Kimco Realty (KIM)

Updated April 29th, 2022 by Samuel Smith

Key Metrics

Current Price:	$25.3	**5 Year CAGR Estimate:**	-1.2%	**Market Cap:**	$16.3B
Fair Value Price:	$15.2	**5 Year Growth Estimate:**	5.1%	**Ex-Dividend Date:**	6/08/22
% Fair Value:	166%	**5 Year Valuation Multiple Estimate:**	-9.6%	**Dividend Payment Date:**	6/23/22
Dividend Yield:	3.2%	**5 Year Price Target**	$19	**Years of Dividend Growth:**	0
Dividend Risk Score:	D	**Retirement Suitability Score:**	D	**Rating:**	Sell

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 $16.3 billion.

Kimco Realty reported its first quarter results on April 28th, 2022. Q1 FFO per share came in at $0.39, up by 18.2% from $0.33 in the year-ago period. Revenue increased 51.3% to $427.25 million year-over-year. Pro-rated occupancy improved 120 basis points year-over-year to 94.7% while pro-rated anchor improved 20 basis points sequentially to 97.3%.

Meanwhile, the trust leased 4.7 million square feet with blended pro-rate rental-rate spreads on comparable spaces growing 7.2%, rental rates for new leases up 18.6%, and renewals and options surging 6.4%. Kimco also generated 8.9% increase in same-property net operating income. Finally, the trust raised its FY2022 Nareit FFO to $1.50 - $1.53, and net income available to common shareholders to $0.79 - $0.82.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
FFOPS	$1.26	$1.33	$1.40	$1.46	$1.50	$1.52	$1.45	$1.47	$1.17	$1.38	***$1.52***	***$1.95***
DPS	$0.78	$0.86	$0.92	$0.98	$1.02	$1.08	$1.12	$1.12	$0.54	$0.61	***$0.80***	***$0.90***
Shares[1]	407.9	409.8	412.6	413.7	425.6	425.5	421.4	431.8	432.4	616.7	***616.7***	***620.0***

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.

Kimco Realty should be able to grow its FFO through rent increases and rising operating income in the coming years as it has largely completed its portfolio repositioning program and COVID-19 headwinds are dissipating. 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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
P/FFO	15.1	16.2	16.4	17.3	18.8	13.5	9.9	13.7	9.0	18.6	***16.6***	***10.0***
Avg. Yld.	4.1%	4.0%	4.0%	3.9%	3.6%	5.3%	7.7%	5.6%	3.9%	2.9%	***3.2%***	***4.6%***

Kimco Realty trades for 16.6 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

[1] 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.

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 lingering headwinds from fallout of the coronavirus pandemic.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	61.9%	64.7%	65.7%	67.1%	68.0%	71.1%	76.2%	76.7%	46.2%	54.0%	***52.6%***	***46.2%***

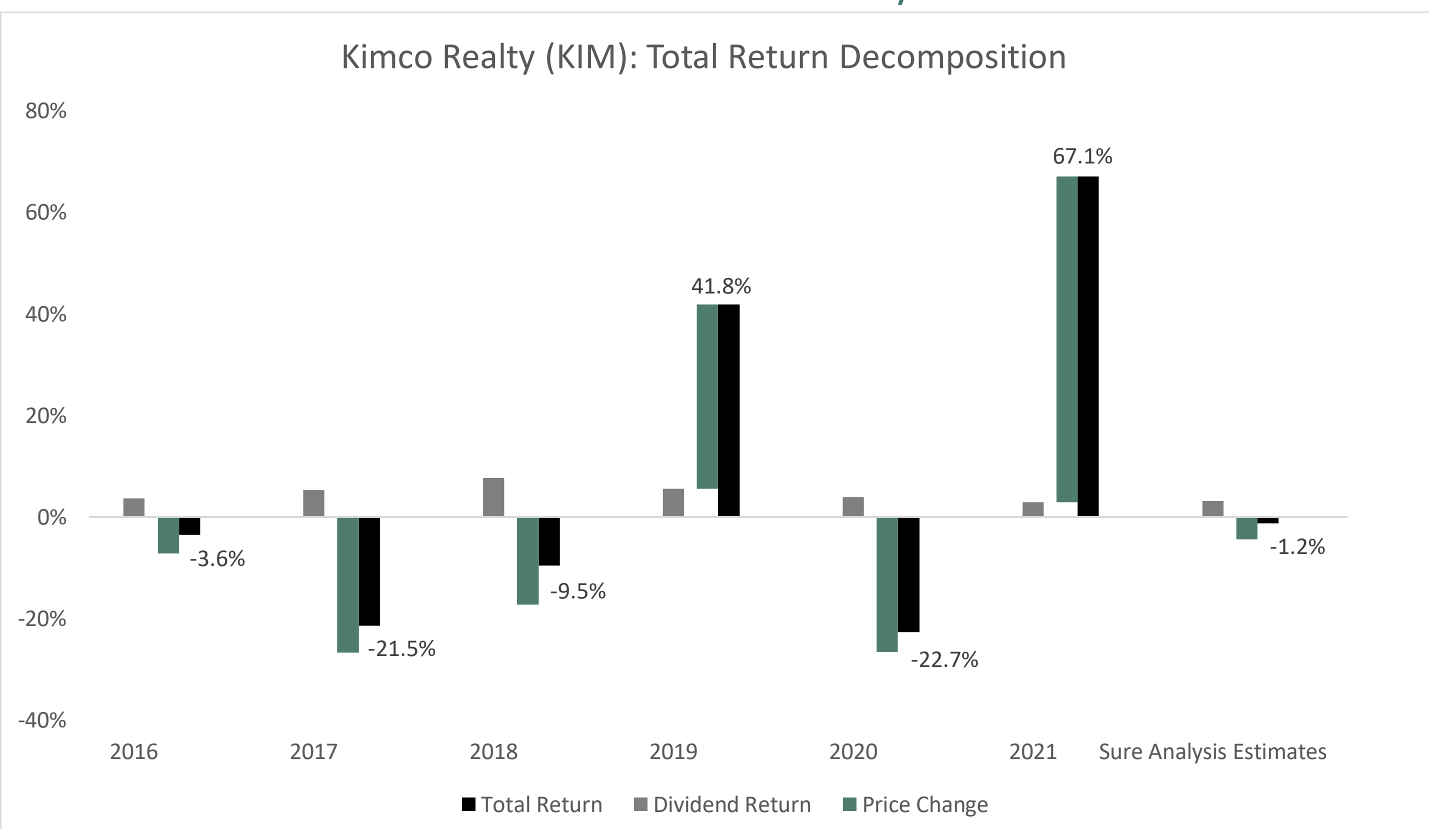
Kimco was forced to temporarily suspend its dividend due to weak economic conditions last year but has since resumed paying a dividend. However, it remains significantly below pre-pandemic levels.

