Kimco Realty (KIM)

Updated November 9th, 2021 by Samuel Smith

Key Metrics

Current Price:	$23.4	**5 Year CAGR Estimate:**	-4.0%	**Market Cap:**	$15B
Fair Value Price:	$12.6	**5 Year Growth Estimate:**	3.5%	**Ex-Dividend Date:**	12/8/21
% Fair Value:	186%	**5 Year Valuation Multiple Estimate:**	-11.7%	**Dividend Payment Date:**	12/23/21
Dividend Yield:	2.9%	**5 Year Price Target**	$15	**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 about $15 billion.

Kimco Realty reported its third quarter results on November 5th, 2021. FFO per share came in at $0.32 and beat the average analyst estimates while also increasing from $0.25 in the year-ago period. The company's revenue came in at $368.6 million, up 41.9% year-over-year. That said, the company's pro-rated anchor stood at 96.9% in Q3 and announced that pro-rated portfolio occupancy improved by 20 basis points sequentially to 94.1%.

Meanwhile, KIM ended Q3 with $2.4 billion of immediate liquidity, including $2.0 billion capacity on its unsecured revolving credit facility. Kimco Realty also had new cash pro-rated leasing spreads of 4.9% on comparable spaces. The company's same-property net operating income grew 12.1% from the year-ago period. The company also signed 411 leases totaling 2.1 million square feet of gross leasable area.

Growth on a Per-Share Basis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
FFOPS	$1.20	$1.26	$1.33	$1.40	$1.46	$1.50	$1.52	$1.45	$1.47	$1.17	***$1.26***	***$1.50***
DPS	$0.73	$0.78	$0.86	$0.92	$0.98	$1.02	$1.08	$1.12	$1.12	$0.54	***$0.68***	***$0.90***
Shares[1]	407.0	407.9	409.8	412.6	413.7	425.6	425.5	421.4	431.8	432.4	***433.5***	***440***

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 alongside the COVID-19 crisis.

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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Now	2026
P/FFO	14.3	15.1	16.2	16.4	17.3	18.8	13.5	9.9	13.7	9.0	***18.6***	***10.0***
Avg. Yld.	4.3%	4.1%	4.0%	4.0%	3.9%	3.6%	5.3%	7.7%	5.6%	3.9%	***2.9%***	***6.0%***

[1] In millions

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Kimco Realty trades for 18.6 times this year's expected funds from operations, which represents a premium 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 we believe it no longer warrants a mid-teens multiple due to the decline in growth opportunities in bricks-and-mortar retail, and the fallout from the coronavirus pandemic.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
Payout	60.8%	61.9%	64.7%	65.7%	67.1%	68.0%	71.1%	76.2%	76.7%	46.2%	***54.0 %***	***60.0%***

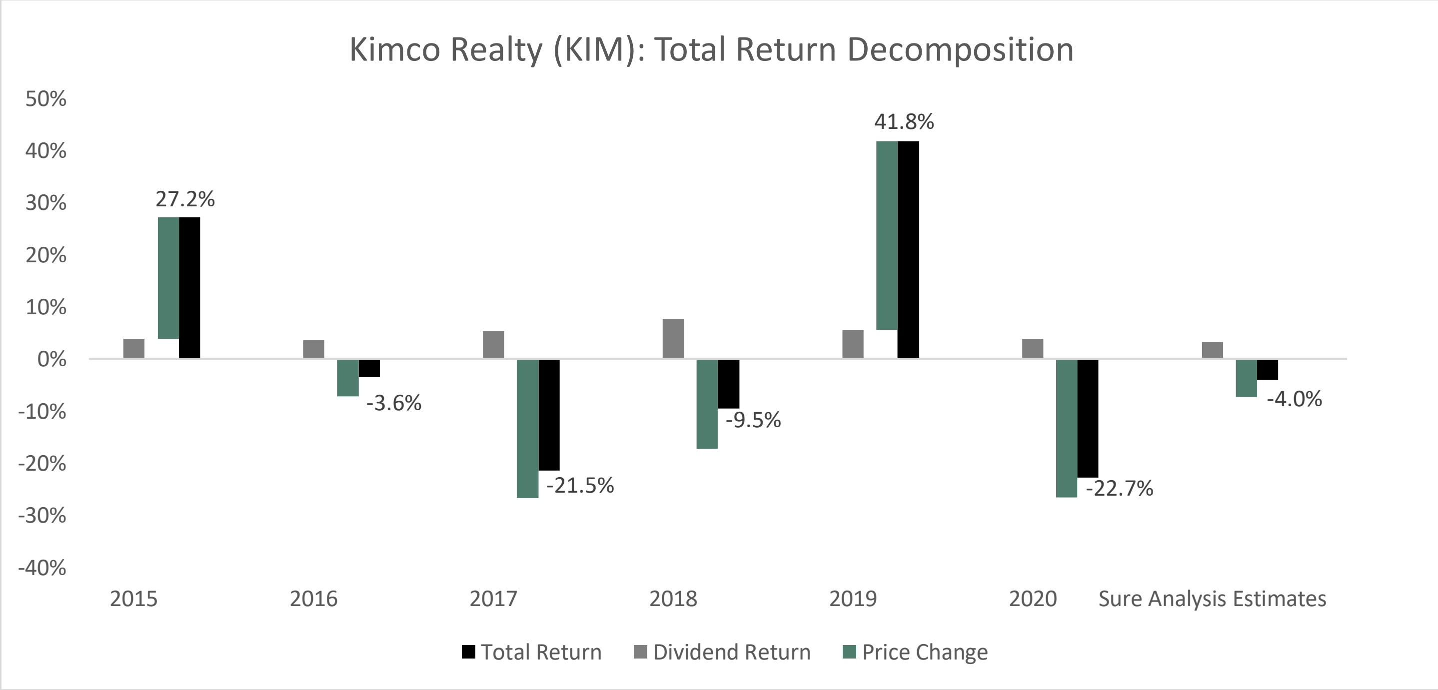
Kimco was forced to temporarily suspend its dividend due to weak economic conditions last year, but has since resumed paying a dividend. However, it remains significantly below pre-pandemic levels.

