Kimco Realty (KIM)

Updated November 9th, 2020 by Samuel Smith

Key Metrics

Current Price:	$10.3	**5 Year CAGR Estimate:**	8.3%	**Market Cap:**	$4.4B
Fair Value Price:	$11.5	**5 Year Growth Estimate:**	0.9%	**Ex-Dividend Date:**	2/9/21
% Fair Value:	90%	**5 Year Valuation Multiple Estimate:**	2.1%	**Dividend Payment Date:**	2/24/21
Dividend Yield:	3.9%	**5 Year Price Target**	$12	**Years of Dividend Growth:**	0
Dividend Risk Score:	D	**Retirement Suitability Score:**	D	**Last Dividend Increase:**	NA

Overview & Current Events

Kimco Realty is a real estate investment trust that owns, develops, manages and operates shopping centers. Kimco, in particular, specializes in open-air shopping centers. The trust was founded in 1973, is headquartered in New Hyde Park, NY, and currently trades with a market capitalization of $4.4 billion.

Kimco Realty reported its third-quarter earnings results on November 5th. FFO per share came in at $0.25 and missed the average analyst estimate by a penny but improved from $0.24 in Q2. The company's revenue increased 2.4% after Q3 total revenue of $259.8 beat the consensus estimate of $246.9M. That said, the company collected 89% of base rent for Q3 with a 91% collection rate for the month of September and a collection rate of 90% in October. The company had a same-property net operating income growth of -9.1% year-over-year. Kimco's leasing volume and spreads for renewals and options remained at or above pre-pandemic levels and management is encouraged by the growth in the leasing pipeline for new leases, led by grocers and other essential retailers.

Growth on a Per-Share Basis

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2025
FFOPS	$1.14	$1.20	$1.26	$1.33	$1.40	$1.46	$1.50	$1.52	$1.47	$1.46	***$1.15***	***$1.20***
DPS	$0.66	$0.73	$0.78	$0.86	$0.92	$0.98	$1.02	$1.08	$1.12	$1.12	***$0.40***	***$0.90***
Shares[1]	406	407	408	410	412	413	425	426	421	418	***418***	***410***

As REITs have high non-cash expenses, primarily due to depreciation, their net earnings are usually relatively low and are therefore not reflective of the underlying earnings power and ability to generate cash flows. It thus makes sense to look at funds from operations, or FFO. Kimco Realty's FFOPS is substantially lower than before the financial crisis, but the trust has performed relatively well over the last couple of years. Between 2010 and 2017, its FFO per share grew by 4.9% annually, although FFO-per-share has declined during the most recent years due to the company undergoing a portfolio repositioning and transformation.

Once the asset sales are completed and the current economic upheaval from the Coronavirus pandemic subsides, Kimco Realty should be able to grow its FFO through rent increases and rising operating income. The underlying operating performance of Kimco Realty is strong, which is reflected in positive same-property NOI growth and it owns high quality assets in strong markets. The trust is not facing any problems due to e-commerce hurting sales at its properties so far as many of its tenants are relatively immune to e-commerce.

Valuation Analysis

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Now	2025
P/FFO	13.4	14.3	15.1	16.2	16.4	17.3	18.8	13.5	9.9	13.7	***9.0***	***10.0***
Avg. Yld.	4.3%	4.2%	4.1%	4.0%	4.0%	3.9%	3.6%	5.3%	7.7%	5.6%	***3.9%***	***7.5%***

[1] In millions

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Kimco Realty trades for 9 times this year's expected funds from operations, which represents a discount to our fair value estimate of 10 times funds from operations. During the majority of the last decade Kimco traded at a higher valuation, but going forward the valuation will likely not reach the mid-teens range again due to the decline in growth opportunities in bricks-and-mortar retail and the likely fallout from the coronavirus pandemic.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2025
Payout	57.9%	60.8%	61.9%	64.7%	65.7%	67.1%	68.0%	71.1%	76.2%	76.7%	***34.8%***	***74.9%***

