

# Realty Income Corp.

*(NYSE: O)*

## ROLAND GEORGE INVESTMENTS PRORGAM

THIS REPORT IS PUBLISHED FOR EDUCATIONAL  
PURPOSES FOR THE ROLAND GEORGE  
INVESTMENTS PROGRAM



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Figure 1: Company Factsheet

Price Target	\$	66
52 Week High	\$	65
52 Week Low	\$	51
Market Cap		50.67B
Avg Volume		5M
Dividend Yield		5.46%
P/E		55.13
P/FFO		7.52

Figure 2: Revenue by Segment

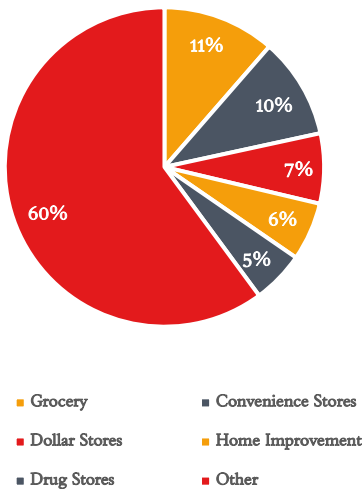
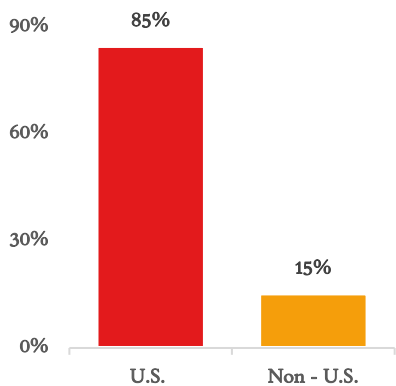


Figure 3: Revenue by Region



Investment Thesis

Realty Income Corporation (NYSE: O) is issued a BUY recommendation with a one-year price target of \$66, representing a 18% upside from the current share price. This target is derived from a blended valuation approach combining a Two-Stage Dividend Discount Model (DDM) and Relative Valuation, weighted 70% and 30%, respectively. Realty Income’s stable dividend growth, predictable cash flows, and defensive positioning make it a compelling investment in the REIT sector, particularly as interest rates stabilize.

Strong Revenue and Profitability Growth

Realty Income achieved an impressive 21.8% revenue growth in 2023, driven by its acquisition of Spirit Realty Capital, which added 2,018 properties and diversified its portfolio across industrial, retail, and specialty real estate sectors. The company’s focus on essential service tenants, such as grocery and convenience stores, ensures consistent cash flows, even during economic downturns. This strategy significantly reduces volatility in rental income, making Realty Income less sensitive to economic shocks compared to peers. Additionally, the inclusion of inflation-linked rent escalations in many lease agreements provides a natural hedge against rising costs. These measures enhance the company’s ability to deliver stable financial performance while capitalizing on strategic acquisitions to support future growth.

Resilience in Challenging Market Conditions

With 91% of retail rent coming from service-oriented or non-discretionary tenants, Realty Income’s portfolio demonstrates exceptional stability during economic uncertainty. The company’s 99% occupancy rate, supported by investment-grade tenants, further mitigates risk and ensures reliable cash flow. This resilience allows Realty Income to maintain consistent operations and dividend payments, even in adverse market conditions. Moreover, the recent Federal Reserve rate cuts create opportunities to refinance existing debt at lower rates, reducing financial pressures and improving profitability. These factors position Realty Income as a defensive, reliable option for investors seeking stability and long-term returns.

Attractive Valuation and Dividend Growth Potential

The DDM-derived price target of \$64 highlights Realty Income’s predictable cash flow generation, while the Relative Valuation target of \$71 underscores its strong dividend yield and peer undervaluation. As a Dividend Aristocrat, Realty Income has achieved 29 consecutive years of dividend growth, reflecting its robust operational and financial strategy. The company’s monthly dividend structure is particularly appealing to income-focused investors, offering regular returns while supporting long-term portfolio growth. Realty Income’s consistent acquisitions of high-quality properties and prudent capital allocation ensure its ability to sustain and grow dividends, further solidifying its position as a leading REIT in the market.

Business Description

Realty Income Corporation (NYSE: O), known as "The Monthly Dividend Company," is a premier real estate investment trust (REIT) specializing in single-tenant, freestanding commercial properties leased under long-term net lease agreements. As of December 31, 2023, Realty Income owned or held interests in 13,458 properties across the United States, Puerto Rico, and Europe, operating in 86 industries. Its largest tenant industries include grocery (11.4% of annualized rent), convenience stores (10.2%), and dollar stores (7.1%), ensuring reliable income streams from businesses resilient to economic cycles. Notable tenants such as Dollar General, Walgreens, and FedEx make up 40.2% of annualized rent, with 39.6% of rent derived from investment-grade clients or affiliates.

A significant event in 2024 was Realty Income’s merger with Spirit Realty Capital, which contributed 2,018 properties, expanding the company’s footprint across industrial, retail, and specialty real estate sectors. The combined portfolio enhances diversification and strengthens long-term relationships with existing clients, while bringing in new tenants like Wynn Resorts and BJ’s Wholesale Club, both leaders in their respective sectors.

Business Model

Realty Income’s business model focuses on generating consistent cash flow through long-term net leases, where tenants handle most operating costs, including property taxes, insurance, and maintenance. This structure minimizes operating expenses and provides stable income, supported by lease agreements that include fixed or inflation-linked rent escalations. With a portfolio spanning multiple industries and geographies, the company mitigates risks tied to economic downturns in specific markets.

