

Kimco Realty (KIM)

\$19.81 (As of 01/03/20)

Price Target (6-12 Months): **\$21.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 02/01/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: D

Growth: D

Momentum: A

Summary

Shares of Kimco have outperformed its industry in the past six months. The company has been witnessing high portfolio occupancy and healthy leasing spreads. 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 drivers. Amid transformation in the retail landscape, Kimco remains well poised to navigate with focus on service and experiential tenants, and omni-channel players. Planned sale of assets is also progressing well. However, shrinking footfall at malls amid shift of consumers toward online channels, store closures and retailer bankruptcy will likely keep the retail real estate market choppy and affect Kimco's growth momentum in the near term. Also, dilutive impact on its near-term earnings from dispositions cannot be bypassed.

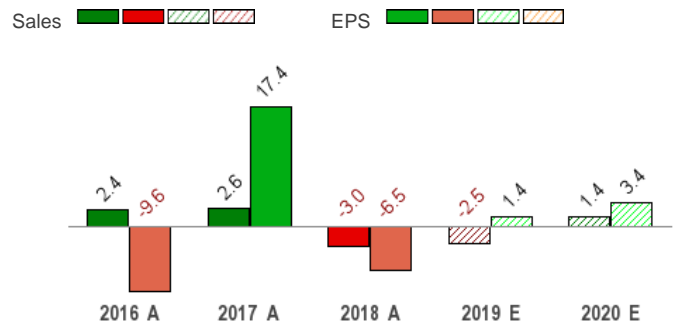
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$21.86 - \$14.86
20 Day Average Volume (sh)	3,283,294
Market Cap	\$8.4 B
YTD Price Change	-4.4%
Beta	0.55
Dividend / Div Yld	\$1.12 / 5.7%
Industry	REIT and Equity Trust - Retail
Zacks Industry Rank	Bottom 35% (163 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	2.8%
Last Sales Surprise	0.1%
EPS F1 Est- 4 week change	-0.1%
Expected Report Date	01/30/2020
Earnings ESP	-4.8%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020	285 E	287 E	289 E	292 E	1,152 E
2019	295 A	285 A	283 A	282 E	1,136 E
2018	300 A	289 A	283 A	284 A	1,165 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	\$0.37 E	\$0.38 E	\$0.38 E	\$0.39 E	\$1.52 E
2019	\$0.37 A	\$0.36 A	\$0.37 A	\$0.37 E	\$1.47 E
2018	\$0.37 A	\$0.37 A	\$0.36 A	\$0.35 A	\$1.45 A

*Quarterly figures may not add up to annual.

P/E TTM	13.7
P/E F1	13.0
PEG F1	3.2
P/S TTM	7.3

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 01/03/2020. The reports text is as of 01/06/2020.

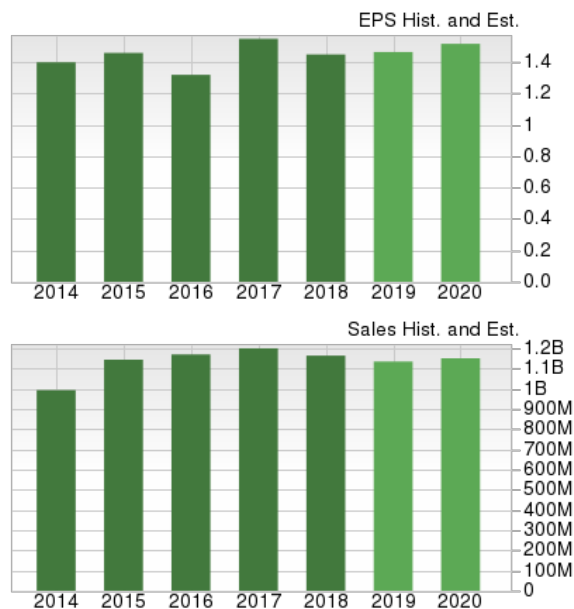
Overview

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 Sep 30, 2019, Kimco owned interests in 420 U.S. shopping center properties and mixed-use assets, spanning 74 million square feet of 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.
- ▲ Kimco has achieved significant diversification with respect to geography and tenants. As of Sep 30, 2019, the company's five largest tenants were TJX Companies, Home Depot, Ahold Delhaize USA, Albertsons and PetSmart. These companies contributed 3.8%, 2.4%, 2.2%, 1.9% 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 first-quarter 2019, the company grew its presence in two high-growth markets in Arizona and California with a \$31.2 million sale-leaseback transaction with Albertsons Companies for three grocery-anchored parcels in existing Kimco shopping centers. In fact, amid transformation in the retail landscape, Kimco remains well poised to navigate through the retail apocalypse mall traffic blues, 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 10.8 years. Moreover, the company aims at growing its unencumbered asset pool which consists of 76% of its properties.
- ▲ 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. In addition, as of Sep 30, 2019, the company had \$224.9 million available under its \$300-million share-repurchase program authorized through February 2020. Such shareholder friendly approaches remain encouraging.
- ▲ Shares of Kimco have outperformed its industry in the past six months. During this time frame, shares of the company have rallied 6.3%, while its industry has gained 0.5%. Moreover, the trend in estimate revisions for 2019 FFO per share indicates an upbeat outlook for the company. In fact, the 2019 FFO per share estimate has been revised marginally upward over the past two months. Therefore, given the progress on fundamentals and positive estimate revisions, the stock has decent upside potential.

