

Yorkton Equity Group Inc. (TSXV: YEG)

Record 2024 Results: Positive Outlook Fueled by Rent Growth & Cap Rate Compression

BUY

Current Price: C\$0.20

Fair Value: C\$0.34

Risk*: 3

Sector: Real Estate

[Click here for more research on the company](#)

Highlights

- 2024 revenue was up 38% YoY to \$9.4M, **beating our estimate by 0.4%**, driven by organic rent growth, and property acquisitions.
- **EPS was up 91% to \$0.06** vs our forecast of \$0.03, due to higher-than-expected property valuation gains (\$8.0M vs \$3.8M).
- At the end of 2024, YEG owned **\$135M in real estate investments**, including 10 residential projects totaling 518 units, and one commercial project spanning 28,036 sq. ft. With consensus estimates projecting 3%–4% organic rent growth in Alberta and B.C. (YEG's target markets) for 2025, we anticipate YEG's property valuations will rise by 3.5%, or \$5M, this year.
- We maintain a **positive outlook on the Canadian multi-family residential market**, buoyed by strong rental demand, elevated property prices, and challenges in affordability due to high mortgage rates for new homebuyers.
- Since the end of 2024, the BoC has cut rates twice, totaling 50 bp. Although the BoC held its benchmark rate in its most recent meeting, we see room for one or two more cuts this year, driven by rising unemployment, geopolitical/trade risks, and concerns over potential weakness in GDP growth. **Lower rates and higher rents should compress cap rates, and boost property valuations**
- YEG's forward EV/revenue is 9x vs the sector average of 12x, **a 25% discount**.

Sid Rajeew, B.Tech, MBA, CFA
Head of Research

Price and Volume (1-year)



	YTD	12M
YEG	-7%	8%
TSXV	6%	13%

Company Data

52 Week Range	\$0.15 - \$0.22
Shares O/S	113M
Market Cap.	\$23M
Yield (forward)	N/A
P/E (forward)	N/A
P/B	0.7x

Key Financials (FYE: Dec 31) - C\$	2024	2025E	2026E
Cash	\$772,262	\$1,899,821	\$1,829,690
Working Capital	-\$3,297,950	-\$3,567,620	-\$3,634,841
Debt to Capital	76%	73%	70%
NAV/share	\$0.28	\$0.33	\$0.39
Net Revenue	\$5,773,276	\$6,038,670	\$6,359,734
Net Income Before Tax	\$7,810,055	\$5,194,500	\$5,924,346
Tax	\$1,242,774	\$870,079	\$992,328
Net Income after Tax	\$6,567,281	\$4,324,421	\$4,932,018
EPS	\$0.06	\$0.04	\$0.04

*This report and research coverage is paid for and commissioned by the issuer. See last page for other important disclosures, rating, and risk definitions. All figures in C\$ unless otherwise specified.

30+ year track record in real estate

The CEO owns 73% of YEG's equity

Building a portfolio capable of potentially generating steady cash flows, and capital gains

YEG owns 100% equity in its projects

At the end of 2024, YEG owned \$134.8M in real estate investments, up 6% YoY, driven by an \$8.0M gain in property valuations vs our forecast of \$3.8M, fueled by higher rent

According to management, commercial occupancy climbed from 87% in Q4-2024, to 92% in Q1-2025

We anticipate property valuations increasing by 3.5% in 2025, driven by organic rent growth

Three residential properties in Edmonton accounted for 64% of YEG's portfolio

Investment Strategy

YEG focuses on multi-family rental properties capable of potentially generating steady cash flows, and capital gains. Management's key objectives include:

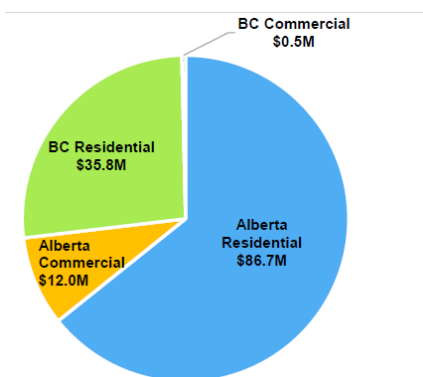
- Expanding through **strategic acquisitions** of multi-family residential properties in cities experiencing robust population growth, with an initial emphasis on B.C. and Alberta
- **Increasing rental revenue** through organic growth, development, repositioning, renovations, and optimization strategies
- Over the next three to five years, management is **focused on growing the portfolio to over \$500M**.

