

**Realty Income Corp O FAIRLY VALUED****Buying Index™ 7****Value Rating**

**Economic Castle**  
Neutral

**Estimated Fair Value**  
\$61.00

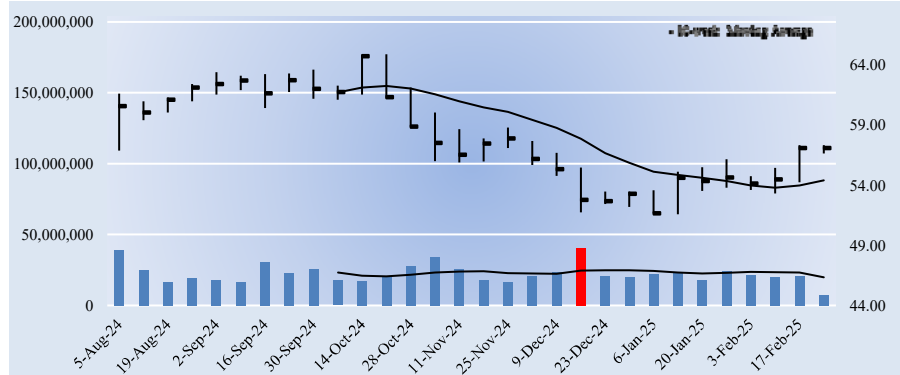
**Fair Value Range**  
\$49.00 - \$73.00

**Investment Style**  
LARGE-CAP BLEND

**Sector**  
Financials

**Industry**  
REITs

**We've grown cautious on Realty Income's shares in light of weakening broader REIT fundamentals.**

**Stock Chart (weekly)**

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

**Company Vitals**

Market Cap (USD)	\$42,728
Avg Weekly Vol (30 wks)	22,565
30-week Range (USD)	51.6 - 64.88
Valuentum Sector	Financials
5-week Return	3.6%
13-week Return	-0.8%
30-week Return	0.4%
Dividend Yield %	5.6%
Dividends per Share	3.22
Forward Dividend Payout Ratio	75.1%
Est. Normal Diluted EPS	1.88
P/E on Est. Normal Diluted EPS	30.4
Est. Normal EBITDA	4,797
Forward EV/EBITDA	17.0
EV/Est. Normal EBITDA	13.2
Forward Revenue Growth (5-yr)	12.7%
Forward EPS Growth (5-yr)	12.8%

NMF = Not Meaningful; Est. = Estimated; FY = Fiscal Year

**Returns Summary**

3-year Historical Average

Return on Equity	3.2%
Return on Assets	1.8%
ROIC, with goodwill	4.3%
ROIC, without goodwill	4.6%

ROIC = Return on Invested Capital; NMF = Not Meaningful

**Leverage, Coverage, and Liquidity**

In Millions of USD

Total Debt	20,875
Net Debt	20,643
Total Debt/EBITDA	5.8
Net Debt/EBITDA	5.7
EBITDA/Interest	5.0
Current Ratio	1.8
Quick Ratio	1.7

NMF = Not Meaningful

**Investment Highlights**

• Realty Income is a REIT that has 11,700+ properties across the US, Puerto Rico, and UK. It is an integrated real estate company with in-house finance/accounting, tenant research, portfolio management, and capital markets expertise. We like the REIT's solid 'A-rated' investment grade credit ratings from the big rating agencies (A3/A-). The firm recently acquired Spirit Realty.

• Realty Income's stated goals are simple: generate dependable monthly cash dividends from a consistent and predictable level of cash flow from operations. Convenience, grocery, dollar, and drug stores represent a key focus for the REIT.

• Realty Income merged with VEREIT through an all-stock deal in November 2021. Meaningful synergies have been achieved from this merger. After that merger was completed, the enlarged entity spun off its office property holdings into a standalone publicly traded firm, Orion Office REIT. We've adjusted our valuation model for Realty Income accordingly.

• Realty Income's dividend track record is fantastic. The Dividend Aristocrat has paid out ~625 consecutive monthly dividends. Since going public in 1994, Realty Income has increased its monthly payout ~115 times. We caution that the REIT remains capital market dependent, however.

• Realty Income is steadily expanding its overseas footprint and has built up a robust investment and development pipeline in the UK and more recently, Spain. We appreciate its push overseas as that supports its cash flow growth trajectory.

**Structure of the REIT - Retail Industry**

The retail REIT space is competitive, and incremental supply from failing retailers could complicate the return profile of many constituents. That said, however, strip center supply additions are near the lowest levels on a historical basis, offering potential opportunities for income expansion via higher rents and lease rollovers. Access to the capital markets will remain critical for participants, and the issuance of additional common/preferred stock should be expected. Geographic and industry diversity, tenant credit strength, and occupancy rates should be monitored closely. We're generally neutral on the group.

**Investment Considerations**

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	POOR
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	WEAK
Financial Leverage	HIGH
Growth	HIGH
Technical Evaluation	BULLISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	IMPROVING
Near-term Technical Support, 10-week MA	54.00

DCF = Discounted Cash Flow; MFI, U/D = Please see glossary. MA = Moving Average

**Business Quality**

ValueCreation™

ValueRisk™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

Firms that generate economic profits with little operating variability score near the top right of the matrix.

**Relative Valuation**

Forward P/FFO P / FFO / G Price / FV

Digital Realty Trust	25.5	NMF	109.4%
Public Storage	17.4	2.0	94.4%
Simon Property	13.7	8.9	99.3%
Welltower	33.1	0.8	101.5%
Peer Median	21.4	2.0	100.4%
<b>Realty Income Corp</b>	<b>13.3</b>	<b>1.1</b>	<b>93.6%</b>

Price / FV = Current Stock Price divided by Estimated Fair Value

**Financial Summary**

---- Actual ----

Fiscal Year End:	Dec-22	Dec-23	Dec-24
Revenue	3,337	4,082	5,214
Revenue, YoY%	60.3%	22.3%	27.8%
Adjusted Operating Income	1,302	1,725	1,590
Adj. Operating Margin %	39.0%	42.3%	30.5%
Funds from Operations	2,401	2,775	3,211
FFO Margin %	72.0%	68.0%	61.6%
Diluted FFO per share	3.92	4.00	4.29
Diluted FFO, YoY %	9.3%	2.1%	7.1%
Free Cash Flow (CFO-capex)	-5,982	-5,046	-5,952
Free Cash Flow Margin %	-179.3%	-123.6%	-114.2%

In Millions of USD (except for per share items)

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**Buying Index™** 7


**Value Rating** 

<b>Economic Castle</b> Neutral	<b>Estimated Fair Value</b> \$61.00	<b>Fair Value Range</b> \$49.00 - \$73.00
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<b>Investment Style</b> LARGE-CAP BLEND
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<b>Sector</b> Financials
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<b>Industry</b> REITs
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**Economic Profit Analysis****ValueCreation™****POOR**

The best measure of a firm's ability to create value for shareholders is expressed by comparing its return on invested capital (ROIC) with its weighted average cost of capital (WACC). The gap or difference between ROIC and WACC is called the firm's economic profit spread. Realty Income Corp's 3-year historical return on invested capital (without goodwill) is 4.6%, which is below the estimate of its cost of capital of 6.6%. As such, we assign the firm a ValueCreation™ rating of POOR. In the chart to the right, we show the probable path of ROIC in the years ahead based on the estimated volatility of key drivers behind the measure. The solid grey line reflects the most likely outcome, in our opinion, and represents the scenario that results in our fair value estimate.

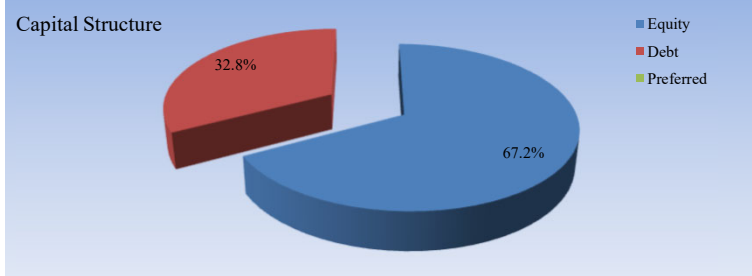
ROIC - WACC Spread, 3-year historical average	-2.0%
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ROIC - WACC Spread, 5-year projected average	-1.8%
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These spreads equal the firm's annual average ROIC (excluding goodwill) less its WACC.

**ValueTrend™****POSITIVE**

Realty Income Corp receives a ValueTrend™ rating of POSITIVE, which is based on the company's trailing three-year performance. The firm's ROIC (excluding goodwill) increased to 5.1% last year from its trailing 3-year average of 4.6%. We expect ROIC (excluding goodwill) to be in the ballpark of about 5% by the end of our discrete forecast period, with upside potential to about 7% over that time period.

**Weighted Average Cost of Capital (WACC)****Cost of Equity**

Risk Free Rate Assumption	4.3%
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Fundamental Beta (ERP multiplier)	0.5
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Estimated Equity Risk Premium	6.5%
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<b>Cost of Equity Assumption</b>	<b>7.6%</b>
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**After-tax Cost of Debt**

Risk Free Rate Assumption	4.3%
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Synthetic Credit Spread	3.67%
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Cost of Debt Assumption	8.0%
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Cash Tax Rate Assumption	5.0%
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<b>After-tax Cost of Debt Assumption</b>	<b>7.6%</b>
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**Cost of Preferred Stock**

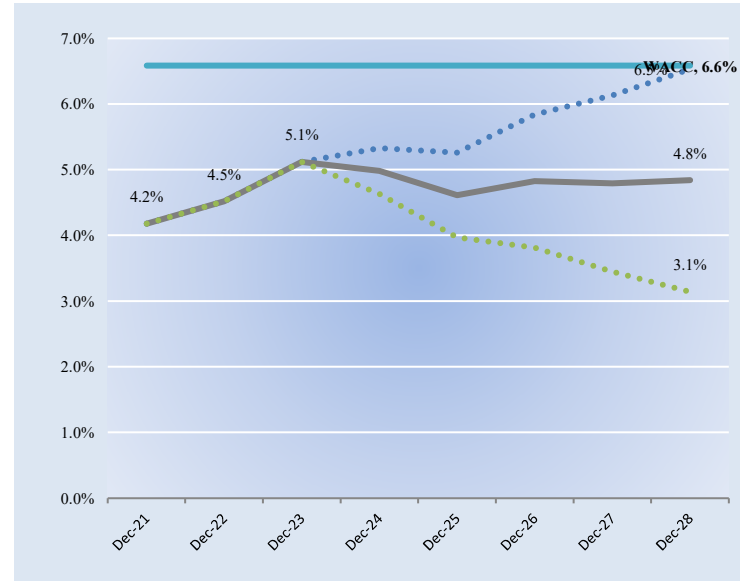
Preferred Dividends	0
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Value of Preferred Stock	0
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Cost of Preferred Assumption	NA
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<b>Weighted Average Cost of Capital (WACC)</b>	<b>6.6%</b>
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ERP = Equity Risk Premium

**Return on Invested Capital (ROIC)**

The graph above shows the firm's ROIC (excluding goodwill) compared with historical averages and its WACC.

