Americold Realty Trust (COLD)

Updated May 11th, 2024 by Nikolaos Sismanis

Key Metrics

Current Price:	$24.14	**5 Year CAGR Estimate:**	4.0%	**Market Cap:**	$6.88 B
Fair Value Price:	$21.30	**5 Year Growth Estimate:**	3.0%	**Ex-Dividend Date:**	06/28/2024[1]
% Fair Value:	113%	**5 Year Valuation Multiple Estimate:**	-2.5%	**Dividend Payment Date:**	07/15/2024
Dividend Yield:	3.6%	**5 Year Price Target**	$24.69	**Years Of Dividend Growth:**	N/A
Dividend Risk Score:	C	**Retirement Suitability Score:**	B	**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 241 temperature-controlled warehouses encompassing over 1.5 billion cubic feet, 196 of which are located in North America, 25 in Europe, and the rest in Asia-Pacific and South America. In addition, Americold holds two minority interests in joint ventures, one with SuperFrio, which owns or operates 35 temperature-controlled warehouses in Brazil, and one with the RSA JV, which owns two temperature-controlled warehouses in UAE. The company generates around $2.67 billion in annual revenues and is headquartered in Atlanta, Georgia.

On May 9th, 2024, Americold reported its Q1 results for the period ending March 31st, 2024. Revenues came in at nearly $665 million, down 1.7% year-over-year. This decline was driven by decreases in the company's third-party managed and Transportation segments, and same-store revenue decline within its Global Warehouse segment. Specifically, the Global Warehouse segment's revenues fall by 0.7%, despite NOI growing by 8.6%. Economic occupancy[2] in the global warehouse segment stood at 79.4% versus 84.0% in Q1-2023.

AFFO came in at $104.9 million, or $0.37/share, compared to $79.9 million, or $0.29/share, in the prior-year period. For FY2024, management raised its guidance, now expecting AFFO/share to be between $1.38 and $1.46 (up from $1.32 to $1.42 previously). We have applied the midpoint of the updated range in our estimates.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
AFFO/shr	$1.16	$0.85	$1.01	$1.35	$1.20	$1.19	$1.32	$1.15	$1.11	$1.28	***$1.42***	***$1.65***
DPS	---	---	---	---	$0.70	$0.80	$0.84	$0.88	$0.88	$0.88	***$0.88***	***$1.00***
Shares[3]	69.6	69.8	69.9	70	144.3	184	206.9	261.1	270.6	284.3	***284.6***	***370.0***

Since its IPO in 2018, Americold has employed an expansionary strategy that has failed to meaningfully expand its AFFO/share, nonetheless. Moving forward, we expect the company to keep growing its portfolio following a series of acquisitions. The company strives to enhance its 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.

To illustrate this, the same-store NOI Margin in its Rent & Storage, Warehouses, and Services divisions was 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. Nevertheless, higher financing costs and share issuances have taken a toll on growing the company's per-share results lately.

We maintain our medium-term AFFO/share growth estimate to 3%, expecting that rising interest rates will likely drain the company's bottom-line prospects.

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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.

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Americold suspended its dividend growth streak in 2022. We maintain our dividend growth estimate at 2.5%, expecting dividend growth to resume along as Americold's AFFO-per-share gradually grows over time.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	---	---	---	---	20.8	27.7	27.9	29.6	26.1	22.4	***17.0***	***15.0***
Avg. Yld.	---	---	---	---	2.8%	2.4%	2.3%	2.6%	3.0%	3.0%	***3.6%***	***4.0%***

Americold's publicly traded history is still short, though the stock has historically traded at around 25.8 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, including growing interest expenses, we believe that shares are currently overvalued. We have set our fair multiple at 15, implying notable valuation headwinds in the coming years.