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 sell recommendation from Sure Dividend as shares offer weak -4% expected annualized total returns over the next half decade. That said, the uncertainty is high here, so the stock could rebound more quickly than we expect. However, conservative dividend growth investors should steer clear given the ongoing headwinds.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	814	793	862	994	1,167	1,171	1,201	1,165	1,159	1,058
Gross Profit	594	586	640	735	862	842	863	836	822	715
Gross Margin	72.9%	73.9%	74.3%	74.0%	73.9%	71.9%	71.9%	71.8%	70.9%	67.6%
SG&A Exp.	119	124	127	122	123	87	92	88	97	93
D&A Exp.	251	263	258	273	345	355	361	310	278	289
Operating Profit	251	243	282	350	389	394	405	432	447	333
Operating Margin	30.8%	30.7%	32.7%	35.2%	33.3%	33.7%	33.7%	37.1%	38.6%	31.5%
Net Profit	169	266	236	424	894	379	426	498	411	1,001
Net Margin	20.8%	33.5%	27.4%	42.7%	76.6%	32.4%	35.5%	42.7%	35.4%	94.6%
Free Cash Flow	449	479	570	629	494	592	614	638	584	590
Income Tax	26	16	33	22	60	79	(1)	2	(3)	1

Balance Sheet Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Assets	9629	9751	9664	10261	11344	11231	11764	10999	10998	11614
Cash & Equivalents	113	142	149	187	190	142	239	144	124	293
Acc. Receivable	164	172	164	172	175	182	190	185	219	219
Total Liabilities	4,749	4,819	4,894	5,360	6,162	5,828	6,242	5,588	6,069	5,944
Accounts Payable	126	112	124	130	150	146	186	175	170	146
Long-Term Debt	4,114	4,195	4,221	4,596	5,376	5,066	5,479	4,874	5,316	5,355
Total Equity	4,685	4,765	4,632	4,775	5,046	5,256	5,394	5,334	4,865	5,608
D/E Ratio	0.88	0.88	0.91	0.96	1.07	0.96	1.02	0.91	1.09	0.96

Profitability & Per Share Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Return on Assets	1.7%	2.7%	2.4%	4.3%	8.3%	3.4%	3.7%	4.4%	3.7%	8.9%
Return on Equity	3.5%	5.6%	5.0%	9.0%	18.2%	7.4%	8.0%	9.3%	8.1%	19.1%
ROIC	1.8%	2.9%	2.6%	4.6%	8.9%	3.6%	4.0%	4.7%	4.0%	9.4%
Shares Out.	407	408	410	412	413	425	426	421	432	433
Revenue/Share	2.00	1.95	2.11	2.42	2.83	2.79	2.83	2.76	2.75	2.45
FCF/Share	1.10	1.18	1.40	1.53	1.20	1.41	1.45	1.51	1.38	1.37

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