Realty Income’s asset management strategy focuses on maintaining high occupancy rates (currently at 99%) and optimizing lease terms. For example, in 2023, 91% of the company’s retail rental income came from tenants with a service-oriented, non-discretionary, or low-price-point focus, such as grocery stores and home improvement retailers, which are less vulnerable to e-commerce disruption. The company also actively disposes of underperforming assets and reinvests proceeds into higher-yield opportunities to maximize returns.

Company Strategy

**Portfolio Diversification:** Realty Income emphasizes diversification across tenants, industries, and geographies to reduce risk and ensure consistent revenue. Its portfolio includes properties in all 50 U.S. states and European countries like the United Kingdom, Spain, and Italy. The 2024 merger with Spirit Realty Capital further diversified the portfolio, adding industrial and retail assets across 49 states.

Figure 4: S1+S2 Emissions in 10t CO2 Equivalent

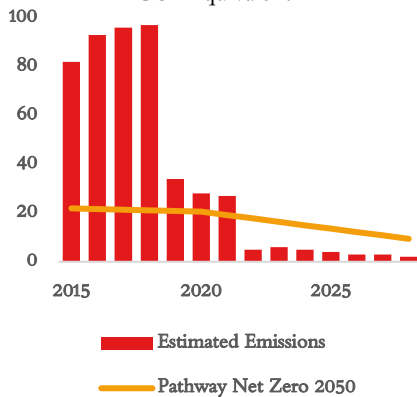


Figure 5: ESG Social Score Percentile

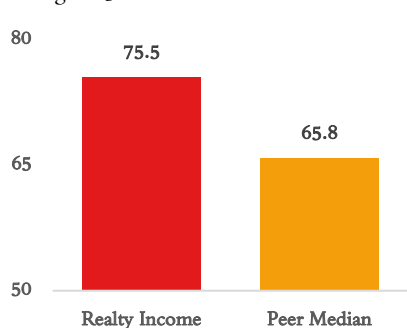


Figure 6: Retail Spending in the U.S.

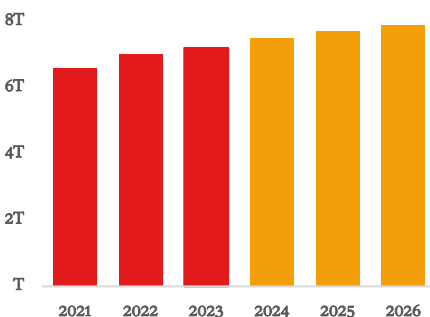
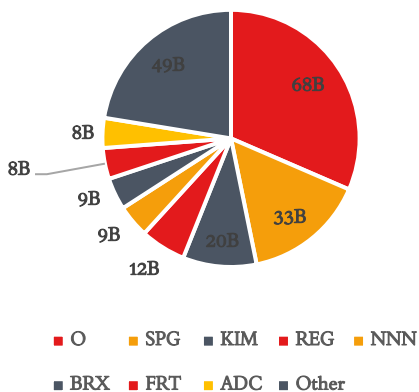


Figure 8: Asset Value of Retail REITs



**Strategic Acquisitions:** The company continues to expand through targeted acquisitions of high-quality properties. The Spirit Realty merger brought in clients with strong credit profiles and durable cash flows, such as Wynn Resorts and MGM (Bellagio), which lease iconic assets under long-term agreements. Realty Income also seeks investments in properties critical to tenants' business operations, enhancing tenant retention and portfolio stability.

**Operational Excellence:** Realty Income's approach to active asset management ensures maximum returns from its portfolio. This includes strategies like re-leasing vacant properties, pursuing rent increases, and optimizing lease terms. For instance, the company recently increased its presence in non-retail sectors, such as gaming and industrial properties, representing 3.9% and 12.7% of annualized rent, respectively.

**Shareholder Returns:** Realty Income's commitment to delivering increasing monthly dividends is reflected in its membership in the S&P 500 Dividend Aristocrats index. Over its 55-year history, the company has maintained a strong financial structure, ensuring consistent dividends even during economic downturns.

## Environmental, Social, and Governance

### Environmental Impact

Realty Income Corporation recognizes the importance of sustainability within the real estate sector and has integrated environmental considerations into its operations. With a portfolio of over 272 million square feet, the company demonstrates a commitment to energy efficiency and sustainable building practices. Many of its properties already meet high environmental standards, supported by tenant operations and long-term net leases that encourage sustainable property management. Realty Income has also adopted energy-efficient systems and green building standards where feasible, showcasing its alignment with evolving environmental trends.

While the company has not yet established formal targets for reducing greenhouse gas (GHG) emissions, its strategic emphasis on maintaining modern, high-quality properties provides a strong foundation for future environmental initiatives, as can be seen in already heavily reduced emissions. Realty Income's robust portfolio management practices position it to adapt effectively to regulatory changes and investor expectations regarding sustainability. As the company continues to expand, particularly across Europe, where environmental standards are stringent, it is well-positioned to enhance its environmental impact and align with industry's best practices, further supporting its long-term value proposition.

### Social Considerations

Realty Income emphasizes fostering a strong workplace culture through its "One Team" approach, which prioritizes inclusivity, employee well-being, and professional development. As of December 31, 2023, the company employed 418 professionals and offered robust benefits, including medical coverage, paid parental leave, profit-sharing, and 401(k) plans with matching opportunities. The company supports career development through leadership training programs, financial support for certifications, and continued education.

Realty Income also highlights its diversity, equity, and inclusion (DE&I) initiatives. These include regular DE&I training sessions, open discussions on inclusion topics, and pay equity analyses to ensure fair compensation across gender, race, and ethnicity. Additionally, the company actively engages with local communities by sourcing talent locally and implementing college and high school internship programs. These efforts align with its broader mission of creating a positive impact on employees, partners, and communities and bring Realty Income a superior ESG social score compared to their peers.

