

## Americold Realty Trust

## COLD 4Q23 earnings recap

Reiterate Rating: BUY | PO: 31.00 USD | Price: 25.77 USD

## Core business is healthy on an absolute basis

The core business remains robust for Americold (Ticker: COLD). COLD reported AFFO growth of 31.3% in 4Q (above our estimate of 25.6%). That was driven by a healthy SS NOI growth of 7.3%. On an absolute basis, the initial guide for 2024 points to another year of strong core growth (SS NOI of 6.5-10.0%) and earnings growth (7.7% at the midpoint).

## COLD is one of the more complex companies to model

The strength of the absolute growth outlook was overlooked on Friday as the market was more optimistic. Our prior estimate of 20.4% AFFO growth in 2024 was roughly in line with market expectations. The core guide was in line with our expectation. The miss relative to our expectations was driven by: (1) higher than expected G&A growth from the roll out of Orion (a SAAS operating platform), (2) elevated interest expense from the burn off of capitalized interest late in 4Q and (3) non-SS NOI growth. On the latter, management flagged: “we’ve extended the expected stabilization dates to the third quarter 2025 for the Pennsylvania facility and to the fourth quarter 2025 for the Connecticut facility.” Both are in the non-SS pool.

## COLD now trades at a discount to its historical multiple

We reiterate our Buy given that COLD has significant growth on an absolute basis and after Friday’s sell off now trades at an EV/EBITDA multiple of 17.2x. That compares to a historical multiple of 19.4x. See Exhibit 1 for a full history of COLD’s EV/EBITDA multiples. Our updated PO of \$31 (from \$35) assumes COLD trades at a 19x EV/EBITDA (in line with its historical multiple). We are removing COLD from Spector’s top pick list given the difficulty in understanding the moving pieces within COLD’s business segments.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
FFO / Share (Reported)	1.11	1.27	1.36	1.46	1.68
GAAP EPS	(0.07)	(1.22)	0.33	0.30	0.46
FFO / Share Change (YoY)	-3.5%	14.4%	7.1%	7.4%	15.1%
DPS	0.88	0.88	0.93	0.99	1.05
FFO / Share (Normalized)	1.11	1.27	1.36	1.46	1.68
AFFO / Share	1.11	1.27	1.36	1.46	1.68
<b>Valuation (Dec)</b>					
P/FFO (Reported)	23.2x	20.3x	18.9x	17.7x	15.3x
GAAP P/E	-368.1x	-21.1x	78.1x	85.9x	56.0x
Dividend Yield	3.4%	3.4%	3.6%	3.8%	4.1%
EV / EBITDA	25.5x	21.8x	20.1x	19.9x	18.4x
P/FFO (Normalized)	23.2x	20.3x	18.9x	17.7x	15.3x
P/AFFO	23.2x	20.3x	18.9x	17.7x	15.4x

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12663651

Timestamp: 26 February 2024 05:00AM EST

26 February 2024

## Equity

## Key Changes

(US\$)	Previous	Current
Price Obj.	35.00	31.00

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**REITs Team**

BofAS

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## Stock Data

Price	25.77 USD
Price Objective	31.00 USD
Date Established	26-Feb-2024
Investment Opinion	B-1-7
52-Week Range	24.31 USD - 33.90 USD
Mkt Val (mn) / Shares Out (mn)	7,311 USD / 283.7
Free Float	99.9%
Average Daily Value (mn)	53.45 USD
BofA Ticker / Exchange	COLD / NYS
Bloomberg / Reuters	COLD US / COLD.N
ROE (2024E)	2.7%
Net Dbt to Eqty (Dec-2023A)	80.7%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

