



Real Estate

STAG Industrial (NYSE: STAG)

Recommendation: **HOLD**

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Analysts

Casey Leeper

casey-leeper@uiowa.edu

Jason Zheng

jason-zheng@uiowa.edu

Anthony Gallegos

anthony-gallegos@uiowa.edu

David Counsell

david-counsell@uiowa.edu

Current Price: \$39.80
Target Price: \$38.80-48.27

Company Overview

STAG Industrial Inc (NYSE: STAG) is a USA based, real estate investment trust focused on the acquisition and operations of industrial properties throughout USA. By aiming for these industrial properties, STAG develops a investment strategy that helps investors find a balance of income and growth. They currently have 544 buildings in 40 different states, an enterprise value of \$10.9B, and own over 108.6 million sq ft. Some of our largest tenants are Amazon, FedEx, and XPO logistics.

Valuation Methods

DCF/EP	\$72.45
DDM	\$114.31
P/FFO (2022)	\$40.61
Beta Value	0.98

Stock Performance Highlights

52 Week Highest	\$48.27
52 Week Lowest	\$34.43
Beta (5Y Monthly)	0.98

Company Statistics

Market Cap	7.19 B
Dividend Yield	3.66%
Shares Outstanding	177.8 M
EPS (2022E)	\$1.15

Financial Ratios

Current Ratio	2.39
Debt to Equity	0.72
Price to Earnings	19.47
ROE	6.4%
ROA	3.7%

Investment Thesis

We recommend a HOLD rating for STAG Industrial, inc. STAG is a REIT that has seen consistent growth in revenue, gross profit, acquisitions, and continues to bring in major companies as tenants to keep a healthy revenue. We believe that the stock is currently undervalued and has seen a drop in price that we believe will rise again so holding is the most viable option.

Drivers

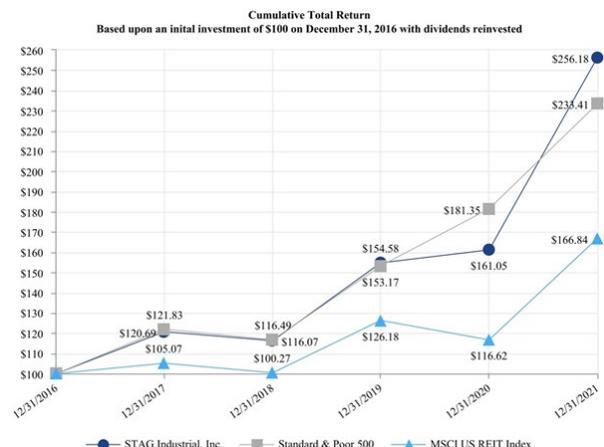
Consistent revenue growth: STAG's revenue has continuously grown by 15%+ over the past 4 years, with the most recent being a 16.29%. Their gross profit has also been over 14%+ in the past 4 years which shows that they are efficient at creating profits. STAG currently has 266 tenants at their warehouses across the country, many of these being diverse major companies.

Risks

Continuously finding new tenants: For the next 5 years, STAG will have 60 leases expire every year.

High growth rate: Our previous growth rates have been very high and eventually we will see a fall in %. The stock has been volatile in the past few months, and we believe we could see a drop in prices if our growth % drops.

Stock Performance vs. S&P 500



Executive Summary

We recommend a HOLD rating for STAG Industrial INC, due to the consistent growth in revenue, diverse group of tenants, consistent cash flow due to fixed lease payments, and because of the growth in acquisitions. We believe that holding this stock is the best idea for the future because we expect the company to continue to grow because of their cash flows and efficient lease and operation strategy. With this strategy and the current historical trends, we believe that STAG will rise in valuation and become a top leader in the REIT Industrial section. The following recommendation is based off company, industry, and economic analyses listed below.

Economic Analysis

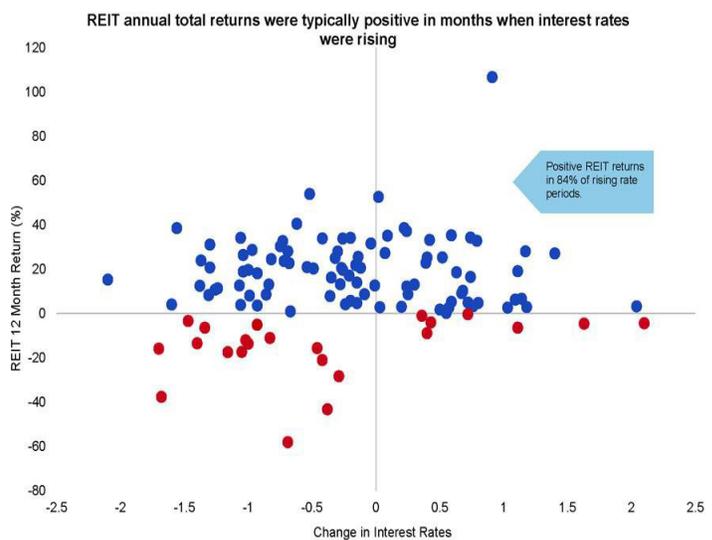
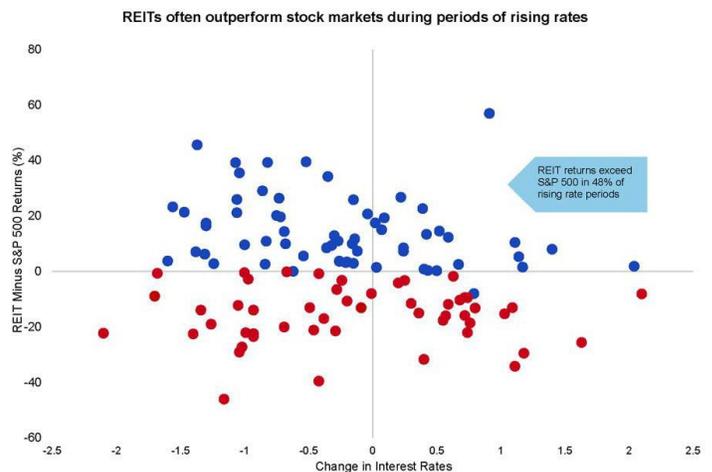
While looking at our economy and considering STAG, it is crucial to understand what rates and economic factors will impact our company in our immediate environment. Understanding the different rates and effects in all the states we are in is also important to make sure we are as efficient as possible with our decisions. With the current increase in inflation and interest rates, we are expected to adjust accordingly with prices and base our decisions on receiving the best value possible. We believe that the most important economic indicators to the real estate sector and STAG industrial Inc, are interest rates, occupancy rates, and inflation.

Interest Rates

An interest rate is the amount that an individual or company charges to borrow money and is usually a percentage of the total amount loaned. We see these interest rates when we borrow money for a loan, typically to buy larger purchases like a car, paying for school, or a larger appliance. Typically, we see 2 different forms of interest rates, a fixed interest rate and a variable interest rate. The fixed income rate is a set % that will not change, where a variable interest rate can change dependent on the prime rate, which is usually the federal fund rate, which is an interest rate that is a benchmark for short term interest rates and the rate that banks usually charge for overnight loans. Another type of interest rate is the treasury note yield, which is a rate based off the demand for treasury notes. This yield changes dependent on how long the loan is, current demand for treasury notes, and the federal rate. The federal fund interest rate is a target interest rate set by the Federal Open Market Committee, which is done 8 times a year. Interest rates can also change because of market forces, Treasury yields have a strong correlation to corporate borrowing costs and their weighted average cost.

Specifically for REITS, as the interest rates and treasury yields rise, the valuation of assets will also rise, which makes our building more attractive and raises valuation. This is great for STAG because it increases the value of our warehouses. REIT returns and stock market performances usually see a positive increase in their growth when we see rates rise as well, which leads to a better performance for STAG. For example, the current 10-year treasury rate is 2.85%, which is a 1.26% increase from the previous year². The annual APR (Annual Percentage Rate) for a 30-year fixed APR went from 2.865 on December 31, 2020, to 5.168 today³. These are large growth rates and have a major impact on being able to finance something in our economy.

Below we will display a visual graph to help portray this idea of growth in the REITS during a rise in rates like we are currently seeing in our market today.



As these two charts show, whenever we have rising interest rates like we do now, REITS continue to generate positive returns and outperform other major funds or industries in the market. The first chart helps us see REITS vs the S P500 in the stock market during rising rates for the past 28 years. The REITS exceeded the S&P by 8%, this is tremendous and shows the strength of our industry. In the second chart, we see that REITS outperformed S&P and the total annual returns had an 84% positive return. These charts help us see how much better REITS do and why it is important to HOLD STAG right now, it will continue to grow and hopefully generate the returns that we have seen in the past. As of now, STAG has seen a major growth in revenue, gross profit, acquisitions, and 23% increase in operating income. It is a wonderful time to hold and continue to see growth during rising interest rates and treasury rates.

Occupancy Rate

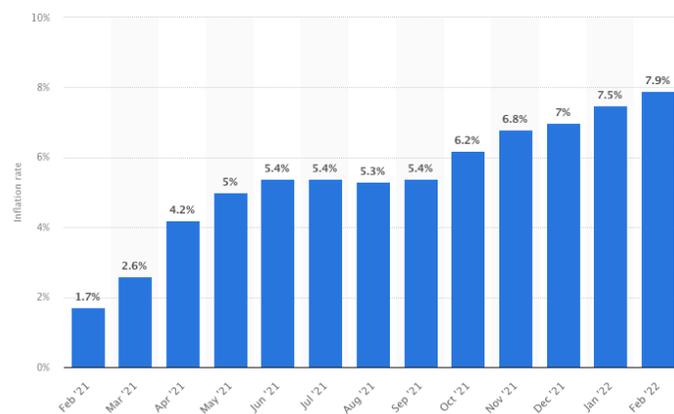
The occupancy rate is an important rate to measure in our economy because it tells us the ratio of occupied to total usable rental space, which is important to know if you are a REIT. This rate shows us how efficient we are at filling our spaces and bringing in tenants. A low occupancy rate means that a company must spend more time and money looking for tenants, it would lower the price of the real estate if it were being sold, and it shows an inconsistent stream of cash flows for your properties. When looking at environmental factors it is important to understand the occupancy rate to see the efficiency and the potential future value of a property. STAG Industrial Inc has an occupancy rate of 97.4%, with 544 buildings in total in 2021. This is a tremendous occupancy rate, and it means that STAG has very consistent cash flows coming in every single month. It also shows the strength of being able to bring in tenants and retain them for an entire leasing contract. This also shows a strong valuation of STAG because of the revenue being generated and being able to work with over 260 different tenants. Having a wide and diverse range of tenants is important for the occupancy rate as well because if one company had a major portion of the occupancy rate and for some reason left STAG, they would have a bigger drop-in occupancy rate and their revenue. STAG does an excellent job at occupancy percentages, their largest tenant, Amazon, only has 7 leases and 3.2% of annualized based revenue. Additionally, for 2021 we have a 77% retention rate for our renewal leases, which means the companies we work with continue to come back to us. Looking forward, we expect STAG to continue at an occupancy rate of 96%-98%. With only about 60 leases set to expire in 2022. We believe STAG will be able to find tenants for those leases or give more warehouses to an existing company they work with. Additionally, with the e-commerce market on the rise, being in 40 different states, and having such a diverse group of consistent tenants, I believe that STAG will have little to no problems with filling the warehouses and lighthouses.