### Corporate Governance

Realty Income maintains strong corporate governance practices with an emphasis on transparency and alignment with shareholder interests. The board of directors comprises a majority of independent members, ensuring robust oversight. Executive compensation is closely tied to company performance, further aligning management incentives with shareholder value creation.

The company has integrated environmental, social, and governance (ESG) considerations into its broader strategy, as reflected in its annual Proxy Statement and Sustainability Report. Realty Income's governance framework also includes risk management practices, particularly in relation to financial reporting and compliance. However, opportunities exist for the company to enhance board-level diversity and ESG-specific oversight as it continues to evolve its governance practices in response to investor and regulatory expectations.

## Industry Analysis

Realty Income Corporation operates within the REIT sector, shaped by macroeconomic factors such as interest rates, inflation, and economic growth. As the largest Retail REIT by asset value, with \$68 billion in assets, Realty Income plays a pivotal role in providing predictable income streams and inflation hedges. Its portfolio includes 13,458 properties spanning the United States and Europe, generating \$4.04 billion in annualized contractual rent as of December 31, 2023.

Realty Income's position as a leader in the net lease REIT segment, bolstered by its recent merger with Spirit Realty Capital, provides a solid foundation for continued growth. With the addition of 2,018 properties and an increasingly diversified tenant mix, the company is well-placed to leverage opportunities in expanding sectors such as industrial real estate and international markets. Moving forward, Realty Income's scale and operational efficiency are expected to support steady income generation and resilience against market volatility.

As Realty Income navigates a shifting economic landscape, its disciplined acquisition strategy and focus on high-quality tenants are likely to remain key drivers of stability and growth. The company's emphasis on industrial assets, supported by e-commerce trends, and its investments in recovering sectors like travel and entertainment, present promising avenues for future expansion. With a track

Figure 8: Federal Funds Effective Rate

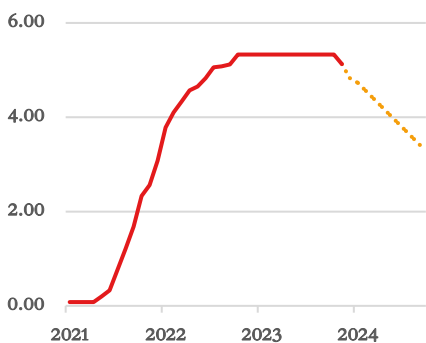


Figure 9: Net Income

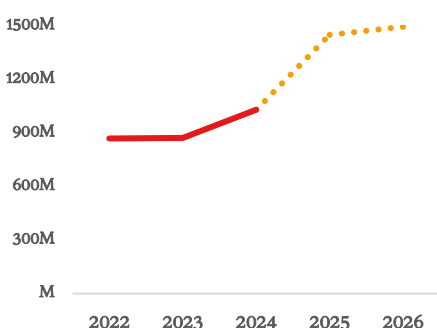


Figure 10: Occupancy Rate

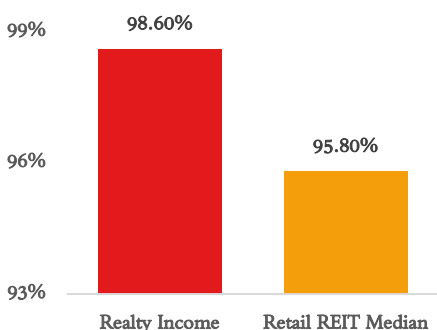
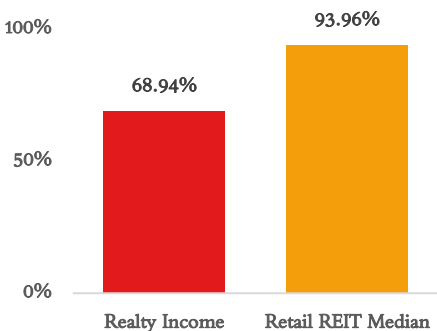


Figure 11: Debt to Equity



record of consistent dividend increases, Realty Income is positioned to maintain its appeal to income-focused investors while adapting to emerging market dynamics.

### Headwinds

**E-commerce and Remote Work Trends:** The continued growth of e-commerce challenges retail-focused REITs with properties experiencing declining foot traffic. Realty Income mitigates this risk by leasing to non-discretionary and service-oriented tenants, who comprise approximately 91% of its retail portfolio. Remote work trends have reduced office space demand, but this impact is minimal for Realty Income as office spaces contribute less than 1.6% of its total portfolio annualized rent.

**Inflationary Pressures on Tenants:** Inflation, while boosting rental income through escalation clauses, places financial strain on tenants. Tenants in discretionary sectors or with weaker credit profiles may struggle to meet rental obligations. Despite this, 39.6% of Realty Income's total rent comes from investment-grade tenants, providing some protection against default risks.

### Tailwinds

**Favorable Interest Rate Environment:** The Federal Reserve's recent rate cuts present a significant tailwind for Realty Income and the broader REIT industry. Lower borrowing costs enhance refinancing opportunities, reducing interest expenses and improving profitability. Realty Income's weighted average term to maturity on its debt is 6.7 years, which allows the company to strategically manage its refinancing needs.

**Inflation Hedging:** Realty Income benefits from inflation-linked rental escalations in its net lease agreements. These mechanisms contributed to steady revenue growth in 2023, despite broader economic pressures. For example, the company's grocery and convenience store tenants, which account for 21.6% of its total rent, showed consistent performance during inflationary periods.

**Resilience of Grocery and Industrial Sectors:** Realty Income's significant exposure to non-discretionary retail, including grocery stores and convenience stores, underscores its defensive positioning. The industrial portfolio, consisting of 365 properties, continues to benefit from the expansion of e-commerce, generating \$514.31 million in annualized rent.

