

Kimco Realty (KIM)

\$19.43 (As of 02/04/20)

Price Target (6-12 Months): **\$20.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 02/01/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:D

Value: D

Growth: D

Momentum: A

Summary

Kimco's solid fourth-quarter 2019 results reflect positive same-property net operating income (NOI). The company also registered new leasing spreads of 12.5%, marking the 24th straight quarter in which the spreads improved in double digits. Kimco is on track with its 2020 Vision that aims ownership of high-quality assets, concentrated in major metro markets. Amid transformation in the retail landscape, the company remains well poised to navigate with focus on service and experiential tenants, and omni-channel players. Its shares have outperformed the industry in the past year. However, shrinking footfall at malls amid shift of consumers toward online channels, store closures and retailer bankruptcies will likely affect Kimco's growth momentum in the near term. Also, dilutive impact on its near-term earnings from sales cannot be averted.

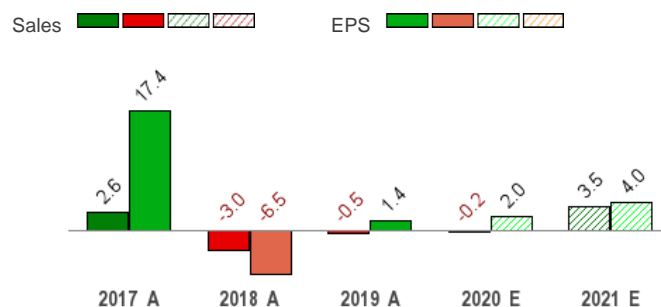
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$21.86 - \$16.88
20 Day Average Volume (sh)	3,781,344
Market Cap	\$8.2 B
YTD Price Change	-6.2%
Beta	0.63
Dividend / Div Yld	\$1.12 / 5.8%
Industry	REIT and Equity Trust - Retail
Zacks Industry Rank	Bottom 13% (221 out of 255)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	2.8%
Last Sales Surprise	5.1%
EPS F1 Est- 4 week change	-1.6%
Expected Report Date	05/07/2020
Earnings ESP	-0.2%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	300 E	301 E	303 E	309 E	1,198 E
2020	288 E	290 E	293 E	299 E	1,157 E
2019	295 A	285 A	283 A	296 A	1,159 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.38 E	\$0.38 E	\$0.39 E	\$0.40 E	\$1.56 E
2020	\$0.37 E	\$0.37 E	\$0.38 E	\$0.38 E	\$1.50 E
2019	\$0.37 A	\$0.36 A	\$0.37 A	\$0.37 A	\$1.47 A

*Quarterly figures may not add up to annual.

P/E TTM	13.2
P/E F1	13.0
PEG F1	3.2
P/S TTM	7.1

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 02/04/2020. The reports text is as of 02/05/2020.

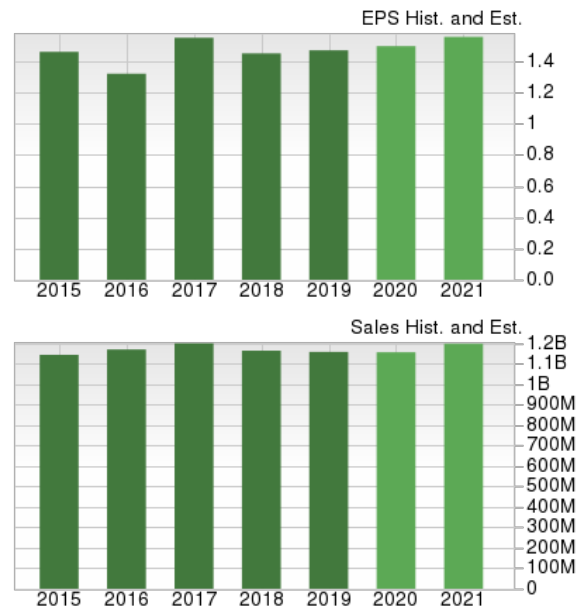
Overview

New Hyde Park, NY-based Kimco Realty Corporation — a retail real estate investment trust (REIT) — along with its subsidiaries is one of the major owners and operators of neighborhood and community shopping centers in the United States. Since Kimco went public in 1991, it has been widely recognized for acquiring properties with below-market-rate leases and maintaining a strong balance sheet with an easy access to capital that enables it to pursue strategic opportunities and facilitate continuous growth.