**Assessment of Company Dividend Strategy****Key Strengths**

Realty Income is known as "The Monthly Dividend Company" and has paid out ~625 consecutive monthly dividends during its 50+ year operating history and has increased its payout ~115 times since going public in 1994. The REIT has solid 'A-rated' investment grade credit ratings (A3/A-), though it remains capital market dependent. In November 2021, Realty Income merged with VEREIT and subsequently spun off its office properties via a new standalone firm, Orion Office REIT. Material synergies were realized from its merger with VEREIT. We forecast Realty Income will continue growing its dividend going forward, but we've grown more cautious on the health of its dividend. Its recent deal with Spirit Realty will further complicate its operations.

**Potential Weaknesses**

REITs pay out 90% of annual taxable income and therefore are unable to meaningfully reinvest internally-generated funds, resulting in external capital-market dependence. The weak internal cash-flow retention of most REITs translates into poor raw, unadjusted Dividend Cushion ratios, which could become severe during the depths of the real estate cycle. Even though a REIT's operating cash flow may be robust, the lack of cash accumulation on the balance sheet and the massive debt needed to purchase/develop new properties can become restrictive. The adjusted Dividend Cushion ratio accounts for expectations of continued access to the capital markets, which while "normal," cannot be guaranteed in times of tight credit.

Note: Valuentum may provide an adjusted ROIC measure to better reflect the economic substance of a company's operations, as in the case of companies with negative invested capital.

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LARGE-CAP BLEND

**Sector**  
Financials

**Industry**  
REITs

## Growth Analysis

### Revenue Growth

**HIGH**

		Last Fiscal Year Revenue	3-year Historical CAGR	5-year Projected CAGR
<b>Realty Income Corp</b>	USD	<b>4,082</b>	<b>35.3%</b>	<b>12.7%</b>
Digital Realty Trust	USD	5,447	12.3%	8.3%
Public Storage	USD	4,546	14.9%	4.5%
Simon Property	USD	5,659	7.1%	2.1%
Welltower	USD	6,638	13.1%	<b>14.0%</b>
Peer Median			12.7%	6.4%
Industry Median			9.7%	7.9%

Realty Income Corp's revenue expansion has been greater than the median of both its peer group and industry group during the past three years. We expect the firm's revenue expansion to outpace the median of its peer group and industry group during the next five years. Our growth assessment of each firm is based on the firm's 5-year forward revenue CAGR. Realty Income Corp's future pace of revenue growth is HIGH, in our opinion.

### EBITDA Growth

		Last Fiscal Year EBITDA	3-year Historical CAGR	5-year Projected CAGR
<b>Realty Income Corp</b>	USD	<b>3,620</b>	<b>35.0%</b>	<b>10.6%</b>
Digital Realty Trust	USD	2,386	6.2%	17.9%
Public Storage	USD	3,302	17.3%	4.6%
Simon Property	USD	4,107	7.9%	6.0%
Welltower	USD	2,565	10.1%	<b>21.1%</b>
Peer Median			9.0%	12.0%
Industry Median			9.1%	8.6%

Realty Income Corp's EBITDA expansion has been greater than that of both its peer group and industry group during the past three years. We expect the firm's EBITDA to trail its peer group but outpace that of its industry group during the next five years. Welltower sports the highest EBITDA growth rate among peers.

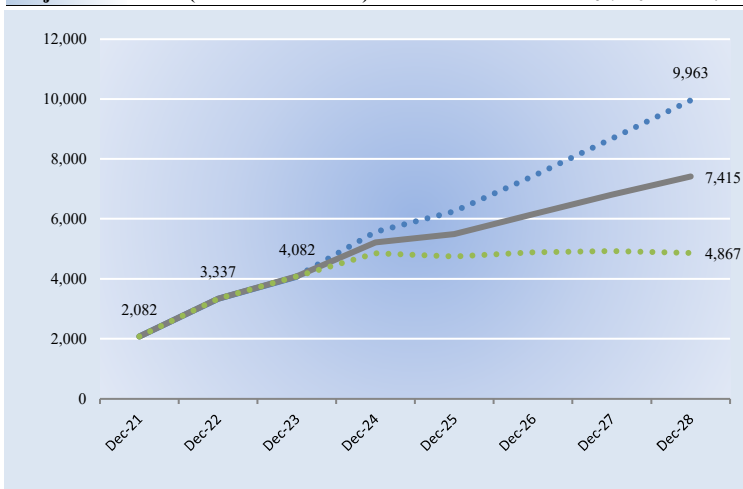
### Funds from Operations Growth

		Last Fiscal Year FFO	3-year Historical CAGR	5-year Projected CAGR
<b>Realty Income Corp</b>	USD	<b>2,775</b>	<b>33.2%</b>	<b>14.2%</b>
Digital Realty Trust	USD	1,916	11.5%	20.3%
Public Storage	USD	2,464	16.5%	4.9%
Simon Property	USD	4,686	13.1%	2.4%
Welltower	USD	1,763	16.9%	<b>28.7%</b>
Peer Median			14.8%	12.6%
Industry Median			13.6%	12.8%

Realty Income Corp's FFO expansion has been greater than that of both its peer group and industry group during the past three years. We expect the firm's FFO expansion to outpace its peer group and industry group during the next five years. Welltower sports the highest FFO growth rate among peers.

### Projected Revenue (in millions of USD)

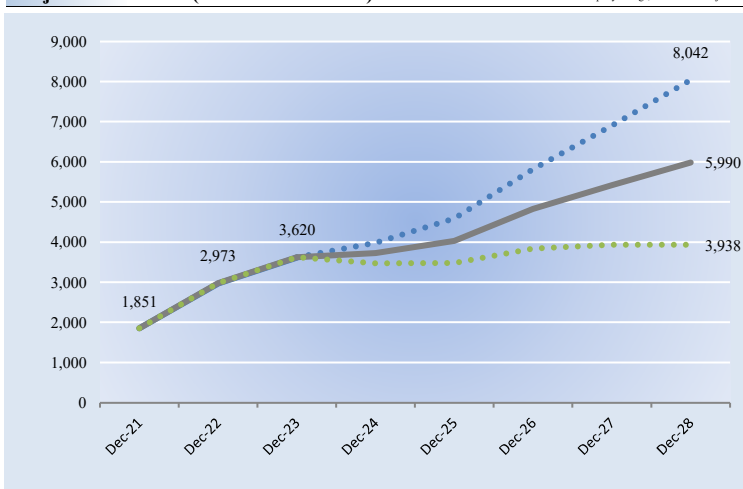
Source: Company Filings, Valuentum Projections



In the chart above, we show our baseline forecast for revenue as well as potential upside and downside cases.

### Projected EBITDA (in millions of USD)

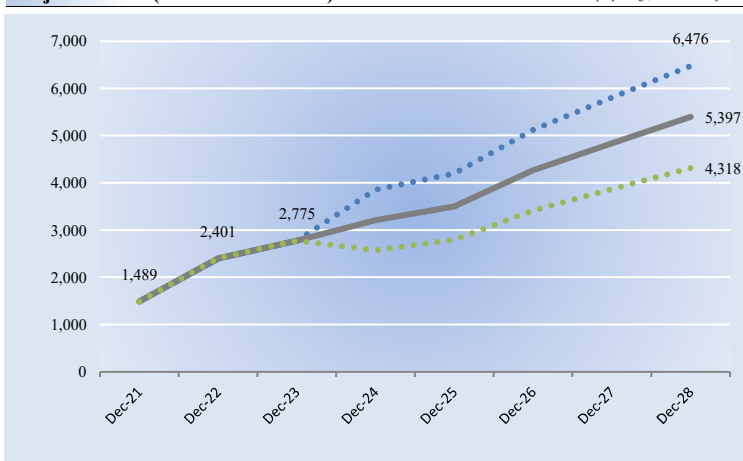
Source: Company Filings, Valuentum Projections



In the chart above, we show our baseline forecast for EBITDA as well as potential upside and downside cases.

### Projected FFO (in millions of USD)

Source: Company Filings, Valuentum Projections



In the chart above, we show our baseline forecast for net income as well as potential upside and downside cases.

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Neutral

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\$61.00

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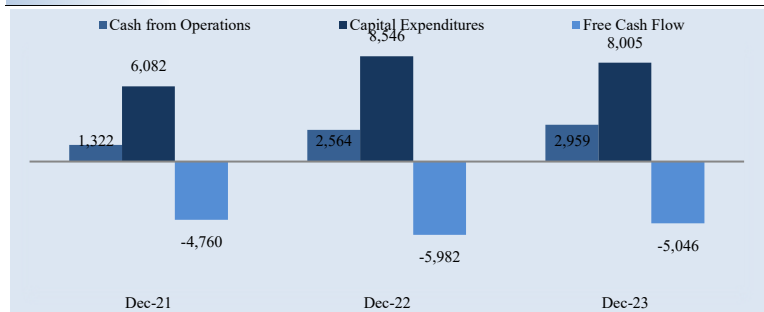
**Investment Style**  
LARGE-CAP BLEND

**Sector**  
Financials

**Industry**  
REITs

## Cash Flow and Financial Leverage Analysis

### Cash Flow Generation WEAK



The bars above show the firms operating cash flow, capital expenditures, and free cash flow, respectively.