Safety, Quality, Competitive Advantage, & Recession Resiliency

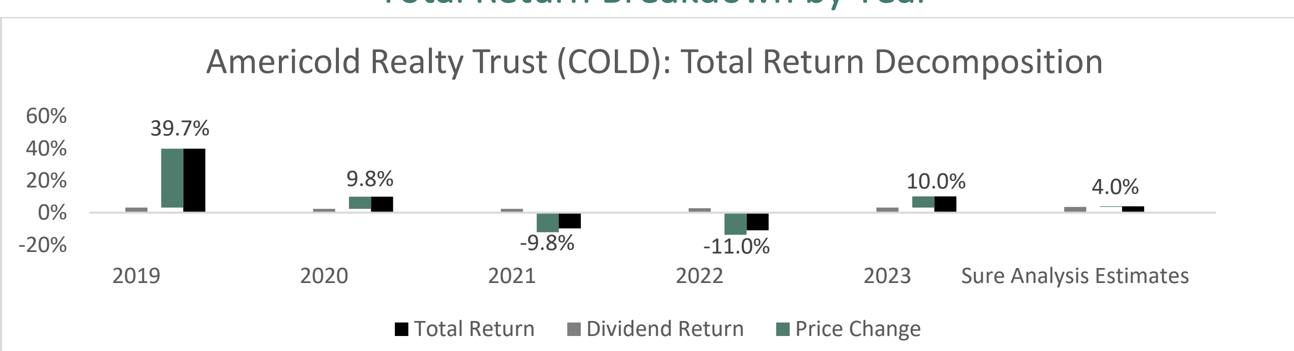
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	---	---	---	---	---	67%	64%	77%	79%	69%	***62%***	***60%***

We believe that the company's dividend coverage is quite healthy, with the payout ratio standing at 62% despite the suspension of dividend growth last year. 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 half of its warehouse revenues, with not a single one accounting for more than 5% of total sales. The company also holds an 18.5% market share in the U.S., which places it second, just behind Lineage Logistics, which has a 28.3% 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 19% 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 prospects. In fact, we believe the stock could produce insignificant returns over the medium-term, as a result of a valuation headwind. 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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	1,510	1,481	1,490	1,544	1,604	1,784	1,988	2,715	2,915	2,673
Gross Profit	323	337	346	374	406	478	551	630	696	771
Gross Margin	21.4%	22.8%	23.2%	24.2%	25.3%	26.8%	27.7%	23.2%	23.9%	28.8%
SG&A Exp.	84	91	97	100	111	129	145	182	231	227
D&A Exp.	133	126	119	117	118	163	216	322	334	354
Operating Profit	106	120	130	158	177	186	191	128	133	190
Operating Margin	7.0%	8.1%	8.7%	10.2%	11.0%	10.4%	9.6%	4.7%	4.6%	7.1%
Net Profit	(42)	(21)	5	(1)	48	48	25	(30)	(19)	(336)
Net Margin	-2.8%	-1.4%	0.3%	0.0%	3.0%	2.7%	1.2%	(1.1%)	(0.7%)	(12.6%)
Free Cash Flow	56	47	44	14	43	(66)	(109)	(219)	(23)	36
Income Tax	10	10	6	9	(4)	(5)	(7)	(2)	(19)	(2.3)

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	-	2,399	2,328	2,395	2,532	4,171	7,831	8,216	8,105	7,869
Cash & Equivalents	-	33	23	49	208	234	610	83	53	60
Accounts Receivable	-	183	200	200	194	215	324	380	430	426
Inventories	-		13	10	8	9	22	27	29	31
Goodwill & Int. Ass.	-	213	211	215	211	603	1,592	2,054	1,959	1,691
Total Liabilities	-	2,138	2,105	2,209	1,826	2,338	4,038	4,187	4,317	4,235
Accounts Payable	-	50	64	94	85	109	179	224	215	201
Long-Term Debt	-	1,679	1,680	1,741	1,351	1,695	2,648	2,843	3,069	2,993
Shareholder's Equity	-	(110)	(149)	(187)	707	1,833	3,790	4,021	3,773	3,616
LTD/E Ratio		6.43	7.55	9.37	1.91	0.92	0.70	0.71	0.81	0.83

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	-	-	0.2%	0.0%	1.9%	1.4%	0.4%	(0.4%)	(0.2%)	(4.2%)
Return on Equity	-	-16.4%	-	-	18.5%	3.8%	0.9%	(0.8%)	(0.5%)	(5.0%)
ROIC	-	-	0.3%	0.0%	2.4%	1.7%	0.5%	(0.5%)	(0.3%)	(5.0%)
Shares Out.	69.6	69.8	69.9	70.0	144.3	184	206.9	259.1	269.6	275.8
Revenue/Share	10.94	21.24	21.32	22.04	11.11	9.70	9.61	10.48	10.81	9.69
FCF/Share	0.40	0.67	0.63	0.20	0.30	(0.36)	(0.53)	(0.84)	(0.09)	0.13

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