See inside for PO &amp; estimates changes

See key terms inside

# iQprofile<sup>SM</sup> Americold Realty Trust

## Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Rental Revenue	2,915	2,673	2,713	2,782	2,991
Property Net Operating Income (NOI)	696	771	843	869	939
EBITDA (Adjusted)	465	544	589	595	642
<b>Net Income (Adjusted)</b>	<b>(19)</b>	<b>(336)</b>	<b>94</b>	<b>85</b>	<b>131</b>
<b>Funds From Operations (FFO)</b>	<b>249</b>	<b>278</b>	<b>337</b>	<b>356</b>	<b>415</b>
% Change	7.0%	11.5%	21.3%	5.8%	16.5%
<b>Normalized Funds from Operations (FFO)</b>	<b>293</b>	<b>669</b>	<b>337</b>	<b>356</b>	<b>415</b>
% Change	0.4%	128.7%	-49.6%	5.8%	16.5%
Fully Diluted Shares (Year Average)	270	276	286	286	286

## Cash Flow Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Funds from Operation (FFO)	249	278	337	356	415
Capital Expenditure	(308)	(249)	(260)	(278)	(288)
Straight Line Rent / FAS 141	137	152	138	153	160
Adjusted FFO	121	573	215	232	287
Dividends	-239	-242	-267	-283	-300
Free Cash Flow	-118	331	-51	-51	-13
Issue (Purchase) Equity	0	416	0	0	0
Share / Issue Repurchase	0	416	0	0	0
Cost of Dividends Paid	(239)	(242)	(267)	(283)	(300)
Change in Debt	274	(94)	277	230	13

## Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Marketable Securities	53	60	0	0	0
Properties at Cost	5,653	6,030	6,575	7,031	7,319
<b>Total Assets</b>	<b>8,105</b>	<b>7,869</b>	<b>7,997</b>	<b>8,053</b>	<b>7,924</b>
Total Debt	3,069	2,993	3,270	3,500	3,513
<b>Total Liabilities</b>	<b>4,317</b>	<b>4,235</b>	<b>4,511</b>	<b>4,741</b>	<b>4,755</b>
Preferred Stock	0	0	0	0	0
Total Equity	3,788	3,635	3,486	3,312	3,169
Total Equity & Liabilities	8,105	7,869	7,997	8,053	7,924

## Key Metrics (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Acquisitions	33	81	0	0	0
Cap Rate	6.6%	6.7%	6.0%	6.0%	6.0%
Developments	0	0	285	178	0
Cap Rate	NA	NA	NA	NA	NA
Dispositions	0	(8)	0	0	0
Cap Rate	8.0%	8.0%	8.0%	8.0%	8.0%
Same Store Revenue Growth	NA	NA	NA	NA	NA

## Performance Metrics (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Invested Capital (ROIC)	12.3%	12.8%	12.8%	12.4%	12.8%
Operating Margin	23.9%	28.8%	31.1%	31.3%	31.4%
Interest Cover	4.0x	3.9x	3.8x	3.5x	3.8x

## Company Sector

REITs

## Company Description

COLD is the world's largest owner and operator of temperature-controlled warehouses. COLD is organized as a self-administered and self-managed REIT focused on operating, developing and acquisitions of Cold Storage facilities.

## Investment Rationale

We have a Buy rating on COLD given that top line growth is recovering faster than expected as management pushes rate (to offset any inflation pressures) and occupancy continues to climb. The stabilization of inventory levels will likely drive significant upside to earnings growth as the business model's operating leverage returns. In addition, management feels confident that they have found the clearing price labor (expect less wage growth)