YEG's portfolio includes 11 projects (unchanged QoQ), including 10 residential projects totaling 518 units, and one commercial spanning 28,036 sq. ft

Portfolio Summary

Key Metrics	2023	2024	Q1-2024	Q2-2024	Q3-2024	Q4-2024	YoY	QoQ
Investment Properties	\$126,630,000	\$134,840,000	\$126,702,120	\$128,135,744	\$129,659,691	\$134,840,000	6.5%	4.0%
Residential								
Average Occupancy (%)	97%	98%	98%	99%	98%	98%	1.0%	0.0%
Weighted Avg # of Units (wt. avg.)	389	518	518	518	518	518	33.2%	0.0%
Avg. Monthly Rent/Unit	\$1,423	\$1,501	\$1,471	\$1,492	\$1,488	\$1,501	5.5%	0.9%
Avg. Monthly OPEX/Unit	\$502	\$560	\$535	\$582	\$526	\$560	11.6%	6.5%
Avg. Op Profit/Unit	\$921	\$941	\$936	\$910	\$962	\$941	2.2%	-2.2%
Commercial								
Average Occupancy (%)	86%	86%	88%	88%	85%	87%	1.2%	2.4%
Sq. Ft (wt. avg.)	28,026	28,026	28,026	28,026	28,026	28,026	0.0%	0.0%
Avg. Monthly Rent/Sq. ft.	\$1.28	\$0.83	\$1.09	\$1.16	\$0.87	\$0.83	-35.2%	-4.6%
Avg. Monthly OPEX/Unit	\$1.70	\$1.77	\$1.74	\$1.75	\$1.69	\$1.77	4.1%	4.7%

*For the commercial property, a large share of OPEX is recovered from tenants

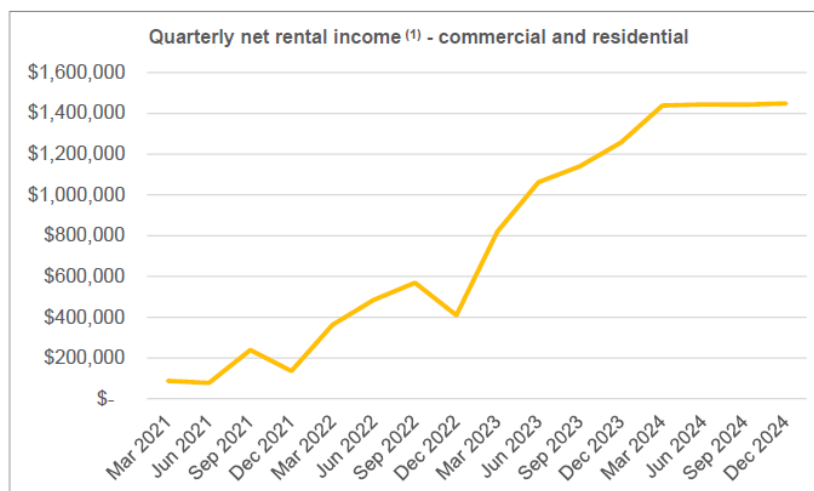


Source: FRC/Company

2024 revenue was up 38% YoY, beating our estimate by 0.4%, driven by higher rents, and two property acquisitions in 2023

In 2024, residential rental revenue accounted for 92% of revenue (89% in 2023)

10 residential projects totaling \$5.9M in NOI, valued at \$123M, or \$237k/unit



Gross Revenue	2022	2023	2024	YoY
Residential Lease Revenue	\$2,557,075	\$6,087,163	\$8,671,281	42%
Commercial Lease Revenue	\$336,822	\$337,160	\$190,264	-44%
Others	\$99,437	\$393,557	\$531,111	35%
Total	\$2,993,334	\$6,817,880	\$9,392,656	38%

Source: FRC/Company

The following sections summarize YEG's projects.

