, which income-oriented investors generally appreciate. That said, we find Phillips Edison to be overvalued. We believe that a P/FFO close to 12 better reflects the stock's prospects. A higher dividend yield following multiple compression would better match the stock's risk profile as well.

Safety, Quality, Competitive Advantage, & Recession Resiliency

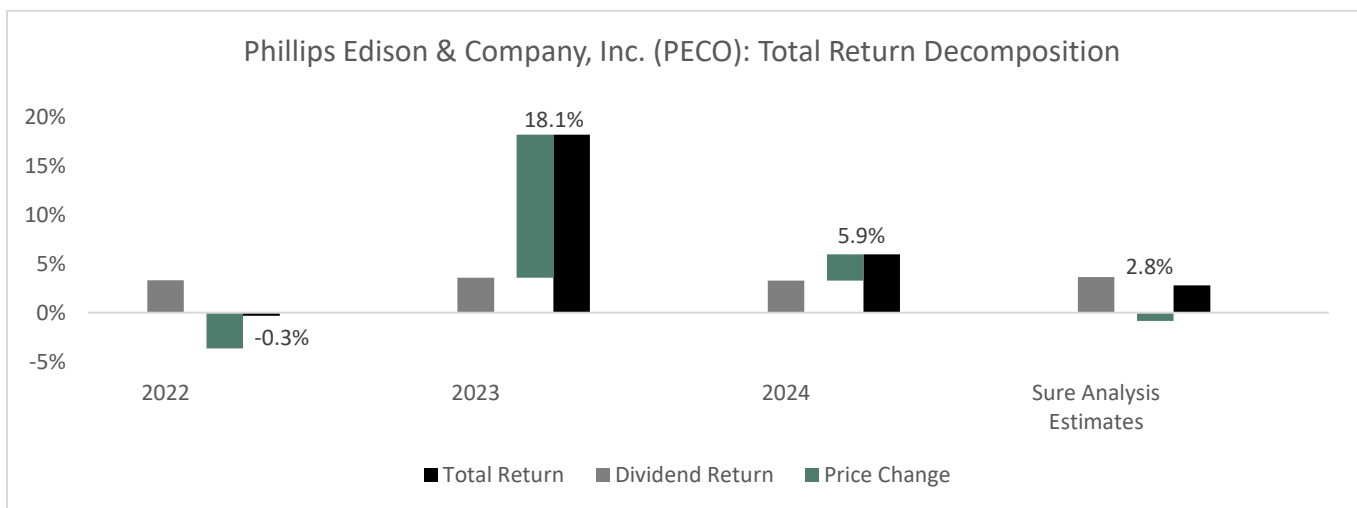
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	109%	114%	157%	104%	101%	30%	57%	51%	51%	50%	49%	54%

Phillips Edison's dividend should be relatively safe at its current levels, due to a healthy payout ratio following the latest cut. The company features several qualities as well, including the ability to retain excellent occupancy rates due to a necessity-based property portfolio, modest rent growth prospects, and noteworthy cash flow diversification. Further, the company's outstanding debt has a weighted average interest rate of 4.3% and a weighted average maturity of 5.8 years when including all extension options. That said, we believe that overall growth in the retail real estate space should be rather limited. Additionally, while the company's metrics should remain relatively robust compared to its average peer amid its tenants focusing on necessity-based goods and services, it's still vulnerable to a recession.

Final Thoughts & Recommendation

Phillips Edison & Company is a rather noteworthy retail real estate REIT with a number of qualities. It performed well in the past couple of years, while management projects further growth this year. Still, we believe that potential returns from the growth in FFO/share and the dividend could be largely offset by valuation headwinds. The frequency of payouts is attractive, but we would require a higher projected return to recommend the stock. PECO earns a sell rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	188	242	258	312	430	537	498	533	575	610
Gross Profit	130	168	179	214	298	376	344	375	412	435
Gross Margin	69.1%	69.6%	69.5%	68.8%	69.2%	70.0%	69.0%	70.3%	71.7%	71.3%
SG&A Exp.	9	16	38	37	50	49	41	49	45	44
D&A Exp.	77	98	103	130	191	237	225	221	232	231
Operating Profit	42	51	36	47	56	90	77	104	131	154
Operating Margin	22.4%	21.1%	13.8%	15.0%	13.0%	16.8%	15.6%	19.6%	22.8%	25.2%
Net Profit	(23)	13	9	(38)	39	(64)	5	15	48	57
Net Margin	-12.0%	5.5%	3.5%	-12.3%	9.1%	-11.8%	1.0%	2.8%	8.3%	9.3%
Free Cash Flow	(651)	(7)	77	67	104	151	147	188	186	196
Income Tax	-	-	-	-	-	-	-	-	-	-

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	2,151	2,226	2,380	3,526	5,163	4,828	4,679	4,669	4,735	4,866
Cash & Equivalents	16	41	8	6	17	18	104	93	5.5	4.9
Accounts Receivable	-	-	31	47	61	47	47	37	38	45
Inventories	-	-	-	-	17	6	-	2	0	-
Goodwill & Int. Ass.	-	-	-	84	43	34	36	36	36	-
Total Liabilities	773	934	1,155	2,047	2,751	2,659	2,663	2,192	2,138	2,212
Accounts Payable	49	44	56	103	123	124	177	97	113	116
Long-Term Debt	650	846	1,056	1,807	2,438	2,354	2,292	1,891	1,896	1,969
Shareholder's Equity	1,355	1,267	1,201	1,046	1,998	1,814	1,690	2,150	2,236	2,310
LTD/E Ratio	0.48	0.67	0.88	1.73	1.22	1.30	1.36	0.88	0.85	0.85

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets		0.6%	0.4%	-1.3%	0.9%	-1.3%	0.1%	0.3%	1.0%	1.2%
Return on Equity		1.0%	0.7%	-3.4%	2.6%	-3.3%	0.3%	0.8%	2.2%	2.2%
ROIC		0.6%	0.4%	-1.4%	1.0%	-1.4%	0.1%	0.3%	1.1%	1.3%
Shares Out.	59.8	62.1	62.2	65.5	80.5	109.0	111.2	116.7	130.3	133
Revenue/Share	3.15	3.99	4.14	4.76	5.35	4.92	4.48	4.57	4.42	4.59
FCF/Share	(10.9)	(0.11)	1.24	1.02	1.30	1.39	1.32	1.61	1.43	1.47

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

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