



# DSR STOCK CARD

01/08/2020

## ARBOR REALTY TRUST (ABR)

### Business Model

Arbor Realty Trust Inc is a specialized real estate finance company. It invests in a diversified portfolio of structured financial assets in the multifamily and commercial real estate markets, primarily consisting of bridge and mezzanine loans, including junior participating interests in first mortgages, preferred and direct equity. In addition, it may also directly acquire real property and invest in real estate-related notes and certain mortgage-related securities. The company has two business segments, Structured Business and Agency Business. It generates a majority of its revenue from the Structured Business Segment. The company is externally managed and advised by Arbor Commercial Mortgage, LLC.

### The Company in a Nutshell

- The company is externally managed and advised by Arbor Commercial Mortgage, LLC.
- ABR shows an impressive dividend growth policy for a high-yielding stock.

### Investment Thesis

ABR has developed a strong expertise in niche market financing (commercial and real estate industry) with Fannie Mae, Freddie Mac and other government-sponsored enterprises, as well as CMBS, bridge, mezzanine and preferred equity lending. ABR is a leading national multifamily agency loan originator and servicing platform with over 450 employees. With its high yield and consistent dividend growth policy, ABR is a great candidate for a retirement portfolio. It specializes in financing multi-family real estate (about 73% of its loan portfolio) through its diverse and comprehensive loan product offering.

## VALUATION

Dividend Growth Rate Years 1-10: 5.00%

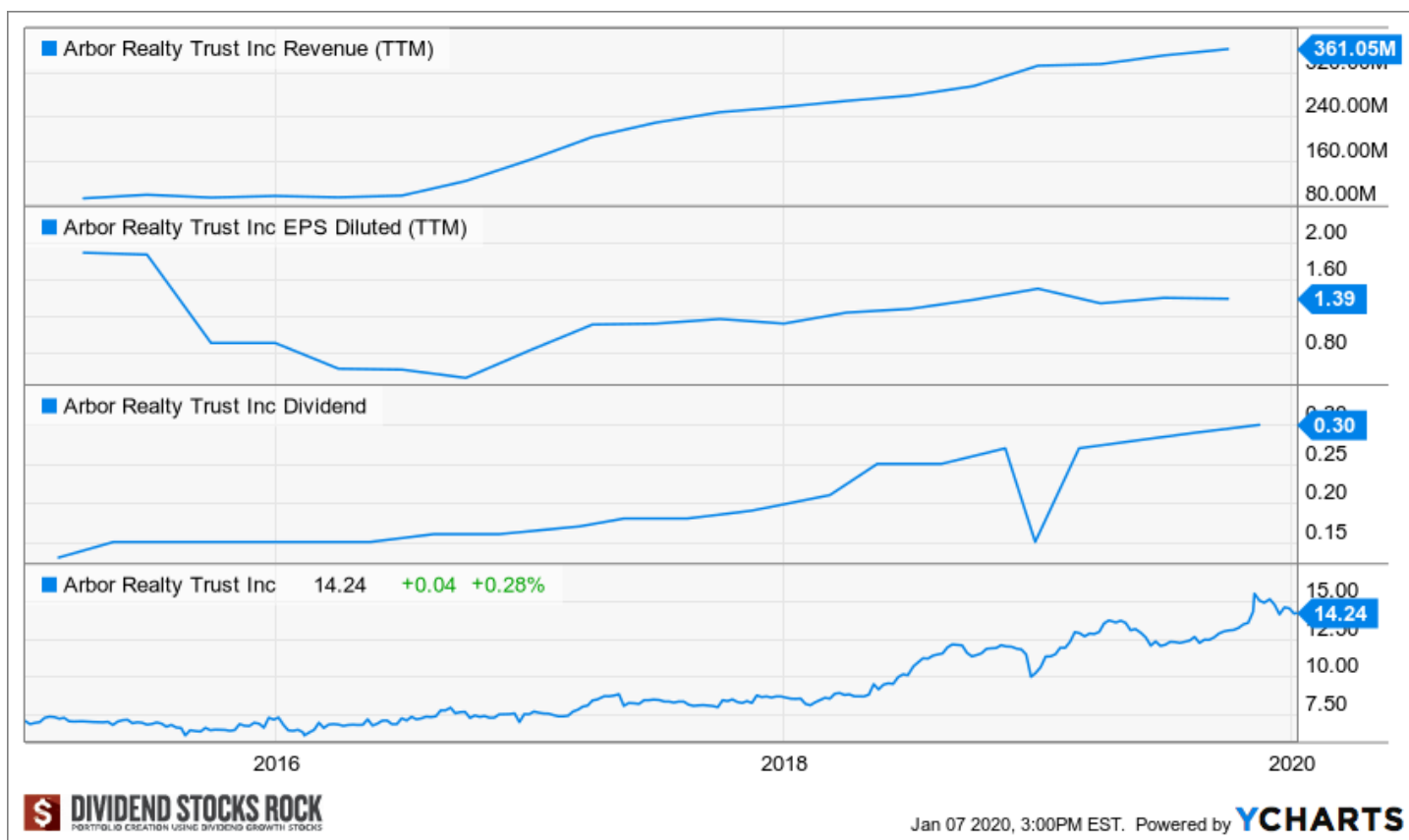
Terminal Dividend Growth Rate: 4.00%

	Discount Rate (Horizontal)		
Margin of Safety	9.00%	10.00%	11.00%
20% Premium	\$32.40	\$26.92	\$23.02
10% Premium	\$29.70	\$24.68	\$21.10
Intrinsic Value	\$27.00	<b>\$22.44</b>	\$19.18
10% Discount	\$24.30	\$20.19	\$17.26
20% Discount	\$21.60	\$17.95	\$15.34



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## Potential Risks

When you talk about finance, you talk about the economy. ABR shows great potential now, but keep in mind shares were once worth over \$30 prior to the 2008 financial crisis. Back then, the company had to cut its dividend twice and shares dropped to close to zero (\$1.20). This is enough to give any investor goosebumps. As is often the case, there is no free lunch in finance, and ABR is no exception. Such financial firm always look good on prom night.

## Dividend Growth Perspective

ABR doesn't just offer a high yield, but it has also shown consecutive dividend increases since 2012 (7 years). This is relatively unusual for a company offering such a high yield. Shareholders can expect dividends to increase if the economy keeps rolling. Just make sure to keep an eye on ABR's payout ratio. Also, please keep in mind the company had to cut its dividend during challenging times in 2008. This could happen again. For now, the dividend looks safe as the FFO payout ratio stands around 88% for 2019.