Firms that generate a free cash flow margin (free cash flow divided by total revenue) above 5% are usually considered cash cows. Realty Income Corp's free cash flow margin has averaged about -177.2% during the past 3 years. As such, we think the firm's cash flow generation is relatively WEAK. The free cash flow measure shown above is derived by taking cash flow from operations less capital expenditures and differs from enterprise free cash flow (FCFF), which we use in deriving our fair value estimate for the company. For more information on the differences between these two measures, please visit our website at Valuentum.com. At Realty Income Corp, cash flow from operations increased about 124% from levels registered two years ago, while capital expenditures expanded about 32% over the same time period.

### Cash Flow from Operations

	Last Fiscal Year CFO	3-year Historical CAGR	5-year Projected CAGR
<b>Realty Income Corp</b>	USD 2,959	38.4%	14.5%
Digital Realty Trust	USD 1,635	-1.4%	24.1%
Public Storage	USD 3,247	16.7%	6.4%
Simon Property	USD 3,931	19.1%	7.4%
Welltower	USD 1,602	5.5%	31.2%
Peer Median		11.1%	15.8%
Industry Median		8.4%	12.4%

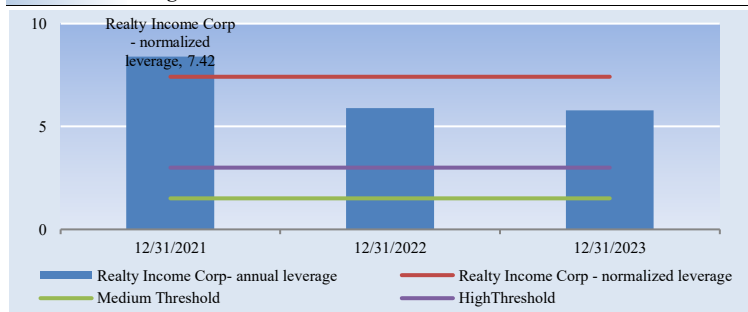
Realty Income Corp's cash flow from operations expansion has been greater than that of both its peer group and industry group during the past three years. We expect the firm's cash flow from operations to trail its peer group but outpace that of its industry group during the next five years. Welltower sports the highest expected cash flow from operations growth rate among peers.

### Free Cash Flow (CFO-capital expenditures)

	Last Fiscal Year FCF	3-year Historical CAGR	5-year Projected CAGR
<b>Realty Income Corp</b>	USD -5,046	76.5%	-22.5%
Digital Realty Trust	USD -1,891	74.2%	-194.3%
Public Storage	USD 2,073	31.8%	9.9%
Simon Property	USD 3,138	19.4%	7.1%
Welltower	USD 19	-72.6%	183.8%
Peer Median		25.6%	8.5%
Industry Median		-17.7%	8.7%

Realty Income Corp's free cash flow expansion has been greater than that of both its peer group and industry group during the past three years. We expect the firm's pace of free cash flow growth to fall below that of both its peer group and industry group during the next five years. Welltower sports the highest expected free cash flow growth rate among peers.

### Financial Leverage HIGH

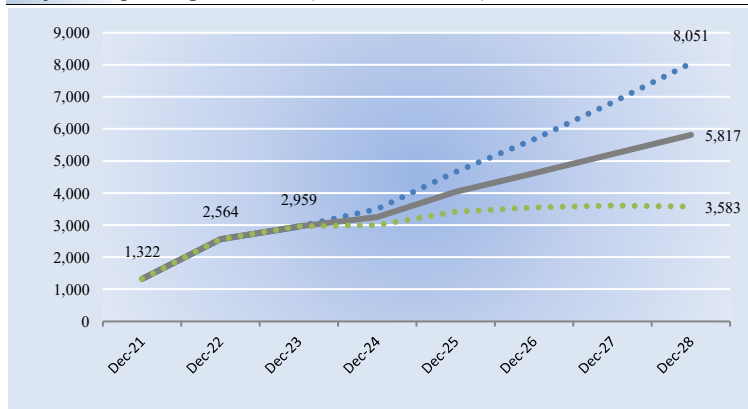


The bars above show the firm's annual debt-to-EBITDA. The red line shows the firm's normalized measure.

Firms that exhibit high leverage tend to be more risky than firms with relatively low debt loads, all else equal. We measure financial leverage by taking a firm's current total debt load and dividing it by the firm's trailing average 3-year annual EBITDA. Firms that are over 3 for this metric, we rate as having high leverage. Companies that have less than 1.5 turns of leverage (or a measure below 1.5), we rate as having low leverage. Realty Income Corp's normalized debt-to-EBITDA measure of about 7.42 puts it in the HIGH camp.

### Projected Operating Cash Flow (in millions of USD)

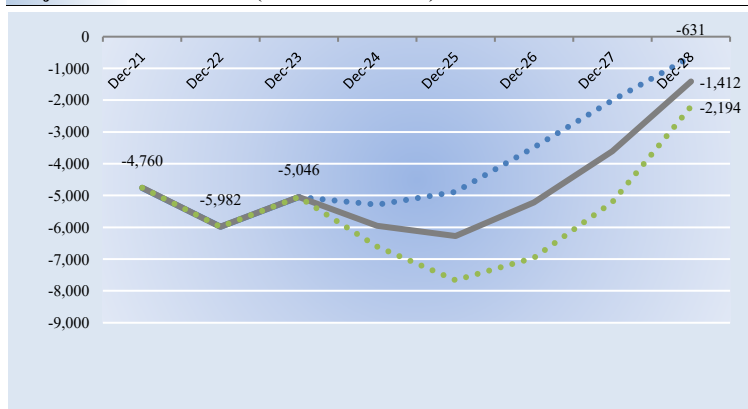
Source: Company Filings, Valuentum Projections



In the chart above, we show our baseline forecast for CFO as well as potential upside and downside cases.

### Projected Free Cash Flow (in millions of USD)

Source: Company Filings, Valuentum Projections



In the chart above, we show our baseline forecast for free cash flow as well as potential upside and downside cases.

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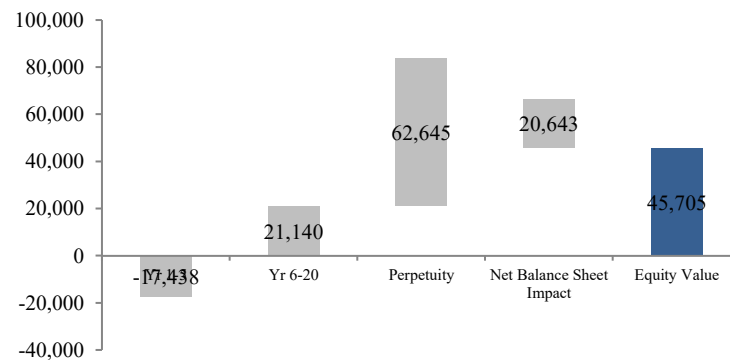
**Industry**  
REITs
**Valuation Analysis****Valuation Assumptions**

In Millions of USD (except for per share items)

	5-year Projections	
Revenue CAGR %	12.7%	
Avg. EBIT Margin %	35.6%	
Avg. Cash Tax Rate %	5.0%	
Earnings Before Interest CAGR %	10.2%	
Earnings Per Share CAGR %	12.8%	
Free Cash Flow to the Firm CAGR %	-28.2%	
Earnings before interest = Net operating profits less adjusted taxes		
	Long-term Projections	
Phase II --> III FCF CAGR %	-214.9% (II)	3% (III)
Cost of Equity %	7.6%	
After-tax Cost of Debt %	4.6%	
Discount Rate (WACC) %	6.6%	
Synthetic credit spread = 3.667%		
	Results	
Phase I Present Value	-17,438	
Phase II Present Value	21,140	
Phase III Present Value	62,645	
Total Firm Value	66,348	
Net Balance Sheet Impact	-20,643	
Total Equity Value	45,705	
Diluted Shares Outstanding	748.4	
Fair Value per Share	\$61.00	

**Valuation Breakdown**

In the chart below, we show the build up to our estimate of total enterprise value for Realty Income Corp and the break down to the firm's total equity value, which we estimate to be about 45.71USD billion. The present value of the enterprise free cash flows generated during each phase of our model and the net balance sheet impact is displayed. We divide total equity value by diluted shares outstanding to arrive at our \$61 per share fair value estimate.



In Millions of USD

**DCF Valuation Summary**

We think Realty Income Corp is worth \$61 per share with a fair value range of \$49.00 - \$73.00. The margin of safety around our fair value estimate is driven by the firm's LOW ValueRisk™ rating, which is derived from an evaluation of the historical volatility of key valuation drivers and a future assessment of them. Our near-term operating forecasts, including revenue and earnings, do not differ much from consensus estimates or management guidance. Our model reflects a compound annual revenue growth rate of 12.7% during the next five years, a pace that is lower than the firm's 3-year historical compound annual growth rate of 35.3%. Our model reflects a 5-year projected average operating margin of 35.6%, which is below Realty Income Corp's trailing 3-year average. Beyond year 5, we assume free cash flow will grow at an annual rate of -214.9% for the next 15 years and 3% in perpetuity. For Realty Income Corp, we use a 6.6% weighted average cost of capital to discount future free cash flows.

Source: Company Filings, Valuentum Projections

**Company Metrics versus Peer and Industry Medians**

Company Name	Valuentum Buying Index™	Forward Price-to-Earnings	P/E on Est. Normal Diluted EPS	Price/Earnings-to-Growth (PEG), 5-year	Forward EV/EBITDA	EV/Est. Normal EBITDA	5-year Forward Earnings per Share CAGR	3-year Hist Avg ROIC, without goodwill	Dividend Yield %	Stock Price / Fair Value Estimate
<b>Realty Income Corp</b>	<b>7</b>	<b>13.3</b>	<b>30.4</b>	<b>1.1</b>	<b>17.0</b>	<b>13.2</b>	<b>12.8%</b>	<b>4.6%</b>	<b>5.6%</b>	<b>93.6%</b>
Digital Realty Trust	6	25.5	57.4	NMF	26.5	19.6	NMF	-0.2%	2.7%	109.4%
Public Storage	3	17.4	23.6	2.0	21.5	18.5	3.0%	10.3%	4.0%	94.4%
Simon Property	3	13.7	26.1	8.9	17.0	16.2	0.5%	11.8%	4.8%	99.3%
Welltower	6	33.1	47.7	0.8	26.0	17.8	49.3%	2.7%	1.9%	101.5%
Peer Median	4.5	21.4	36.9	2.0	23.8	18.2	3.0%	6.5%	3.3%	100.4%
Industry Median	4.0	17.4	29.6	1.1	20.6	16.6	8.9%	5.3%	4.0%	99.3%

View back of report for a full list of industry constituents covered by Valuentum. VBI: Valuentum's ranking for the attractiveness of this investment at the date of the report.