**Recovery in Travel and Entertainment:** Realty Income's investments in properties leased to companies in recovering sectors, like travel and entertainment, are well-positioned to capture increased consumer spending. For instance, AMC Theaters contributes 1.2% of the company's rent, while gaming properties such as those leased to Wynn Resorts account for 2.5%.

### Competitive Positioning

**Market Share:** Realty Income is a leader in the net lease REIT segment, with a diversified portfolio spanning multiple industries and geographies. The merger with Spirit Realty Capital in January 2024 added 2,018 properties, enhancing the company's scale and tenant mix. This acquisition expanded its portfolio to include properties generating additional annualized rent.

**Competitive Landscape:** Realty Income faces competition from peers like National Retail Properties and W.P. Carey. These competitors target stable tenant sectors, but Realty Income's focus on investment-grade tenants (39.6% of its rent) and its international footprint, including \$851.57 million in annualized rent from European properties, provide a competitive edge.

**Strategic Positioning:** Realty Income's disciplined acquisition strategy and tenant diversification underpin its competitive edge. Its focus on high-demand industrial assets and international markets ensures long-term stability. As "The Monthly Dividend Company," Realty Income has increased dividends annually for over 25 consecutive years, appealing to income-focused investors. By integrating quantitative data with strategic initiatives, Realty Income continues to reinforce its leadership position in the REIT sector, capitalizing on tailwinds while mitigating industry headwinds.

### Financial Analysis

#### Revenue & Profitability

Realty Income Corporation's revenue grew by 21.8% in 2023, reaching \$3.8 billion, supported by the acquisition of Spirit Realty Capital and inflation-linked rent escalations across its portfolio. The company's net income is projected to rise to \$1030 million by the end of this year, reflecting a 18.3% increase over the previous year, bolstered by the addition of 2,018 properties from the merger. Despite these strong figures, Realty Income's profitability is tempered by its heavy reliance on fixed rent agreements, which limit the immediate upside potential during periods of rapid inflation compared to other REITs with more flexible lease structures. The company's funds from operations (FFO), a key measure of REIT profitability, was \$2.99 per share for the 9 months ending September 30th, reflecting strong operational performance.

#### Margins

Realty Income is projected to report an operating margin of 48.7% in 2026, up from 41.6% in 2023, indicating consistent operational efficiency and the ability to manage costs effectively while scaling its portfolio. This robust margin reflects the company's focus on high-quality tenants and the benefits of its long-term, net lease agreements, which shift property-level expenses like taxes, insurance, and maintenance to tenants. The steady increase in operating margin over these years highlights Realty Income's growth and disciplined portfolio management.

The company's EBITDA margin is also projected to improve, rising from 88.1% in 2023 to 94.6% in 2026. This underscores Realty Income's efficient operations and strong revenue base, supported by its diversified portfolio and high tenant quality (39.6% investment grade).

#### Asset Quality

Realty Income boasts a high-quality asset base, with 99% occupancy across its portfolio of 13,458 properties as of December 31, 2023. Its weighted average lease term of 9.5 years provides cash flow stability, and its tenant mix emphasizes resilient sectors such as grocery (11.4% of rent) and industrial properties (12.7% of rent). The recent acquisition of Spirit Realty Capital further diversified the portfolio geographically and across property types, enhancing asset quality.



Figure 12: DDM Inputs

Dividend Discount Model	
Initial Dividend (D0)	\$ 3.12
Projected Growth Rate (g <sub>1</sub> )	2.8%
Terminal Growth Rate (g <sub>2</sub> )	2.5%
Cost of Equity (r)	7.7%

Figure 13: Relative Valuation

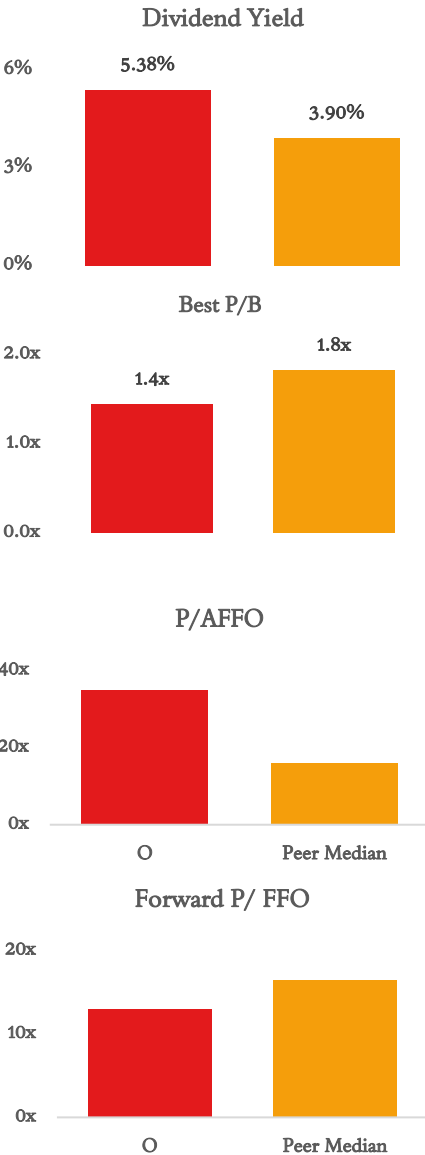


Figure 14: Sensitivity Analysis

	Terminal Growth Rate					
	2.00%	2.25%	2.50%	2.75%	3.00%	
CoE	\$ 64					
	7.1%	\$ 66	\$ 69	\$ 71	\$ 75	\$ 78
	7.4%	\$ 62	\$ 65	\$ 67	\$ 70	\$ 73
	7.7%	\$ 59	\$ 61	\$ 64	\$ 66	\$ 69
	8.0%	\$ 57	\$ 58	\$ 60	\$ 62	\$ 65
	8.3%	\$ 54	\$ 56	\$ 57	\$ 59	\$ 61

However, geographic expansion into Europe introduces currency and regulatory risks, which could impact asset performance in new markets. The company's focus on essential services provides a buffer against economic downturns but limits its exposure to higher-growth sectors.