Residential	Total (Entire Residential Portfolio)
# of Units	519
Fair Value	\$122,890,000
Avg Price/Unit	\$236,782
Gross Monthly Rent/Unit	\$1,571
Avg Cap Rate	4.81%
NOI (Estimated)	\$5,905,825

Source: FRC/Company

The tables below present key highlights of YEG's residential projects.

Key Highlights

<u>Residential</u>	Alberta		
Project	The Dwell	The Fuse	Riviera Gardens
Location	Edmonton, AB	Edmonton, AB	Edmonton, AB
Overview	Constructed in 2022; residential units plus amenities such as a social room, fitness center, two pet wash stations, underground parking, and in-suite laundry	Constructed in 2015; residential units across two buildings plus amenities such as a/c hallways, underground parking, in-suite laundry, and fitness centers	Constructed in 1978; residential units across two buildings; renovated 43 units in 2021/2022
# of Units	188	125	62
Fair Value	\$47,390,000	\$29,590,000	\$9,670,000
Avg Price/Unit	\$252,074	\$236,720	\$155,968
Gross Monthly Rent/Unit	\$1,619	\$1,553	\$1,154
Avg Cap Rate	4.75%	4.75%	5.25%
NOI (Estimated)	\$2,251,025	\$1,405,525	\$507,675

<u>Residential</u>	Fort St. John, B.C.			
Project	Windsor Estates	Shamrock Townhomes	Canterbury Estates	Midtown Apartments
Location	Fort St. John, B.C.	Fort St. John, B.C.	Fort St. John, B.C.	Fort St. John, B.C.
Overview	Constructed in 1979; wood frame townhouse units spread across two developments; completed exterior and interior renovations of Windsor Estates in 2015		Constructed in 2000; a five-building residential complex	Constructed in 1979; a three-level apartment building
# of Units	25	25	21	12
Fair Value	\$4,455,000	\$3,645,000	\$3,980,000	\$1,160,000
Avg Price/Unit	\$178,200	\$145,800	\$189,524	\$96,667
Gross Monthly Rent/Unit	\$1,463	\$1,142	\$1,510	\$881
Avg Cap Rate	6.50%	6.50%	6.25%	6.75%
NOI (Estimated)	\$289,575	\$236,925	\$248,750	\$78,300

<u>Residential</u>	B.C. Interior		Vancouver Island, B.C.
Project	Larson Place	Winton Terrace	Pacific Central
Location	B.C.	B.C.	B.C.
Overview	Constructed in 2019; a wood frame two-storey townhouse complex	Constructed in 1967; a wood frame low-rise apartment building	Constructed in 2014; a four-storey apartment building, consisting of 15 residential + one commercial unit
# of Units	19	26	16
Fair Value	\$10,500,000	\$6,110,000	\$6,390,000
Avg Price/Unit	\$552,632	\$235,000	\$399,375
Gross Monthly Rent/Unit	\$2,270	\$1,135	\$1,682
Avg Cap Rate	4.00%	4.00%	3.50%
NOI (Estimated)	\$420,000	\$244,400	\$223,650

Source: FRC/Company

Three residential projects in Edmonton, totaling 375 units valued at \$87M, or \$231k/unit

The average cap rate is 4.8%

Four residential projects in Fort St. John, B.C., totaling 83 units valued at \$13M, or \$160k/unit

The average cap rate is 6.5%

Three residential projects in the rest of B.C., totaling 61 units valued at \$23M, or \$377k/unit