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. Given that COVID-19 headwinds are increasingly insignificant and much of the most e-commerce sensitive tenants have largely been pruned from the portfolio, per-share FFO should begin to grow again. Kimco Realty earns a Sell recommendation from Sure Dividend as shares offer weak -1.2% expected annualized total returns over the next half decade.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	793	862	994	1,167	1,171	1,201	1,165	1,159	1,058	1,365
Gross Profit	679	739	855	1,007	1,013	1,032	1,000	994	889	1,170
Gross Margin	85.6%	85.8%	86.0%	86.3%	86.5%	86.0%	85.9%	85.8%	84.0%	85.7%
SG&A Exp.	124	127	122	123	87	92	88	97	93	104
D&A Exp.	263	258	273	345	355	361	310	278	289	395
Operating Profit	243	282	350	389	394	405	432	447	333	447
Operating Margin	30.7%	32.7%	35.2%	33.3%	33.7%	33.7%	37.1%	38.6%	31.5%	32.8%
Net Profit	266	236	424	894	379	426	498	411	1,001	844
Net Margin	33.5%	27.4%	42.7%	76.6%	32.4%	35.5%	42.7%	35.4%	94.6%	61.9%
Free Cash Flow	479	570	629	494	592	614	638	584	590	619
Income Tax	16	33	22	60	79	(1)	2	(3)	1	3

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	9,751	9,664	10,261	11,344	11,231	11,764	10,999	10,998	11,614	18,459
Cash & Equivalents	142	149	187	190	142	239	144	124	293	326
Acc. Receivable	172	164	172	175	182	190	185	219	178	184
Total Liabilities	4,738	4,808	5,268	6,076	5,741	6,225	5,564	6,051	5,928	8,336
Accounts Payable	112	124	130	150	146	186	175	170	146	220
Long-Term Debt	4,195	4,221	4,596	5,376	5,066	5,479	4,874	5,316	5,355	7,476
Total Equity	4,765	4,632	4,775	5,046	5,256	5,394	5,334	4,865	5,608	9,899
LTD/E Ratio	0.88	0.91	0.96	1.07	0.96	1.02	0.91	1.09	0.96	0.76

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	2.7%	2.4%	4.3%	8.3%	3.4%	3.7%	4.4%	3.7%	8.9%	5.6%
Return on Equity	5.6%	5.0%	9.0%	18.2%	7.4%	8.0%	9.3%	8.1%	19.1%	10.9%
ROIC	2.9%	2.6%	4.5%	8.8%	3.6%	4.0%	4.7%	4.0%	9.4%	5.9%
Shares Out.	407.9	409.8	412.6	413.7	425.6	425.5	421.4	431.8	432.4	616.7
Revenue/Share	1.95	2.11	2.42	2.83	2.79	2.83	2.76	2.75	2.45	2.67
FCF/Share	1.18	1.40	1.53	1.20	1.41	1.45	1.51	1.38	1.37	1.21

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