#### Leverage & Liquidity

Realty Income maintains a prudent capital structure, with a debt-to-equity ratio of 0.69, outperforming the industry average of 0.94, reflecting its investment-grade credit ratings (A3/A-). The company's Altman Z-Score of 1.05 places it in the lower risk category for REITs, emphasizing its financial stability. As of year-end 2023, Realty Income had \$3.6 billion in available liquidity, including \$370 million in cash and cash equivalents and access to \$3.2 billion in its revolving credit facility. The quick and current ratio are roughly in line with the industry average with 1.77 and 2.29 respectively.

Recent rate cuts by the Federal Reserve improve the company's refinancing prospects, with long-term debt maturities well-spaced over the next decade. However, leverage has increased slightly following the Spirit Realty merger, which added \$3.7 billion in debt, raising total debt to \$22 billion.

#### Capital Investments

Realty Income invested \$12.9 billion in property acquisitions in 2023, including \$9.2 billion related to the Spirit Realty merger. The company has consistently deployed capital into high-quality, income-generating assets, maintaining an acquisition cap rate of approximately 6.2%. These investments align with its strategy of targeting properties leased to tenants in essential, non-discretionary sectors, minimizing exposure to economic cycles.

Future capital investments are expected to focus on further diversification into industrial and international assets, particularly in Europe, where the company sees significant growth potential.

#### Cash Flow Positioning

Realty Income generated \$2.9 billion in operating cash flow in 2023, supported by its stable rent collections and inflation-linked lease structures. Free cash flow remains strong, allowing the company to maintain its Dividend Aristocrat status with 29 consecutive years of dividend growth. However, cash flow coverage for dividends has tightened due to higher interest expenses following the Spirit Realty merger, with a FFO payout ratio of 84%.

The company's disciplined approach to cash flow management, combined with access to low-cost capital, supports its ability to fund future acquisitions and maintain consistent dividend growth. Nonetheless, tighter spreads on cash flow may limit the pace of acquisitions or necessitate equity issuance to sustain growth.

#### Valuation

Realty Income Corporation (NYSE: O) is issued a BUY recommendation with a 12-month price target of \$66, representing a 14% upside from the current share price of \$58.32. This valuation is derived from a combination of a Two-Stage Dividend Discount Model (DDM) and a Relative Valuation approach. The models were weighted 70% and 30%, respectively, with the DDM given a higher weighting due to its ability to forecast Realty Income's long-term dividend growth potential, which aligns closely with the company's income-oriented business model.

#### Dividend Discount Model

The Dividend Discount Model calculates Realty Income's intrinsic value based on its stable and growing dividend payments. The model assumes an initial dividend (D<sub>0</sub>) of \$3.12, a projected short-term growth rate (g<sub>1</sub>) of 2.8%, and a terminal growth rate (g<sub>2</sub>) of 2.5%, reflecting inflation expectations and long-term REIT industry trends. The cost of equity (r) was estimated at 7.7% using the Capital Asset Pricing Model (CAPM), which incorporates a risk-free rate of 4.3% (based on the U.S. 10-Year Treasury yield), an expected market return of 9.8%, and a beta of 0.62, reflecting Realty Income's defensive positioning and low sensitivity to macroeconomic fluctuations. Over the next five years, Realty Income's dividends are projected to grow from \$3.21 in 2024 to \$3.59 in 2028, with a terminal value of \$71.34 discounted to a present value of \$47.52. Combined with the discounted dividend cash flows, the DDM yields an intrinsic price target of \$64, representing a 10% upside from the current share price.

#### Relative Valuation

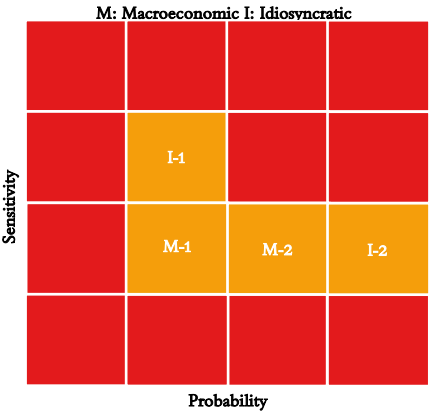
The Relative Valuation approach benchmarks Realty Income against peer REITs, including Getty Realty Corp (GTY), Federal Realty Investment Trust (FRT), and Agree Realty Corp (ADC). Using key metrics such as Price-to-AFFO, Forward Price-to-FFO, Price-to-Book (P/B), and dividend yield, Realty Income's valuation was compared against the peer group median multiples. Realty Income trades at 14.59x AFFO, below the peer median of 17.5x, and has a Price-to-Book ratio of 1.45, lower than the peer median of 1.82x. Furthermore, Realty Income offers a dividend yield of 5.38%, significantly higher than the peer median of 3.90%, reinforcing its appeal to income-focused investors. These relative metrics imply a price target of \$71, representing a 22% upside.

The blended valuation results in a price target of \$66, derived by assigning a 70% weight to the DDM result and a 30% weight to the Relative Valuation result. This combined approach accounts for both Realty Income's long-term dividend growth potential and its relative undervaluation within the REIT sector.

