Kimco Realty (KIM)

Updated May 13th, 2023 by Samuel Smith

Key Metrics

Current Price:	$18.3	**5 Year CAGR Estimate:**	4.9%	**Market Cap:**	$11.2B
Fair Value Price:	$15.7	**5 Year Growth Estimate:**	2.8%	**Ex-Dividend Date:**	06/07/23
% Fair Value:	117%	**5 Year Valuation Multiple Estimate:**	-3.0%	**Dividend Payment Date:**	06/22/23
Dividend Yield:	5.0%	**5 Year Price Target**	$18	**Years of Dividend Growth:**	2
Dividend Risk Score:	F	**Retirement Suitability Score:**	D	**Rating:**	Hold

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 $11.2 billion.

Kimco Realty recently released its financial results for Q1 on April 27th, 2023. The company reported a Funds From Operations (FFO) of $0.39 per share, meeting expectations. Revenue was $442.89 million, showing a year-over-year growth of 3.7% and surpassing expectations by $7.04 million. During the quarter, the company leased a total of 4.5 million square feet, which included 3.7 million square feet of renewals and option exercises. They also achieved a 110 basis-point increase in pro-rata portfolio occupancy compared to the previous year, reaching 95.8%. Small shop occupancy grew by 70 basis points sequentially, reaching 90.7%. Looking ahead, the company provided its 2023 outlook. They expect net income available to common shareholders per share in the range of $0.92 to $0.96 and FFO in the range of $1.54 to $1.57, slightly below the consensus estimate of $1.57 per share.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
FFOPS	$1.33	$1.40	$1.46	$1.50	$1.52	$1.45	$1.47	$1.17	$1.38	$1.58	***$1.57***	***$1.80***
DPS	$0.86	$0.92	$0.98	$1.02	$1.08	$1.12	$1.12	$0.54	$0.61	$0.92	***$0.92***	***$1.16***
Shares[1]	409.8	412.6	413.7	425.6	425.5	421.4	431.8	432.4	616.7	618.6	***619.9***	***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. 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 many 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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
P/FFO	16.2	16.4	17.3	18.8	13.5	9.9	13.7	9.0	18.6	13.9	***11.7***	***10.0***
Avg. Yld.	4.0%	4.0%	3.9%	3.6%	5.3%	7.8%	5.6%	5.1%	2.4%	4.3%	***5.0%***	***6.4%***

Kimco Realty trades for 11.7 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 alongside a looming recession.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	65%	66%	67%	68%	71%	77%	76%	46%	44%	58%	**59%**	**64%**

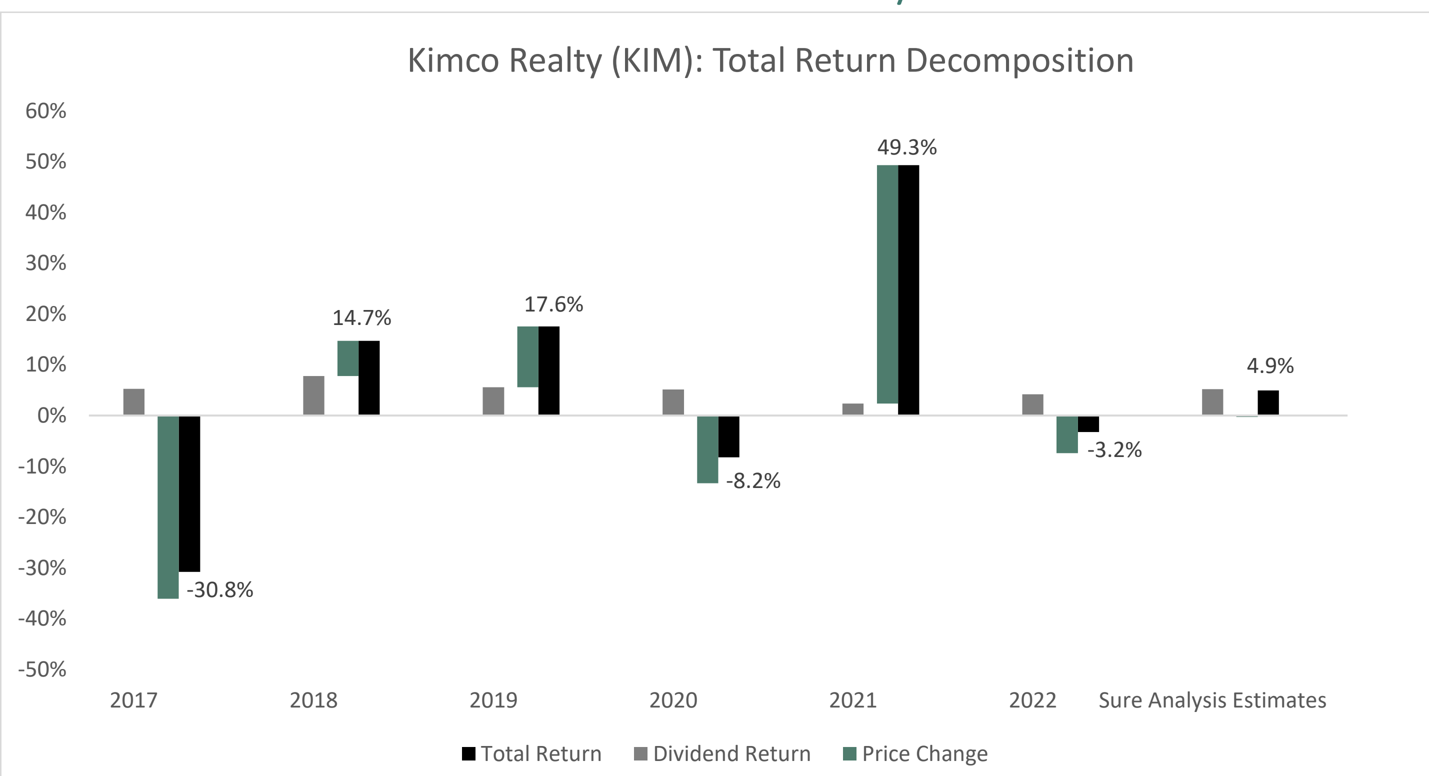
Kimco was forced to temporarily suspend its dividend due to weak economic conditions last year but has since resumed paying a dividend. However, it remains significantly below pre-pandemic levels.