Inflation Rate

Inflation is the decline of purchasing power of a given currency over time. Inflation is an important economic factor because it is often reflected in the prices for goods and services. As inflation rises, costs rise, and your purchasing power is lower. The

consumer price index which is a monthly measure of the average change over time in the prices paid by the consumers for a

market basket of consumer goods and services is a key factor in inflation, as the official inflation rate is tracked by calculating changes in a measure called the CPI. Inflation also helps us understand and evaluate the health of our economy. The chart listed below will help us see how inflation has increased over the course of one year.



Source: MacroTrends

This year we have seen tremendous growth in our inflation rate, with the peak hitting 7.9% in February 2022, the highest it has been since January of 1982. This is a 6.2% increase in just one year. As we mentioned earlier, with inflation rising it means we will also see a rise in costs and a decrease in purchasing power. From March 2021 to March 2022, the price for goods and services increased by 8.5%. This is a tremendous growth, and this inflation is seen across a wide variety of goods and services, like gasoline, vehicles, hotel services, the cost of natural gas, and the cost of beef. The inflation rate is an especially important environmental factor to look at and understand. Looking forward, we believe that this inflation rate will slowly begin to decrease as it is reaching extremely high points and will eventually settle back down. Inflation is particularly important for STAG because high inflation can be good for REITS. As inflation rises, the real estate rent and values increase as well. This means more income coming into STAG, which can be seen by increasing the dividend to shareholders. Often these dividends are reinvested, which just means more money going back into STAG and continuing growth for the company. With the inflation rates being high, STAG will be able to generate a little more revenue and the valuation of the company rises as well. This is another reason to hold STAG, because even with high inflation you can generate consistent revenue and align yourself with economic factors in your environment.

Industry Analysis

Industry Overview

Stag Industrial (STAG) is considered part of the Industrial Real Estate Investment Trust (REIT), which is primarily focused on the acquisition and operation of single-tenant industrial properties throughout the United States. The total size of the U.S. industrial market is more than \$1 trillion. In this specific industry, there are 20 USA publicly traded companies on the market as of today. This industry is also unique because of the structure in which they operate, where they must pay at least 90% of their net revenues as dividends to shareholders. REITS have investors invest their money into a pool of funds that is used to purchase buildings or land that they build on. These investors are then repaid in the form of dividends or an appreciation of the real estate. The types of buildings in this industry that are leased tend to be factories, distribution centers, warehouses, or e-commerce fulfillment centers. The main revenue streams are the lease payments collected from tenants, which tend to be long term and reliable to the REIT companies. STAG specifically has two types of buildings, Warehouse/Distribution and light manufacturing. There are 459 warehouses, which account for 89.1% of the annualized base rental revenue. Light manufacturing has 74 buildings which account for 9.5% of the annualized base revenue. The revenue in this industry mostly comes from leases and keeping a strong occupancy rate is crucial for this industry. Keeping a high occupancy rate in this industry will give you consistent cash flows and will allow you to focus on acquisitions and growing your company as much as you can. Another crucial factor in this industry is the diversity across states. Since Industrial REITS are mostly warehouses and storage units, you will be able to find an industrial REIT in mostly every single state. STAG is currently in 40 different states, and this is important for acquiring new properties and bringing in more streams of revenue. A few benefits of this industry are that it is highly adaptable and requires fewer capital expenditures than other REIT types. Industrial REITS are diverse in what they can be used for, as the warehouses can meet many different companies' needs. Industrial warehouses also require large open floor space, which means there are few if any setup expenses. Industrial REITS are also set up outside of central business districts, which means that they are more easily accessible to delivery trucks and are near metropolitan areas where majority the population lives (10).

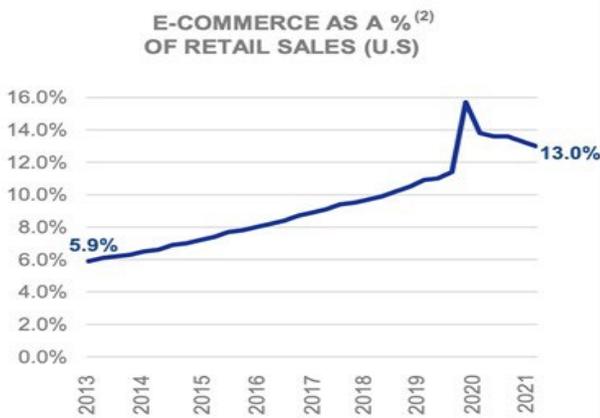
No.	Ticker	Company	Sector	Industry
1	PLD	Prologis, Inc.	Real Estate	REIT - Industrial
2	PSA	Public Storage	Real Estate	REIT - Industrial
3	EXR	Extra Space Storage Inc.	Real Estate	REIT - Industrial
4	DRE	Duke Realty Corporation	Real Estate	REIT - Industrial
5	REXR	Rexford Industrial Realty, Inc.	Real Estate	REIT - Industrial
6	CUBE	CubeSmart	Real Estate	REIT - Industrial
7	LSI	Life Storage, Inc.	Real Estate	REIT - Industrial
8	EGP	EastGroup Properties, Inc.	Real Estate	REIT - Industrial
9	FR	First Industrial Realty Trust, Inc.	Real Estate	REIT - Industrial
10	COLD	Americold Realty Trust	Real Estate	REIT - Industrial
11	STAG	STAG Industrial, Inc.	Real Estate	REIT - Industrial
12	NSA	National Storage Affiliates Trust	Real Estate	REIT - Industrial
13	TRNO	Terreno Realty Corporation	Real Estate	REIT - Industrial
14	IIPR	Innovative Industrial Properties, Inc.	Real Estate	REIT - Industrial
15	LAND	Gladstone Land Corporation	Real Estate	REIT - Industrial
16	ILPT	Industrial Logistics Properties Trust	Real Estate	REIT - Industrial
17	PLYM	Plymouth Industrial REIT, Inc.	Real Estate	REIT - Industrial
18	LANDM	Gladstone Land Corporation	Real Estate	REIT - Industrial
19	SELF	Global Self Storage, Inc.	Real Estate	REIT - Industrial
20	LANDO	Gladstone Land Corporation	Real Estate	REIT - Industrial

Major Players in the Industry

As previously mentioned, there are 20 publicly traded Industrial REITS in the USA today. The chart above will list these companies listed by the size of their market cap. As is seen, Stag is currently 11th in the market cap in the industry, which is right near the middle. We believe that with the continuous growth in profits, acquisitions, and working with major companies will grow their market cap over time to climb those ranks. We see the top player, Prologis, has a respective market cap of 122.36 billion. This company leads the industry, and it will take many years for STAG to reach their level. Prologis also has deals with Amazon, as they occupy 13% of Amazon's warehouse space (Forbes). A major reason that companies like Amazon diversify their warehouses is to make sure that items are already nearby different customers around the world. Being able to ship in a fast manner is one of Amazon's strengths, so they need the warehouses to store their inventory. Other top competitors like Public Storage and extra space storage are also highly valued companies, with a respective market cap of 122.36 billion and 71.33 billion, respectively. We expect these to remain at the top of the industry for the following years to come. We forecast that STAG will pass a 3-4 of its competitors in market cap over the next few years as they continue their increase in acquisitions, as they receive a higher percentage of revenue from rental leases and as they continue to receive their fixed lease payments from their 260+ tenants.

Recent Developments

COVID-19 pandemic has accelerated the transition to online shopping for consumers. E-commerce fulfillment centers have boomed across the country in the last decade, with companies owning large shares in this market such as Walmart, Amazon and eBay. There has been an increasing demand for warehouses and fulfillment centers near densely populated city areas. As more companies focus on online retail operations, the demand for storage space will continue to rise.



This chart shows E-commerce sales as a percentage of retail sales growing steadily till 2019, and 5% growth spike due to the COVID-19 pandemic. Here we see a consistent growth in E-commerce sales until covid, as we recover from this spike, we hope to see a rise in e-commerce sales as the previous years. We believe that having major E-commerce related companies like Amazon will continue to grow these percentages as well as the need for our warehouses to store their goods.

Porter's 5 competitive forces

1.) Competition in industry - High Level

Stag is currently one of 20 publicly traded industrial REITs in the USA and has the 11th largest market cap. Our top competitors in the industry are Prologis, Public Storage, Rexford Industrial Realty (REXR), Extra Space Storage (EXR), and Duke Realty Corporation (DRE). It is a competitive industry; however, we believe that STAG will hold its own due to its continuous growth in revenue, a high occupancy rate, and working with large companies that use their warehouses for daily operations. Our competition in the industry is tough, the top competitors have a much higher stock price and are valued much higher than STAG. They also have solid figures in their sales, profit margins, and

2.) Potential of new entrants in the industry - Low Risk

We believe that the potential of new entrants in our industry is a low risk because there are only 20 publicly traded Industrial REITs in the USA as of now, many of these REITs are very well established and would be hard to compete against and being able to buy the real estate right now would be very costly and take lots of time. The market cap for the smallest company in our industry is 61.87 million, which is a high valuation to start

competing against. Because of these reasons, we believe that there is a minimal risk for the potential of new entrants in the industry. This also helps us because it increases our negotiation ability and our barriers to entry into our industry.

3.) Power of suppliers-Low

The power of suppliers is low in the Industrial REITs because most of our growth comes from acquisitions or building more properties. Suppliers can help in the building process, but they have little influence on the company. There is not a continuous amount of supply going through these companies, so the influence of suppliers is low.

4.) Power of buyers – Low

For STAG, we believe that the power of buyers is low because we create leases for our customers and not one customer owns a much larger portion than the other. We believe that this lowers the power of buyers because it limits the impact that they can have if they choose to go with a substitute. For example, Amazon, who is our largest tenant currently only has 7 leases, which leads to 3.2% of our annualized base revenue. If Amazon had more leases, they would have more power in their decision to either stay with us or go with a different company. Since they do not, we know that the power of buyers is low. Additionally, our buyers often sign for fixed lease payments, which lowers their power to go to another company and negotiate rates. We believe that the power of buyers is low in the REIT industry.

5.) Threat of substitutes – High

We believe that the threat of substitutes is high because providing real estate and warehouses is a service that is easily duplicated by our competitors and companies will have the options to go to different companies if they do not choose STAG. As I mentioned, STAG is one of 20 publicly traded industrial REITs, which means there are other substitutes that can replace our service. There are differences in services such as location and price ranges, but you would be provided with the same service.

