Americold Realty Trust (COLD)

Updated November 13th, 2021 by Nikolaos Sismanis

Key Metrics

Current Price:	$30	**5 Year CAGR Estimate:**	8.6%	**Market Cap:**	$7.95 B
Fair Value Price:	$30	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date:**	12/30/2021[1]
% Fair Value:	100%	**5 Year Valuation Multiple Estimate:**	0.0%	**Dividend Payment Date:**	01/15/2022
Dividend Yield:	3.0%	**5 Year Price Target**	$40	**Years Of Dividend Growth:**	3
Dividend Risk Score:	C	**Retirement Suitability Score:**	C	**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 248 temperature-controlled warehouses encompassing over 1.5 billion cubic feet, 202 of which are located in North America, 27 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 33 and 25 temperature-controlled warehouses, respectively. Americold generates around $2.7 billion in annual revenues and is headquartered in Atlanta, Georgia.

On November 3rd, 2021, Americold reported its Q3 results for the period ending September 30th, 2021. Revenues came in at $708.8 million, an increase of 42.5% year over year. This growth was primarily driven by the incremental revenue from acquisitions, including warehouse and transportation operations, Americold's recently completed expansion and development projects, and contractual and market-driven rate escalations. Specifically, the Global Warehouse segment revenues grew by 39.7%, while NOI grew by 13.5%. Economic occupancy[2] stood at 75.9%, versus 77.2% in Q3-2020, as Americold was impacted by reduced food production volume due to the ongoing supply chain crisis. AFFO came in at $69.9 million, or $0.23/share, compared to $62.7 million, or $0.30/share in the prior-year period. 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, of KMT for $71 million, and during Q3, of ColdCo for $20.5 million.

Back in September, Americold lowered its AFFO/share outlook for FY2021 to $1.15-$1.20, compared to its prior range of $1.34 to $1.40 (provided as of Aug.5) due to the impact of ongoing pressures on current market conditions, primarily driven by unprecedented labor disruptions. This estimate was retained as of Americold's Q3 results. We have utilized the midpoint of this updated 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	***$1.18***	***$1.58***
DPS	---	---	---	---	---	---	---	$0.70	$0.80	$0.84	***$0.88***	***$1.10***
Shares[3]	---	---	---	69.6	69.8	69.9	70.0	144.3	184	206.9	***262.5***	***400.0***

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

[1] Estimated dates based on past dividend dates.
[2] Economic occupancy measures the physically occupied pallets contractually committed for a given period, without duplication.
[3] Share count is in millions.

portfolio expansion. Considering the company's confident guidance and robust growth drivers ahead, we project AFFO growth of 6% going forward. 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	***25.3***	***25.3***
Avg. Yld.	---	---	---	---	---	---	---	2.8%	2.4%	2.3%	***3.0%***	***2.7%***

Americold's publicly traded history is still short, though the stock has historically traded at around 25.5 times its adjusted AFFO. The premium valuation is most likely attributed to the company's "mission-critical" operations and solid growth expectations. We believe the current valuation is fair, reflecting the REIT's high qualities. Despite the ongoing supply chain crisis leading to lower guidance, we don't expect any valuation headwinds amid the REIT's mission-critical status.

Safety, Quality, Competitive Advantage, & Recession Resiliency

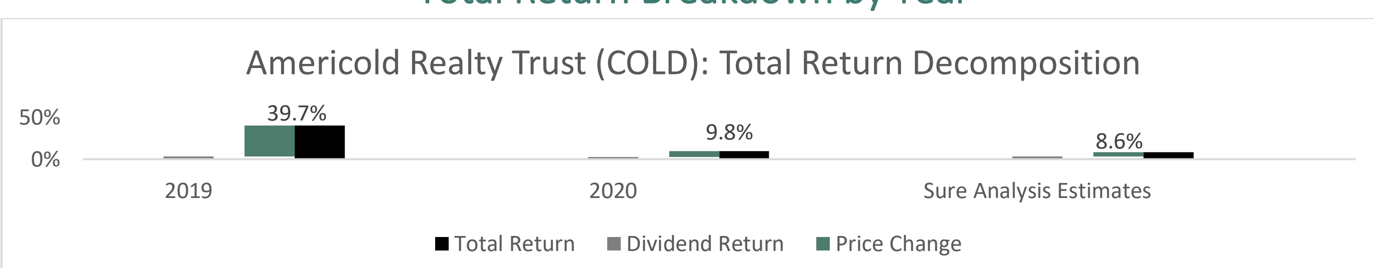
Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
Payout	---	---	---	---	---	---	---	58%	67%	64%	***75%***	***69%***

We believe that the company's dividend coverage is quite strong, with the payout ratio standing around 75% despite the humbled outlook. 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 around 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 its property portfolio consistently since IPO by executing a successful expansionary strategy, including acquiring its smaller competitors. We forecast annualized returns of around 8.6% in the coming years, primarily driven by the dividend and our growth expectations. Americold earns a hold rating.

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	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.