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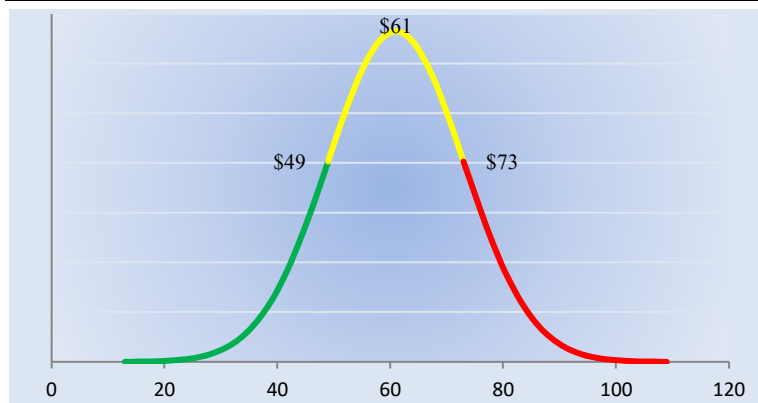
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## Margin of Safety Analysis

### Range of Potential Outcomes



Our discounted cash flow process values each firm on the basis of the present value of all future free cash flows. Although we estimate the firm's fair value at about \$61 per share, every company has a range of probable fair values that's created by the uncertainty of key valuation drivers (like future revenue or earnings, for example). After all, if the future were known with certainty, we wouldn't see much volatility in the markets as stocks would trade precisely at their known fair values. Our ValueRisk™ rating sets the margin of safety or the fair value range we assign to each stock. In the graph above, we show this probable range of fair values for Realty Income Corp. We think the firm is attractive below \$49 per share (the green line), but quite expensive above \$73 per share (the red line). The prices that fall along the yellow line, which includes our fair value estimate, represent a reasonable valuation for the firm, in our opinion.

### ValueRisk™

**LOW**

Realty Income Corp receives a ValueRisk™ rating of LOW based of the historical volatility of key drivers of economic value creation. The fair value range sets the margin of safety around our fair value estimate of the firm's shares.

Revenue Volatility	27.5%
Gross Margin Volatility	27.3%
Earnings (EBI) Volatility	28.0%
Cash Flow (FCFF) Volatility	49.3%
<b>Fair Value Range</b>	<b>20.0%</b>

The Fair Value Range sets the premium or discount on our estimate of the firm's fair value.

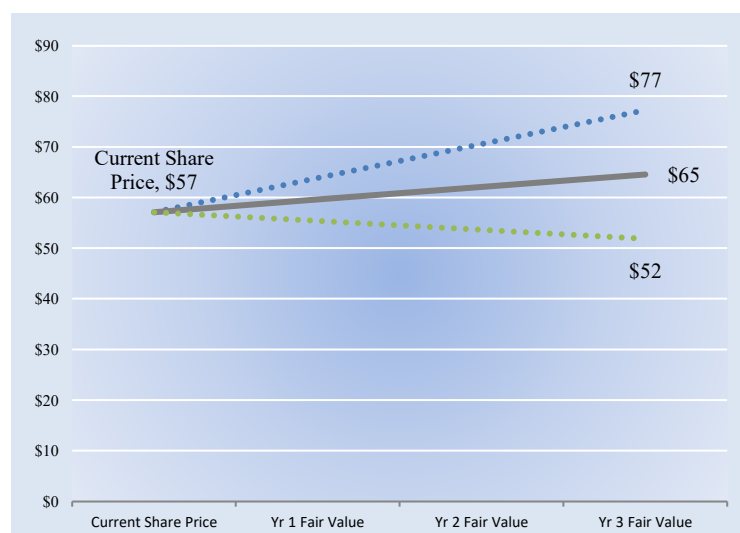
### Upside and Downside Probabilities

Probability (fair value < \$0)	Less than 0.1%
Probability (fair value > 2x current share price)	0.00%

We strive to answer a few questions that investors often ask: 1) What are the chances of a total loss of investment in this company? and 2) What is the chance that the company is really worth twice what I paid for it? The probability (fair value < 0) strives to answer the first question. It indicates the chance that the firm may encounter insolvency based on the characteristics of its cash flow stream, capital structure, and risk profile. The probability (fair value > 2x current share price) strives to answer the second question. It is our best estimate of whether investors are participating in a half-off sale by buying the company's shares at current prices.

### Future Path of Fair Value

We estimate Realty Income Corp's fair value at this point in time to be about \$61 per share. As time passes, however, companies generate cash flow and pay out cash to shareholders in the form of dividends. The chart to the right compares the firm's current share price with the path of Realty Income Corp's expected equity value per share over the next three years, assuming our long-term projections prove accurate. The range between the resulting downside fair value and upside fair value in Year 3 represents our best estimate of the value of the firm's shares three years hence. This range of potential outcomes is also subject to change over time, should our views on the firm's future cash flow potential change. The expected fair value of \$65 per share in Year 3 represents our existing fair value per share of \$61 increased at an annual rate of the firm's cost of equity less its dividend yield. The upside and downside ranges are derived in the same way, but from the upper and lower bounds of our fair value estimate range.



The graph above shows the expected future fair value of the firm's shares relative to its current stock price.

# Realty Income Corp O FAIRLY VALUED

**Valuentum**  
**Buying Index™ 7**

**Valuentum**  
**Value Rating**

**Economic Castle**  
Neutral

**Estimated Fair Value**  
\$61.00

**Fair Value Range**  
\$49.00 - \$73.00

**Investment Style**  
LARGE-CAP BLEND

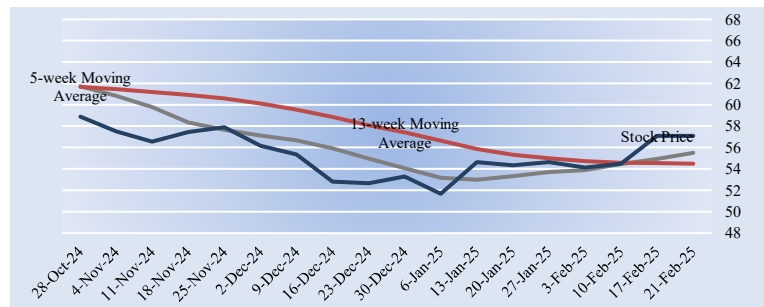
**Sector**  
Financials

**Industry**  
REITs

## Technical Analysis

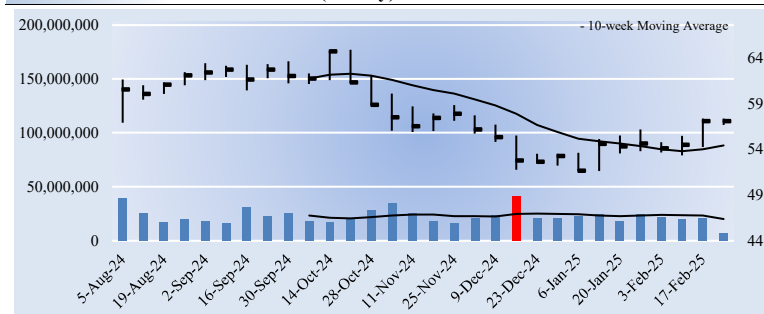
### Technical Evaluation

**BULLISH**



The firm's near-term moving average (5-week, grey line) and medium-term moving average (13-week, red line) are shown in the chart above. Typically, when a shorter-term moving average crosses a medium- or longer-term moving average from below, it represents a bullish signal. If the short-term moving average crosses from above, traders often view this as bearish. Realty Income Corp's 5-week moving average resides above its 13-week measure, indicating a BULLISH trend. Such a move could indicate a reversal in the firm's 30-week downtrend.

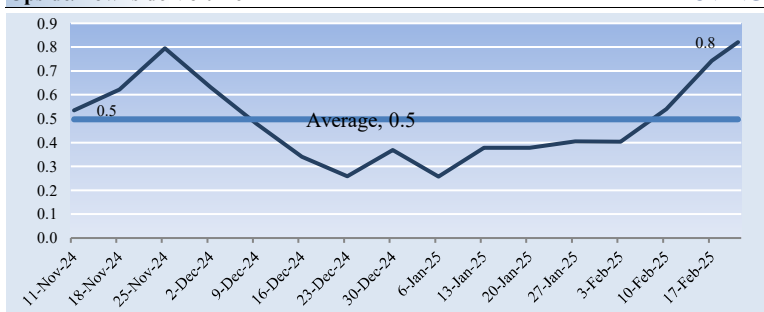
### 30-week Price and Volume Chart (weekly)



In the chart above, we pinpoint the heaviest accumulation or distribution week of the firm, determined by the week with the highest trading volume during the past 30 weeks. A heavy accumulation (buying) or distribution (selling) week often determines the future near-term direction of the firm's share price, as money managers continue to move in or out of the stock in the days and weeks ahead driving the stock up or down, respectively. For Realty Income Corp, the week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar). Such market activity could indicate a reversal of an uptrend or further confirmation of a downtrend.

### Upside/Downside Volume

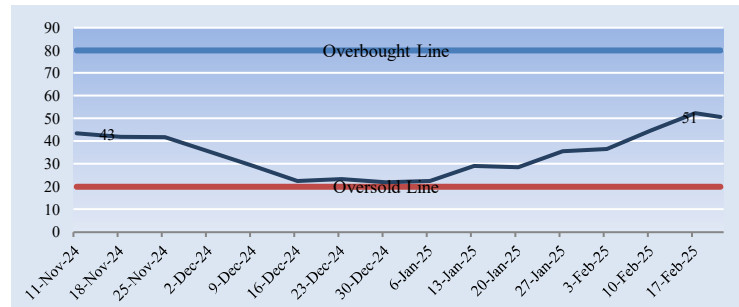
**IMPROVING**



The level and trend of the Upside/Downside (U/D) volume ratio reveals whether institutional participation has been bullish or bearish as of late. Although Realty Income Corp's U/D volume ratio of 0.8 is less than 1, it resides above its trailing average, indicating bearish but IMPROVING institutional interest during the past several weeks.