Competitive Analysis

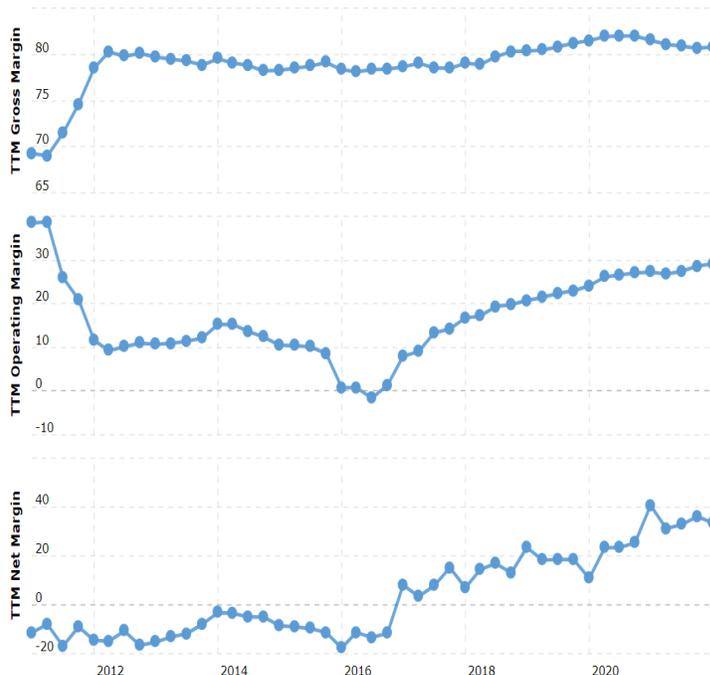
Markets and Competition

The main competitors for Stag Industrial are Americold and First Industrial Realty (FR). Both Americold and FR have slightly larger market caps than Stag. Americold specializes in temperature-controlled storage, a segment that will be around for a long time. Americold has recently declined in stock price as they experienced some labor disruptions and turnover at the CEO (Chief Executive Officer) position. However, they are expected to rebound due to the necessity of their services and the expected growth of the industry. Americold is a competitor with the threat to become a larger threat if they decide to expand into other segments. Stag thrives from being Amazon's sole leaser. Stag will grow alongside Amazon as they expand to offer prime shipping to more locations and continue to expand their selection of products. However, Stag also has an extremely diverse pool of renters, which minimizes the risk of investing in Stag. First Industrial Realty focuses on bulk and regional distribution centers. Their business goal is to help businesses stay ahead in a rapidly changing industry. This is remarkably like the segment in which Stag operates, as there are a lot of warehouses and storage buildings leased by both companies.

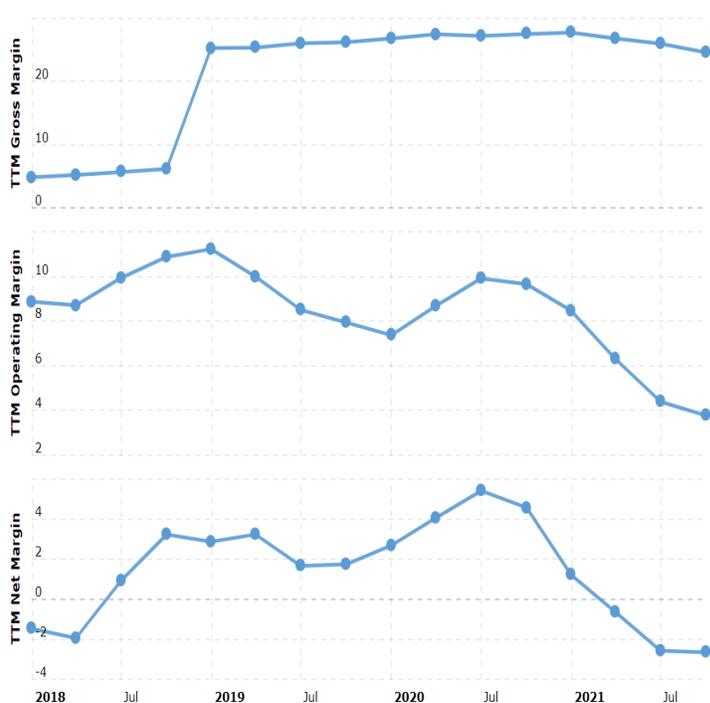
Competitive Advantage and Peer Comparison

Stag has a high gross margin of 81.1%, slightly greater than the 72.4% for FR, and significantly greater than Americold's 23.2%. Within the financial metrics, we can see Americold's recent struggles. Gross margin of 23.2%, operating margin of just 2.5%, and a negative profit margin of -1.1%. However, despite these struggles Americold is a major player in this industry. Stag does have a clear advantage over Americold in their current state, in every financial metric available. Americold does have a higher volume, if they rebound like expected their stock price will rise quickly. FR currently has the highest stock price and the lowest volume of the 3 companies. This is in part due to FR's 37.7% operating margin and a 56.8% profit margin. The small difference between FR's gross and profit margins shows their potential to grow in the future, however their dividend of 1.75% is much less attractive to investors. Additionally, Stag has the highest dividend payout ratio at 3.66%, and has experienced dividend growth each of the last 7 consecutive years. We consider Stag to be the safest option of the three due to their ability to be Amazon's sole leaser, and their ability to completely diversify their renter pool.

STAG



Americold



Company Analysis

Company Description

Stag Industrial (STAG) is an Industrial Real Estate Investment and Trust company headquartered in Boston, Massachusetts. The company focuses on the acquisition and operation of single tenant industrial properties through the United States. By targeting this specific type of property, STAG has developed an investment strategy that helps investors find a powerful balance of income and growth. STAG is currently operating in 40 different states and has 517 industrial buildings to date. As of September 30, 2021, the company has an enterprise value of \$8.7 billion and over 103.4 million square feet. Stag Industrial was founded in July of 2010 by Benjamin S. Butcher, who is currently still the CEO and Chairman for the board of the company.

Revenue Analysis

Stag Industrial's total revenue is solely derived from rental operations within the United States. In 2021, the rental revenue alone contributed around 99.5% of the company's total revenue. The company uses a diversified mix of tenants leasing their single and multi-tenant facilities. The business operation is well diversified in that no single tenant accounts for more than 3.8% of total annualized base rental revenue to date. Stag Industrial offers warehouses, distribution centers, and light manufacturing for leases. The company's top 3 industries as a percentage of total annualized base rental revenue are Auto Components (12.4%), Air Freight and Logistics (8.5%), and Containers & Packaging (7.1%). Revenue has also been increasing tremendously for the past 4-5 years. There was a 15.66% increase in revenue from 2018 to 2019 which led to a revenue of \$.406B, a 19.08% increase from 2019-2020 which is \$.485B, and a 16.29% increase from 2020 to 2021 which was \$.562B (Macrotrends). We have seen this growth due to a raise in rental rates, inflation rates, and growth as a company serving more tenants. Our revenue is also extremely consistent as most of it comes from leases that are fixed payments. Listed below will be a chart showing the growth in revenue trailing the last 12 months, starting with \$.484B and ending with \$.562B. This chart helps us see the quick but rapid growth over the last year.



Valuation Analysis

Overview

The valuation model we have for STAG was built using the past 10 years' company financial statements. We also considered the current economic conditions, historical trends, and future outlooks when building the forecast. Currently, the company's rental revenue makes up around 99.5% of the total revenue, and we expect this trend to continue. We project a 12% growth in revenue for STAG after factoring technological advances, shifts in consumer purchasing behavior, and the company's historical growth.

Revenue Decomposition

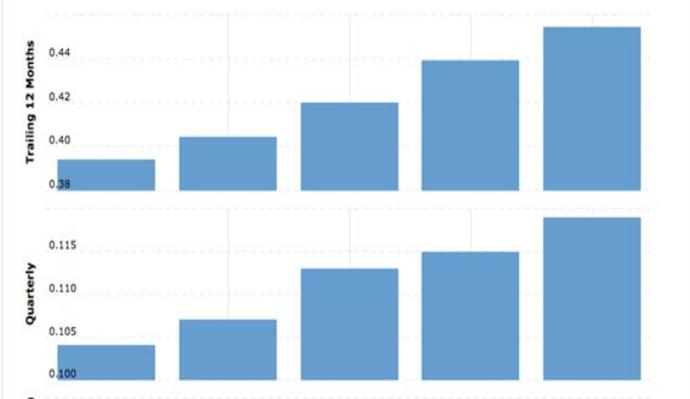
The main source of STAG's revenue comes from its rental operations. We analyzed the industrial REITs (Real Estate Investment Trust) sector, company's revenue dating back to 2012, and economic conditions to forecast the company's future revenue. Our team expects the total revenue to grow 150% by year 2030, which factors in their growth in leases and building acquisitions. At the same time, their rental revenue is expected to grow at 12% year over year due to increased demands in warehouse space. STAG also has a 97% occupancy rate through a wide number of companies leasing their space. This helps ensure that no single lessee can significantly decrease the company's revenue if they do not want to extend their lease. The factors that influence our revenue forecasts are occupancy rate, total number of properties, average square feet per property, and average revenue per square foot. Using these factors, we forecast the growth of the revenue without considering each unique lease or building acquisition.

WACC (Weighted Average Cost of Capital)

The weighted average cost of capital is used in calculating the implied price of the stock today. The value is used to discount the company's free cash flow and economic profit each year. We calculated STAG's WACC using the cost of equity, cost of debt as well as the cost of preferred stock. The 10-year treasury rate was used as the Risk-Free rate considering the uncertainty in our current economy. We used the average 10-year stock market return minus the Risk-free to estimate the Equity Risk Premium, which comes out to 6.37% as of April 16, 2022. The number we generate for the company's WACC after factoring all the different components comes out to 7.56%.

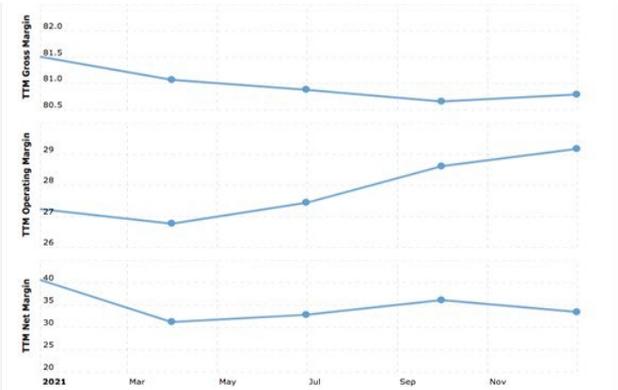
DCF and EP Model

We constructed the discounted cash flow model by using 10 years of forecasted free cash flow. The free cash flow is using the NOPLAT (net operating profit less adjusted taxes) minus CAPEX (capital expenditure) or change in IC (invested capital) for the year. We then calculate the value of operating assets by discounting the free cash flow by the WACC (weighted average



Source: Macrotrends

This chart helps us see the continuous growth in profit for STAG. We expect to see this profit continue to rise because of the rise in rental rates, inflation, and more tenants being added to our list because of acquisitions of new buildings. STAG is extremely efficient at generating profit and is another reason holding the stock is a great idea, we will see the stock valuation rise as the company continues to grow and operate. The chart to the bottom represents the margins in the following order: Yearly gross margin, Operating margin, and net margin.



As is shown, our gross margin for 2021 ended at 80.79%, our operating margin was 29.17%, and our net operating margin ended at 33.47%. A margin of 33.47% shows strong profits and that the company is performing well. STAG is a company that will continue to see these high margins because of their cheap expenses and massive amounts of cash flow that they generate. We forecast that this percentage will stay at around 25-30% in the next 5 years based off our estimates in revenue and expenses. We are excited to see these profits, see the shareholders get paid extra in dividends, and more than likely reinvest to grow the company valuation even further.

cost of capital). Afterwards, we add back non-operating adjustments to get the total value of equity for STAG. We construct the economic profit model by multiplying the beginning IC (invested capital) by the difference between ROIC (return on invested capital) and the WACC (weighted average cost of capital). Afterwards, we discount last year's CV (continuation value) by the WACC (weighted average cost of capital). Then, we total the values to get the present value of STAG's economic profit. To calculate the value of equity, we adjust the number by adding invested capital from last year to the PV (present value) of economic profit minus the value of non-operating assets.