## Stock Data

Average Daily Volume 2,074,260

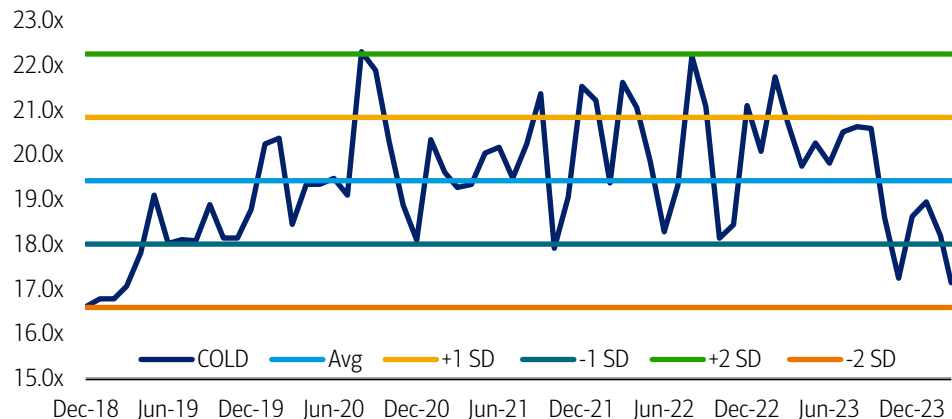
## Quarterly Earnings Estimates

	2023	2024
Q1	0.29A	0.31E
Q2	0.28A	0.30E
Q3	0.32A	0.36E
Q4	0.38A	0.39E

## EV/EBITDA multiple

### Exhibit 1: EV/EBITDA Multiple historical

The historical average is 19.4x



Source: Bloomberg

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## Key comments from the 2/22 earnings call

- **2024 guidance / building blocks:**
  - **Economic occupancy:** “we expect economic occupancy to be in the range of flat to a decline of 100 basis points compared to 2023”
  - **Throughput volume:** “We expect a slight decline in throughput volumes of 1% to 3%” “Given the current economic environment, we expect lower throughput volumes on a full year-over-year basis. However, we expect this decline to be most pronounced in the first quarter with a gradual improvement throughout the year.”
  - **Rent and storage pricing:** “we expect constant currency rent and storage revenue per economic occupied pallet growth to be in the range of 3% to 4%.”
  - **Throughput pricing:** “We expect constant currency service revenue per throughput pallet growth to be in the range of 7% to 8%.”
  - **Service margin:** “We expect a slight decline in throughput volumes of 1% to 3%” “we expect to continue to see Warehouse services margins improve. However, please note the first half of the year may not be as strong as this recent fourth quarter 2023 given the continued declining in throughput volume assumptions.”
  - **Interest expense:** “Turning to our interest expense. For the full year, we expect interest expense to be approximately \$141 million to \$149 million. This range is higher than our 2023 interest expense of \$140 million, primarily resulting from lower interest capitalization, as we completed a significant number of developments last year.”
- **Throughput volume decline in 4Q:** “And then what we saw in the network was going into December, it was very clear to us that manufacturers were geared up to produce pretty much what they could sell in 2023. And once they crossed that boundary, which would typically be somewhere in the -- in -- around the middle of December, they shut it down really hard because there was no motivation, I believe,



on their part to produce anything that was just going to go into inventory. They would have much rather had the production volume this year than last year.”

- **Perm to temp ratio in labor:** “During the fourth quarter, we achieved a perm to temp hours ratio of 75:25.”
- **New labor metric:** “We are also introducing a new labor metric, which is the total percentage of Americold’s hourly workforce that has less than 12 months experience with us. This metric, different than retention should correlate very well to increasing productivity and warehouse services margins as it measures longevity of the ROE associate level, and necessary to delivering sustainable, reliable services performance. We ended the year with our percentage of hourly associates with less than 12 months on the job at 32%, down from COVID high of 41%, but still higher than our 2019 average of 23%.”
- **Pushing out stabilization dates for 2 facilities:** “we’ve extended the expected stabilization dates to the third quarter 2025 for the Pennsylvania facility and to the fourth quarter 2025 for the Connecticut facility.” “While this change impacts our overall non-same-store pool NOI in 2024 due to a shift in timing, we strongly feel that it would be appropriate approach and that is reflected in our 2024 guidance. Please note that our stabilization and return expectations have not changed”
- **Food production volume:** “coming out of CAGNY this week, which is where a lot of major food producers have their first annual investor conference, there was a sentiment pretty much across the board that manufacturers thought the second quarter could be a little better than we see it.”
- **Gap between economic and physical occupancy:** “in the first quarter particularly, but the first half of the year, you should always see a gap between economic occupancy and physical occupancy, because almost by definition, when you go to a fixed commit contract with us, you’re reserving space for the second half of the year.”