As of Dec 31, 2019, Kimco owned interests in 409 U.S. shopping center properties and mixed-use assets, spanning 72.4 million square feet of gross leasable space, mainly situated in the top major metropolitan markets.

Notably, the company remains on track with its strategic 2020 Vision that envisages the ownership of high-quality assets, concentrated in major metro markets which offer several growth levers. The company aims at increasing net asset value through redevelopment, select ground-up development as well as active investment management.

Note**: All EPS numbers presented in this report represent funds from operations ("FFO") per share. FFO, a widely used metric to gauge the performance of REITs, is obtained after adding depreciation and amortization and other non-cash expenses to net income.



Reasons To Buy:

- ▲ Kimco is a leading publicly traded owner and operator of neighborhood and community shopping centers in the United States. The company focuses on having premium properties in the upscale and high barrier to entry markets in the nation. Such locations drive demand from retailers for its mall space and help in overall improvement of the portfolio quality. The company's tenant roster also includes several well-capitalized retailers that have fared relatively well in recent years.
- ▲ Kimco has achieved significant diversification with respect to geography and tenants. As of Dec 31, 2019, the company's five largest tenants were TJX Companies, Home Depot, Ahold Delhaize USA, Albertsons and PetSmart. These companies contributed 3.9%, 2.5%, 2.1%, 2% and 1.8%, respectively, to Kimco's annualized base rental revenues. Given the strength of its retailers with a developed omni-channel presence, we believe that Kimco remains well-poised to ride on the growth trajectory.
- ▲ The company is on track with its 2020 Vision that envisages the ownership of high-quality assets, concentrated in major metro markets which offer several growth levers. As part of such efforts, in 2019, the company purchased three grocery-anchored land parcels and increased ownership interest in an existing property for an aggregate of \$34 million. In fact, amid transformation in the retail landscape, Kimco remains well poised to navigate through the retail apocalypse, with focus on service and experiential tenants, and omni-channel players. Moreover, the company is aiming to expand its small shops' portfolio. These shops basically comprise service-based industries, such as restaurants, salons and spas, personal fitness and medical practices. The shops enjoy frequent customer traffic and are Internet resistant. Amid limited new supply and favorable demographics, this diversification is likely to help Kimco limit its operating and leasing risks.
- ▲ Further, Kimco is engaged in the execution of strategic measures to boost its capital structure, and enhance the company's growth profile and tax efficiency as well. The company maintains a strong liquidity profile with more than \$2 billion of immediate liquidity. It has minimal debt due in 2020. Further, weighted average debt maturity profile now stands at 10.6 years. Moreover, the company aims to reduce its net debt-to-EBITDA ratio over time.
- ▲ Solid dividend payouts remain arguably the biggest attraction for REIT investors and Kimco remains committed to that. In fact, the company's dividend has grown at a compound annual growth rate (CAGR) of approximately 7% since 2010. Given the company's healthy financial position and lower debt-to-equity ratio compared to that of the industry, this dividend payout is expected to be sustainable.
- ▲ Shares of Kimco have outperformed its industry in the past year. During this time frame, shares of the company have rallied 11.5%, while its industry gained 0.2%. Moreover, the company's fourth-quarter 2019 FFO as adjusted per share witnessed year-over-year growth. Therefore, given the progress on fundamentals, the stock has decent upside potential.

Premium properties in high-growth areas, investments in high-quality neighborhood and community shopping centers, and shedding of non-core assets augur well for growth.

Reasons To Sell:

- ▼ Though upbeat consumer confidence and a stable economy have infused optimism into the retail market, mall traffic continues to suffer amid a rapid shift in customers' shopping preferences and patterns with online purchases growing by leaps and bounds. These have made retailers reconsider their footprint and eventually opt for store closures. Further, retailers that are not being able to cope with competition are filing bankruptcies. This has emerged as a pressing concern for retail REITs like Kimco, as the trend is curtailing demand for the retail real estate space considerably.
- ▼ Moreover, Kimco is focused on simplifying its business structure by concentrating on its U.S. shopping center portfolio, targeting ownership of large, high-quality assets in major metro markets and simultaneously shedding non-core assets. In connection to this, the company has been making significant disposition of its assets over the past few years. The company reported full-year 2018 disposition deals worth \$1.1 billion. Further, dispositions for 2019 included 32 properties and five land parcels, for \$542.5 million and \$50.8 million, respectively. For 2020, the company forecasts \$200-\$300 million in dispositions, with a blended cap rate of 7-7.5%. While such efforts are encouraging for the long term, the dilutive effect on earnings from high disposition activity cannot be averted in near term.
- ▼ Additionally, Kimco has a large development and redevelopment pipeline. Although this is encouraging for long-term effect, it exposes the company to various risks such as rising construction costs, entitlement delays and lease-ups in near term. Further, Kimco projects total redevelopment and development investment projection in 2020 to be \$200-\$250 million.
- ▼ Although interest rate levels are low presently, any hike in future is likely to be a challenge for the company. Essentially, rising rates imply higher borrowing cost for the company, which would affect its ability to purchase or develop real estate and lower dividend payouts as well. Moreover, the dividend payout might become less attractive than the yields on fixed income and money-market accounts.