Dividend Discount Model

We created a dividend discount model using a 2.5% CV growth rate for EPS. Using values from the CV year of 2030E, we multiplied the P/E multiple of 13.4 times the EPS of \$3.92 to produce a future stock price of \$52.55. We then discounted this price back to the current year using cost of equity and discounted the dividends per share of each forecasted year back to the current year. The sum of these discounted values gave us the intrinsic value of the stock at the end of the last fiscal year. We then adjusted this price to reflect the amount of the current fiscal year that had passed using the cost of equity and the annual dividend yield, resulting in a current price modeled at \$39.37. This modeled price is about 1.1% higher than the current price of \$38.96, meaning the DDM views Stag as a slightly undervalued stock.

Sensitivity Analysis

CV Growth of NOPLAT vs. WACC

The CV Growth of NOPLAT is a significant variable that impacts the implied stock price of Stag. While WACC is used in calculating the Present Value of both Free Cash Flow and Economic Profit. Both variables affect the future trajectory of the company and the stock price. After conducting a sensitivity analysis, we find that the CV Growth of NOPLAT has a positive relationship while the WACC has an inverse relationship with the implied stock price. We found in the analysis table that the implied stock price fluctuates greater with the CV Growth of NOPLAT rather than the WACC.

DCF Price	WACC						
124.89	6.96%	7.16%	7.36%	7.56%	7.76%	7.96%	8.16%
1.75%	130.41	124.75	119.50	114.62	110.06	105.81	101.82
2%	134.60	128.54	122.93	117.74	112.90	108.39	104.18
2.25%	139.24	132.71	126.69	121.14	115.99	111.20	106.74
2.50%	144.39	137.33	130.85	124.89	119.37	114.27	109.54
2.75%	150.16	142.47	135.45	129.02	123.10	117.64	112.58
3%	156.65	148.23	140.58	133.60	127.21	121.34	115.93
3.25%	164.02	154.72	146.33	138.72	131.78	125.44	119.61

Risk-Free Rate vs. Beta

Risk-Free Rate and Beta are both crucial components in calculating the cost of equity in the CAPM model. We base our cost of equity using the CAPM formula: $R_f + (ERP * \text{Beta})$. Due to the importance of both variables, we conduct a sensitivity analysis. The risk will increase as beta increases causing the price to decrease. Given the formula of the CAPM model, the inverse relationship between the Risk-Free Rate and Beta is reasonable. Due to the abnormally low interest rate in the current economy, however, the table shows that the present stock price of STAG is still undervalued given the abnormally low Risk-Free Rate.

DCF Price	Beta						
124.89	0.68	0.78	0.88	0.98	1.08	1.18	1.28
2.23%	187.63	161.51	141.27	125.14	111.97	101.03	91.79
2.43%	184.92	160.09	140.66	125.05	112.24	101.55	92.48
2.63%	182.28	158.68	140.05	124.97	112.52	102.07	93.17
2.83%	179.71	157.30	139.44	124.89	112.80	102.60	93.88
3.03%	177.20	155.93	138.84	124.80	113.08	103.13	94.60
3.23%	174.76	154.59	138.24	124.72	113.36	103.67	95.32
3.43%	172.37	153.27	137.65	124.64	113.64	104.21	96.05

Pre-Tax Cost of Debt vs. Cost of Equity

The Cost of Debt and Cost of Equity are both essential for us to determine the WACC for our price valuation. For STAG to determine the optimal composition of external financing, it needs to consider the potential impact that each variable can have on the company's stock price. As the table below shows, there is a slight positive correlation between the DCF price and Cost of Equity. At the same time, an increase in the Risk-Free rate will cause the stock price to drop. It also be noted that taking on too much debt will increase the cost of equity as the equity risk premium increases to compensate for the stockholders' risk.

DCF Price	Cost of Equity						
124.89	8.47%	8.67%	8.87%	9.07%	9.27%	9.47%	9.67%
3.11%	128.60	128.64	128.68	128.72	128.76	128.80	128.84
3.31%	127.29	127.34	127.38	127.42	127.46	127.50	127.54
3.51%	126.02	126.06	126.10	126.14	126.18	126.22	126.26
3.71%	124.77	124.81	124.85	124.89	124.92	124.96	125.00
3.91%	123.54	123.58	123.62	123.66	123.70	123.74	123.78
4.11%	122.34	122.38	122.42	122.46	122.50	122.54	122.57
4.31%	121.17	121.21	121.24	121.28	121.32	121.36	121.40

ERP vs. Projected Expansionary Growth Rate

The Equity Risk Premium and Projected Expansionary Growth Rate are both essential in determining the future trajectory of the company. As STAG is currently projected to grow at 12% in the expansionary phase, we also need to consider the cost of financing its expansion. The Equity Risk Premium is the excess return that is earned by investing in the stock market. Which can fluctuate based on the market's return and the risk-free rate.

Equity Risk Premium

DCF Price	Projected Expansionary Growth Rate							
	12%	13%	14%	15%	16%	17%	18%	
124.89	138.22	141.16	144.16	147.21	150.31	153.46	156.67	
5.77%	133.50	136.34	139.22	142.16	145.14	148.18	151.27	
5.97%	129.07	131.80	134.58	137.41	140.28	143.21	146.19	
6.17%	124.89	127.52	130.20	132.93	135.70	138.53	141.40	
6.37%	120.93	123.48	126.06	128.70	131.37	134.10	136.87	
6.57%	117.20	119.65	122.15	124.69	127.28	129.91	132.59	
6.77%	113.65	116.03	118.44	120.90	123.40	125.95	128.54	

CV ROIC vs. Normal Cash %

This sensitivity table was created to show the ability of STAG to generate a return on invested capital and the Normal Cash % held by the company. As the CV ROIC increases the DCF Price increases, and the price slightly decreases as the Normal Cash % held by the company increases. These two variables both affect the future business operation as the company reaches steady state.

DCF Price	Normal Cash %						
	0.05%	0.10%	0.15%	0.20%	0.25%	0.30%	0.35%
124.89	129.67	129.67	129.67	129.67	129.67	129.67	129.66
54.11%	129.85	129.85	129.85	129.85	129.85	129.85	129.84
56.11%	130.02	130.02	130.02	130.02	130.01	130.01	130.01
58.11%	130.18	130.18	130.17	130.17	130.17	130.17	130.17
60.11%	130.32	130.32	130.32	130.32	130.32	130.32	130.31
62.11%	130.46	130.46	130.46	130.46	130.45	130.45	130.45
64.11%	130.59	130.59	130.59	130.58	130.58	130.58	130.58
66.11%							

CV ROIC

Occupancy Rate vs. Cost of Preferred Stock

The occupancy rate is essential in determining the revenue and profitability of STAG. As the table below shows, a slight decrease in occupancy rate can decrease the DCF price for the stock. The cost of preferred stock affects the total WACC for the company. We can see that an increase in Cost of Preferred Stock will slightly decrease the DCF price.

Occupancy Rate

DCF Price	Cost of Preferred Stock						
	5.24%	5.44%	5.64%	5.84%	6.04%	6.24%	6.44%
124.89	121.98	121.94	121.90	121.86	121.82	121.78	121.74
94%	122.99	122.95	122.91	122.87	122.83	122.79	122.75
95%	124.00	123.96	123.92	123.88	123.84	123.79	123.75
96%	125.01	124.97	124.93	124.89	124.84	124.80	124.76
97%	126.02	125.98	125.94	125.89	125.85	125.81	125.77
98%	127.03	126.99	126.95	126.90	126.86	126.82	126.78
99%	128.04	128.00	127.95	127.91	127.87	127.83	127.78
100%							

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Important Disclaimer

This report was created by students enrolled in the Applied Equity Valuation (FIN:4250) class at the University of Iowa. The report was originally created to offer an internal investment recommendation for the University of Iowa Krause Fund and its advisory board. The report also provides potential employers and other interested parties an example of the students' skills, knowledge and abilities. Members of the Krause Fund are not registered investment advisors, brokers or officially licensed financial professionals. The investment advice contained in this report does not represent an offer or solicitation to buy or sell any of the securities mentioned. Unless otherwise noted, facts and figures included in this report are from publicly available sources. This report is not a complete compilation of data, and its accuracy is not guaranteed. From time to time, the University of Iowa, its faculty, staff, students, or the Krause Fund may hold a financial interest in the companies mentioned in this report.

Stag Industrial Inc.

Revenue Decomposition
(All numbers in thousands)

<i>Fiscal Years Ending Dec. 31</i>	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	CV 203xE
Revenues:												
Rental Revenue	\$ 405,350	\$ 482,825	\$ 559,432	\$ 588,343	\$ 672,123	\$ 767,833	\$ 861,508	\$ 966,612	\$ 1,084,539	\$ 1,216,853	\$ 1,365,309	\$ 1,406,268
Tenant Recoveries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Revenue	\$ 600	\$ 586	\$ 2,727	\$ 1,303	\$ 1,304	\$ 1,480	\$ 1,704	\$ 1,448	\$ 1,484	\$ 1,529	\$ 1,541	\$ 1,500
Total Revenue	\$ 405,950	\$ 483,411	\$ 562,159	\$ 589,646	\$ 673,427	\$ 769,313	\$ 863,212	\$ 968,060	\$ 1,086,023	\$ 1,218,382	\$ 1,366,850	\$ 1,407,769
Gross Margin	\$ 97,833	\$ 131,636	\$ 163,967	\$ 95,817	\$ 109,432	\$ 125,013	\$ 140,272	\$ 157,310	\$ 176,479	\$ 197,987	\$ 221,863	\$ 228,762
Total Other Income (Expense)	\$ (47,168)	\$ 75,159	\$ 32,465	\$ 20,964	\$ 20,355	\$ 37,236	\$ 27,755	\$ 26,578	\$ 27,981	\$ 29,887	\$ 28,050	\$ 28,124
Income (Loss) from Continuing Operations	\$ 50,665	\$ 206,795	\$ 196,432	\$ 137,534	\$ 147,857	\$ 172,154	\$ 163,494	\$ 155,260	\$ 159,691	\$ 162,650	\$ 160,274	\$ 159,469
Net Income (Loss) attributable to common stockholders	\$ 43,811	\$ 196,720	\$ 188,175	\$ 127,773	\$ 139,120	\$ 162,947	\$ 154,504	\$ 146,086	\$ 150,664	\$ 153,550	\$ 151,201	\$ 150,375

Property Information, 2021	22e	23e	24e	25e	26e	27e	28e	29e
Building Type								
Warehouse/Distribution	# of Buildings	609	682	764	841	925	1017	1119
Light Manufacturing	average sq ft	199,549	199,549	199,549	199,549	199,549	199,549	199,549
Total Operating Portfolio/weighted average	total sq ft	121,581,421	136,171,191	152,511,734	167,762,908	184,539,198	202,993,118	223,292,430
Value Add/Other	Occupancy Rate	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%
Flex/Office	Average rental rev per foot	0.004989	0.005089	0.005190	0.005294	0.005400	0.005508	0.005618
Total portfolio/weighted average	Total Rental Revenue	\$ 588,343	\$ 672,123	\$ 767,833	\$ 861,508	\$ 966,612	\$ 1,084,539	\$ 1,216,853

Number of Properties
Average Sq Footage per property
Total Sq Footage

Occupancy Rate
Average Rental Rev per foot

Total Rental Revenue (In thousands)

2021	% of Total Annualized Base Rental Revenue
Top 20 Tenants	
Amazon	3%
Eastern Metal Supply, Inc.	1%
GXO Logistics, Inc.	1%
American Tire Distributors Inc	1%
FedEx Corporation	0.9%
Tempur Sealy International Inc	0.9%
Lippert Component Manufacturing	0.8%
Kenco Logistic Services, LLC	0.8%
Penguin Random House LLC	0.8%
Westrock Company	0.8%
DS Smith North-America	0.7%
DHL Supply Chain	0.7%
LKQ Corporation	0.7%
Yanfeng US Automotiv Interior	0.7%
Costco Wholesale Corporation	0.7%
Ford Motor Company	0.7%
Hachette Book Group, Inc.	0.7%
Coralina Beverage Group	0.7%
Packaging Corp of America	0.7%
Schneider Electric USA, Inc.	0.6%
Total	18.1%

Stag Industrial Inc.