#### Sensitivity Analysis

A sensitivity analysis was conducted to assess the robustness of the DDM assumptions, focusing on variations in the terminal growth rate and the cost of equity. The analysis demonstrates that the intrinsic value is more sensitive to changes in the cost of equity than the terminal growth rate. For example, with a terminal growth rate of 2.5% (the base case), the intrinsic value ranges from \$57 to \$71 as the cost of equity fluctuates between 8.0% and 7.1%. Similarly, at a constant cost of equity of 7.7%, the intrinsic value ranges from \$59 to \$69 as the terminal growth rate varies between 2.0% and 3.0%. These results underscore the importance of maintaining accurate estimates for these key inputs, as modest changes can significantly impact the DDM price target.

Figure 15: Heat Map



**Tenant Concentration Risk**

**I-1:** Realty Income’s top 20 tenants account for 40.2% of annualized rent, creating a concentration risk that could impact revenue stability. While many of these tenants operate in resilient sectors like grocery and essential retail, others in discretionary industries may face financial difficulties during economic downturns. If one or more major tenants were to experience bankruptcy or operational challenges, Realty Income’s cash flows and overall financial performance could be significantly disrupted, particularly given its reliance on long-term lease agreements.

**Geographic Expansion Risks**

**I-2:** Realty Income’s recent expansion into Europe and its merger with Spirit Realty Capital have enhanced portfolio diversification, but they also expose the company to new operational challenges. Entry into European markets introduces regulatory complexities, currency fluctuations, and geopolitical uncertainties that could impact asset performance and profitability. Additionally, navigating unfamiliar legal frameworks and tenant dynamics increases the risk of inefficiencies or unforeseen costs, potentially offsetting the benefits of diversification and revenue growth in these regions.

**Interest Rate Sensitivity**

**M-1:** Although the Federal Reserve has begun cutting interest rates, the timing and pace of future reductions remain uncertain, leaving Realty Income exposed to rate volatility. The company’s reliance on debt financing for acquisitions and refinancing makes it particularly sensitive to changes in borrowing costs. A slower-than-expected decline in interest rates or a sudden reversal to higher rates could reduce profitability and constrain the company’s ability to fund strategic growth initiatives, despite its strong investment-grade credit rating.

**Inflationary Pressures on Tenants**

**M-2:** Persistent inflation poses a dual-edged challenge for Realty Income, benefiting the company through inflation-linked rent escalations but placing significant financial strain on its tenants. Tenants in consumer-facing industries, such as restaurants and retail, are particularly vulnerable to rising operating costs, which could reduce their ability to meet lease obligations. If these pressures result in higher vacancy rates, rent concessions, or lease renegotiations, Realty Income’s ability to maintain consistent and predictable cash flows could be adversely affected.

Income Statement

Realty Income Corp.

Financial Statement Model

(\$ in millions, fiscal year ending December 31st)

Company name	Corp	
Ticker	O US Equity	Enter Ticker
Latest closing share price	\$56.54	
Latest closing share price date	11/16/2024	2024
Latest fiscal year end date	12/31/2023	
Select an operating scenario:	Base case	2024-09-16
Effective Tax Rate	5.4%	2024-09-16

INCOME STATEMENT	Historical Period			Projection Period				
	-3 FY	-2 FY	-1 FY	0 FY	1 FY	2 FY	3 FY	4 FY
Fiscal year	2021A	2022A	2023A	2024P	2025P	2026P	2027P	2028P
12 Months Ending	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028
Revenue	\$2,080.46	\$3,343.68	\$4,078.99	\$5,074	\$5,471	\$5,868	\$6,373	\$6,692
Growth (YoY) in %	\$26.31	\$60.72	\$21.99	\$24	\$8	\$7	\$9	\$5
+ Rental Income	\$2,064.96	\$3,299.66	\$3,958.15	\$4,978	\$5,367	\$5,756	\$6,252	\$6,564
+ Recoveries from Tenants	\$104.85	\$184.68	\$0.00	\$155	\$167	\$179	\$194	\$204
+ Other Rental Income	\$1,960	\$3,115	\$0	\$2,710	\$2,922	\$3,134	\$3,403	\$3,574
+ Other Operating Income	\$16	\$44	\$121	\$96	\$104	\$111	\$121	\$127
- Operating Expenses	\$1,184	\$2,138	\$2,382	\$3,046	\$3,284	\$3,522	\$3,825	\$4,017
+ Property Operating Expenses	\$134	\$226	\$317	\$361	\$390	\$418	\$454	\$477
+ General & Administrative	\$97	\$138	\$145	\$203	\$219	\$235	\$255	\$268
+ Depreciation & Amortization	\$898	\$1,670	\$1,895	\$2,383	\$2,569	\$2,756	\$2,993	\$3,143
+ Other Operating Expenses	\$56	\$103	\$26	\$98	\$106	\$114	\$124	\$130
Operating Profit (EBIT)	\$896	\$1,206	\$1,697	\$2,028	\$2,187	\$2,345	\$2,547	\$2,675
- Non-Operating (Income) Loss	\$256	\$351	\$692	\$624	\$763	\$846	\$951	\$1,030
+ Interest Expense	\$324	\$465	\$730	\$730	\$893	\$990	\$1,113	\$1,205
+ Other Non-Op (Income) Loss	-\$68	-\$114	-\$39	-\$106	-\$130	-\$144	-\$162	-\$175
Pretax Income (Loss), Adjusted	\$640	\$855	\$1,005	\$1,201	\$1,469	\$1,629	\$1,831	\$1,982
- Abnormal Losses (Gains)	\$248	-\$63	\$76	\$125	\$153	\$170	\$191	\$207
+ Merger/Acquisition Expense	\$167	\$14	\$14	\$94	\$115	\$128	\$143	\$155
+ Disposal of Assets	-\$56	-\$103	-\$26	-\$89	-\$108	-\$120	-\$135	-\$146
+ Early Extinguishment of Debt	\$97	\$0	\$0	\$47	\$57	\$64	\$71	\$77
+ Asset Write-Down	\$39	\$26	\$87	\$73	\$89	\$99	\$111	\$120
Pretax Income (Loss), GAAP	\$392	\$918	\$929	\$1,201	\$1,469	\$1,629	\$1,831	\$1,982
- Income Tax Expense (Benefit)	\$32	\$45	\$52	\$161	\$23	\$153	\$611	\$706
Income (Loss) from Cont Ops	\$361	\$872	\$877	\$1,040	\$1,446	\$1,476	\$1,220	\$1,276
- Minority Interest	\$1	\$3	\$5	\$0	\$0	\$0	\$0	\$0
Net Income, GAAP	\$359	\$869	\$872	\$1,040	\$1,446	\$1,476	\$1,220	\$1,276
Depreciation & Amortization	\$898	\$1,670	\$1,895	\$2,542	\$2,741	\$2,932	\$3,059	\$3,287
EBITDA	\$ 1,794.08	\$ 2,875.94	\$ 3,591.83	\$ 4,705.80	\$ 5,074.55	\$ 5,427.15	\$ 5,662.00	\$ 6,085.00
Diluted Weighted Avg Shares	414.770	612.181	693.024	822	907	993	1,057	1,112
Growth rates & margins								
Revenue Growth YoY	26.31	60.72	21.99	24.39	7.82	7.26	8.60	5.01
EBITDA Margin (T12M)	86.23	86.01	88.06	92.74	92.76	92.49	88.85	90.94
Operating Margin	43.08	36.05	41.59	46.09	46.51	47.20	44.49	44.56
FFO per Share Growth	-9.67	35.12	0.99	2.69	5.10	4.03	3.29	3.84
Tax rate	8.1%	4.9%	5.6%	6.2%	5.6%	5.8%	5.9%	5.7%