### Money Flow Index (MFI)

**NEUTRAL**



The Money Flow Index (MFI) is an oscillator that uses price and volume to measure buying and selling pressure. Chartists often look for overbought (above 80) and oversold (below 20) levels to warn of unsustainable near-term price extremes. Realty Income Corp's MFI of 51 is neutral, suggesting the firm's stock is neither overbought nor oversold at this time. However, a score over 50 tends to favor bulls. The MFI can also be used to gauge the strength or weakness of a firm's price trend. In Realty Income Corp's case, its stock price and money flow neither reveals a bullish nor bearish divergence, further supporting our neutral view on its money flow action.

### Relative Price Strength

**WEAK**

A firm's relative price strength can be assessed over any number of time horizons. We show the firm's performance over the past 5 weeks, 13 weeks, and 30 weeks below. In arriving at our relative strength rating for each company, we assess the past 13 weeks, which includes the market's reaction to the firm's most recently reported quarter, where applicable, and other more recent economic events. During the past 13 weeks, Realty Income Corp's shares returned -0.8%, while the market benchmark returned 4.5%. We think Realty Income Corp's 13-week relative price performance is WEAK.

5-week Company Performance	3.6%
5-week Market Benchmark Performance	0.8%
5-week Relative Performance vs. Market Benchmark	2.8%
13-week Company Performance	-0.8%
13-week Market Benchmark Performance	4.5%
<b>13-week Relative Performance vs. Market Benchmark</b>	<b>-5.3%</b>
30-week Company Performance	0.4%
30-week Market Benchmark Performance	15.4%
30-week Relative Performance vs. Market Benchmark	-15.0%

### Timeliness Matrix™

Equity Valuation

Relative Strength	Overvalued	Fairly Valued	Undervalued
Strong			
Neutral			
Weak			

Firms that are undervalued and currently showing near-term pricing strength score near the top right of the matrix.

Companies that are undervalued and showing near-term relative price strength could represent timely buys, as the stock may be attractive to both value and momentum investors. A cross section of the firm's equity valuation and its relative share price strength is shown in the matrix above. We tend to prefer undervalued stocks that have strong pricing momentum, also called Valuentum stocks.

**Realty Income Corp O FAIRLY VALUED****Buying Index™ 7****Value Rating**

<b>Economic Castle</b> Neutral	<b>Estimated Fair Value</b> \$61.00	<b>Fair Value Range</b> \$49.00 - \$73.00	<b>Investment Style</b> LARGE-CAP BLEND	<b>Sector</b> Financials	<b>Industry</b> REITs
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**Pro Forma Income Statement**

----- Historical -----

In Millions of USD (except for per share items)

	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25
Total Revenue	2,082	3,337	4,082	5,214	5,497
Cost of Goods Sold	134	226	317	391	426
Selling, General and Administrative Expenses	97	139	145	209	234
Other Operating Expenses	898	1,670	1,895	3,024	3,078
<b>Operating Income</b>	<b>953</b>	<b>1,302</b>	<b>1,725</b>	<b>1,590</b>	<b>1,759</b>
Unusual items	0	0	0	0	0
Operating Income, including unusual items	953	1,302	1,725	1,590	1,759
Interest Expense	(324)	(465)	(730)	(465)	(465)
Other Non-operating Income	11	17	10	10	0
<b>Pre-tax Income</b>	<b>640</b>	<b>854</b>	<b>1,005</b>	<b>1,135</b>	<b>1,294</b>
Income Taxes	32	45	52	57	65
<b>Income after tax</b>	<b>609</b>	<b>809</b>	<b>953</b>	<b>1,079</b>	<b>1,229</b>
Minority Interest and Equity Income	(1)	(3)	(5)	(5)	(5)
Net Income, excluding extra items	607	806	948	1,074	1,224
<b>Income Available to Common, excluding extra items</b>	<b>359</b>	<b>869</b>	<b>872</b>	<b>1,074</b>	<b>1,224</b>
<b>Diluted Earnings per Share, excluding extra items</b>	<b>0.87</b>	<b>1.42</b>	<b>1.26</b>	<b>1.44</b>	<b>1.51</b>
Diluted Weighted Shares Outstanding	414.8	612.2	693.0	748.4	808.3

Source: Company Filings, Xignite, Valuentum Projections

Note: Pro forma data in discounted cash-flow valuation may reflect significant adjustments from GAAP accounting data, including cash (not effective) tax rates and other analytical adjustments on a backward-looking and forward-looking basis. No individual data, by itself, found in this report should be used to make any investment decision.



**Realty Income Corp O FAIRLY VALUED****Buying Index™ 7****Value Rating**

<b>Economic Castle</b> Neutral	<b>Estimated Fair Value</b> \$61.00	<b>Fair Value Range</b> \$49.00 - \$73.00	<b>Investment Style</b> LARGE-CAP BLEND	<b>Sector</b> Financials	<b>Industry</b> REITs
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**Pro Forma Balance Sheet**

----- Historical -----

In Millions of USD (except for per share items)

	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25
<b>Assets</b>					
Total Cash (including marketable securities)	259	171	233	(1,028)	(63)
Inventory	0	0	0	0	0
Accounts Receivable	780	1,574	2,413	2,995	3,064
Other Current Assets	159	135	127	127	127
<b>Total Current Assets</b>	<b>1,197</b>	<b>1,880</b>	<b>2,773</b>	<b>2,094</b>	<b>3,128</b>
Gross Fixed Assets	36,770	43,740	50,901	60,107	70,417
(Accumulated Depreciation)	(3,950)	(4,904)	(6,072)	(7,558)	(9,180)
Net Property, Plant, and Equipment	32,820	38,836	44,829	52,548	61,237
Goodwill, Net	3,677	3,732	3,732	3,732	3,732
Intangibles, Net	5,275	5,168	5,018	4,367	3,716
Other Long-term Assets	168	57	1,429	2,857	2,857
<b>Total Assets</b>	<b>43,138</b>	<b>49,673</b>	<b>57,779</b>	<b>65,598</b>	<b>74,670</b>
<b>Liabilities</b>					
Accounts Payable	44	56	67	84	94
Other Current Liabilities	383	444	748	749	745
Current Portion of Long-term Debt	0	0	741	741	741
<b>Total Current Liabilities</b>	<b>428</b>	<b>500</b>	<b>1,555</b>	<b>1,574</b>	<b>1,580</b>
Long-term Debt	15,513	17,474	20,135	25,500	32,000
Other Long-term Liabilities	2,144	2,986	3,148	3,148	3,148
<b>Total Liabilities</b>	<b>18,085</b>	<b>20,960</b>	<b>24,838</b>	<b>30,222</b>	<b>36,728</b>
Preferred Stock	0	0	0	0	0
<b>Shareholders' Equity</b>					
Common Stock and Additional Paid in Capital	29,578	34,160	39,630	42,795	46,213
Retained Earnings	0	0	0	(1,331)	(2,783)
Other Equity	(4,526)	(5,446)	(6,688)	(6,088)	(5,488)
<b>Total Shareholders' Equity</b>	<b>25,053</b>	<b>28,713</b>	<b>32,942</b>	<b>35,375</b>	<b>37,942</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>43,138</b>	<b>49,673</b>	<b>57,779</b>	<b>65,598</b>	<b>74,670</b>

Source: Company Filings, Xignite, Valuentum Projections

Note: Pro forma data in discounted cash-flow valuation may reflect significant adjustments from GAAP accounting data, including cash (not effective) tax rates and other analytical adjustments on a backward-looking and forward-looking basis. No individual data, by itself, found in this report should be used to make any investment decision.

**Realty Income Corp O FAIRLY VALUED****Buying Index™ 7****Value Rating**

<b>Economic Castle</b> Neutral	<b>Estimated Fair Value</b> \$61.00	<b>Fair Value Range</b> \$49.00 - \$73.00	<b>Investment Style</b> LARGE-CAP BLEND	<b>Sector</b> Financials	<b>Industry</b> REITs
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**Pro Forma Cash Flow Statement**

----- Historical -----

In Millions of USD (except for per share items)

	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25
<b>Cash from Operations</b>					
Net Income	359	869	872	1,079	1,229
Depreciation and Amortization	898	1,670	1,895	2,137	2,273
Deferred Income Taxes	0	0	0	0	0
Operating Gains Or Losses	65	24	191	600	600
Changes in Working Capital	(0)	(0)	(0)	(562)	(64)
<b>Cash Flow from Operations</b>	<b>1,322</b>	<b>2,564</b>	<b>2,959</b>	<b>3,253</b>	<b>4,038</b>
<b>Cash from Investing</b>					
Purchase of Property, Plant, Equipment	(6,082)	(8,546)	(8,005)	(9,206)	(10,310)
Other Investing Cash Flows	(356)	159	(1,350)	0	0
<b>Cash Flow from Investing</b>	<b>(6,438)</b>	<b>(8,387)</b>	<b>(9,355)</b>	<b>(9,206)</b>	<b>(10,310)</b>
<b>Cash from Financing</b>					
Issuance (Retirement) of Stock	4,454	4,568	5,451	3,165	3,418
Issuance (Retirement) of Debt	841	2,947	3,187	5,365	6,500
Dividends Paid	(1,169)	(1,813)	(2,112)	(2,410)	(2,681)
Other Financing Cash Flows	452	37	(89)	0	0
<b>Cash Flow from Financing</b>	<b>4,577</b>	<b>5,738</b>	<b>6,437</b>	<b>6,120</b>	<b>7,237</b>
Foreign Exchange	20	(21)	24	0	0
<b>Net Change in Cash</b>	<b>(518)</b>	<b>(105)</b>	<b>65</b>	<b>168</b>	<b>965</b>

Source: Company Filings, Xignite, Valuentum Projections

Note: Pro forma data in discounted cash-flow valuation may reflect significant adjustments from GAAP accounting data, including cash (not effective) tax rates and other analytical adjustments on a backward-looking and forward-looking basis. No individual data, by itself, found in this report should be used to make any investment decision.

