Americold Realty Trust (COLD)

Updated November 10th, 2022 by Nikolaos Sismanis

Key Metrics

Current Price:	$28.13	**5 Year CAGR Estimate:**	-0.3%	**Market Cap:**	$7.6 B
Fair Value Price:	$19.80	**5 Year Growth Estimate:**	3.0%	**Ex-Dividend Date:**	12/30/2022[1]
% Fair Value:	142%	**5 Year Valuation Multiple Estimate:**	-6.8%	**Dividend Payment Date:**	01/13/2022
Dividend Yield:	3.1%	**5 Year Price Target**	$22.95	**Years Of Dividend Growth:**	3
Dividend Risk Score:	D	**Retirement Suitability Score:**	D	**Rating:**	Sell

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 249 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 38 and 28 temperature-controlled warehouses, respectively. Americold generates around $2.7 billion in annual revenues and is headquartered in Atlanta, Georgia.

On November 3rd, 2022, Americold reported its Q3 results for the period ending September 30th, 2022. Revenues came in at $757.8 million, an increase of 6.9% year-over-year. Revenue growth was driven by Americold's core warehouse business which benefited from pricing initiatives and rate escalations, higher economic occupancy, incremental revenue from acquisitions, recently completed expansions, and development projects.

Specifically, the Global Warehouse segment's revenues grew by 10.5%, while NOI grew by 14.9%. Economic occupancy[2] in the global warehouse segment stood at 80.1% versus 75.9% in Q3-2021.

AFFO came in at $79.3 million, or $0.29/share, compared to $69.6 million, or $0.27/share, in the prior-year period. Despite the aggregate increase, the result was lower on a per-share basis due to a higher share count. For FY2022, management boosted its guidance, now expecting AFFO/share between $1.08 and $1.12 (up from $1.00 and $1.10 previously), implying a decline of 4.3% compared to FY2021.

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	***$1.10***	***$1.28***
DPS	---	---	---	---	---	---	$ 0.70	$0.80	$0.84	$0.88	***$0.88***	***$1.00***
Shares[3]	---	---	69.6	69.8	69.9	70.0	144.3	184.0	206.9	261.1	***270.7***	***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, these figures stood at 68.4%, 32.2%, and 4.0%, respectively, representing a gradual advancement over the years.

Due to management's softer guidance and ongoing challenges, we have maintained our AFFO/share growth estimate to a humble 3% going forward. Dividends have grown annually since Americold's public listing. They grew by 5% and 4.8%

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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.

during 2020 and 2021, respectively. We maintain our dividend growth estimate at a humble 2.5% as well, to take into account the ongoing labor market challenges, soft 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	***25.6***	***18.0***
Avg. Yld.	---	---	---	---	---	---	2.8%	2.4%	2.3%	2.6%	***3.1%***	***4.3%***

Americold's publicly traded history is still short, though the stock has historically traded at around 26.5 times its AFFO. The premium valuation is most likely attributed to the company's "mission-critical" operations and growth expectations. However, with a challenging macro environment that is likely to keep pressuring the company's performance growth prospects moving forward, we believe that shares are currently overvalued. We have set our fair multiple at 18, implying significant valuation headwinds in the coming years.

