Kimco Realty (KIM)

Updated May 11th, 2024 by Samuel Smith

Key Metrics

Current Price:	$19.0	**5 Year CAGR Estimate:**	4.9%	**Market Cap:**	$12.8 B
Fair Value Price:	$16.0	**5 Year Growth Estimate:**	3.1%	**Ex-Dividend Date:**	6/6/24
% Fair Value:	119%	**5 Year Valuation Multiple Estimate:**	-3.4%	**Dividend Payment Date:**	6/20/24
Dividend Yield:	5.1%	**5 Year Price Target**	$19	**Years of Dividend Growth:**	3
Dividend Risk Score:	F	**Retirement Suitability Score:**	C	**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 $12.8 billion.

Kimco Realty (KIM) reported its first-quarter results for the period ending March 31, 2024, revealing a net loss available to common shareholders per diluted share of ($0.03), a decline from $0.46 in the same period the previous year. Despite this, the company achieved several notable highlights during the quarter. It produced Funds From Operations (FFO) of $0.39 per diluted share and experienced a 3.9% growth in Same Property Net Operating Income (NOI) compared to the previous year. Kimco Realty also achieved a pro-rata portfolio occupancy of 96.0%, with anchor and small shop occupancy rates at 97.8% and 91.5%, respectively. Additionally, the company leased 4.0 million square feet of space, resulting in blended pro-rata rent spreads on comparable spaces of 10.2%. Furthermore, Kimco Realty completed the $2.3 billion acquisition of RPT Realty on January 2, 2024, and disposed of ten former RPT properties, achieving its 2024 disposition target for former RPT properties, with an aggregate price of $248 million.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
FFOPS	$1.40	$1.46	$1.50	$1.52	$1.45	$1.47	$1.17	$1.38	$1.58	$1.57	***$1.60***	***$1.86***
DPS	$0.92	$0.98	$1.02	$1.08	$1.12	$1.12	$0.54	$0.61	$0.92	$0.93	***$0.96***	***$1.23***
Shares[1]	412.6	413.7	425.6	425.5	421.4	431.8	432.4	616.7	618.6	672.9	***674.1***	***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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
P/FFO	16.4	17.3	18.8	13.5	9.9	13.7	9	18.6	13.9	11.0	***11.9***	***10.0***
Avg. Yld.	4.0%	3.9%	3.6%	5.3%	7.8%	5.6%	5.1%	2.4%	4.2%	5.4%	***5.1%***	***6.6%***

Kimco Realty trades for 11.9 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

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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 potential recession.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	66%	67%	68%	71%	77%	76%	46%	44%	58%	59%	***60%***	***66%***

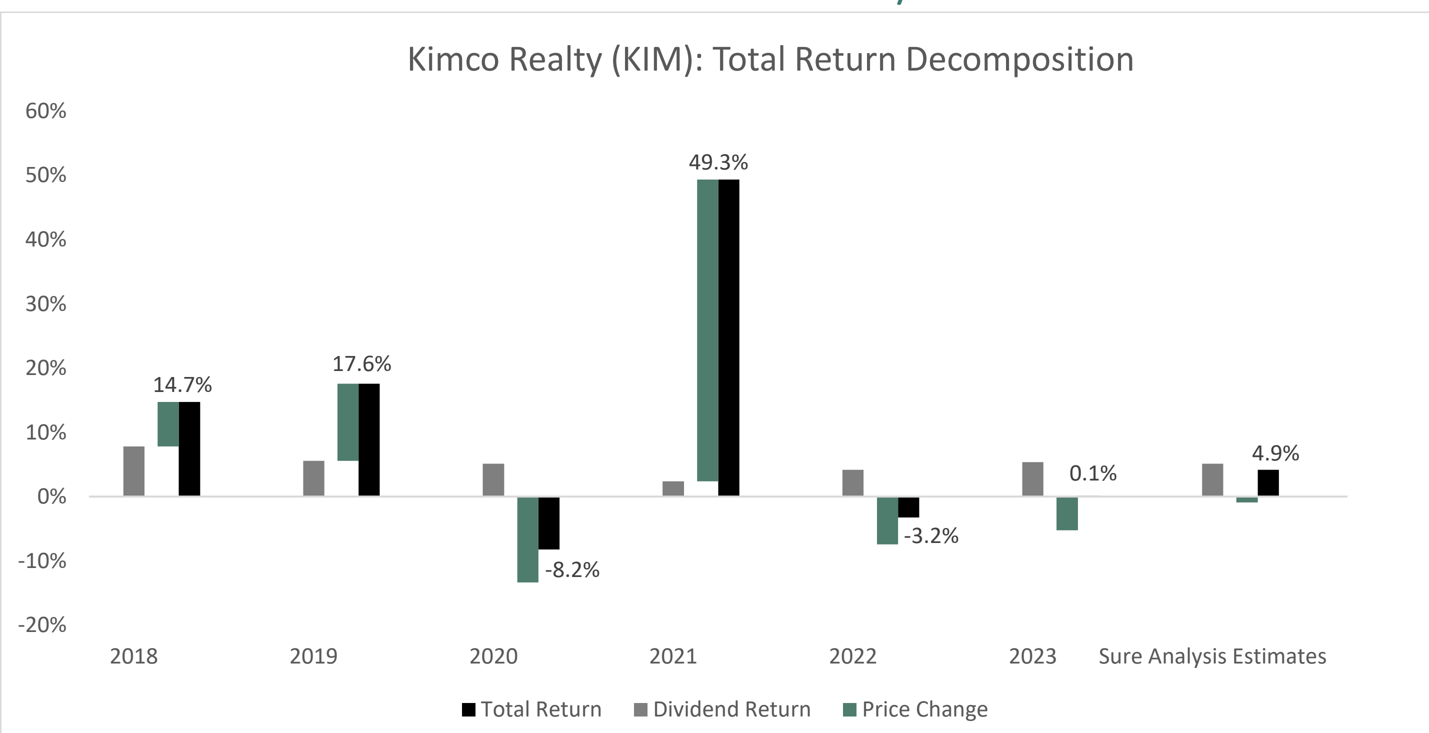
Kimco was forced to temporarily suspend its dividend due to weak economic conditions last year but has since resumed paying a dividend. However, it remains significantly below pre-pandemic levels.