# Realty Income Corp O FAIRLY VALUED

**Buying Index™** 7

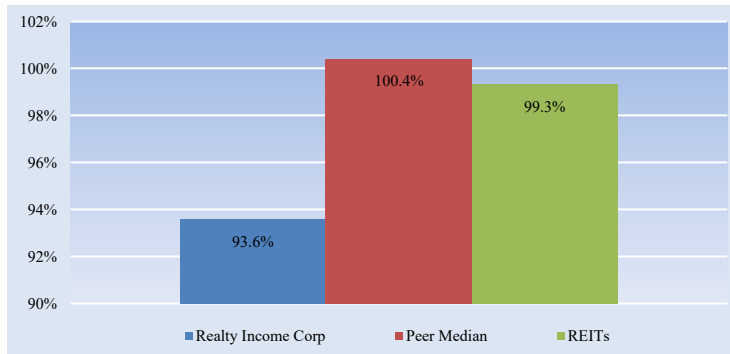
**Value Rating** 

<b>Economic Castle</b> Neutral	<b>Estimated Fair Value</b> \$61.00	<b>Fair Value Range</b> \$49.00 - \$73.00	<b>Investment Style</b> LARGE-CAP BLEND	<b>Sector</b> Financials	<b>Industry</b> REITs
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## REITs

### REITs FAIRLY VALUED

We think the REITs industry is fairly valued at this time. The industry's market cap is trading between 80% and 120% of our estimate of its fair value based on our DCF process. Although we use a firm-specific ValueRisk™ measure to determine whether a firm is undervalued or overvalued based on our DCF process, we consider an industry to be undervalued if it is trading below 80% of our estimate of its fair value and overvalued if it is trading at over 120% of our estimate of its fair value. We think these fair value ranges are appropriate given the diversification benefits of holding a basket of stocks. Although there may be individual opportunities within the REITs industry, we don't find the industry as a whole attractive based solely on valuation.



The above bar chart reveals the price/fair value of the company, its peers, and the industry as a whole.

Shaded blue denotes that the firm has earned the highest rating for that respective category.

Company Name	Ticker	Market Cap (USD-mil)	Investment Style	DCF Valuation	Relative Valuation	ValueCreation™	ValueRisk™	ValueTrend™	Technicals	Relative Strength
CubeSmart	CUBE	9,876	MID-CAP VALUE	FAIRLY VALUED	NEUTRAL	GOOD	LOW	POSITIVE	BEARISH	WEAK
Digital Realty Trust	DLR	56,823	LARGE-CAP CORE	FAIRLY VALUED	UNATTRACTIVE	VERY POOR	MEDIUM	NEGATIVE	VERY BULLISH	NEUTRAL
Equinix	EQIX	89,484	LARGE-CAP VALUE	FAIRLY VALUED	NEUTRAL	POOR	LOW	NEGATIVE	BEARISH	WEAK
Extra Space Storage	EXR	26,866	LARGE-CAP VALUE	FAIRLY VALUED	ATTRACTIVE	GOOD	LOW	NEGATIVE	BULLISH	WEAK
Federal Realty	FRT	8,778	MID-CAP VALUE	FAIRLY VALUED	ATTRACTIVE	POOR	MEDIUM	POSITIVE	BEARISH	WEAK
Iron Mountain	IRM	32,643	LARGE-CAP GROWTH	FAIRLY VALUED	NEUTRAL	GOOD	MEDIUM	POSITIVE	BEARISH	WEAK
Omega Healthcare	OHI	9,735	MID-CAP VALUE	FAIRLY VALUED	ATTRACTIVE	POOR	MEDIUM	POSITIVE	BEARISH	WEAK
Public Storage	PSA	52,513	LARGE-CAP VALUE	FAIRLY VALUED	NEUTRAL	GOOD	MEDIUM	POSITIVE	BEARISH	WEAK
Realty Income Corp	O	42,728	LARGE-CAP BLEND	FAIRLY VALUED	ATTRACTIVE	POOR	LOW	POSITIVE	BULLISH	WEAK
Regency	REG	12,867	LARGE-CAP CORE	FAIRLY VALUED	NEUTRAL	POOR	MEDIUM	POSITIVE	BEARISH	WEAK
Simon Property	SPG	57,448	LARGE-CAP VALUE	FAIRLY VALUED	NEUTRAL	GOOD	LOW	POSITIVE	BEARISH	NEUTRAL
Ventas	VTR	25,088	LARGE-CAP VALUE	FAIRLY VALUED	NEUTRAL	POOR	LOW	POSITIVE	VERY BULLISH	WEAK
Welltower	WELL	73,697	LARGE-CAP GROWTH	FAIRLY VALUED	NEUTRAL	POOR	LOW	POSITIVE	BULLISH	NEUTRAL

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# Valuentum's Full Page Stock Report

**A DCF Valuation**  
Shows whether the firm is undervalued, fairly valued, or overvalued based on our DCF process and by how much.

**B Valuentum Buying Index (VBI)**  
Provides insight into the timeliness of an investment opportunity. We rank firms from 1 to 10 based on rigorous financial, valuation, and technical analysis. A 10 represents one of our top picks.

**C Valuentum Value Rating (VVR)**  
Indicates whether we think a firm is undervalued, fairly valued, or overvalued on the basis of our DCF process.



**D Investment Considerations**  
Evaluates firms on 12 different measures, from the firm's growth and cash flow generation to the stock's money flow index and upside/downside volume. We reveal technical support and resistance levels.

**E 30-week Price and Volume Action**  
Displays the last accumulation or distribution week of the stock and historical price and volume action.

Valuentum Retail Equity Research Visit us at www.valuentum.com Ratings as of 26-Oct-2016 Data as of 17-Oct-2016

**Apple AAPL UNDERVALUED** **A** **Buying Index™** **B** **Value Rating** **C**

Economic Castle Highest Rated	Estimated Fair Value \$147.00	Fair Value Range \$121.00 - \$173.00	Investment Style MEGA-CAP VALUE	Sector Information Technology	Industry Computer Hardware
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**Apple is as much a brand as it is one of the most innovative companies.**

**Stock Chart (weekly)**

The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

**Investment Consideration** **D**

DCF Valuation	UNDERVALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	BULLISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	112.00
DCF = Discounted Cash Flow, MFL U/D = Please see glossary; MA = Moving Average	

<b>Company Vitals</b> <b>G</b>		<b>Investment Highlights</b>			
Market Cap (USD)	\$675,472	<p>• Apple is as much a brand as it is one of the world's most innovative companies. The firm is no longer known for its iPods and personal computers, as the proliferation of the iPhone over the past several years has been a sight to behold. The company's execution remains top notch, and we expect it to continue to roll out innovative products in iPhones and wearable technology, its most recent major product launch.</p> <p>• Criticism over the firm's dependence on sales of the iPhone gained momentum in fiscal 2016, as the second quarter of the fiscal year marked the first quarterly sales decline in 13 years. High levels of demand for the iPhone 7 and multiple safety issues at rival Samsung have eased concerns for the time being.</p> <p>• Apple's rollout of future iterations of the iPhone should propel its fundamentals higher. Though we're not embedding another blockbuster hit in our model, we wouldn't be surprised if Apple delivers another one from its pipeline. Perhaps only a dream five years ago, the popularity of the new Apple Watch is now worth watching, though it has yet to catch fire in the eyes of consumers.</p> <p>• Investors should pay close attention to the firm's gross margin, which is expected to fall to 37.5%-38% in fiscal 2016 from 40% in fiscal 2015. Pricing and cost pressures may be unavoidable. A slight step back in fiscal 2016 should not be a major concern to investors given Apple's massive cash position and impressive track record.</p> <p>• Apple's cash hoard is more than some of the market capitalizations of the largest companies in the S&amp;P 500. The company retains tremendous flexibility in this regard, and we continue to expect dividend increases and share buybacks.</p>			
Avg Weekly Vol (30 wks)	180,295				
30-week Range (USD)	\$9.47 - 118.69				
Valuentum Sector	Information Technology				
5-week Return	1.2%				
13-week Return	18.7%				
30-week Return	10.0%				
Dividend Yield %	2.0%				
Dividends per Share	2.28				
Forward Dividend Payout Ratio	27.3%				
Est. Normal Diluted EPS	9.55				
P/E on Est. Normal Diluted EPS	12.2				
Est. Normal EBITDA	83,978				
Forward EV/EBITDA	7.2				
EV/Est. Normal EBITDA	6.4				
Forward Revenue Growth (5-yr)	1.1%				
Forward EPS Growth (5-yr)	3.1%				
NMF = Not Meaningful; Est = Estimated; FV = Fiscal Year					
<b>Returns Summary</b> <b>L</b>		<b>Relative Valuation</b> <b>K</b>			
3-year Historical Average		Firms that generate economic profits with little operating instability score near the top right of the matrix.			
Return on Equity	36.8%	BlackBerry	Forward P/E	PEG	Price / FV
Return on Assets	19.3%		-53.0	NMF	89.2%
ROIC, with goodwill	160.3%	Cray	49.4	0.9	77.3%
ROIC, without goodwill	183.4%	Hewlett-Packard	9.0	NMF	75.9%
ROIC = Return on Invested Capital; NMF = Not Meaningful		IBM	11.7	2.6	97.6%
		Peer Median	10.4	1.8	83.3%
		<b>Apple</b>	<b>14.0</b>	<b>2.0</b>	<b>79.3%</b>
		Price / FV = Current Stock Price / Estimated Fair Value			
<b>Leverage, Coverage, and Liquidity</b> <b>M</b>		<b>Financial Summary</b> <b>N</b>			
In Millions of USD		----- Actual ----- Projected			
Total Debt	64,462	Fiscal Year End:	Sep-14	Sep-15	Sep-16
Net Debt	-141,204	Revenue	182,795	233,715	215,485
Total Debt/EBITDA	0.8	Revenue, YoY%	7.0%	27.9%	-7.8%
Net Debt/EBITDA	NMF	Operating Income	52,503	71,230	63,313
EBITDA/Interest	112.5	Operating Margin %	28.7%	30.5%	29.4%
Current Ratio	1.1	Net Income	39,510	53,394	48,329
Quick Ratio	2.9	Net Income Margin %	21.6%	22.8%	22.4%
NMF = Not Meaningful		Diluted EPS	6.45	9.22	8.34
		Diluted EPS, YoY %	13.6%	42.8%	-9.5%
		Free Cash Flow (CFO-capex)	49,900	69,778	47,138
		Free Cash Flow Margin %	27.3%	29.9%	21.9%
		In Millions of USD (except for per share items)			
<b>Structure of the Computer Hardware Industry</b>		<b>NEUTRAL</b>			
The computer hardware space, which spans the personal computer to the iPhone and iPad, is highly competitive. The industry is characterized by frequent product introductions and rapid technological advances that can cause dramatic market share shifts. Though some firms benefit from a strong brand, participants often price aggressively, pressuring margins. Firms are also subject to potential component shortages/disruptions, which can punish performance. Obsolescence may be an eventuality for some, and services revenue has become critical for others. We're neutral on the space.					