Income Statement

(in thousands, except share data)

	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E CV
Total revenue	350,993	405,950	483,411	562,159	589,646	673,427	769,313	863,212	968,060	1,086,023	1,218,382	1,366,850	1,407,769
Rental income	349,693	405,350	482,825	559,432	588,343	672,123	767,833	861,508	966,612	1,084,539	1,216,853	1,365,309	1,406,268
Rental income excluding tenant recoveries	295,654	-	-	-	-	-	-	-	-	-	-	-	-
Tenant recoveries	54,039	-	-	-	-	-	-	-	-	-	-	-	-
Other income	1,300	600	586	2,727	1,303.25	1,304.06	1,480.08	1,703.60	1,447.75	1,483.87	1,528.82	1,541.01	1,500.36
Total operating expenses	(278,149)	(308,117)	(351,775)	(398,192)	(458,786)	(475,139)	(494,358)	(515,725)	(543,398)	(579,344)	(626,120)	(679,487)	(701,300)
Property	(69,021)	(75,179)	(89,359)	(107,986)	(109,851)	(125,459)	(143,323)	(160,816)	(180,350)	(202,326)	(226,985)	(254,644)	(262,267)
General and administrative	(34,052)	(35,946)	(40,072)	(48,629)	(69,932)	(79,868)	(91,241)	(102,377)	(114,812)	(128,802)	(144,500)	(162,108)	(166,961)
Property acquisition costs	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation Expense	(93,247)	(111,724)	(131,578)	(149,970)	(186,723)	(187,834)	(187,716)	(187,821)	(190,134)	(188,095)	(192,013)	(197,011)	(202,503)
Amortization Expense	(74,370)	(73,726)	(83,160)	(88,729)	(88,712)	(77,554)	(66,597)	(57,915)	(49,679)	(49,679)	(49,679)	(49,679)	(49,679)
Loss on impairments	(6,182)	(9,757)	(5,577)	-	-	-	-	-	-	-	-	-	-
Unusual or infrequent item, or both, net of insurance proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(1,277)	(1,785)	(2,029)	(2,878)	(3,568)	(4,422)	(5,482)	(6,795)	(8,424)	(10,442)	(12,944)	(16,045)	(19,890)
Total other income / expense	23,401	(47,168)	75,159	32,465	(37,038)	(33,983)	(27,479)	(27,965)	(24,454)	(26,619)	(21,657)	(32,380)	(39,967)
Interest expense	(48,797)	(54,560)	(61,897)	(63,363)	(87,145)	(90,116)	(90,024)	(90,691)	(92,012)	(93,945)	(96,495)	(99,628)	(103,394)
Interest income	20	87	446	121	218	262	200	227	230	219	225	224	224
Interest expense excluding interest income	(48,817)	(54,647)	(62,343)	(63,484)	(87,363)	(90,377)	(90,224)	(90,917)	(92,241)	(94,164)	(96,720)	(99,852)	(103,617)
Offering costs	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain / loss on interest rate swaps	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss on extinguishment of debt and modification expenses	(13)	-	(834)	(2,152)	(789)	(775)	(853)	(869)	(956)	(726)	(797)	(875)	(962)
Gain on involuntary conversion	-	-	2,157	-	-	-	-	-	-	-	-	-	-
Gain on the sales of rental property	72,211	7,392	135,733	97,980	50,896	56,908	63,398	63,595	68,514	68,052	75,634	68,122	64,390
Net income / loss from continuing operations	96,245	50,665	206,795	196,432	93,821	164,305	247,476	319,522	400,209	480,059	570,605	654,982	666,502
Total income / loss attributable to discontinued operations	-												
Loss / income attributable to discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss on impairment attributable to discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain on sales of rental property	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income / loss	96,245	50,665	206,795	196,432	93,821	164,305	247,476	319,522	400,209	480,059	570,605	654,982	666,502
Income / loss attributable to noncontrolling interest after preferred	(3,319)	(1,384)	(4,648)	(4,098)	(3,087)	(5,406)	(8,142)	(10,512)	(13,167)	(15,794)	(18,773)	(21,549)	(21,928)
Net income / loss attributable to STAG Industrial, Inc.	92,926	49,281	202,147	192,334	90,735	158,899	239,334	309,010	387,042	464,266	551,832	633,433	644,574
Preferred stock dividends	(7,604)	(5,156)	(5,156)	(1,289)	(3,867)	(3,437)	(2,864)	(3,390)	(3,230)	(3,161)	(3,261)	(3,217)	(3,213)
Preferred stock redemption premium	(2,661)	-	-	(2,582)	-	-	-	-	-	-	-	-	-
Amount allocated to participating securities	(276)	(314)	(271)	(288)	(318)	(324)	(322)	(314)	(307)	(304)	(307)	(306)	(310)
Net income / loss attributable to common stockholders	82,385	43,811	196,720	188,175	86,550	155,138	236,148	305,305	383,504	460,800	548,264	629,910	641,051
Weighted average shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Basic	103,401	125,389	148,791	163,442	163,442	163,442	163,442	163,442	163,442	163,442	163,442	163,442	163,442
Per share	-	-	-	-	-	-	-	-	-	-	-	-	-
Basic	800	350	1,320	1,150	530	949	1,445	1,868	2,346	2,819	3,354	3,854	3,922
Continuing operations	-	-	-	-	-	-	-	-	-	-	-	-	-
Discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-
EPS (Basic)	0.80	0.35	1.32	1.15	0.53	0.95	1.44	1.87	2.35	2.82	3.35	3.85	3.92
Dividend per share	1.54	1.51	1.51	1.75	1.87	2.00	2.14	2.29	2.45	2.63	2.81	3.01	3.22

Stag Industrial Inc. 15.75% Leasing intangit 6.53% Other CA(as a % 7.44%
Balance Sheet (With Forecast) 2.48% Prepaid Expens 10.95% Op Lease Asset 69.72%
(in thousands of USD) 111.35% Land Average G 122.08%

Fiscal Years Ending Dec. 31	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E CV
Cash and cash equivalents	7,968	9,041	15,666	18,981	49,284	(72,166)	(157,193)	(220,053)	(247,132)	(240,349)	(189,192)	(103,151)	(54,865)
Restricted cash	14,574	2,823	4,673	4,215	4,318	4,424	4,532	4,642	4,756	4,872	4,991	5,113	5,238
Tenant accounts receivable, net	42,236	57,592	77,796	93,600	71,317	81,450	93,048	104,405	117,086	131,353	147,362	165,319	170,268
Prepaid expenses and other assets	36,902	38,231	43,471	60,953	64,559	73,732	84,230	94,511	105,991	118,906	133,398	149,653	154,134
Prepaid expenses and other assets excluding deferred financing fees, net, leasing co	-	-	-	-	-	-	-	-	-	-	-	-	-
Total rental property, net	2,991,701	3,998,507	4,525,193	5,620,698	5,524,433	5,465,090	5,447,729	5,474,488	5,534,420	5,626,365	5,747,364	5,899,635	6,074,340
Intangible assets, net (excluding goodwill)	342,015	475,149	499,802	567,658	478,946	401,392	334,795	276,880	227,201	177,522	127,843	78,164	28,485
Total rental property, net excluding deferred leasing intangibles, net of accumulated amc	2,649,686	3,523,358	4,025,391	5,053,040	5,045,487	5,063,698	5,112,934	5,197,608	5,307,219	5,448,843	5,619,521	5,821,471	6,045,855
Land	364,023	435,923	492,783	617,297	616,374	618,599	624,614	634,958	648,348	665,650	686,500	711,171	738,583
Buildings and improvements, net of accumulated depreciation	2,285,663	3,087,435	3,532,608	4,435,743	4,429,113	4,445,099	4,488,320	4,562,650	4,658,871	4,783,194	4,933,021	5,110,300	5,307,273
Accumulated depreciation	(387,845)	(499,569)	(631,147)	(781,117)	(967,840)	(1,155,675)	(1,343,391)	(1,531,212)	(1,721,346)	(1,909,441)	(2,101,454)	(2,298,464)	(2,500,967)
Other Current Assets	9,151	58,451	25,847	34,802	43,843	50,071	57,201	64,182	71,979	80,750	90,591	101,631	104,673
Interest rate swaps	9,151	303	-	5,220	-	-	-	-	-	-	-	-	-
Operating lease right-of-use assets	-	15,129	25,403	29,582	29,075	28,763	28,672	28,812	29,128	29,612	30,249	31,050	31,970
Assets held for sale, net	-	43,019	444	-	-	-	-	-	-	-	-	-	-
Total assets	3,102,532	4,164,645	4,692,646	5,833,249	5,757,754	5,602,600	5,529,546	5,522,176	5,587,099	5,721,898	5,934,515	6,218,201	6,453,789
Unsecured credit facility	100,500	146,000	107,000	296,000	304,832	303,033	303,672	306,635	311,548	318,384	327,006	337,560	347,562
Unsecured term loans, net	596,360	871,375	971,111	970,577	1,003,549	997,624	999,729	1,009,484	1,025,658	1,048,163	1,076,548	1,111,294	1,144,221
Unsecured notes, net	572,488	572,883	573,281	896,941	899,084	893,776	895,661	904,401	918,892	939,054	964,484	995,613	1,025,113
Accounts payable	45,507	53,737	69,765	76,475	80,214	91,612	104,656	117,430	131,693	147,740	165,746	185,944	191,510
Long-term debt	82,724	95,567	120,398	108,934	141,317	140,483	140,779	142,153	144,431	147,600	151,597	156,490	161,126
Dividends and distributions payable	13,754	17,465	19,379	21,906	76,511	81,867	87,598	93,730	100,291	107,311	114,823	122,860	131,461
Deferred leasing intangibles, net of accumulated amortization	21,567	26,738	32,762	35,721	38,507	43,979	50,240	56,373	63,220	70,923	79,567	89,263	91,935
Operating lease liabilities	-	16,989	27,898	33,108	32,375	32,028	31,926	32,083	32,434	32,973	33,682	34,574	35,598
Total liabilities	1,432,900	1,800,754	1,921,594	2,439,662	2,576,391	2,584,400	2,614,261	2,662,287	2,728,165	2,812,148	2,913,452	3,033,597	3,128,527
Preferred stock	75,000	75,000	75,000	-	-	-	-	-	-	-	-	-	-
APIC	2,119,301	2,971,981	3,423,303	4,131,815	4,131,815	4,131,815	4,131,815	4,131,815	4,131,815	4,131,815	4,131,815	4,131,815	4,131,815
Common stock dividends in excess of earnings	(584,979)	(723,027)	(742,071)	(792,332)	(1,004,556)	(1,167,719)	(1,270,634)	(1,326,031)	(1,326,985)	(1,276,170)	(1,164,857)	(1,001,316)	(860,657)
Accumulated other comprehensive loss / income	4,481	(18,426)	(40,025)	(11,783)	(11,783)	(11,783)	(11,783)	(11,783)	(11,783)	(11,783)	(11,783)	(11,783)	(11,783)
Noncontrolling interest	55,829	58,363	54,845	65,887	65,887	65,887	65,887	65,887	65,887	65,887	65,887	65,887	65,887
Total equity	1,669,632	2,363,891	2,771,052	3,393,587	3,181,363	3,018,200	2,915,285	2,859,888	2,858,934	2,909,749	3,021,062	3,184,603	3,325,262
Total liabilities and equity	3,102,532	4,164,645	4,692,646	5,833,249	5,757,754	5,602,600	5,529,546	5,522,175	5,587,099	5,721,897	5,934,514	6,218,201	6,453,789

Stag Industrial Inc.