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 most e-commerce sensitive tenants have largely been pruned from the portfolio, per-share FFO should begin to grow again. That said, a looming recession threatens to postpone growth acceleration for a few years. Kimco Realty earns a Hold recommendation from Sure Dividend as shares offer mediocre 4.9% expected annualized total returns over the next half decade due to expected multiple compression offsetting its mediocre per-share growth.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	862	994	1,167	1,171	1,201	1,165	1,159	1,058	1,365	1,728
Gross Profit	739	855	1,007	1,013	1,032	1,000	994	889	1,170	1,197
Gross Margin	85.8%	86.0%	86.3%	86.5%	86.0%	85.9%	85.8%	84.0%	85.7%	69.3%
SG&A Exp.	127	122	123	87	92	88	97	93	104	120
D&A Exp.	258	273	345	355	361	310	278	289	395	491
Operating Profit	282	350	389	394	405	432	447	333	447	572
Operating Margin	32.7%	35.2%	33.3%	33.7%	33.7%	37.1%	38.6%	31.5%	32.8%	33.1%
Net Profit	236	424	894	379	426	498	411	1,001	844	126
Net Margin	27.4%	42.7%	76.6%	32.4%	35.5%	42.7%	35.4%	94.6%	61.9%	7.3%
Free Cash Flow	570	629	494	592	614	638	584	590	619	861
Income Tax	33	22	60	79	(1)	2	(3)	1	3	57

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	9,664	10,261	11,344	11,231	11,764	10,999	10,998	11,614	18,459	17,826
Cash & Equivalents	149	187	190	142	239	144	124	293	326	147
Acc. Receivable	164	172	175	182	190	185	219	178	184	225
Total Liabilities	4,808	5,268	6,076	5,741	6,225	5,564	6,051	5,928	8,336	8,086
Accounts Payable	124	130	150	146	186	175	170	146	220	208
Long-Term Debt	4,221	4,596	5,376	5,066	5,479	4,874	5,316	5,355	7,476	7,158
Total Equity	4,632	4,775	5,046	5,256	5,394	5,334	4,865	5,608	9,899	9,515
LTD/E Ratio	0.91	0.96	1.07	0.96	1.02	0.91	1.09	0.96	0.76	0.75

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	2.4%	4.3%	8.3%	3.4%	3.7%	4.4%	3.7%	8.9%	5.6%	0.7%
Return on Equity	5.0%	9.0%	18.2%	7.4%	8.0%	9.3%	8.1%	19.1%	10.9%	1.3%
ROIC	2.6%	4.5%	8.8%	3.6%	4.0%	4.7%	4.0%	9.4%	5.9%	0.7%
Shares Out.	409.8	412.6	413.7	425.6	425.5	421.4	431.8	432.4	616.7	618.5
Revenue/Share	2.11	2.42	2.83	2.79	2.83	2.76	2.75	2.45	2.67	2.80
FCF/Share	1.40	1.53	1.20	1.41	1.45	1.51	1.38	1.37	1.21	1.39

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