Premium properties in high-growth areas, presence of well-capitalized retailers in its tenant roster, 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 exiting from its joint-venture portfolio. In connection to this, the company has been making significant disposition of its assets. In fact, dispositions for the nine-month period ended Sep 30, 2019 included 20 properties and three land parcels, aggregating 3 million square feet of space, for a combined gross sales price of \$392.8 million. For 2019, the company forecasts \$200-\$300 million in net dispositions, with a blended cap rate of 7.25-7.75%. Furthermore, accelerating its portfolio-transformation initiatives, the company reported full-year 2018 disposition deals worth \$1.1 billion. 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 2019 to be \$275-\$350 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's Q3 FFO & Revenues Surpass Estimates

Kimco Realty's third-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 by a whisker. The reported tally comes in a penny higher than the year-ago quarter's FFO as adjusted of 36 cents per share.

Results reflect increase in portfolio occupancy reaching an all-time high level, healthy leasing spreads on new lease and positive same-property NOI growth. Particularly, the company registered new leasing spreads of 27.2%. This marks the 23rd straight quarter in which spreads on new leases improved in double digits.

The retail REIT generated revenues of around \$282.9 million, beating the Zacks Consensus Estimate of \$282.6 million. The revenue figure, however, compares unfavorably with the year-ago number of \$283.1 million.

Quarter in Detail

At the end of the third quarter, the company reached its all-time high level of pro-rata occupancy at 96.4%. This marked an expansion of 20 basis points (bps) on a sequential basis and 60 bps year on year.

Pro-rata anchor occupancy ended the quarter at 98.7%, denoting 50-basis point sequential growth, and a 110-basis point expansion, year over year. This indicates an all-time high level for Kimco.

Pro-rata small-shop occupancy ended the third quarter at 89.9%. This marks a year-over-year decline of 90 bps, while sequentially the figure shrunk 60 bps.

Pro-rata rental-rate leasing spreads increased 8.1%, with rental rates for new leases and renewals/options climbing 27.2% and 4.6%, respectively.

Same-property NOI grew 2.2% year over year.

Balance-Sheet Position

Kimco exited third-quarter 2019 with cash and cash equivalents of \$141.3 million, down from the \$143.6 million recorded at the end of 2018.

Further, during the quarter, the company established a new at-the-market (ATM) equity offering program to sell shares of its common stock, with aggregate gross sales price of up to \$500 million.

Portfolio Activity

During the reported quarter, Kimco sold eight properties and two land parcels, aggregating 1 million square feet of space. The dispositions were made for \$166.7 million, of which the company's share amounted to \$70.9 million.

Guidance

Kimco has revised its 2019 FFO projections, and estimates the FFO as adjusted per share to be in the \$1.46-\$1.47 range as compared with the prior projection of \$1.44-\$1.48.

The company also updated its operational assumption for same-property NOI and now forecasts it, excluding redevelopments, in the range of 2.50-2.80% compared with the prior outlook of 2-2.70%.

However, the company kept its net disposition guidance unchanged at \$200-\$300 million, with a blended disposition cap rates of 7.25-7.75%, and the combined redevelopment and development investment projection unaffected in the band of \$275-\$350 million.

Quarter Ending **09/2019**

Report Date	Oct 24, 2019
Sales Surprise	0.10%
EPS Surprise	2.78%
Quarterly EPS	0.37
Annual EPS (TTM)	1.45

Recent News

Kimco Realty Announces \$166.7M in Q3 Dispositions – Oct 7, 2019

Kimco Realty has provided an update of its Q3 transaction activity. The company announced that it sold eight properties and two land parcels, aggregating 1 million square feet of space, during the September-end quarter.

With these dispositions, the company's third-quarter 2019 sales volume totaled \$166.7 million (Kimco's share of the sales price being \$70.9 million), while year-to-date dispositions have resulted in gross proceeds of \$392.8 million. Also, the retail REIT is on track to meet its full-year disposition target of \$200-\$300 million in net dispositions.

Specifically, the assets disposed included Shoppes at Midway Plantation, a 323,000-square-foot shopping center situated in Knightdale, NC, and Tacoma Central spanning 112,000 square feet of space in Tacoma, WA. The properties were sold for \$43.6 million and \$29.9 million, respectively.

The company also sold two shopping centers in California. These consisted of Corona Hills Marketplace — a 149,000-square-foot property — that was sold for \$31.5 million and Fairmont Shopping Center, spanning 103,000 square feet of space, for \$39.3 million.

Accordingly, dispositions for the nine-month period ended Sep 30, 2019 include 20 properties and three land parcels, aggregating 3 million square feet of space, for a combined gross sales price of \$392.8 million. Moreover, through a sales-leaseback transaction, the company acquired three grocery-anchored parcels at its existing properties for \$31.2 million.