Historical Cash Flow Statement

(in Thousands)

Fiscal Years Ending Dec. 31	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net cash provided by operating activities	48,011	82,687	96,676	121,707	135,423	162,562	197,769	233,357	293,922	336,154
Net income / loss	(10,199)	4,902	(5,039)	(31,469)	35,588	32,200	96,245	50,665	206,795	196,432
Total adjustments to reconcile net income / loss to net cash provided by operating activities	58,210	77,785	101,715	153,176	99,835	130,362	101,524	182,692	87,127	139,722
Depreciation and amortization	43,473	70,597	88,057	112,545	125,444	150,881	167,617	185,450	214,738	238,699
Asset impairment charges	4,563	-	2,840	29,272	16,845	1,879	6,182	9,757	5,577	-
Loss on involuntary conversion	-	-	-	-	-	(325)	-	-	(2,157)	-
Non-cash portion of interest expense	957	1,081	1,337	1,262	1,632	1,897	2,316	2,583	2,922	2,931
Intangible amortization in rental income, net	4,837	6,544	6,253	8,526	6,213	4,583	4,164	4,862	4,341	2,051
Straight-line rent adjustments, net	(2,796)	(2,941)	(3,347)	(3,134)	(1,817)	(7,475)	(11,163)	(11,774)	(12,074)	(17,516)
Gain / loss on interest rate swaps	(215)	-	-	-	-	-	-	-	-	-
Gain / loss on extinguishment of debt, before write off of debt issuance cost	929	-	686	-	3,261	15	13	-	834	249
Gain on the sales of rental property	(222)	(5,305)	(2,799)	(4,986)	(61,823)	(24,242)	(72,211)	(7,392)	(135,733)	(97,980)
Non-cash compensation expense	1,936	2,970	7,442	7,603	9,732	9,549	8,937	9,926	11,681	14,955
Restricted stock award, forfeitures, dividends	-	-	128	25	3	2	15	38	-	-
Non-cash compensation expense excluding restricted stock award, forfeitures, dividends	1,936	2,970	7,314	7,578	9,729	9,547	8,922	9,888	11,681	-
Issuance of units	225	-	-	-	-	-	-	-	-	-
Restricted cash	(137)	(201)	(127)	(40)	(365)	464	-	-	-	-
Change in assets and liabilities	4,660	5,040	1,373	2,128	713	(6,864)	(4,331)	(10,720)	(3,002)	(3,667)
Tenant accounts receivable, net	(1,497)	(1,515)	435	(1,334)	(1,435)	(2,125)	(903)	(2,509)	(4,482)	(36)
Prepaid expenses and other assets	(2,225)	(2,774)	(2,588)	(3,155)	(4,580)	(9,103)	(8,921)	(8,480)	(11,528)	(18,664)
Prepaid expenses and other assets excluding due from related parties	(1,819)	(3,395)	(2,643)	-	-	-	-	-	-	-
Leasing commissions, net	(1,020)	(2,456)	-	-	-	-	-	-	-	-
Prepaid expenses and other assets excluding leasing commissions, net	(799)	(939)	-	-	-	-	-	-	-	-
Due from related parties	(406)	621	55	-	-	-	-	-	-	-
Accounts payable, accrued expenses and other liabilities	6,174	6,043	1,018	3,469	6,161	514	2,385	429	7,157	6,763
Tenant prepaid rent and security deposits	2,208	3,286	2,508	3,148	567	3,850	3,108	(160)	5,851	8,270
Net cash provided by / used in investing activities	(417,203)	(325,231)	(421,713)	(372,038)	(347,112)	(566,053)	(507,201)	(1,222,574)	(554,623)	(1,220,420)
Additions of land and building and improvements	(325,820)	(261,208)	(345,281)	(308,843)	(408,202)	(543,054)	(600,183)	(1,062,827)	(718,152)	(1,251,530)
Acquisitions of land and buildings and improvements	-	-	-	(292,514)	(377,717)	(497,264)	(565,599)	(997,783)	(662,411)	(1,212,027)
Other Additions of land and building and improvements	-	-	-	(16,329)	(30,485)	(45,790)	(34,584)	(65,044)	(55,741)	(39,503)
Payment to acquire operating lease right-of-use assets	-	-	-	-	-	-	-	-	(3,984)	(5,627)
Proceeds from sale of buildings	7,221	14,181	12,980	22,163	152,079	65,075	207,943	42,028	273,560	187,972
Proceeds from insurance settlement, investing activities	-	-	-	-	-	1,796	-	-	782	-
Acquisitions of other liabilities	-	-	-	-	-	-	242	-	-	1,024
Restricted cash	1,251	(1,108)	27	(1,449)	(853)	5,582	-	-	-	-
Acquisition deposits, net	550	(150)	(2,020)	1,420	(560)	255	(4,916)	3,846	27	(3,131)
Acquisitions of deferred leasing intangibles	(100,405)	(76,946)	(87,419)	(85,329)	(89,576)	(95,707)	(110,287)	(205,621)	(110,840)	(154,755)
Acquisitions of operating lease liabilities	-	-	-	-	-	-	-	-	3,984	5,627
Net cash provided by / used in financing activities	371,700	230,228	342,225	238,464	211,870	415,861	303,845	978,539	269,176	887,123
Proceeds from sale of Series B preferred stock	-	70,000	-	-	-	-	-	-	-	-
Redemption of common units for cash	-	-	(1,701)	(64)	-	-	-	-	-	-
Proceeds from credit facility	124,300	-	-	-	-	-	-	-	-	-
Repayment of credit facility	(124,300)	-	-	-	-	-	-	-	-	-
Proceeds from unsecured credit facility	215,300	158,500	426,500	300,750	513,000	677,500	894,500	1,568,000	914,000	2,665,000
Repayment of unsecured credit facility	(116,000)	(177,300)	(376,000)	(375,750)	(541,000)	(434,500)	(1,065,000)	(1,522,500)	(953,000)	(2,476,000)
Proceeds from unsecured term loans	150,000	100,000	200,000	150,000	150,000	-	150,000	275,000	400,000	1,125,000
Repayment of unsecured term loans	-	-	(300,000)	-	-	-	-	-	(300,000)	(1,125,000)
Proceeds from / repayments of notes payable	-	-	180,000	220,000	-	-	175,000	-	-	325,000
Proceeds from mortgage notes payable	78,067	-	-	-	-	-	-	-	-	-
Repayment of mortgage notes	(144,753)	(4,219)	(4,463)	(20,571)	(70,444)	(105,470)	(1,843)	(1,926)	(2,983)	(2,225)
Proceeds from sale of Series C preferred stock	-	-	-	-	75,000	-	-	-	-	-
Settlement of forward swap contracts	-	-	(358)	-	-	-	-	-	-	-
Redemption of Series A preferred stock	-	-	-	-	(69,000)	-	(70,000)	-	-	(75,000)
Payment of loan fees and costs	(4,119)	(1,949)	(4,431)	(3,672)	(3,993)	(1,224)	(4,465)	(1,227)	(1,554)	(9,579)
Payment of loan fees and costs excluding payment of loan prepayment fees and costs	(4,119)	(1,949)	(4,431)	(3,672)	(715)	(1,209)	(4,465)	(1,227)	(1,129)	(9,579)
Payment of loan prepayment fees and costs	-	-	-	-	(3,278)	(15)	-	-	(425)	-
Payments of dividends	(38,606)	(75,838)	(84,640)	(105,892)	(117,441)	(141,006)	(158,869)	(189,581)	(224,283)	(245,722)
Proceeds from sales of common stock, net	231,811	161,034	307,793	73,663	275,748	421,530	386,046	852,375	438,499	706,991
Proceeds from sales of common stock	242,947	169,747	316,692	74,892	282,669	427,542	390,447	-	-	-
Offering costs	(11,136)	(8,713)	(8,899)	(1,229)	(6,921)	(6,012)	(4,401)	-	-	-
Withholding taxes for settlement of outperformance program	-	-	(475)	-	-	-	-	-	-	-
Dividends and distributions	-	-	-	-	-	(969)	(1,524)	(1,602)	(1,503)	(1,342)
Increase / decrease in cash and cash equivalents	2,508	(12,316)	17,188	(11,867)	181	12,370	(5,587)	(10,678)	8,475	2,857
Cash and cash equivalents and restricted cash-beginning of period	16,498	19,006	6,690	23,878	12,011	12,192	28,129	22,542	11,864	20,339
Cash and cash equivalents and restricted cash-end of period	19,006	6,690	23,878	12,011	12,192	24,562	22,542	11,864	20,339	23,196