## Key terms

AFFO: adjusted fund from operations

EBITDA: earnings before interest, taxes, depreciation & amortization

EV: enterprise value

G&A: general and administrative

NOI: net operating income

SD: standard deviation

SS: same store

## PO & estimates changes

### Exhibit 2: Summary of PO changes

Updated price objective after review of models

Ticker	Old PO	New PO	QRQ	Price
COLD	\$35.00	\$31.00	B-1-7	\$25.77

Source: BofA Global Research, prices as of 2/23/2024

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### Exhibit 3: Summary of estimate changes

Updated published estimates after review of models

Ticker	2024		2025		2026		2027		2028	
	Old	New	Old	New	Old	New	Old	New	Old	New
COLD	\$1.51	\$1.36	\$1.72	\$1.46	\$1.93	\$1.68	\$2.15	\$1.74		\$1.84

Source: BofA Global Research

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**COLD (B-1-7):** After updating our model for 4Q23 results, we are modifying our estimates (see table above) and lowering our PO to \$31.00 from \$35.00. Our \$31.00 price objective is derived using a forward EV/EBITDA multiple method. Our PO is based on a forward EV/EBITDA multiple of 19.0x (previously 21.5x) applied to our forward core EBITDA forecast of \$618mn. The 19.0x multiple is in line with historical average.



## Price objective basis & risk

### Americold Realty Trust (COLD)

Our \$31 price objective is derived using a forward EV/EBITDA multiple method. We believe this is the simplest method for valuing COLD but recognize there are several methods to determine valuation. Our PO is based on a forward EV/EBITDA multiple of 19.0x applied to our forward EBITDA forecast of \$618mn.

Downside risks to our PO are: increasing supply, development spending on large automated facilities, operational risks, and cold storage customers bringing more of their inventory to in-house cold storage networks.

## Analyst Certification

I, Joshua Dennerlein, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### US - REITs Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Agree Realty Corp	ADC	ADC US	Joshua Dennerlein
	Alexandria Real Estate Equities	ARE	ARE US	Joshua Dennerlein
	American Homes 4 Rent	AMH	AMH US	Jeffrey Spector
	Americold Realty Trust	COLD	COLD US	Joshua Dennerlein
	AvalonBay Communities Inc	AVB	AVB US	Joshua Dennerlein
	Boston Properties	BXP	BXP US	Jeffrey Spector
	Brixmor Property Group	BRX	BRX US	Jeffrey Spector
	COPT Defense Properties	CDP	CDP US	Camille Bonnel
	Cousins Properties Inc.	CUZ	CUZ US	Camille Bonnel
	EastGroup Properties	EGP	EGP US	Jeffrey Spector
	Empire State Realty Trust	ESRT	ESRT US	Camille Bonnel
	Equity Residential	EQR	EQR US	Jeffrey Spector
	Essential Properties	EPRT	EPRT US	Joshua Dennerlein
	Federal Realty	FRT	FRT US	Jeffrey Spector
	Invitation Homes Inc	INVH	INVH US	Joshua Dennerlein
	Kimco Realty	KIM	KIM US	Jeffrey Spector
	Kite Realty Group	KRG	KRG US	Jeffrey Spector
	Phillips Edison & Company	PECO	PECO US	Jeffrey Spector
	Prologis, Inc.	PLD	PLD US	Camille Bonnel
	Public Storage, Inc.	PSA	PSA US	Jeffrey Spector
	Regency	REG	REG US	Jeffrey Spector
	Rexford Industrial Realty	REXR	REXR US	Camille Bonnel
	Sabra Health Care	SBRA	SBRA US	Joshua Dennerlein
	Simon Property	SPG	SPG US	Jeffrey Spector
	Ventas, Inc.	VTR	VTR US	Jeffrey Spector
	Welltower	WELL	WELL US	Joshua Dennerlein
<b>NEUTRAL</b>				
	Acadia Realty Trust	AKR	AKR US	Jeffrey Spector
	CubeSmart	CUBE	CUBE US	Jeffrey Spector
	EPR Properties	EPR	EPR US	Joshua Dennerlein
	Equity LifeStyle Properties	ELS	ELS US	Jeffrey Spector
	Essex Property Trust, Inc.	ESS	ESS US	Joshua Dennerlein
	Extra Space Storage, Inc.	EXR	EXR US	Jeffrey Spector
	Getty Realty Corp.	GTY	GTY US	Joshua Dennerlein
	Highwoods Properties	HIW	HIW US	Camille Bonnel
	InvenTrust Properties	IVT	IVT US	Jeffrey Spector
	Kilroy Realty Corporation	KRC	KRC US	Camille Bonnel
	Macerich	MAC	MAC US	Jeffrey Spector
	OMEGA Healthcare	OHI	OHI US	Joshua Dennerlein
	Realty Income	O	O US	Jeffrey Spector