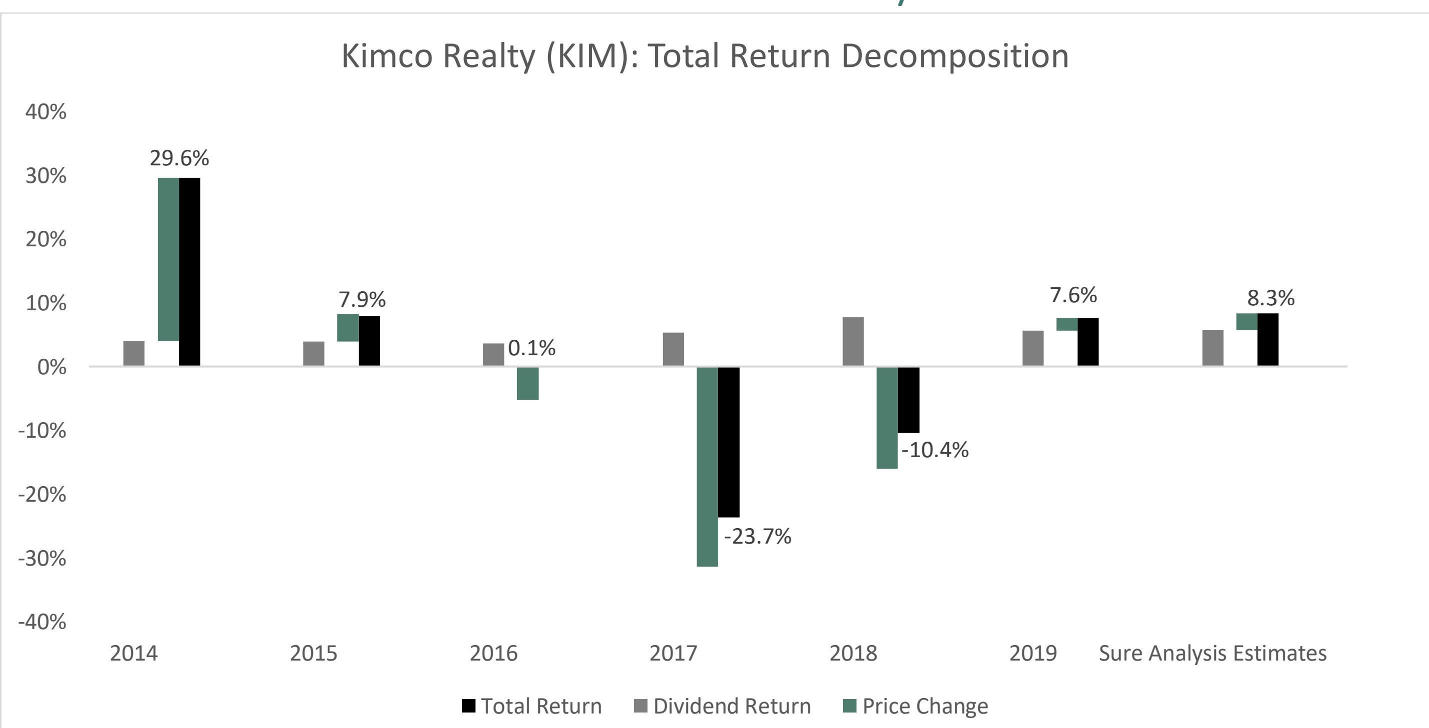
Kimco was forced to temporarily suspend its dividend due to weak economic conditions earlier this year. We expect the payout to return as quickly as possible, but there is no dividend for now.

Some mall REITs are under a lot of pressure due to declining traffic at the malls they own, which leads to lower occupancy rates and to lower rents at the same time. Kimco Realty's focus on outdoor shopping-centers has shielded the trust from such developments so far. Traffic at its properties is solid, and its tenant base is strong as well. Top tenants include Home Depot, TJX, Walmart, as well as many grocers. During the last financial crisis Kimco Realty did not remain profitable (using FFO), but during less severe recessions the trust would likely not be impacted significantly.

Final Thoughts & Recommendation

Kimco Realty is a retail REIT, but its shopping-center focus provides some protection versus the rise of e-commerce companies, and the underlying performance of Kimco's assets has been very solid in the recent past. Once the asset sales have been completed and coronavirus-related disruptions to the economy pass, per-share FFO should begin to grow again. Kimco Realty earns a hold recommendation from Sure Dividend as shares offer 8.3% expected annualized total returns. That being said, the uncertainty is pretty high here as the REIT has temporarily suspended its dividend, so we do not recommend conservative dividend growth investors buy or hold the stock.

Total Return Breakdown by Year



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Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue	827	814	793	862	994	1167	1171	1201	1165	1,159
Gross Profit	613	607	599	653	750	875	883	901	847	833
Gross Margin	74.2%	74.6%	75.5%	75.8%	75.4%	75.0%	75.4%	75.0%	72.7%	71.9%
SG&A Exp.	123	132	136	141	136	135	128	130	99	108
D&A Exp.	248	251	263	258	273	345	355	361	N/A	278
Operating Profit	263	251	243	282	350	389	394	405	432	447
Operating Margin	31.7%	30.8%	30.7%	32.7%	35.2%	33.3%	33.7%	33.7%	37.1%	38.6%
Net Profit	143	169	266	236	424	894	379	426	498	411
Net Margin	17.3%	20.8%	33.5%	27.4%	42.7%	76.6%	32.4%	35.5%	42.7%	35.4%
Free Cash Flow	480	449	479	570	629	494	592	614	N/A	584
Income Tax	3	26	16	33	22	60	73	-1	2	(3)

Balance Sheet Metrics

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total Assets	9834	9629	9751	9664	10261	11344	11231	11764	10999	10998
Cash & Equivalents	125	113	142	149	187	190	142	239	144	124
Acc. Receivable	N/A	164	172	164	172	175	182	190	185	219
Total Liabilities	4578	4749	4819	4894	5360	6162	5828	6242	5588	6069
Accounts Payable	185	126	112	124	130	150	146	186		170
Long-Term Debt	4029	4114	4195	4221	4596	5376	5066	5479	4874	5,316
Total Equity	4935	4685	4765	4632	4775	5046	5256	5394	5334	4,865
D/E Ratio	0.82	0.88	0.88	0.91	0.96	1.07	0.96	1.02	0.91	1.09

Profitability & Per Share Metrics

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Return on Assets	1.4%	1.7%	2.7%	2.4%	4.3%	8.3%	3.4%	3.7%	4.4%	3.7%
Return on Equity	2.9%	3.5%	5.6%	5.0%	9.0%	18.2%	7.4%	8.0%	9.3%	8.1%
ROIC	1.5%	1.8%	2.9%	2.6%	4.6%	8.9%	3.6%	4.0%	4.7%	4.0%
Shares Out.	406	407	408	410	412	413	425	426	421	418
Revenue/Share	2.04	2.00	1.95	2.11	2.42	2.83	2.79	2.83	2.76	2.75
FCF/Share	1.18	1.10	1.18	1.40	1.53	1.20	1.41	1.45	N/A	1.38

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.