



Americold Realty Trust (COLD)

Updated July 9th, 2021 by Nikolaos Sismanis

Key Metrics

Current Price:	\$39	5 Year CAGR Estimate:	5.5%	Market Cap:	\$9.73B
Fair Value Price:	\$34	5 Year Growth Estimate:	6.0%	Ex-Dividend Date:	09/29/2021 ¹
% Fair Value:	114%	5 Year Valuation Multiple Estimate:	-2.6%	Dividend Payment Date:	10/15/2021
Dividend Yield:	2.3%	5 Year Price Target	\$45	Years Of Dividend Growth:	3
Dividend Risk Score:	C	Retirement Suitability Score:	D	Last Dividend Increase:	4.8%

Overview & Current Events

Americold is the world's largest publicly traded REIT focused on the ownership, operation, acquisition, and development of temperature-controlled warehouses. The company operates a global network of 242 temperature-controlled warehouses encompassing over 1.4 billion cubic feet, 198 of which are located in North America, 26 in Europe, and the rest in Asia-Pacific and South America. In addition, Americold holds two minority interests in Brazilian-based joint ventures with SuperFrio and Comfrio, which own 27 and 23 temperature-controlled warehouses, respectively. Americold generates around \$2.7 billion in annual revenues and is headquartered in Atlanta, Georgia.

On May 9th, 2021, Americold reported its Q1 results for the quarter ended March 31st, 2021. Revenues came in at \$643.8 million, an increase of 31.14% year over year, reflecting the company's two recent acquisitions of Argo and AM-C Warehouses. Specifically, the Global Warehouse segment revenues grew by 27% while NOI grew by 15%, despite manufacturers having yet to reach their pre-COVID-19 production levels.

For the first quarter of 2021, AFFO was \$75.9 million, or \$0.30/share, compared to \$67.1 million, or \$0.33/share. The lower results on a per-share basis are due to the company issuing additional shares to pursue the acquisitions of Liberty Freezers for a purchase price of C\$58 million and of KMT Brrr! for \$71 million during the quarter.

Management believes that its recent acquisitions will unlock operational synergies going forward, expecting AFFO/share of \$1.36 to \$1.46 for FY2021. We have utilized the midpoint of this range in our calculations.

Growth on a Per-Share Basis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
AFFO/shr	---	---	---	\$1.16	\$0.85	\$1.01	\$1.35	\$1.20	\$1.19	\$1.31	\$1.41	\$1.89
DPS	---	---	---	---	---	---	---	\$0.70	\$0.80	\$0.84	\$0.88	\$1.10
Shares²	---	---	---	69.6	69.8	69.9	70.0	144.3	184	206.9	216.3	300.0

Since its IPO in 2018, the company has employed an expansionary strategy leading to growing AFFO/share, with the company's guidance pointing towards a new performance record. We expect the company to keep growing its portfolio following a series of acquisitions.

The company is able to enhance the same-store performance while replacing the legacy customer agreements from its acquired assets with new, more beneficial contracts by leveraging its integrated network, scale, and market position. Hence, through unlocking significant value, the company achieves higher operating results and expanding margins due to economies of scale.

To illustrate this, the same-store NOI Margin in its Rent & Storage, Warehouses, and Services divisions, were 64.5%, 29.8%, and 2%, respectively, in 2016. At the end of 2020, these figures stood at 66.8%, 34.1%, and 9.3%, respectively, gradually advancing over the years following the company's portfolio expansion. Considering the company's confident guidance and robust growth drivers ahead, we project AFFO growth of 6% going forward.

¹ Estimated dates based on past dividend dates.

² Share count is in millions.

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Dividends have grown annually since Americold's public listing. They grew by 5% and 4.8% during 2020 and 2021, respectively, which we see as strong rates taking into account the company's aggressive share issuances to fund its expansion. To be prudent, we expect DPS growth of around 4.5%, assuming the current declining trend remains.

Valuation Analysis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Now	2026
Avg. P/E	---	---	---	---	---	---	---	20.8	27.7	27.9	27.3	24.0
Avg. Yld.	---	---	---	---	---	---	---	2.8%	2.4%	2.3%	2.3%	2.4%

Americold's publicly traded history is still short, though the stock has historically traded at just over 27 times its adjusted AFFO. The premium valuation is most likely attributed to the company's "mission-critical" operations and high growth expectations. In the medium-term we can see the valuation multiple compressing to a more reasonable one around 24 as the company matures further. Investors should expect a yield of around 2% to 2.5% in coming years as well.