## Balance Sheet and Cash Flow Statement

### BALANCE SHEET

Fiscal year	2021A	2022A	2023A	2024A	2025P	2026P	2027P	2028P
12 Months Ending	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028
<b>Assets</b>								
+ Real Estate Held for Sale	\$30	\$30	\$31	\$49	\$53	\$56	\$61	\$64
+ Net Real Estate Property	\$32,591	\$38,356	\$44,109	\$61,431	\$66,233	\$71,041	\$77,152	\$81,014
+ Gross Real Estate Property	\$36,540	\$43,260	\$50,181	\$69,401	\$74,825	\$80,257	\$87,161	\$91,524
- Accumulated Depreciation	\$3,950	\$4,904	\$6,072	\$7,969	\$8,592	\$9,216	\$10,009	\$10,510
<b>Total Real Estate Investments</b>	<b>32621.12</b>	<b>38385.05</b>	<b>\$ 44,140</b>	<b>\$61,480</b>	<b>\$66,286</b>	<b>\$71,098</b>	<b>\$77,214</b>	<b>\$81,079</b>
+ Cash & Near Cash Items	\$259	\$171	\$233	\$354	\$381	\$409	\$444	\$467
+ Accounts Receivable	\$427	\$568	\$711	\$910	\$982	\$1,053	\$1,143	\$1,201
+ Other Assets	\$9,831	\$10,549	\$12,695	\$17,660	\$19,040	\$20,423	\$22,179	\$23,290
<b>Total Assets</b>	<b>\$43,138</b>	<b>\$49,673</b>	<b>\$57,779</b>	<b>\$80,404</b>	<b>\$86,689</b>	<b>\$92,982</b>	<b>\$100,981</b>	<b>\$106,036</b>
<b>Liabilities &amp; Shareholders' Equity</b>								
+ Accounts Payable	498.05	564.85	933.75	\$1,066	\$1,149	\$1,233	\$1,339	\$1,406
+ ST Liabilities & Deposits	11.34	15.58	28.25	\$29	\$32	\$34	\$37	\$39
+ Security Deposits	11.34	15.58	28.25	\$29	\$32	\$34	\$37	\$39
+ Secured & Unsecured Debt	15948.37	18600.30	21989.70	\$30,187	\$32,547	\$34,910	\$37,913	\$39,811
+ Unsecured Debt	14300.64	17256.81	20698.55	\$27,901	\$30,082	\$32,266	\$35,041	\$36,795
+ Secured Debt	1647.73	1343.49	1291.15	\$2,286	\$2,465	\$2,644	\$2,872	\$3,015
+ Other Long-Term Liabilities	1550.34	1649.08	1720.70	\$2,627	\$2,832	\$3,038	\$3,299	\$3,464
<b>Total Liabilities</b>	<b>18008.10</b>	<b>20829.80</b>	<b>24672.39</b>	<b>33,910</b>	<b>36,560</b>	<b>39,215</b>	<b>42,588</b>	<b>44,720</b>
+ Minority Interest	76.83	130.14	165.50	\$199	\$214	\$230	\$250	\$262
+ Share Capital & APIC	29578.21	34159.51	39629.71	\$55,191	\$59,505	\$63,825	\$69,315	\$72,785
+ Retained Earnings & Other Equity	-4525.64	-5446.36	-6688.24	-\$8,895	-\$9,591	-\$10,287	-\$11,172	-\$11,731
<b>Total Equity</b>	<b>25129.40</b>	<b>28843.29</b>	<b>33106.97</b>	<b>\$46,494</b>	<b>\$50,128</b>	<b>\$53,768</b>	<b>\$58,393</b>	<b>\$61,316</b>
<b>Total Liabilities &amp; Equity</b>	<b>43137.50</b>	<b>49673.09</b>	<b>57779.36</b>	<b>\$80,404</b>	<b>\$86,689</b>	<b>\$92,982</b>	<b>\$100,981</b>	<b>\$106,036</b>
<i>Balance check</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>

