



Medalist Diversified REIT (NASDAQ: MDRR)

March 5, 2020
Recent Price: \$2.79

Market Data

Fiscal Year	Dec
Industry	Real Estate
Market Cap	\$12.6M
Shares Outstanding	4.5M
Float	3.1M
Avg. Volume (3-mth)	19,790

As of March 5, 2020

Financial Data

Revenue (TTM)	\$8.3M
AFFO (TTM)	(\$148,096)
AFFO (MRQ)	\$380,436

Dividend (MRQ) \$0.125

Cash (MRQ)*	\$1.5M
Total Assets (MRQ)	\$83.2M
Debt (MRQ)	\$56.7M

* proforma (incl. proceeds from Feb. 2020 capital raise)

Company Website

<https://www.medalistreit.com/>

Company Overview

Medalist Diversified REIT (NASDAQ: MDRR) was founded in 2003 as a private equity company specializing in acquiring, owning and managing value-add commercial real estate in the Southeast. The Company's strategy is to focus on value-add and opportunistic commercial real estate which is expected to provide an attractive balance of risk and returns. Medalist utilizes a rigorous, consistent and replicable process for sourcing and conducting due diligence of acquisitions. The Company seeks to maximize operating performance of current properties by utilizing a hands-on approach to property management while monitoring the middle market real estate markets in the Southeast for acquisition opportunities and disposal of properties as considered appropriate.

Value Proposition

Medalist is targeting value-add investments in markets where its executive team maintains deep industry relationships and local market knowledge. Equity investments typically range from \$1 million to \$6 million (up to \$10 million with board approval), and with a maximum of 80% leverage (without board approval), average target property values are between \$5 million and \$30 million. The Company is targeting Industrial/Flex, Multifamily, Retail, and Hospitality primarily in secondary and tertiary markets in the Southeastern US, where its market knowledge provides a competitive advantage in identifying under-managed, under-capitalized, or under-performing assets. Management track record as an organized, private fund dates back to 2013 through two prior Medalist funds, returning 8% and 7.5% annualized cash distributions for approximately 5 years and 3.5 years, respectively. The first fund has been closed and the properties have been sold producing a total IRR of 12.8%. Medalist REIT has raised approximately \$37 million in equity from high net worth, small institutions, and retail investors since launch and currently holds undivided interests in 368,095 sq. ft. of retail, 66,000 of flex industrial, and two hotels (125- and 148-key). Its most recent quarterly dividend of \$0.125 per share was declared in November 2019. Aegis Capital covers the stock with a buy rating and \$4.75 price target.

Investment Highlights

- **Company has paid a quarterly dividend since December 2018**
 - Most recent dividend declared in November 2019 at \$0.125 per share
 - Previous four dividends paid at rate of \$0.175 per share
 - Latest acquisitions give the Company nearly full dividend coverage US law requires REITs to distribute at least 90% of their taxable income annually
- **Buy rating and \$4.75 price target issued by Aegis Capital in December 2019**
- **Strong financial performance; revenue up 67% YoY in Q4**
 - AFFO (an important REIT metric) increased \$823,363 in Q4 to \$380,436, up from (\$442,927) in the prior year period
- **Strong Investment Track Record**
 - Medalist Fund I: 340k sq. ft. of retail and industrial and 290 multifamily units purchased; 8% annualized cash distributions paid quarterly (Q3 2013 - Q1 2018). Overall IRR on the fund was 12.8%
 - Medalist Fund II: 177k sq. ft. of retail and industrial purchased; 7.5% annualized cash distributions paid quarterly from Q1 2016 through Q2 2019
- **Opportunistic Investing Strategy**
 - Extensive deal flow network in target markets due to longstanding relationships with brokers, owners, and lenders
 - Focus on value creation through a "hands-on" management approach
 - Targeting opportunities in commercial real estate in secondary and tertiary markets in Virginia, N. Carolina, S. Carolina, Georgia, Florida, & Alabama where yields are higher than primary markets; cap rates at 7%-9%, depending on property type
 - Debt financing available at historically low rates
- **Experienced Management Team**
 - Management with 50+ years of combined experience in commercial real estate and capital markets
 - MDRR's management team has purchased and managed properties with a total asset value of approximately \$165 million