Safety, Quality, Competitive Advantage, & Recession Resiliency

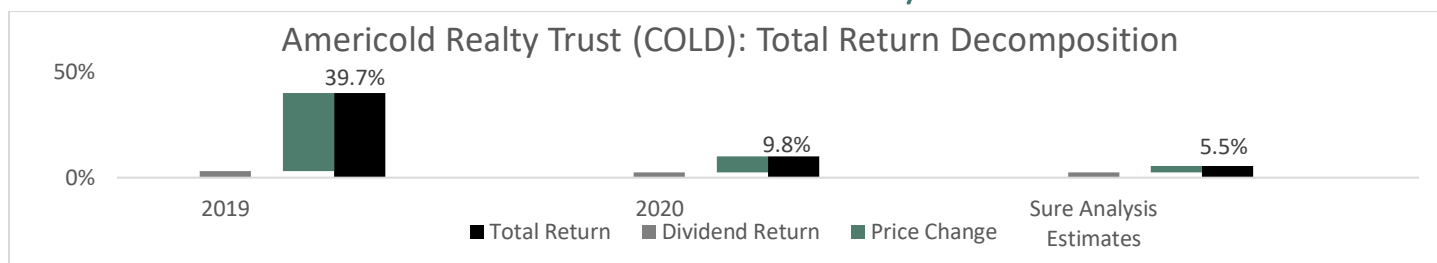
Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
Payout	---	---	---	---	---	---	---	58%	67%	64%	62%	58%

We believe that the company's dividend coverage is quite strong, with the payout ratio just over 60% of the underlying AFFO. Due to the non-cyclical nature of the industries the company services, such as packaged goods, fruits & vegetables, poultry, and dairy, amongst others, Americold enjoys predictable cash flows that should not set the dividend in danger. Additionally, the company enjoys great diversification and market position qualities. The top 25 customers account for 55% of its warehouse revenues, with not a single one accounting for more than 8% of total sales. The company also holds a 21.4% market share in the U.S., which places it second, just behind Lineage Logistics, which has a 25.2% market share. Hence, the company has a solid competitive advantage by leveraging its scale to strike market-beating deals and achieve high efficiencies. We expect Americold to perform considerably more resiliently during a prolonged recession due to around 80% of revenues coming from food manufacturers and around 20% from food retailers, which should see consistent sales even during adverse economic conditions.

Final Thoughts & Recommendation

Americold enjoys several advantages by being one of the largest temperature-controlled property owners in the world, including secure cash flows and a great moat. The company has proven it can grow the AFFO/share rapidly following its IPO by executing a successful expansionary strategy, including acquiring its smaller competitors. We believe the company has visible growth prospects in the medium-term, while its dividend should be relatively secure and should keep increasing without material risks. Still, total investor returns could be compressed by potential valuation headwinds in the future. We forecast annualized returns of around 5.5% in the coming years. Shares earn a Hold rating, though there could be arguably better opportunities in the world of REITs.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue				1,510	1,481	1,490	1,544	1,604	1,784	1,988
Gross Profit				323	337	346	374	406	478	551
Gross Margin				21.4%	22.8%	23.2%	24.2%	25.3%	26.8%	27.7%
SG&A Exp.				84	91	97	100	111	129	145
D&A Exp.				133	126	119	117	118	163	216
Operating Profit				106	120	130	158	177	186	191
Operating Margin				7.0%	8.1%	8.7%	10.2%	11.0%	10.4%	9.6%
Net Profit				(42)	(21)	5	(1)	48	48	25
Net Margin				-2.8%	-1.4%	0.3%	0.0%	3.0%	2.7%	1.2%
Free Cash Flow				56	47	44	14	43	(66)	(109)
Income Tax				10	10	6	9	(4)	(5)	(7)

Balance Sheet Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Assets					2,399	2,328	2,395	2,532	4,171	7,831
Cash & Equivalents					33	23	49	208	234	610
Accounts Receivable					183	200	200	194	215	324
Inventories						13	10	8	9	22
Goodwill & Int. Ass.					213	211	215	211	603	1,592
Total Liabilities					2,138	2,105	2,209	1,826	2,338	4,038
Accounts Payable					50	64	94	85	109	179
Long-Term Debt					1,679	1,680	1,741	1,351	1,695	2,648
Shareholder's Equity					(110)	(149)	(187)	707	1,833	3,790
D/E Ratio					6.43	7.55	9.37	1.91	0.92	0.70

Profitability & Per Share Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Return on Assets						0.2%	0.0%	1.9%	1.4%	0.4%
Return on Equity					-16.4%			18.5%	3.8%	0.9%
ROIC						0.3%	0.0%	2.4%	1.7%	0.5%
Shares Out.				69.6	69.8	69.9	70.0	144.3	184	206.9
Revenue/Share				10.94	21.24	21.32	22.04	11.11	9.70	9.61
FCF/Share				0.40	0.67	0.63	0.20	0.30	(0.36)	(0.53)

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

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