**H Business Quality**  
Summary of the firm's ability to create value for shareholders compared with the underlying risk of its operations.

**J Investment Highlights**  
Our opinion of the company, including analysis of its financial and technical strengths and weaknesses.

**K Relative Valuation**  
Comparison of the firm's PE, PEG, and Price/FV ratios versus peers.

**N Financial Summary**  
A summary of the proforma financial statements found in the extended report.

**L Returns Summary**  
3-year averages of the firm's key return measures, including return on invested capital, with and without goodwill.

**M Leverage, Coverage, and Liquidity**  
A snapshot of the company's financial health.



## About Valuentum

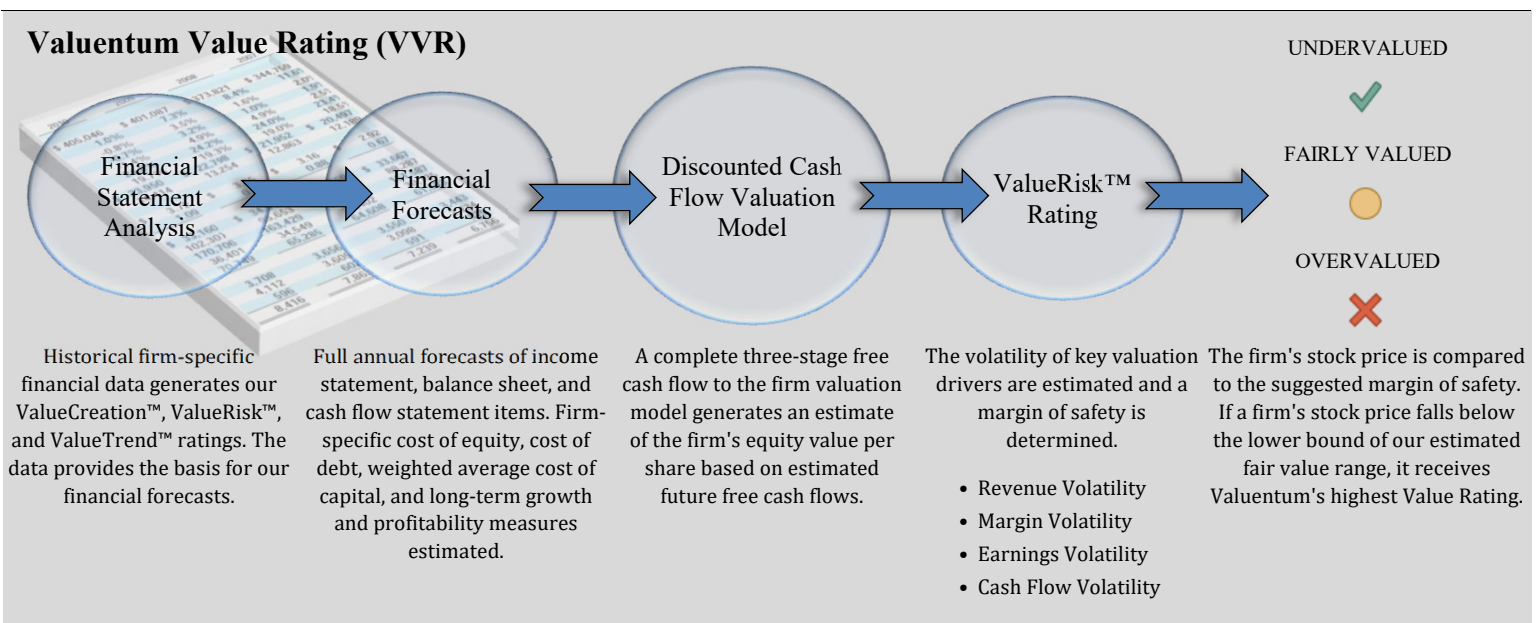
@Valuentum, we strive to stand out from the crowd. Most investment research publishers fall into a few camps, whether it be value, growth, income, momentum, chartist or some variant of the aforementioned. We think each in its own right holds merit, but we think the combination of these approaches can be even more powerful. After all, stock price movements aren't just driven by investors of the value or growth variety, but by all market participants. Therefore, we look at stocks from a variety of investment perspectives in order to better understand and identify ideas. We want to provide relevant information.

The core of our process is grounded in rigorous discounted cash flow analysis and incorporates the concept of a margin of safety. We offer a fair value estimate for each company and provide a relative valuation assessment in the context of a company's industry and closest peers. A cross section of our ValueCreation™ and ValueRisk™ ratings provides a financial assessment of a company's business quality, while our ValueTrend™ rating offers insight into the trajectory of a firm's economic profit creation. The Economic Castle rating measures the magnitude of future economic value generation, and the Dividend Cushion ratio assesses the financial capacity of a company to keep raising its dividend.

Our analysis doesn't stop there. We also offer a technical evaluation of the stock as well as other momentum indicators. We not only want to reveal to readers which firms may be undervalued, in our view, but we also want to provide readers with information to help them assess entry and exit points. Most research publishers focus on arriving at a target price or fair value estimate, but may fall short of providing a technical assessment to bolster buy and sell disciplines. We strive to go the distance and provide readers with answers--not half the story.

An explanation of our approach would not be complete if we didn't describe our ideal stock idea. We're looking for companies that are undervalued--both on a DCF basis and versus peers--have strong growth potential, have a solid track record of creating economic profits for shareholders with reasonable risk, are strong cash flow generators, have manageable financial leverage, and are currently showing bullish technical and momentum indicators. For dividend growth ideas, we look for companies that have both the capacity and willingness to keep raising the dividend.

Can such stock ideas exist? Subscribe to Valuentum to receive our best investment ideas and analysis on hundreds of stocks, dividends, ETFs and more.





# Methodology for Picking Stocks - Valuentum Buying Index™ (VBI)

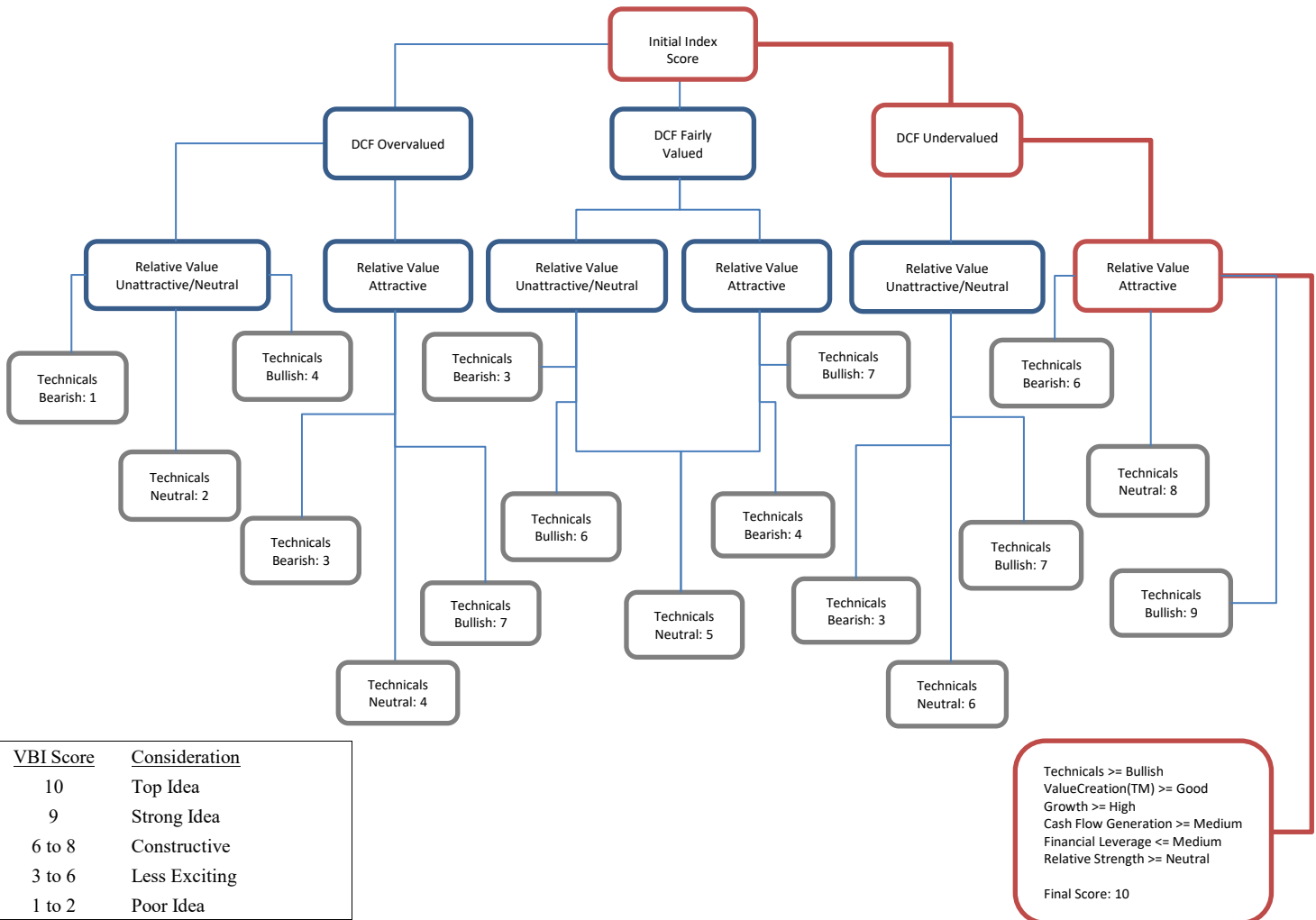
@ Valuentum, we like to look at companies from a number of different perspectives. The Valuentum Buying Index (VBI) combines rigorous financial and valuation analysis with an evaluation of a stock's technicals to derive a rating between 1 and 10 for each company. The VBI places considerable emphasis on a company's discounted cash-flow (DCF) valuation, its relative valuation versus peers (both forward PE and PEG ratios), and its technicals in order to help readers assess entry and exit points on the most interesting ideas.