Earnings dilution led by high disposition activity, dwindling traffic at retail properties, store closures, tenant bankruptcy and competition from other players remain key concerns.

Last Earnings Report

Kimco Realty Q4 FFO & Revenues Top Estimates, NOI Up

Kimco Realty's fourth-quarter 2019 FFO as adjusted, excluding the impact of transactional income and charges, came in at 37 cents per share, surpassing the Zacks Consensus Estimate of 36 cents. The reported tally came in higher than the year-ago quarter's FFO as adjusted of 35 cents per share.

Results reflect portfolio occupancy maintaining an all-time high level, healthy leasing spreads on new lease and positive same-property NOI. The company registered new leasing spreads of 12.5%. This marks the 24th straight quarter in which spreads on new leases improved in double digits.

The retail REIT generated revenues of \$296.1 million, beating the Zacks Consensus Estimate of \$281.7 million. The revenue figure also compared favorably with the year-ago number of \$284.2 million.

For full-year 2019, the FFO per share came in at \$1.47, matching the Zacks Consensus Estimate and higher than the prior-year tally of \$1.45. However, revenues witnessed a marginal decline, year over year, to \$1.16 billion.

Quarter Ending **12/2019**

Report Date	Jan 30, 2020
Sales Surprise	5.10%
EPS Surprise	2.78%
Quarterly EPS	0.37
Annual EPS (TTM)	1.47

Quarter in Detail

At the end of the fourth quarter, the company maintained its all-time high level of pro-rata occupancy at 96.4%. This marked an expansion of 150 basis points (bps) year on year.

Pro-rata anchor occupancy ended the quarter at 98.9%, denoting a 150-basis-point expansion, year over year.

Pro-rata small-shop occupancy ended the reported quarter at 89.3%. This marks a year-over-year contraction of 180 bps, and 60 bps sequentially.

Pro-rata rental-rate leasing spreads increased 6%, with rental rates for new leases and renewals/options climbing 12.5% and 4%, respectively.

Same-property NOI grew 2.7% year over year.

Balance-Sheet Position

Kimco exited 2019 with cash and cash equivalents of \$123.9 million, down from the \$143.6 million recorded at the end of 2018.

During the fourth quarter, the company issued 9.5 million shares of common stock under its at-the-market (ATM) equity offering program, raising net proceeds of \$200.1 million.

Portfolio Activity

During the reported quarter, Kimco sold 12 properties, aggregating 1.9 million square feet of space. The dispositions were made for \$153 million, of which the company's share amounted to \$146.5 million. The company also disposed two wholly-owned land parcels for \$47.5 million.

Guidance

Kimco has provided 2020 FFO projections, and estimates Nareit FFO per share in the \$1.46-\$1.50 range.

The company also issued its operational assumption for same-property NOI and forecasts it in the range of 1.5-2%.

Moreover, acquisitions for the year are projected to be worth \$100-\$200 million, with a blended cap rate of 5-6%. Disposition guidance is \$200-\$300 million, with a blended cap rate of 7-7.5%, and the combined redevelopment and development investment projection is in the band of \$200-\$250 million.

Recent News

Kimco Realty Issues Q4 Activity Update, Keeps Vending Assets – Jan 10, 2020

As part of its efforts to fine tune the company's portfolio, Kimco Realty announced the fourth-quarter 2019 disposition of 12 properties, aggregating 1.9 million square feet for \$153 million. The company's share of these sales amounted to \$146.5 million.

The dispositions include properties like Woodbury Centre, a 228,000-square-foot shopping center in Harriman, NY, which was sold for \$27.5 million and Towne Square, a 302,000-square-foot shopping center in Roanoke, VA, that was vended for \$23.3 million. Further, a 313,000-square-foot shopping center located in Walker, MI — Green Orchard Shopping Center — has been disposed for \$21.3 million, while the company also sold Mesa Pavilions North and Mesa Pavilions South, two adjacent centers aggregating more than 300,000 square feet in Mesa, AZ, for \$26.8 million. The company also sold two wholly-owned land parcels totaling \$47.5 million.