### CASH FLOW STATEMENT

Fiscal year	2021A	2022A	2023A	2024A	2025P	2026P	2027P	2028P
12 Months Ending	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028
<b>Cash From Operating Activities</b>								
Net Income	359	869	\$872	\$1,040	\$1,446	\$1,476	\$1,220	\$1,276
+ Depreciation & Amortization	898	1,670	\$1,895	\$2,542	\$2,741	\$2,932	\$3,059	\$3,287
+ Other Non-Cash Adjustments	128	59	\$17	\$101	\$140	\$143	\$118	\$124
+ Changes in Non-Cash Capital	(63)	(35)	\$174	\$38	\$52	\$54	\$44	\$46
<b>Cash From Operating Activities</b>	<b>1,322</b>	<b>2,564</b>	<b>\$2,959</b>	<b>\$3,721</b>	<b>\$4,380</b>	<b>\$4,604</b>	<b>\$4,442</b>	<b>\$4,734</b>
<b>Cash From Investing Activities</b>								
+ Disposal of Fixed Assets	251	436	\$117	\$268	\$274	\$220	\$254	\$249
+ Property Additions	(6,313)	(8,886)	(\$8,054)	(\$7,751)	(\$8,230)	(\$8,012)	(\$7,998)	(\$8,080)
+ Property Improvements	(19)	(96)	(\$69)	(\$61)	(\$75)	(\$68)	(\$68)	(\$71)
+ Change in Investments	0	0	(\$1,381)	(\$460)	(\$614)	(\$818)	(\$631)	(\$688)
+ Other Investing Activities	(356)	159	\$31	(\$55)	\$45	\$7	(\$1)	\$17
<b>Cash from Investing Activities</b>	<b>(6,438)</b>	<b>(8,387)</b>	<b>(\$9,355)</b>	<b>(\$8,060)</b>	<b>(\$8,601)</b>	<b>(\$8,672)</b>	<b>(\$8,444)</b>	<b>(\$8,572)</b>
<b>Cash from Financing Activities</b>								
+ Dividends Paid	(1,169)	(1,813)	(\$2,112)	(\$2,541)	(\$2,922)	(\$3,316)	(\$3,731)	(\$4,037)
+ Preferred Dividends Other Distributions	(2)	(4)	(\$8)	-\$7	-\$8	-\$9	-\$10	-\$11
+ Proceeds from Repayments of Borrowings	755	2,959	\$3,198	\$2,304	\$2,820	\$2,774	\$2,633	\$2,743
+ Change in Unsecured Debt	1,574	1,105	(\$2,060)	(\$206)	\$387	\$626	(\$269)	(\$248)
+ Change in Secured Debt	(819)	1,854	\$5,259	(\$2,098)	(\$1,672)	(\$1,396)	(\$1,722)	(\$1,403)
+ Increase in Capital Stock	4,443	4,556	\$5,439	5,819	6,314	6,635	6,932	7,151
+ Other Financing Activities	570	20	(\$57)	\$178	\$47	\$56	\$94	\$65
<b>Cash from Financing Activities</b>	<b>4,597</b>	<b>5,718</b>	<b>\$6,461</b>	<b>\$3,449</b>	<b>\$4,967</b>	<b>\$5,371</b>	<b>\$3,927</b>	<b>\$4,260</b>
<b>Net Changes in Cash</b>	<b>(518)</b>	<b>(105)</b>	<b>\$65</b>	<b>(\$890)</b>	<b>\$747</b>	<b>\$1,304</b>	<b>(\$76)</b>	<b>\$422</b>



Appendix B – DDM Model

Dividend Discount Model	
Initial Dividend (D0)	\$ 3.12
Projected Growth Rate (g1)	2.8%
Terminal Growth Rate (g2)	2.5%
Cost of Equity (r)	7.7%

	2024	2025	2026	2027	2028
Dividend	\$ 3.21	\$3.30	\$ 3.39	\$ 3.49	\$ 3.59
Present Value	\$ 3.09	\$ 3.18	\$ 3.27	\$ 3.36	\$ 3.46
Terminal Value	\$ 71.34				
PV of Terminal Value	\$ 47.52				
Price Target	\$ 63.87				

Appendix C – Relative Valuation

Name	Ticker	P/AFFO	Dividend Yield	P/ B	Best P/FFO			
REALTY INCOME CORP	O US	14.59	5.38%	1.44	13.24			
GETTY REALTY CORP	GTY US	14.98	3.74%	1.52	16.49			
FEDERAL REALTY INVS TRU	FRT US	17.47	3.90%	1.88	18.58			
ESSENTIAL PROPERTIES RE	EPRT US	18.16	3.37%	3.31	17.06			
AGREE REALTY CORP	ADC US	20.64	5.47%	1.82	14.41			
Median		17.5x	3.90%	1.82x	16.5x			
	This Y AFFO	\$3,142	DPS	\$3	Nxt Y BV	\$80,404	Nxt Y FFO	\$3,142
Implied Equity Value		\$54,897.7				\$46,494.35		\$51,818.18
Equity Value		\$54,897.73				\$46,494.35		\$51,818.18
Shares Outstanding		773.02				773.02		730.42
Implied Share Price		\$71.02		\$81.03		\$60.15		\$70.94
Upside		22.68%		39.96%		3.90%		22.55%