Let's follow the red line on the flow chart below to see how a company can score a 10, the best mark on the index. First, the company would need to be 'undervalued' on a DCF basis and 'attractive' on a relative

value basis. The stock would also have to be exhibiting 'bullish' technicals. The firm would need a ValueCreation™ rating of 'good' or 'excellent', exhibit 'high' or 'aggressive' growth prospects, and generate at least a 'medium' or 'neutral' assessment for cash flow generation, financial leverage, and relative price strength.

This is a tall order for any company. Stocks that don't make the cut for a 10 are ranked accordingly, with the least attractive stocks, in our opinion, garnering a rating of 1. Most of our coverage universe registers ratings between 3 and 7, but at any given time there could be large number of companies garnering either very high or very low scores, especially at market lows or tops, respectively.

The Best Ideas Newsletter portfolio puts the VBI into practice.



# Glossary

**Estimated Fair Value.** This measure is our opinion of the fair equity value per share of the company. If our forecasts prove accurate, which may not always be the case, we may expect a firm's stock price to converge to this value within the next 3 years.

**Fair Value Range.** The fair value range represents an upper bound and lower bound, between which we would consider the firm to be fairly valued. The range considers our estimate of the firm's fair value and the margin of safety suggested by the volatility of key valuation drivers, including revenue, gross margin, earnings before interest, and enterprise free cash flow (the determinants behind our ValueRisk™ rating).

**DCF Valuation.** We opine on the firm's valuation based on our DCF process. Firms that are trading with an appropriate discount to our fair value estimate receive an UNDERVALUED rating. Firms that are trading within our fair value range receive a FAIRLY VALUED rating, while firms that are trading above the upper bound of our fair value range receive an OVERVALUED rating.

**Relative Value.** We compare the firm's forward price-to earnings (PE) ratio and its price/earnings-to-growth (PEG) ratio to that of its peers. If both measures fall below the peer median, the firm receives an ATTRACTIVE rating. If both are above the peer median, the firm receives an UNATTRACTIVE rating. Any other combination results in a NEUTRAL rating.

**ValueCreation™.** This is a proprietary Valuentum measure. ValueCreation™ indicates the firm's historical track record in creating economic value for shareholders, taking the average difference between ROIC (without goodwill) and the firm's estimated WACC during the past three years. The firm's performance is measured along the scale of EXCELLENT, GOOD, POOR, and VERY POOR. Those firms with EXCELLENT ratings have a demonstrated track record of creating economic value, while those that register a VERY POOR mark have been destroying economic value.

**ValueRisk™.** This is a proprietary Valuentum measure. ValueRisk™ indicates the historical volatility of key valuation drivers, including revenue, gross margin, earnings before interest, and enterprise free cash flow. The standard deviation of each measure is calculated and scaled against last year's measure to arrive at a percentage deviation for each item. These percentage deviations are weighted equally to arrive at the corresponding fair value range for each stock, measured in percentage terms. The firm's performance is measured along the scale of LOW, MEDIUM, HIGH, and VERY HIGH. The ValueRisk™ rating for each firm also determines the fundamental beta of each firm along the following scale: LOW (0.85), MEDIUM (1), HIGH (1.15), VERY HIGH (1.3).

**ValueTrend™.** This is a proprietary Valuentum measure. ValueTrend™ indicates the trajectory of the firm's return on invested capital (ROIC). Firms that earned an ROIC last year that was greater than the 3-year average of the measure earn a POSITIVE rating. Firms that earned an ROIC last year that was less than the 3-year average of the measure earn a NEGATIVE rating.

**Cash Flow Generation.** Firms' cash flow generation capacity are measured along the scale of STRONG, MEDIUM, and WEAK. A firm with a 3-year historical free cash flow margin (free cash flow divided by sales) greater than 5% receives a STRONG rating, while firms earning less than 1% of sales as free cash flow receive a WEAK rating.

**Financial Leverage.** Based on the firm's normalized debt-to-EBITDA metric, we rank firms on the following scale: LOW, MEDIUM, and HIGH. Companies with a normalized debt-to-EBITDA ratio below 1.5 receive a LOW score, while those with a measure above 3 receive a HIGH score.

**Upside/Downside Volume.** Heavy volume on up days and lower volume on down days suggests that institutions are heavily participating in a stock's upward advance. We use the trailing 14-week average of upside and downside volume to calculate an informative ratio. We rank each firm's U/D volume ratio along the following scale: BULLISH, IMPROVING, DETERIORATING, and BEARISH.

**Investment Style.** Valuentum uses its own proprietary stock-classification system. Nano-cap: Less than \$50 million; Micro-cap: Between \$50 million and \$200 million; Small-cap: Between \$200 million and \$2 billion; Mid-cap: Between \$2 billion and \$10 billion; Large-cap: Between \$10 billion and \$200 billion; Mega-cap: Over \$200 billion. Blend: Firm's that we think are undervalued and exhibit high growth prospects (growth in excess of three times the rate of assumed inflation). Value: Firm's that we believe are undervalued, but do not exhibit high growth prospects. Growth: Firms that are not undervalued, in our opinion, but exhibit high growth prospects. Core: Firms that are neither undervalued nor exhibit high growth prospects.

**Company Vitals.** In this section, we list key financial information and the sector and industry that Valuentum assigns to the stock. The P/E-Growth (5-yr), or PEG ratio, divides the current share price by last year's earnings (EPS) and then divides that quotient by our estimate of the firm's 5-year EPS growth rate. The estimated normalized diluted EPS and estimated normalized EBITDA represent the five-year forward average of these measures used in our discounted cash flow model. The P/E on estimated normalized EPS divides the current share price by estimated normalized diluted EPS. The EV/estimated normalized EBITDA considers the current enterprise value of the company and divides it by estimated normalized EBITDA. EV is defined as the firm's market capitalization plus total debt, minority interest, preferred stock less cash and cash equivalents.

**Business Quality Matrix.** We compare the firm's ValueCreation™ and ValueRisk™ ratings. The box is an easy way for investors to quickly assess the business quality of a company. Firms that generate economic profits with little operating variability score near the top right of the matrix.

**Timeliness Matrix.** We compare the company's recent stock performance relative to the market benchmark with our assessment of its valuation. Firms that are experiencing near-term stock price outperformance and are undervalued by our estimate may represent timely buys.

**Range of Potential Outcomes.** The firm's margin of safety is shown in the graphic of a normal distribution. We consider a firm to be undervalued if its stock price falls along the green line and overvalued if the stock price falls along the red line. We consider the firm to be fairly valued if its stock price falls along the yellow line.

**Return on Invested Capital.** At Valuentum, we place considerable emphasis on return on invested capital (both with and without goodwill). The measure focuses on the return (earnings) the company is generating on its operating assets and is superior to return on equity and return on assets, which can be skewed by a firm's leverage or excess cash balance, respectively.

**Technical Evaluation.** We evaluate a firm's near-term and medium-term moving averages and money flow index (MFI) to assign each firm a rating along the following scale: VERY BULLISH, BULLISH, NEUTRAL, BEARISH, and VERY BEARISH.

**Stock Price Relative Strength.** We assess the performance of the company's stock during the past quarter, 13 weeks, relative to an ETF that mirrors the aggregate performance of constituents of the stock market. Firms are measured along the scale of STRONG, NEUTRAL, and WEAK. Companies that have outperformed the market index by more than 2.5% during this 13-week period receive a STRONG rating, while firms that trailed the market index by more than 2.5% during this 13-week period receive a WEAK rating.

**Money Flow Index (MFI).** The MFI is a technical indicator that measures buying and selling pressure based on both price and volume. Traders typically use this measure to identify potential reversals with overbought and oversold levels. We use a 14-week measure to rank firms along the following scale: EXTREMELY OVERBOUGHT (>90), OVERBOUGHT (80-90), NEUTRAL (20-80), OVERSOLD (10-20), EXTREMELY OVERSOLD (0-10).

## Disclosures, Disclaimers & Additional Sources

To send us feedback or if you have any questions, please contact us at [valuentum@valuentum.com](mailto:valuentum@valuentum.com). We're always looking for ways to better serve your investment needs and improve our research.

O Rating History	Price	Fair Value	VBI
21-Feb-25	\$57.09	\$61.00	7
29-Nov-24	\$57.89	\$59.00	4
10-Sep-24	\$62.62	\$61.00	5
18-Jun-24	\$53.28	\$54.00	4
27-Mar-24	\$53.51	\$53.00	4
2-Jan-24	\$58.36	\$59.00	6
27-Oct-23	\$49.00	\$47.00	5
25-Jul-23	\$63.09	\$60.00	7
20-Dec-22	\$63.11	\$62.00	7
30-Sep-22	\$58.20	\$59.00	4
13-Jul-22	\$68.45	\$75.00	7
3-Dec-21	\$67.25	\$74.00	3
22-Mar-21	\$62.04	\$61.00	6
24-Dec-20	\$61.09	\$56.00	6

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Valuentum uses its own proprietary stock investment style and industry classification systems. Peer companies are selected based on the opinions of the Valuentum analyst team. Research reports and data are updated periodically, though Valuentum assumes no obligation to update its reports, opinions, or data following publication in any form or format. Performance assessment of Valuentum metrics, including the Valuentum Buying Index, is ongoing, and we intend to update investors periodically, though Valuentum assumes no obligation to do so. Not all information is available on all companies. There may be a lag before reports and data are updated for stock splits and stock dividends.

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