Safety, Quality, Competitive Advantage, & Recession Resiliency

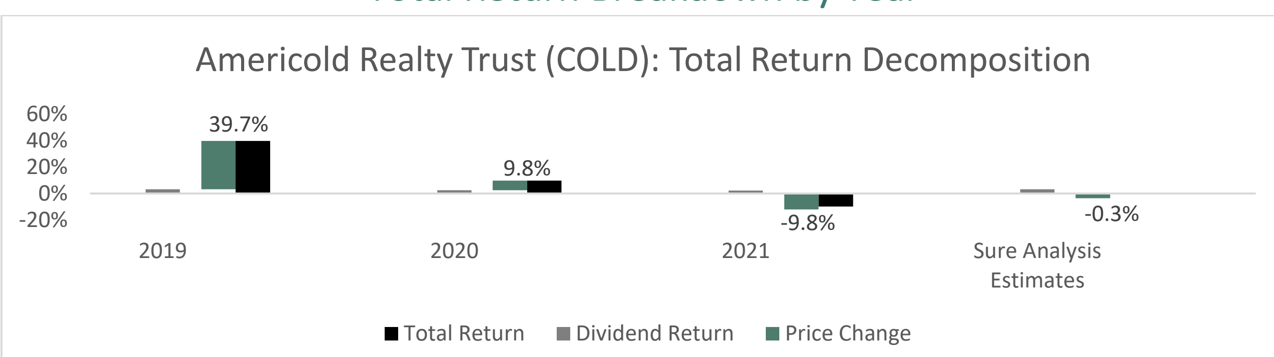
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	---	---	---	---	---	---	58%	67%	64%	77%	***80%***	***78%***

We believe that the company's dividend coverage is quite healthy, with the payout ratio standing at 80% despite the humble FY2022 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 49% of its warehouse revenues, with not a single one accounting for more than 6% of total sales. The company also holds an 18% market share in the U.S., which places it second, just behind Lineage Logistics, which has a 27.7% 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 78% 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 mission-critical-driven cash flows and a great moat. The company has proven it can grow its property portfolio consistently since its IPO by successfully acquiring its smaller competitors. However, shares appear expensive against a limited per-share growth investment case. In fact, we believe the stock could produce negative returns over the medium-term, as a result of heavy valuation headwinds. Americold continues to earn a sell 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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	-	-	1,510	1,481	1,490	1,544	1,604	1,784	1,988	2,715
Gross Profit	-	-	323	337	346	374	406	478	551	630
Gross Margin	-	-	21.4%	22.8%	23.2%	24.2%	25.3%	26.8%	27.7%	23.2%
SG&A Exp.	-	-	84	91	97	100	111	129	145	182
D&A Exp.	-	-	133	126	119	117	118	163	216	322
Operating Profit	-	-	106	120	130	158	177	186	191	128
Operating Margin	-	-	7.0%	8.1%	8.7%	10.2%	11.0%	10.4%	9.6%	4.7%
Net Profit	-	-	(42)	(21)	5	(1)	48	48	25	(30)
Net Margin	-	-	-2.8%	-1.4%	0.3%	0.0%	3.0%	2.7%	1.2%	(1.1%)
Free Cash Flow	-	-	56	47	44	14	43	(66)	(109)	(219)
Income Tax	-	-	10	10	6	9	(4)	(5)	(7)	(2)

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	-	-	-	2,399	2,328	2,395	2,532	4,171	7,831	8,216
Cash & Equivalents	-	-	-	33	23	49	208	234	610	83
Accounts Receivable	-	-	-	183	200	200	194	215	324	380
Inventories	-	-	-		13	10	8	9	22	27
Goodwill & Int. Ass.	-	-	-	213	211	215	211	603	1,592	2,054
Total Liabilities	-	-	-	2,138	2,105	2,209	1,826	2,338	4,038	4,187
Accounts Payable	-	-	-	50	64	94	85	109	179	224
Long-Term Debt	-	-	-	1,679	1,680	1,741	1,351	1,695	2,648	2,843
Shareholder's Equity	-	-	-	(110)	(149)	(187)	707	1,833	3,790	4,021
LTD/E Ratio				6.43	7.55	9.37	1.91	0.92	0.70	0.71

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	-	-	-	-	0.2%	0.0%	1.9%	1.4%	0.4%	(0.4%)
Return on Equity	-	-	-	-16.4%	-	-	18.5%	3.8%	0.9%	(0.8%)
ROIC	-	-	-	-	0.3%	0.0%	2.4%	1.7%	0.5%	(0.5%)
Shares Out.	-	-	69.6	69.8	69.9	70.0	144.3	184	206.9	259.1
Revenue/Share	-	-	10.94	21.24	21.32	22.04	11.11	9.70	9.61	10.48
FCF/Share	-	-	0.40	0.67	0.63	0.20	0.30	(0.36)	(0.53)	(0.84)

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