Kimco is on track with its 2020 Vision that envisages the ownership of high-quality assets, concentrated in major metro markets which offer several growth levers. As part of such efforts, in 2019, the company acquired three grocery-anchored parcels and enhanced its ownership stake in an existing property for a total of \$34 million.

Simultaneously, Kimco is shedding non-core assets in sync with this strategy. Particularly, during the fourth quarter, the company capitalized on the solid demand for open-air shopping centers amid sufficient liquidity in the transaction market.

Furthermore, in full-year 2019, Kimco disposed 32 properties for \$542.5 million, which aggregated 4.8 million square feet of space. The company's share of the sales would be worth \$375.2 million. The company also sold five wholly-owned land parcels in the year, aggregating \$50.8 million.

Kimco Completes Sale & Ground Leasing of Land at Dania Pointe – Jan 6, 2020

Kimco Realty completed the sale of nearly nine acres of land to Spirit Airlines, Inc. at the 102-acre Dania Pointe development in Dania Beach, FL. This land will be used by the Miramar-based airlines to develop new global headquarters, as announced in October 2019.

The creation of the 500,000-square-foot corporate campus will require funding of up to \$250 million. With the construction likely to begin in 2021, the transfer of employees is anticipated to be in the middle of 2022.

Also, Kimco has entered into a ground lease agreement for an additional land parcel with Spirit Airlines, which will be utilized for the construction of a corporate training residence.

According to Kimco's management, Dania Pointe's location (near Fort Lauderdale-Hollywood International Airport) and the project's first-class amenities make it a strategic fit for the new headquarters. Also, the move strengthens the development's position in the Greater Fort Lauderdale area as the prime location, where people prefer to live, work and play.

Remarkably, Dania Pointe's dominant, high-visibility location features two exits and 1,600 feet of frontage along I-95, with traffic count reaching nearly 300,000 cars a day. The development area, located near the port and the airport, serves many tourists, thus, boosting footfall. The tenants of Phases II and III of the project started opening in the fourth quarter of 2019 and will continue through 2020.

Apart from the airline company's new headquarters, Phases II and III, which are nearly 69% pre-leased, will include another 417,000-square-foot space for mixed-use retail, dining and entertainment options. Kimco has ground leased space for two Marriott hotels and 850 residential apartment units, of which the first 264 are currently under construction. Further, it has signed leases with lifestyle brands like Urban Outfitters, Inc. and Anthropologie, which are slated to open doors at Dania Pointe later this year.

Earlier in November 2018, Kimco opened Phase I of the development. Currently, its tenant coaster includes brands like Starbucks Corporation, Hobby Lobby, Ulta Beauty, BrandsMart and Five Below. Notably, Phase I is 96% leased.

Dividend Update

On Jan 30, Kimco's board of directors announced a quarterly cash dividend of 28 cents per share. This will be paid on Apr 15, to shareholders of record as of Apr 2, 2020.

Valuation

Kimco's shares have been up 11.5%, over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector have rallied 0.2% and 7%, over the past year, respectively.

The S&P 500 Index has been up 18.1% over the past year.

The stock is currently trading at 12.94X forward 12-month FFO, which compares with the 14.78X for the Zacks sub-industry, 14.56X for the Zacks sector and 18.6X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 20.31X and as low as 9.1X, with a 5-year median of 13.47X. Our neutral recommendation indicates that the stock will perform in line with the market. Our \$20 price target reflects 13.32X FFO.

The table below shows summary valuation data for KIM.