Stag Industrial Inc.
Forecasted Cash Flow Statement

Fiscal Years Ending Dec. 31	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E CV
Cash flow from Op activities									
Net Income	\$ 93,821	\$ 164,305	\$ 247,476	\$ 319,522	\$ 400,209	\$ 480,059	\$ 570,605	\$ 654,982	\$ 666,502
Adjustments:									
Add: Depreciation	\$ 186,723	\$ 187,834	\$ 187,716	\$ 187,821	\$ 190,134	\$ 188,095	\$ 192,013	\$ 197,011	\$ 202,503
Add: Amortization	\$ 88,712	\$ 77,554	\$ 66,597	\$ 57,915	\$ 49,679	\$ 49,679	\$ 49,679	\$ 49,679	\$ 49,679
Changes in WC accounts	\$ 122,919	\$ (10,568)	\$ 7,361	\$ 24,904	\$ 39,326	\$ 53,515	\$ 66,687	\$ 80,918	\$ 80,738
Increase in Recievables	\$ 22,283	\$ (10,133)	\$ (11,597)	\$ (11,357)	\$ (12,681)	\$ (14,267)	\$ (16,009)	\$ (17,957)	\$ (4,949)
Increase in Restricted Cash	\$ (103)	\$ (106)	\$ (108)	\$ (111)	\$ (113)	\$ (116)	\$ (119)	\$ (122)	\$ (125)
Increase in Prepaid Expense and other Current Assets	\$ (3,606)	\$ (9,173)	\$ (10,498)	\$ (10,281)	\$ (11,480)	\$ (12,915)	\$ (14,492)	\$ (16,255)	\$ (4,480)
Increase in Accounts Payable	\$ 3,739	\$ 11,397	\$ 13,044	\$ 12,774	\$ 14,263	\$ 16,047	\$ 18,006	\$ 20,197	\$ 5,566
Increase in other current Liabilities	\$ 56,659	\$ 10,479	\$ 11,891	\$ 12,421	\$ 13,759	\$ 15,263	\$ 16,865	\$ 18,626	\$ 12,296
Increase in other non current liabilities	\$ 43,947	\$ (13,033)	\$ 4,630	\$ 21,458	\$ 35,578	\$ 49,503	\$ 62,436	\$ 76,429	\$ 72,430
Net Cash provided by Operating Activities	\$ 492,176	\$ 419,126	\$ 509,150	\$ 590,162	\$ 679,347	\$ 771,348	\$ 878,984	\$ 982,590	\$ 999,422
Cash flow from Investing Activities									
Increase in short-term investments and other assets	\$ (9,041)	\$ (6,228)	\$ (7,130)	\$ (6,982)	\$ (7,797)	\$ (8,771)	\$ (9,840)	\$ (11,040)	\$ (3,042)
CapEx	\$ (179,170)	\$ (206,046)	\$ (236,952)	\$ (272,495)	\$ (299,745)	\$ (329,719)	\$ (362,691)	\$ (398,960)	\$ (426,887)
Net Cash provided by Investing Activities	\$ (188,211)	\$ (212,274)	\$ (244,082)	\$ (279,477)	\$ (307,542)	\$ (338,490)	\$ (372,531)	\$ (410,000)	\$ (429,930)
Cash Flows From Financing Activities									
Change in LT Debt	\$ 32,383	\$ (834)	\$ 296	\$ 1,374	\$ 2,278	\$ 3,169	\$ 3,997	\$ 4,893	\$ 4,637
Payment of Dividends	\$ (306,045)	\$ (327,468)	\$ (350,391)	\$ (374,918)	\$ (401,163)	\$ (429,244)	\$ (459,291)	\$ (491,442)	\$ (525,843)
Net Cash provided by Financing Activities	\$ (273,662)	\$ (328,303)	\$ (350,095)	\$ (373,545)	\$ (398,885)	\$ (426,075)	\$ (455,294)	\$ (486,549)	\$ (521,206)
Reconciled cash balance	\$ 30,303	\$ (121,451)	\$ (85,027)	\$ (62,860)	\$ (27,079)	\$ 6,783	\$ 51,158	\$ 86,041	\$ 48,286
Beg cash balance	\$ 18,981	\$ 49,284	\$ (72,166)	\$ (157,193)	\$ (220,053)	\$ (247,132)	\$ (240,349)	\$ (189,192)	\$ (103,151)
End cash balance	\$ 49,284	\$ (72,166)	\$ (157,193)	\$ (220,053)	\$ (247,132)	\$ (240,349)	\$ (189,192)	\$ (103,151)	\$ (54,865)

Stag Industrial Inc.

Common Size Income Statement

Fiscal Years Ending Dec. 31	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E CV
Total revenue	100.00												
Rental income	99.63	99.85	99.88	99.51	99.78	99.81	99.81	99.80	99.85	99.86	99.87	99.89	99.89
Rental income excluding tenant recoveries	84.23	-	-	-	-	-	-	-	-	-	-	-	-
Tenant recoveries	15.40	-	-	-	-	-	-	-	-	-	-	-	-
Other income	0.37	0.15	0.12	0.49	0.22	0.19	0.19	0.20	0.15	0.14	0.13	0.11	0.11
Total operating expenses	(79.25)	(75.90)	(72.77)	(70.83)	(77.81)	(70.56)	(64.26)	(59.74)	(56.13)	(53.35)	(51.39)	(49.71)	(49.82)
Property	(19.66)	(18.52)	(18.49)	(19.21)	(18.63)	(18.63)	(18.63)	(18.63)	(18.63)	(18.63)	(18.63)	(18.63)	(18.63)
General and administrative	(9.70)	(8.85)	(8.29)	(8.65)	(11.86)	(11.86)	(11.86)	(11.86)	(11.86)	(11.86)	(11.86)	(11.86)	(11.86)
Property acquisition costs	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	(26.57)	(27.52)	(27.22)	(26.68)	(31.67)	(27.89)	(24.40)	(21.76)	(19.64)	(17.32)	(15.76)	(14.41)	(14.38)
Loss on impairments	(1.76)	(2.40)	(1.15)	-	-	-	-	-	-	-	-	-	-
Unusual or infrequent item, or both, net of insurance proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(0.36)	(0.44)	(0.42)	(0.51)	(0.61)	(0.66)	(0.71)	(0.79)	(0.87)	(0.96)	(1.06)	(1.17)	(1.41)
Total other income / expense	6.67	(11.62)	15.55	5.78	(6.28)	(5.05)	(3.57)	(3.24)	(2.53)	(2.45)	(1.78)	(2.37)	(2.84)
Interest expense	(13.90)	(13.44)	(12.80)	(11.27)	(14.78)	(13.38)	(11.70)	(10.51)	(9.50)	(8.65)	(7.92)	(7.29)	(7.34)
Interest income	0.01	0.02	0.09	0.02	0.04	0.04	0.03	0.03	0.02	0.02	0.02	0.02	0.02
Interest expense excluding interest income	(13.91)	(13.46)	(12.90)	(11.29)	(14.82)	(13.42)	(11.73)	(10.53)	(9.53)	(8.67)	(7.94)	(7.31)	(7.36)
Offering costs	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain / loss on interest rate swaps	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss on extinguishment of debt and modification expenses	(0.00)	-	(0.17)	(0.38)	(0.13)	(0.12)	(0.11)	(0.10)	(0.10)	(0.07)	(0.07)	(0.06)	(0.07)
Gain on involuntary conversion	-	-	0.45	-	-	-	-	-	-	-	-	-	-
Gain on the sales of rental property	20.57	1.82	28.08	17.43	8.63	8.45	8.24	7.37	7.08	6.27	6.21	4.98	4.57
Net income / loss from continuing operations	27.42	12.48	42.78	34.94	15.91	24.40	32.17	37.02	41.34	44.20	46.83	47.92	47.34
Total income / loss attributable to discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss / income attributable to discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss on impairment attributable to discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain on sales of rental property	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income / loss	27.42	12.48	42.78	34.94	15.91	24.40	32.17	37.02	41.34	44.20	46.83	47.92	47.34
Income / loss attributable to noncontrolling interest after preference	(0.95)	(0.34)	(0.96)	(0.73)	(0.52)	(0.80)	(1.06)	(1.22)	(1.36)	(1.45)	(1.54)	(1.58)	(1.56)
Net income / loss attributable to STAG Industrial, Inc.	26.48	12.14	41.82	34.21	15.39	23.60	31.11	35.80	39.98	42.75	45.29	46.34	45.79
Preferred stock dividends	(2.17)	(1.27)	(1.07)	(0.23)	(0.66)	(0.51)	(0.37)	(0.39)	(0.33)	(0.29)	(0.27)	(0.24)	(0.23)
Preferred stock redemption premium	(0.76)	-	-	(0.46)	-	-	-	-	-	-	-	-	-
Amount allocated to participating securities	(0.08)	(0.08)	(0.06)	(0.05)	(0.05)	(0.05)	(0.04)	(0.04)	(0.03)	(0.03)	(0.03)	(0.02)	(0.02)
Net income / loss attributable to common stockholders	23.47	10.79	40.69	33.47	14.68	23.04	30.70	35.37	39.62	42.43	45.00	46.08	45.54

Stag Industrial Inc.
Common Size Balance Sheet

Fiscal Years Ending Dec. 31	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E CV
Total rental property, net	8.52	9.85	9.36	10.00	9.37	8.12	7.08	6.34	5.72	5.18	4.72	4.32	4.31
Total rental property, net excluding deferred leasing intangibles, net of accumulated amortization	7.55	8.68	8.33	8.99	8.56	7.52	6.65	6.02	5.48	5.02	4.61	4.26	4.29
Land	1.04	1.07	1.02	1.10	1.05	0.92	0.81	0.74	0.67	0.61	0.56	0.52	0.52
Buildings and improvements, net of accumulated depreciation	6.51	7.61	7.31	7.89	7.51	6.60	5.83	5.29	4.81	4.40	4.05	3.74	3.77
Accumulated depreciation	(1.10)	(1.23)	(1.31)	(1.39)	(1.64)	(1.72)	(1.75)	(1.77)	(1.78)	(1.76)	(1.72)	(1.68)	(1.78)
Intangible assets, net (excluding goodwill)	0.97	1.17	1.03	1.01	0.81	0.60	0.44	0.32	0.23	0.16	0.10	0.06	0.02
Cash and cash equivalents	0.02	0.02	0.03	0.03	0.08	(0.11)	(0.20)	(0.25)	(0.26)	(0.22)	(0.16)	(0.08)	(0.04)
Restricted cash	0.04	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.00	0.00	0.00	0.00	0.00
Tenant accounts receivable, net	0.12	0.14	0.16	0.17	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12
Prepaid expenses and other assets	0.11	0.09	0.09	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11
Prepaid expenses and other assets excluding deferred financing fees, net, leasing commissions, net and goodwill	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest rate swaps	0.03	0.00	-	0.01	-	-	-	-	-	-	-	-	-
Operating lease right-of-use assets	-	0.04	0.05	0.05	0.05	0.04	0.04	0.03	0.03	0.03	0.02	0.02	0.02
Assets held for sale, net	-	0.11	0.00	-	-	-	-	-	-	-	-	-	-
Total assets	8.84	10.26	9.71	10.38	9.76	8.32	7.19	6.40	5.77	5.27	4.87	4.55	4.58
Unsecured credit facility	0.29	0.36	0.22	0.53	0.52	0.45	0.39	0.36	0.32	0.29	0.27	0.25	0.25
Unsecured term loans, net	1.70	2.15	2.01	1.73	1.70	1.48	1.30	1.17	1.06	0.97	0.88	0.81	0.81
Unsecured notes, net	1.63	1.41	1.19	1.60	1.52	1.33	1.16	1.05	0.95	0.86	0.79	0.73	0.73
Long-term debt	0.24	0.24	0.25	0.19	0.24	0.21	0.18	0.16	0.15	0.14	0.12	0.11	0.11
Dividends and distributions payable	0.04	0.04	0.04	0.04	0.13	0.12	0.11	0.11	0.10	0.10	0.09	0.09	0.09
Deferred leasing intangibles, net of accumulated amortization	0.06	0.07	0.07	0.06	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07
Operating lease liabilities	-	0.04	57.71	0.06	0.05	0.05	0.04	0.04	0.03	0.03	0.03	0.03	0.03
Total liabilities	4.08	4.44	3.98	4.34	4.37	3.84	3.40	3.08	2.82	2.59	2.39	2.22	2.22
Preferred stock	0.21	0.18	0.16	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	6.04	7.32	7.08	7.35	7.01	6.14	5.37	4.79	4.27	3.80	3.39	3.02	2.94
Common stock dividends in excess of earnings	(1.67)	(1.78)	(1.54)	(1.41)	(1.70)	(1.73)	(1.65)	(1.54)	(1.37)	(1.18)	(0.96)	(0.73)	(0.61)
Accumulated other comprehensive loss / income	0.013	(0.045)	(0.083)	(0.021)	(0.020)	(0.017)	(0.015)	(0.014)	(0.012)	(0.011)	(0.010)	(0.009)	(0.008)
Noncontrolling Interest	0.16	0.14	0.11	0.12	0.11	0.10	0.09	0.08	0.07	0.06	0.05	0.05	0.05
Total equity	4.76	5.82	5.73	6.04	5.40	4.48	3.79	3.31	2.95	2.68	2.48	2.33	2.36
Total liabilities and equity	8.84	10.26	9.71	10.38	9.76	8.32	7.19	6.40	5.77	5.27	4.87	4.55	4.58

