Americold Realty Trust (COLD)

Updated February 25th, 2022 by Nikolaos Sismanis

Key Metrics

Current Price:	$27	**5 Year CAGR Estimate:**	6.4%	**Market Cap:**	$7.23 B
Fair Value Price:	$26	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date:**	03/30/2022[1]
% Fair Value:	103%	**5 Year Valuation Multiple Estimate:**	-0.6%	**Dividend Payment Date:**	04/15/2022
Dividend Yield:	3.25%	**5 Year Price Target**	$32	**Years Of Dividend Growth:**	3
Dividend Risk Score:	D	**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 250 temperature-controlled warehouses encompassing over 1.5 billion cubic feet, 204 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 February 24th, 2022, Americold reported its Q4 results for the period ending December 31st, 2021. Revenues came in at $716.5 million, an increase of 36.8% 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 also boosted total revenues.

Specifically, the Global Warehouse segment'σ revenues grew by 34.6%, while NOI grew by 12.7%. However, economic occupancy[2] stood at 77.8% versus 79.2% in Q4-2020. The decline was attributed to Americold being impacted by continued supply chain disruption and the impact of the Omicron variant late in Q4, resulting in lower food production. AFFO came in at $82.2 million, or $0.31/share, compared to $76.9 million, or $0.37/share in the prior-year period. The lower results on a per-share basis are due to the company issuing a significant number of additional shares to pursue several acquisitions. These include Liberty Freezers for a purchase price of C$58 million, KMT for $71 million, ColdCo for $20.5 million, and Lago Cold Stores in Brisbane, Australia for A$106.4 million, or $75.1 million.

For FY2022, management expects AFFO/share between $1.00 and $1.10, implying a decline of 8.6% compared to FY2021. The relatively discouraging outlook was attributed to challenges in labor availability and softer occupancy levels.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
AFFO/shr	---	---	$1.16	$0.85	$1.01	$1.35	$1.20	$1.19	$1.32	$1.15	***$1.05***	***$1.28***
DPS	---	---	---	---	---	---	$ 0.70	$0.80	$0.84	$0.88	***$0.88***	***$1.07***
Shares[3]	---	---	69.6	69.8	69.9	70.0	144.3	184.0	206.9	261.1	***261.1***	***400.0***

Since its IPO in 2018, Americold 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 2021,

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[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.
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.

these figures stood at 68.4%, 32.2%, and 4.0%, respectively, representing a gradual advancement over the years following the company's portfolio expansion. Due to management's softer guidance and ongoing challenges, we have lowered our AFFO/share growth estimates to 4%, from 6% previously, going forward. Dividends have grown annually since Americold's public listing. They grew by 5% and 4.8% during 2020 and 2021, respectively. We have lowered our dividend growth estimates from 4.5% to 4.0% as well, to take into account the ongoing labor market challenges, softer guidance, and aggressive share issuances.

Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	---	---	---	---	---	---	20.8	27.7	27.9	29.6	***25.8***	***25.0***
Avg. Yld.	---	---	---	---	---	---	2.8%	2.4%	2.3%	2.6%	***3.2%***	***3.4%***

Americold's publicly traded history is still short, though the stock has historically traded at around 26.5 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 more or less fair, as the REIT's qualities remain in place, and results should shine again once the supply chain challenges ease. We have set our medium-term fair multiple at 25.

Safety, Quality, Competitive Advantage, & Recession Resiliency

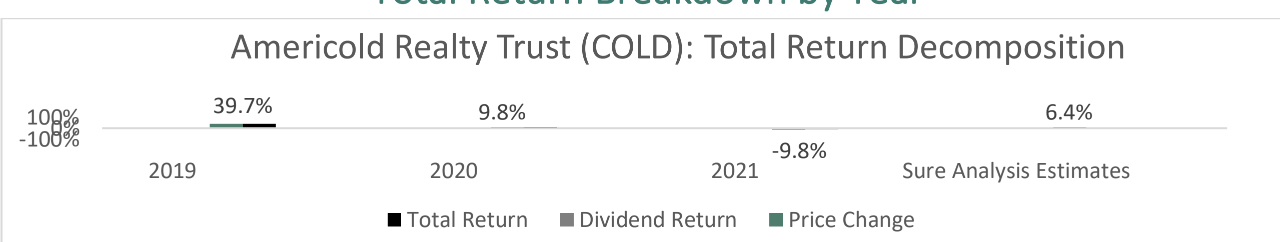
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	---	---	---	---	---	---	58%	67%	64%	77%	84%	***84%***

We believe that the company's dividend coverage is quite healthy, with the payout ratio standing around 84% 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 60.7% of its warehouse revenues, with not a single one accounting for more than 8% of total sales. The company also holds a 22% market share in the U.S., which places it second, just behind Lineage Logistics, which has a 26% 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 be considerably more resiliently during a prolonged recession due to around 80% of revenues coming from food manufacturers and around 18% 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 its IPO by executing a successful expansionary strategy, including acquiring its smaller competitors. We believe the ongoing challenges will ease gradually going forward and forecast annualized returns of around 6.4% in the medium-term, primarily driven by the current yield and our growth estimates. Americold earns a hold rating.

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
LTD/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.