The average cap rate is 3.9%

One
commercial/retail
project in Edmonton,
with RBC (TSX: RY)
as the anchor tenant

Commercial	Alberta		
Project	Pacific Mall		
Location	Edmonton, AB		
Overview	Constructed in 1986; a two-storey retail and commercial building in Chinatown; the anchor tenant is RBC; Other tenants include restaurants, an education centre, beauty and hair salons, and other services. <div>Land for Development</div>		
Sq. ft.	28,026	34,845	62,871
Fair Value	\$6,350,000	\$5,600,000	\$11,950,000
Avg Price/Sq.ft.	\$227	\$149	\$190
Gross Monthly Rent/Sq.ft.	\$0.83	n/a	\$0.83
Avg Cap Rate	6.75%	n/a	6.75%

Source: FRC / Company

Financials

2024 revenue was
up 38% YoY,
beating our estimate
by 0.4%

EBITDA was up
39%, missing our
estimate by 2.4%, as
G&A expenses were
11.4% higher than
expected

EPS was up 91% to
\$0.06 vs our forecast
of \$0.03 due to
higher than expected
property valuation
gains (\$8.0M vs
\$3.8M)

Income Statement	2022	2023	2024	YoY
YE - December 31				
Rental Revenue	\$2,993,334	\$6,817,880	\$9,392,656	38%
Recovery of OPEX	\$428,789	\$378,587	\$454,780	20%
Operating Costs	-\$1,576,912	-\$2,915,630	-\$4,074,160	40%
Net Revenue	\$1,845,211	\$4,280,837	\$5,773,276	35%
Expenses				
G&A	\$868,316	\$847,383	\$1,009,775	19%
Total Expenses	868,316	847,383	1,009,775	19%
EBITDA	976,895	3,433,454	4,763,501	39%
Depreciation	3,499	4,511	18,243	304%
Interest	1,576,049	3,446,952	4,896,239	42%
EBT	-602,653	-18,009	-150,981	
FV Changes and Others	-\$672,098	-\$4,179,542	-\$7,961,036	90%
Tax	\$231,418	\$723,573	\$1,242,774	72%
Net Income	-\$161,973	\$3,437,960	\$6,567,281	91%
EPS	-\$0.00	\$0.03	\$0.06	

Source: FRC / Company

Gross and EBITDA
margins were
relatively flat YoY

Margins	2022	2023	2024
Gross	61.6%	62.8%	61.5%
EBITDA	32.6%	50.4%	50.7%
EBT	-20.1%	-0.3%	-1.6%
Net	-5.4%	50.4%	69.9%

Free cash flows
were up 36% YoY

	2022	2023	2024	YoY
Funds From Operations	\$857,416	\$3,019,382	\$4,950,453	64%
Cash From Operations	\$781,186	\$3,630,554	\$4,827,999	33%
Cash From Investing	-\$11,235,465	-\$68,145,932	-\$466,976	-99%
Cash From Financings	\$11,224,564	\$62,339,747	-\$4,777,257	n/a
FCF	\$666,424	\$3,281,583	\$4,458,177	36%

Debt to capital was
76% at the end of
2024 vs the sector
average of 52%

	2021	2022	2023	2024
Investments	\$42,739,612	\$54,670,495	\$126,670,833	\$134,883,166
Cash	\$2,311,467	\$3,145,289	\$1,158,974	\$772,262
Working Capital	-\$10,986,790	-\$767,641	-\$2,859,582	-\$3,297,950
LT debt	\$10,242,340	\$31,760,251	\$96,694,564	\$96,589,868
Debt	\$23,548,535	\$35,621,841	\$100,304,754	\$100,138,275
Debt to Capital	53.4%	63.0%	80.0%	76.0%
EBIT/ Interest expense	-1.1	0.6	1.0	1.0

As equity grows
through potential
gains in property
valuations, YEG's
debt to capital
should trend lower