Stag Industrial Inc.*Weighted Average Cost of Capital (WACC) Estimation***Cost of Equity:**

Risk-Free Rate	2.83%
Beta	0.98
Equity Risk Premium	6.37%
Cost of Equity	9.07%

Cost of Debt:

Risk-Free Rate	2.83%
Implied Default Premium	0.88%
Pre-Tax Cost of Debt	3.71%
Marginal Tax Rate	8.80%
After-Tax Cost of Debt	3.38%

Cost of Preferred Stock:

Annual Pfd. Dividend	1.46
Price of Pfd. Shares	25
Cost of Preferred:	5.84%

Market Value of Common Equity:

Total Shares Outstanding	178,010,000
Current Stock Price	\$42.22
MV of Equity	7,515,582,200.00

MV Weights

73.09%

Market Value of Debt:

Short-Term Debt	2273101000
Current Portion of LTD	358432000
Long-Term Debt	2,240,200.00
PV of Operating Leases	57,710,725.17
MV of Total Debt	2,691,483,925.17

26.18%

Market Value of Preferred Stock:

Total Shares Outstanding	3,000,000
Price of Pfd. Shares	25
MV of Preferred	75,000,000.00

0.73%

Market Value of the Firm**10,282,066,125.17**

100.00%

Estimated WACC

7.56%

Stag Industrial Inc.*Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models*

Key Inputs:

CV Growth of NOPLAT	2.50%
CV Year ROIC	27.78%
WACC	7.56%
Cost of Equity	9.07%

Fiscal Years Ending Dec. 31	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E CV
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DCF Model:

Free Cash Flow (FCF)	931,636	1,049,447	1,059,207	1,082,362	1,114,891	1,166,314	1,229,226	1,316,418	1,388,935
Continuing Value (CV)									28,894,956
PV of FCF	866,156	907,111	851,198	808,671	774,429	753,208	738,042	734,840	16,129,502

Value of Operating Assets:	22,563,156
Non-Operating Adjustments	
Less: PV of Op Lease	(29,582)
Plus: Restricted Cash	4,215
Less: Debt	(2,272,452)
Value of Equity	20,265,337
Shares Outstanding	163,442
Intrinsic Value of Last FYE	\$ 123.99
Implied Price as of Today	\$ 124.89

EP Model:

Economic Profit (EP)	367,585	454,646	556,847	652,821	757,292	872,528	1,001,892	1,142,781	1,169,418
Continuing Value (CV)									23,111,776
PV of EP	341,750	392,982	447,493	487,746	526,032	563,480	601,548	637,914	12,901,263

Total PV of EP	16,900,207
Invested Capital (last FYE)	5,662,949
Value of Operating Assets:	22,563,156
Non-Operating Adjustments	
Less: PV of Op Lease	(29,582)
Plus: Restricted Cash	4,215
Less: Debt	(2,272,452)
Value of Equity	20,265,337
Shares Outstanding	163,442
Intrinsic Value of Last FYE	\$ 123.99
Implied Price as of Today	\$ 124.89

Stag Industrial Inc.*Relative Valuation Models*

Ticker	Company	Price	EPS 2022E	EPS 2023E	P/E 22	P/E 23	FFO/S 2022E	FFO/S 2023E	P/FFO 2022E	P/FFO 2023E
PLD	Prologis, Inc.	\$162.70	\$3.28	\$3.51	49.60	46.30	5.07	5.58	32.10	29.20
REXR	Rexford Industrial Realty, Inc.	\$76.18	\$0.84	\$0.92	91.00	82.60	1.91	2.15	39.90	35.50
EXR	Extra Space Storage	\$212.55	\$5.70	\$6.13	37.30	34.70	7.93	8.45	26.80	25.20
DRE	Duke Realty Corporation	\$58.25	\$0.86	\$0.95	67.80	61.30	1.90	2.10	30.60	27.80
Average					61.43	56.23	4.20	4.57	32.35	29.43
STAG	Stag Industrial Inc.	\$38.96	\$0.53	\$0.95	73.6	41.0	0.9	1.3	45.3	29.29

Implied Relative Value:

P/E (EPS22)	\$ 32.53
P/E (EPS23)	\$ 53.37
P/FFO (FFO/S 2022)	\$ 27.85
P/FFO (FFO/S 2023)	\$ 39.14

Stag Industrial Inc.
Key Management Ratios

Fiscal Years Ending Dec. 31	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E CV
Liquidity Ratios:																			
Quick ratio = (current assets - (inventories + prepayments)) / Current liabilities	0.08	0.03	0.05	0.02	0.03	0.03	0.02	0.02	0.03	0.03	0.03	-0.03	-0.07	-0.09	-0.10	-0.10	-0.07	-0.03	-0.01
Cash ratio = (Cash + Marketable Sec.) / Current Liabilities	0.10	0.04	0.11	0.06	0.05	0.04	0.03	0.01	0.02	0.02	0.04	-0.05	-0.12	-0.16	-0.18	-0.17	-0.13	-0.07	-0.03
Current Ratio = Current assets / Current Liabilities	0.20	0.14	0.15	0.09	0.08	0.08	0.08	0.07	0.09	0.08	0.09	0.04	0.01	-0.01	-0.01	0.01	0.04	0.09	0.11
Asset-Management Ratios:																			
Receivables ration = (Accounts receivable / Net sales / 365)	39.93	37.59	35.35	35.86	36.79	40.73	43.92	51.78	58.74	60.77	44.15	44.15	44.15	44.15	44.15	44.15	44.15	44.15	44.15
Asset Turnover Ratio = Net sales / Average total Assets		0.12	0.12	0.12	0.12	0.12	0.12	0.11	0.11	0.11	0.10	0.12	0.14	0.16	0.17	0.19	0.21	0.22	0.22
Operating Ratio = (COGS + Operating Expense / Total Revenue)	0.89	0.85	0.90	1.00	0.92	0.83	0.79	0.76	0.73	0.71	0.78	0.71	0.64	0.60	0.56	0.53	0.51	0.50	0.50
Financial Leverage Ratios:																			
Debt to Assets Ratio = Total liabilities / Total Assets	0.51	0.47	0.45	0.55	0.51	0.47	0.46	0.43	0.41	0.42	0.45	0.46	0.47	0.48	0.49	0.49	0.49	0.49	0.48
Debt to Equity Ratio = Total Liabilities / Total Shareholders Equity	1.05	0.88	0.83	1.23	1.05	0.90	0.86	0.76	0.69	0.72	0.81	0.86	0.90	0.93	0.95	0.97	0.96	0.95	0.94
Debt to Capital Ratio = Debt / (debt+SH equity)	0.33	0.26	0.21	0.23	0.15	0.05	0.05	0.04	0.04	0.03	0.04	0.04	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Profitability Ratios:																			
Return on Equity = (Net Income / Beg Total Stockholder Equity)		1.00%	-0.75%	-3.53%	4.16%	3.02%	6.82%	3.03%	8.75%	7.09%	2.76%	5.16%	8.20%	10.96%	13.99%	16.79%	19.61%	21.68%	20.93%
Return on assets =	-1.01%	0.39%	-0.31%	-1.65%	1.63%	1.20%	3.10%	1.22%	4.41%	3.37%	1.63%	2.93%	4.48%	5.79%	7.16%	8.39%	9.62%	10.53%	10.33%
Net Margin = Net sales - (COGS) / Net Sales	11.23%	15.27%	10.32%	-0.17%	7.97%	16.75%	20.75%	24.10%	27.23%	29.17%	22.19%	29.44%	35.74%	40.26%	43.87%	46.65%	48.61%	50.29%	50.18%
Payout Policy Ratios:																			
Dividend Payout Ratio (Dividend/EPS)	-301.35%	-1790.74%	-556.18%	-260.59%	580.30%	667.29%	192.84%	432.72%	114.01%	152.00%	353.61%	211.08%	148.38%	122.80%	104.60%	93.15%	83.77%	78.02%	82.03%
Total Payout Ratio ((Divs. + Repurchases)/NI)	3.64%	70.18%	9.70%	7.47%	-4.20%	12.22%	4.66%	-36.37%	-19.35%	-6.00%	-12.56%	-7.17%	-4.76%	-3.69%	-2.94%	-2.45%	-2.07%	-1.80%	-1.77%
EPS = Profit / outstanding common shares	-0.327	-0.068	-0.203	-0.476	0.235	0.204	0.797	0.349	1.322	1.151	0.530	0.949	1.445	1.868	2.346	2.819	3.354	3.854	3.922

Stag Industrial Inc.

Present Value of Operating Lease Obligations

Fiscal Years Ending Dec. 31	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Year 1	300.0	310.0	320.0	330.0	340.0	350.0	360.0	370.0	380.0	390.0	400.0
Year 2	250.0	260.0	270.0	280.0	290.0	300.0	310.0	320.0	330.0	340.0	350.0
Year 3	225.0	230.0	235.0	240.0	245.0	250.0	255.0	260.0	265.0	270.0	275.0
Year 4	175.0	180.0	185.0	190.0	195.0	200.0	205.0	210.0	215.0	220.0	225.0
Year 5	100.0	104.0	108.0	112.0	116.0	120.0	124.0	128.0	132.0	136.0	140.0
Thereafter	290.0	300.0	310.0	320.0	330.0	340.0	350.0	360.0	370.0	380.0	390.0
Total Minimum Payments	1340.0	1384.0	1428.0	1472.0	1516.0	1560.0	1604.0	1648.0	1692.0	1736.0	1780.0
Less: Cumulative Interest	156.7	161.8	166.9	172.0	177.1	182.2	187.3	192.4	197.5	202.6	207.7
PV of Minimum Payments	1183.3	1222.2	1261.1	1300.0	1338.9	1377.8	1416.7	1455.6	1494.5	1533.4	1572.3
Implied Interest in Year 1 Payment		43.9	45.3	46.8	48.2	49.7	51.1	52.6	54.0	55.4	56.9
Pre-Tax Cost of Debt	3.71%	3.71%	3.71%	3.71%	3.71%	3.71%	3.71%	3.71%	3.71%	3.71%	3.71%
Years Implied by Year 6 Payment	2.9	2.9	2.9	2.9	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Expected Obligation in Year 6 & Beyond	100	104	108	112	116	120	124	128	132	136	140
Present Value of Lease Payments											
PV of Year 1	289.3	298.9	308.6	318.2	327.8	337.5	347.1	356.8	366.4	376.0	385.7
PV of Year 2	232.4	241.7	251.0	260.3	269.6	278.9	288.2	297.5	306.8	316.1	325.4
PV of Year 3	201.7	206.2	210.7	215.2	219.6	224.1	228.6	233.1	237.6	242.0	246.5
PV of Year 4	151.3	155.6	159.9	164.2	168.6	172.9	177.2	181.5	185.8	190.2	194.5
PV of Year 5	83.3	86.7	90.0	93.4	96.7	100.0	103.4	106.7	110.0	113.4	116.7
PV of 6 & beyond	225.2	233.1	240.9	248.7	256.5	264.4	272.2	280.0	287.9	295.7	303.5
Capitalized PV of Payments	1183.3	1222.2	1261.1	1300.0	1338.9	1377.8	1416.7	1455.6	1494.5	1533.4	1572.3