



# DSR STOCK CARD

01/30/2020

## LADDER CAPITAL CORP (LADR)

### Business Model

Ladder Capital Corp is a commercial real estate investment trust that manages a portfolio of commercial real estate and real estate-related assets, with a focus on senior secured assets. The company's reportable segments are loans, securities, real estate, and others. The loans segment provides first mortgage loans that are secured by the cash flows from commercial real estate income. The securities segment invests in commercial mortgage-backed securities and U.S. Agency securities, and the real estate segment includes a portfolio of commercial properties and residential properties. The company generates a majority of its revenue from the Loan segment.

### The Company in a Nutshell

- Ladder is run by a highly experienced management team in the commercial real estate industry.
- With over \$6 billion of assets on its balance sheet, Ladder originates and invests in a diverse portfolio of commercial real estate and real estate-related assets, focusing on senior secured assets.
- With its management team owning about 12% of all LADR, everybody is working for your pocket...

### Investment Thesis

LADR has regrouped a team of well experienced managers that are ready to face any kind of situation. LADR was founded in the middle of a financial crisis (2008). Therefore, it is easier to show great numbers moving forward. Since the IPO in 2014, the REIT has been doing well. Yet, we haven't seen how it can go through a market crash. With 82% of its capital allocated to senior secured CRE investments, LADR can manage challenging periods. The company has built a recurring revenue business model around its loan practices.

## VALUATION

Dividend Growth Rate Years 1-10 yr: 3.00%

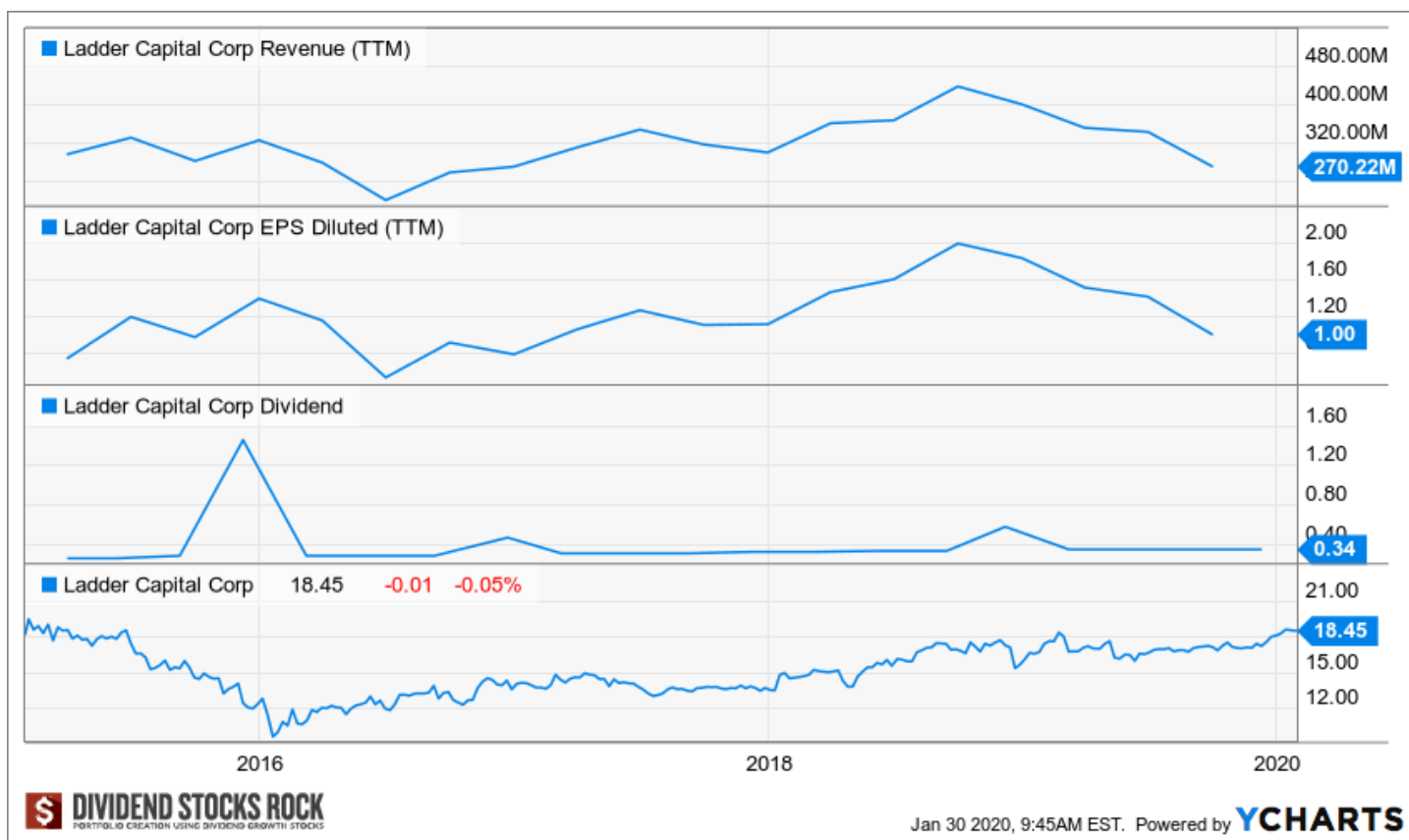
Terminal Dividend Growth Rate: 3.00%

	Discount Rate (Horizontal)		
Margin of Safety	9.00%	10.00%	11.00%
20% Premium	\$28.02	\$24.01	\$21.01
10% Premium	\$25.68	\$22.01	\$19.26
Intrinsic Value	\$23.35	<b>\$20.01</b>	\$17.51
10% Discount	\$21.01	\$18.01	\$15.76
20% Discount	\$18.68	\$16.01	\$14.01



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## Potential Risks

There is an obvious risk of analyzing a company that specializes in financing businesses over a short period of time. Management can tell us how great they are and how strong their loan portfolio is, but we will only see the real LADR two years after a recession. This is the type of investment that brings a load of volatility. Between 2015 and 2018, the stock went from as high as +9% (summer of 2018) to as low as -40% (January 2016). Now that there is more optimism, LADR has almost recovered in full from its 2015 peak.

## Dividend Growth Perspective

Due to the nature of LADR's business, the dividend growth policy will vary according to the economic cycle. LADR has shown a strong dividend growth profile since its IPO including special dividend here and there. Income seeking investors will be delighted by its high yield (~7%) excluding special dividends. However, we don't expect the dividend to grow that fast in the upcoming years. Keep in mind this is the type of stock that will not hesitate to pause or cut its dividend when things turn sour. The dividend continues to be safe at this time and within reasonable payout ratios.