Net of this acquisition, the company's share of year-to-date total dispositions was \$200.8 million. Further, these disposals were in line with Kimco's projected range of blended cap rate of 7.25-7.75%.

Notably, these strategic dispositions support the company's portfolio-transformation initiatives aimed at simplifying its business structure.

Dividend Update

On Oct 24, Kimco's board of directors announced a quarterly cash dividend of 28 cents per share. This will be paid on Jan 15, to shareholders of record as of Jan 2, 2020.

Valuation

Kimco's shares have been up 29.1%, over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector have rallied 11.9% and 16.6%, over the past year, respectively.

The S&P 500 Index has been up 25.7% over the past year.

The stock is currently trading at 13.05X forward 12-month FFO, which compares with the 14.76X for the Zacks sub-industry, 14.79X for the Zacks sector and 18.71X 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 13.67X. Our neutral recommendation indicates that the stock will perform in line with the market. Our \$21 price target reflects 13.83X FFO.

The table below shows summary valuation data for KIM.

Valuation Multiples - KIM					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	13.05	14.76	14.79	18.71
	5-Year High	20.31	19.44	16.21	19.34
	5-Year Low	9.1	12.57	12.01	15.17
	5-Year Median	13.67	15.13	13.98	17.44
P/S F12M	Current	7.26	8.2	6.53	3.47
	5-Year High	11.33	13.91	6.61	3.47
	5-Year Low	4.75	7.13	5.2	2.54
	5-Year Median	7.54	8.29	6.04	3
P/B TTM	Current	1.68	3.31	2.83	4.41
	5-Year High	2.48	5.57	2.89	4.45
	5-Year Low	1.02	2.83	1.83	2.85
	5-Year Median	1.73	3.45	2.5	3.6

As of 01/03/2020

Industry Analysis Zacks Industry Rank: Bottom 35% (163 out of 252)



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	-	-	C	F	F
Market Cap	8.36 B	2.75 B	23.66 B	6.15 B	9.53 B	10.46 B
# of Analysts	9	6	13	6	7	9
Dividend Yield	5.65%	4.70%	1.79%	5.42%	3.33%	3.75%
Value Score	D	-	-	C	F	D
Cash/Price	0.02	0.03	0.04	0.01	0.02	0.00
EV/EBITDA	15.26	15.87	13.88	12.02	21.89	20.90
PEG Ratio	3.26	3.96	1.99	2.41	4.10	4.57
Price/Book (P/B)	1.68	1.97	3.36	2.23	3.95	1.65
Price/Cash Flow (P/CF)	10.33	12.29	13.62	8.90	19.17	18.05
P/E (F1)	13.15	14.26	18.74	10.49	19.31	15.89
Price/Sales (P/S)	7.29	5.81	2.67	5.24	10.22	9.26
Earnings Yield	7.67%	7.02%	5.32%	9.54%	5.18%	6.30%
Debt/Equity	1.09	1.05	0.72	1.76	1.42	0.65
Cash Flow (\$/share)	1.92	2.26	6.94	2.32	6.58	3.46
Growth Score	D	-	-	D	D	C
Hist. EPS Growth (3-5 yrs)	-0.12%	2.99%	10.56%	-0.33%	5.36%	7.70%
Proj. EPS Growth (F1/F0)	3.56%	2.80%	7.41%	2.61%	3.06%	1.70%
Curr. Cash Flow Growth	2.71%	3.10%	14.83%	7.52%	-3.92%	17.98%
Hist. Cash Flow Growth (3-5 yrs)	9.77%	9.77%	9.00%	10.81%	10.61%	20.87%
Current Ratio	NA	1.06	1.23	0.50	1.52	0.95
Debt/Capital	52.18%	51.19%	42.92%	63.75%	57.94%	39.34%
Net Margin	33.95%	24.75%	11.08%	24.75%	28.01%	24.71%
Return on Equity	7.36%	5.94%	17.10%	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)	1.42%	2.26%	4.20%	1.38%	4.08%	1.36%
Momentum Score	A	-	-	D	A	F
Daily Price Chg	1.07%	0.74%	-0.61%	-0.58%	0.69%	1.18%
1 Week Price Chg	1.12%	0.23%	0.13%	0.23%	0.73%	-0.30%
4 Week Price Chg	-6.51%	-2.99%	2.60%	-5.10%	-3.83%	-2.48%
12 Week Price Chg	-3.55%	-3.55%	8.87%	1.87%	-6.17%	-8.62%
52 Week Price Chg	36.15%	11.04%	29.34%	45.73%	8.19%	9.70%
20 Day Average Volume	3,283,294	870,911	1,603,615	1,987,986	350,498	889,340
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.02%	-0.06%
(F1) EPS Est 4 week change	-0.07%	0.00%	0.00%	0.02%	-1.40%	-0.98%
(F1) EPS Est 12 week change	0.15%	-0.54%	-0.57%	0.39%	-2.68%	-1.64%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	0.00%	-1.23%	-1.01%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

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.

Disclosures

This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock. The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page. Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment. This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time. ZIR is not a broker-dealer. ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients. Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

No part of this report can be reprinted, republished or transmitted electronically without the prior written authorization of ZIR.