Valuation Multiples - KIM				
	Stock	Sub-Industry	Sector	S&P 500
Current	12.94	14.78	14.56	18.6

P/E F12M	Current	12.87	17.78	17.33	18.3
	5-Year High	20.31	19.44	16.21	19.34
	5-Year Low	9.1	12.57	12.01	15.18
	5-Year Median	13.47	15.12	14.07	17.46
P/S F12M	Current	7.07	8.13	6.53	3.45
	5-Year High	11.33	13.91	6.61	3.45
	5-Year Low	4.75	7.13	5.39	2.54
	5-Year Median	7.44	8.27	6.04	3
P/B TTM	Current	1.66	3.28	2.77	4.44
	5-Year High	2.48	5.57	2.89	4.54
	5-Year Low	1.02	2.83	1.83	2.85
	5-Year Median	1.72	3.42	2.51	3.62

As of 02/04/2020

Industry Analysis Zacks Industry Rank: Bottom 13% (221 out of 255)



Top Peers

Acadia Realty Trust (AKR)	Neutral
Brixmor Property Group Inc. (BRX)	Neutral
Federal Realty Investment Trust (FRT)	Neutral
Regency Centers Corporation (REG)	Neutral
Retail Properties of America, Inc. (RPAI)	Neutral
SITE CENTERS CORP. (SITC)	Neutral
Urban Edge Properties (UE)	Neutral
Weingarten Realty Investors (WRI)	Neutral

Industry Comparison Industry: Reit And Equity Trust - Retail				Industry Peers		
	KIM Neutral	X Industry	S&P 500	BRX Neutral	FRT Neutral	REG Neutral
VGM Score	D	-	-	D	F	D
Market Cap	8.20 B	2.65 B	24.31 B	6.17 B	9.61 B	10.50 B
# of Analysts	11	6	13	7	7	9
Dividend Yield	5.76%	4.86%	1.78%	5.50%	3.30%	3.73%
Value Score	D	-	-	C	F	F
Cash/Price	0.02	0.03	0.04	0.01	0.02	0.00
EV/EBITDA	15.10	15.75	13.98	12.04	22.03	20.96
PEG Ratio	3.23	3.84	2.01	2.41	3.73	4.53
Price/Book (P/B)	1.66	1.94	3.29	2.24	3.98	1.66
Price/Cash Flow (P/CF)	11.92	12.14	13.58	8.92	19.34	18.12
P/E (F1)	13.02	13.67	18.82	10.53	19.55	15.99
Price/Sales (P/S)	7.08	6.59	2.66	5.26	10.31	9.30
Earnings Yield	7.72%	7.32%	5.30%	9.51%	5.12%	6.26%
Debt/Equity	1.10	1.05	0.71	1.76	1.42	0.65
Cash Flow (\$/share)	1.63	2.26	6.92	2.32	6.58	3.46
Growth Score	D	-	-	D	D	C
Hist. EPS Growth (3-5 yrs)	-0.59%	2.21%	10.80%	-0.33%	5.36%	7.70%
Proj. EPS Growth (F1/F0)	1.80%	1.97%	7.40%	2.38%	2.55%	1.38%
Curr. Cash Flow Growth	-14.81%	1.20%	10.22%	7.52%	-3.92%	17.98%
Hist. Cash Flow Growth (3-5 yrs)	1.91%	8.35%	8.55%	10.81%	10.61%	20.87%
Current Ratio	NA	1.02	1.21	0.50	1.52	0.95
Debt/Capital	52.40%	51.19%	42.91%	63.75%	57.94%	39.34%
Net Margin	35.43%	24.75%	11.79%	24.75%	28.01%	24.71%
Return on Equity	7.95%	5.94%	17.24%	10.41%	11.09%	4.44%
Sales/Assets	0.10	0.13	0.55	0.14	0.15	0.10
Proj. Sales Growth (F1/F0)	-0.15%	2.24%	4.10%	1.21%	4.04%	1.29%
Momentum Score	A	-	-	D	B	A
Daily Price Chg	1.30%	1.18%	1.49%	1.82%	1.76%	1.18%
1 Week Price Chg	-6.39%	-5.24%	-2.60%	-5.18%	-3.69%	-2.74%
4 Week Price Chg	-2.02%	-1.20%	0.51%	0.83%	1.53%	1.57%
12 Week Price Chg	-6.27%	-4.30%	4.44%	-3.72%	-2.22%	-3.33%
52 Week Price Chg	11.47%	-2.11%	14.65%	16.87%	-5.19%	-3.27%
20 Day Average Volume	3,781,344	726,439	1,935,862	2,672,605	378,045	726,439
(F1) EPS Est 1 week change	-0.63%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	-1.61%	-0.23%	0.00%	-0.06%	-0.36%	-0.23%
(F1) EPS Est 12 week change	-1.39%	-1.03%	-0.10%	-0.15%	-2.31%	-1.81%
(Q1) EPS Est Mthly Chg	-1.37%	0.00%	0.00%	-0.34%	-0.47%	0.20%

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	D
Growth Score	D
Momentum Score	A
VGM Score	D

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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