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 4.9% expected annualized total returns over the next half decade due to expected multiple compression offsetting its mediocre per-share growth and fairly attractive dividend.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	994	1,167	1,171	1,201	1,165	1,159	1,058	1,365	1,728	1,783
Gross Profit	735	862	842	863	836	822	715	947	1,197	1,227
Gross Margin	74.0%	73.9%	71.9%	71.9%	71.8%	70.9%	67.6%	69.4%	69.3%	68.8%
SG&A Exp.	122	123	87	92	88	97	93	104	120	137
D&A Exp.	273	345	355	361	310	278	266	395	505	507
Operating Profit	350	389	394	405	432	447	333	447	572	583
Operating Margin	35.2%	33.3%	33.7%	33.7%	37.1%	38.6%	31.5%	32.8%	33.1%	32.7%
Net Profit	424	894	379	426	498	411	1,001	844	126	654
Net Margin	42.7%	76.6%	32.4%	35.5%	42.7%	35.4%	94.6%	61.9%	7.3%	36.7%
Free Cash Flow	629	494	592	614	638	584	590	619	861	1,072
Income Tax	22	60	79	(1)	2	(3)	1	3	57	61

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	10,261	11,344	11,231	11,764	10,999	10,998	11,614	18,459	17,826	18,274
Cash & Equivalents	187	190	142	239	144	124	293	326	147	781
Acc. Receivable	172	175	182	190	185	219	178	184	225	243
Total Liabilities	5,268	6,076	5,741	6,225	5,564	6,051	5,928	8,336	8,086	8,548
Accounts Payable	130	150	146	186	175	170	146	220	208	216
Long-Term Debt	4,596	5,376	5,066	5,479	4,874	5,316	5,355	7,476	7,158	7,617
Total Equity	4,775	5,046	5,256	5,394	5,334	4,865	5,608	9,899	9,515	9,525
LTD/E Ratio	0.96	1.07	0.96	1.02	0.91	1.09	0.96	0.76	0.75	0.80

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	4.3%	8.3%	3.4%	3.7%	4.4%	3.7%	8.9%	5.6%	0.7%	3.6%
Return on Equity	8.6%	17.4%	7.0%	7.7%	9.1%	7.9%	18.8%	10.7%	1.3%	6.7%
ROIC	4.5%	8.8%	3.6%	4.0%	4.7%	4.0%	9.4%	5.9%	0.7%	3.8%
Shares Out.	412.6	413.7	425.6	425.5	421.4	431.8	432.4	616.7	618.6	619.9
Revenue/Share	2.42	2.83	2.79	2.83	2.76	2.75	2.45	2.67	2.80	2.88
FCF/Share	1.53	1.20	1.41	1.45	1.51	1.38	1.37	1.21	1.39	1.73

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