No outstanding
options/warrants are
in-the-money

Options	#	Strike Price	Value
Total Outstanding	809,905	\$0.20	\$161,981
In the Money	-		-

Warrants	#	Strike Price	Value
Total Outstanding	1,552,800	\$0.60	\$931,680
In the Money	-		-

Source: FRC / Company

FRC Projections and Valuation

We are raising our 2025 EPS forecast to \$0.04 (from \$0.03) on higher valuation gains (\$5M vs \$4M)

Sector multiples are down 9% since our previous report in November 2024

YEG's forward EV/EBITDA is 14x (previously 18x) vs the sector average of 19x (previously 20x)

Applying sector averages to our revenue and EBITDA estimates, we are arriving at a fair value estimate of \$0.34/share (previously \$0.32/share)

Valuation increased because we are now using our 2025 estimates vs 2024 previously

We are maintaining our risk rating of 3 (Average)

	2025E (Old)	2025E (New)	2026E (Introducing)
Revenue	\$9,822,599	\$9,838,768	\$10,183,125
EBITDA	\$5,151,077	\$4,998,602	\$5,288,464
Net Income	\$3,467,754	\$4,324,421	\$4,932,018
EPS	\$0.03	\$0.04	\$0.04

*For conservatism, we are not assuming any acquisitions in our EPS estimates, and valuation models

Source: FRC

Company	EV (\$M)	Forward EV/Revenue	Forward EV/EBITDA	P/B	Gross Margins	Debt/Capital
Canadian Apartment Properties REIT	\$12,303	12.18	20.38	0.70	66%	40%
Boardwalk REIT	\$6,573	10.29	18.41	0.60	64%	43%
Killam Apartment REIT	\$4,159	10.92	17.72	0.60	66%	42%
Xior Student Housing	\$4,226	14.74	19.64	N/A	70%	47%
InterRent REIT	\$3,153	12.78	20.79	0.60	67%	41%
Morguard North American Residential	\$2,739	7.56	16.05	0.30	53%	50%
BSR REIT	\$2,052	10.21	21.71	0.60	55%	62%
Global Education Communities	\$380	5.30	N/A	0.40	58%	66%
Yorkton Equity	\$122	8.73	14.28	0.69	61%	76%
Average		11.85	18.99	0.64	62%	52%
Fair Value of YEG		\$0.46	\$0.36	\$0.19		
Average			\$0.34			

Source: FRC / S&P Capital IQ

We are reiterating our BUY rating, and **adjusting our fair value estimate from \$0.32 to \$0.34/share**. YEG's impressive 2024 results, fueled by robust rental demand, and strategic property acquisitions, highlight its strong operational execution. Looking ahead, we believe favorable Canadian multi-family residential market dynamics, coupled with anticipated rate cuts, position YEG for continued valuation growth.

Risks

We believe the company is exposed to the following key risks:

- Investments in real estate are typically affected by macroeconomic conditions, and the health of local real estate markets
- Like all real estate companies, YEG **utilizes leverage** to amplify returns
- Interest rates
- **Property-specific** risks such as vacancy rates, and unexpected maintenance or repair costs

APPENDIX

Income Statement	2023	2024	2025E	2026E	
YE - December 31					
Rental Revenue	\$6,817,880	\$9,392,656	\$9,838,768	\$10,183,125	
Recovery of OPEX	\$378,587	\$454,780	\$588,348	\$608,940	
Operating Costs	-\$2,915,630	-\$4,074,160	-\$4,388,446	-\$4,432,330	
Net Revenue	\$4,280,837	\$5,773,276	\$6,038,670	\$6,359,734	
Expenses					
G&A	\$847,383	\$1,009,775	\$1,040,068	\$1,071,270	
Total Expenses	847,383	1,009,775	\$1,040,068	\$1,071,270	
EBITDA	3,433,454	4,763,501	\$4,998,602	\$5,288,464	
Depreciation	4,511	18,243	\$18,790	\$19,354	
Interest	3,446,952	4,896,239	\$4,506,222	\$4,238,358	
EBT	-18,009	-150,981	\$473,589	\$1,030,753	
FV Changes and Others	-\$4,179,542	-\$7,961,036	-\$4,720,911	-\$4,893,593	
Tax	\$723,573	\$1,242,774	\$870,079	\$992,328	
Net Income	\$3,437,960	\$6,567,281	\$4,324,421	\$4,932,018	
EPS	\$0.03	\$0.06	\$0.04	\$0.04	
Balance Sheet	2022	2023	2024	2025E	2026E
YE - December 31					
Assets					
Cash	\$3,145,289	\$1,158,974	\$772,262	\$1,899,821	\$1,829,690
Receivables and Prepaid	\$579,395	\$958,933	\$1,196,659	\$1,256,492	\$1,319,317
Current Assets	\$3,724,684	\$2,117,907	\$1,968,921	\$3,156,313	\$3,149,006
Equipment & Others	\$216,087	\$262,943	\$224,541	\$224,541	\$224,541
Investments	\$54,670,495	\$126,670,833	\$134,883,166	\$139,816,945	\$145,846,420
Total Asset	\$58,611,266	\$129,051,683	\$137,076,628	\$143,197,799	\$149,219,967
Liabilities					
A/P	\$436,082	\$852,657	\$1,141,232	\$1,198,294	\$1,258,208
Mortgages	\$3,622,590	\$3,610,190	\$3,548,407	\$3,548,407	\$3,548,407
Loans	\$239,000			\$1,400,000	\$1,400,000
Related Party					
Security Deposits	\$194,653	\$514,642	\$577,232	\$577,232	\$577,232
Current Liabilities	\$4,492,325	\$4,977,489	\$5,266,871	\$6,723,933	\$6,783,847
Mortgages	\$29,503,685	\$91,921,769	\$91,507,321	\$90,882,321	\$90,257,321
Debentures	\$2,256,566	\$4,772,795	\$5,082,547	\$5,082,547	\$5,082,547
Others	\$1,417,333	\$2,339,046	\$3,577,916	\$3,577,916	\$3,577,916
Total Shareholders Equity	\$20,941,357	\$25,040,584	\$31,641,973	\$36,931,082	\$43,518,336
SE + Liabilities	\$58,611,266	\$129,051,683	\$137,076,628	\$143,197,799	\$149,219,967

Cash Flow Statement	2022	2023	2024	2025E	2026E
YE - December 31					
Operating Activities					
Net Income	-\$161,973	\$3,437,960	\$6,567,281	\$4,324,421	\$4,932,018
Adjustments	\$1,019,389	-\$418,578	-\$1,616,828	-\$195,898	-\$635,882
FFO	\$857,416	\$3,019,382	\$4,950,453	\$4,128,523	\$4,296,136
Change in WC	-\$76,230	\$611,172	-\$122,454	-\$2,771	-\$2,910
Cash From Operating Activities	\$781,186	\$3,630,554	\$4,827,999	\$4,125,752	\$4,293,226
Investing Activities					
Investing Activities	-\$11,477,791	-\$67,771,656	-\$349,458	-\$500,000	-\$500,000
Others	\$242,326	-\$374,276	-\$117,518	\$483,030	
Cash Used in Investing Activities	-\$11,235,465	-\$68,145,932	-\$466,976	-\$16,970	-\$500,000
Financing Activities					
Equity	\$20,321	\$1,534		\$750,000	\$1,000,000
Debt	\$11,204,243	\$62,338,213	-\$4,777,257	\$775,000	-\$625,000
Others				-\$4,506,222	-\$4,238,358
Cash Used in Financing Activities	\$11,224,564	\$62,339,747	-\$4,777,257	-\$2,981,222	-\$3,863,358

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues and may rely on external funding. These stocks are considered highly speculative.

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