## US - REITs Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Retail Opportunity Investments Corp.	ROIC	ROIC US	Jeffrey Spector
	SL Green Realty	SLG	SLG US	Camille Bonnel
	Sun Communities	SUI	SUI US	Joshua Dennerlein
	UDR, Inc.	UDR	UDR US	Joshua Dennerlein
	Veris Residential Inc	VRE	VRE US	Joshua Dennerlein
	Vornado Realty	VNO	VNO US	Camille Bonnel

## UNDERPERFORM

	American Assets Trust	AAT	AAT US	Camille Bonnel
	Armada Hoffer Properties	AHH	AHH US	Camille Bonnel
	Camden Property Trust	CPT	CPT US	Joshua Dennerlein
	Douglas Emmett	DEI	DEI US	Camille Bonnel
	Healthpeak Properties, Inc.	PEAK	PEAK US	Joshua Dennerlein
	Hudson Pacific Properties, Inc.	HPP	HPP US	Camille Bonnel
	Kennedy Wilson	KW	KW US	Joshua Dennerlein
	LXP Industrial Trust	LXP	LXP US	Camille Bonnel
	Medical Properties Trust, Inc.	MPW	MPW US	Joshua Dennerlein
	Mid-America Apartment Communities, Inc.	MAA	MAA US	Joshua Dennerlein
	National Storage Affiliates Trust	NSA	NSA US	Jeffrey Spector
	NetSTREIT	NTST	NTST US	Joshua Dennerlein
	NNN REIT Inc	NNN	NNN US	Joshua Dennerlein
	Paramount Group	PGRE	PGRE US	Camille Bonnel
	Peakstone Realty Trust	PKST	PKST US	Joshua Dennerlein
	STAG Industrial	STAG	STAG US	Camille Bonnel
	Tanger Inc	SKT	SKT US	Jeffrey Spector
	WP Carey	WPC	WPC US	Joshua Dennerlein

iQmethod<sup>SM</sup> Measures Definitions

## Business Performance

Return On Capital Employed

Return On Equity  
Operating Margin  
Earnings Growth  
Free Cash Flow

## Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income  
Operating Profit  
Expected 5 Year CAGR From Latest Actual  
Cash Flow From Operations – Total Capex

## Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill  
Amortization  
Shareholders' Equity  
Sales  
N/A  
N/A

## Quality of Earnings

Cash Realization Ratio  
Asset Replacement Ratio  
Tax Rate  
Net Debt-To-Equity Ratio  
Interest Cover

## Numerator

Cash Flow From Operations  
Capex  
Tax Charge  
Net Debt = Total Debt – Cash & Equivalents  
EBIT

## Denominator

Net Income  
Depreciation  
Pre-Tax Income  
Total Equity  
Interest Expense

## Valuation Toolkit

Price / Earnings Ratio  
Price / Book Value  
Dividend Yield  
Free Cash Flow Yield  
Enterprise Value / Sales

## Numerator

Current Share Price  
Current Share Price  
Annualised Declared Cash Dividend  
Cash Flow From Operations – Total Capex  
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities  
Enterprise Value

## Denominator

Diluted Earnings Per Share (Basis As Specified)  
Shareholders' Equity / Current Basic Shares  
Current Share Price  
Market Cap = Current Share Price × Current Basic Shares  
Sales

EV / EBITDA

Basic EBIT + Depreciation + Amortization

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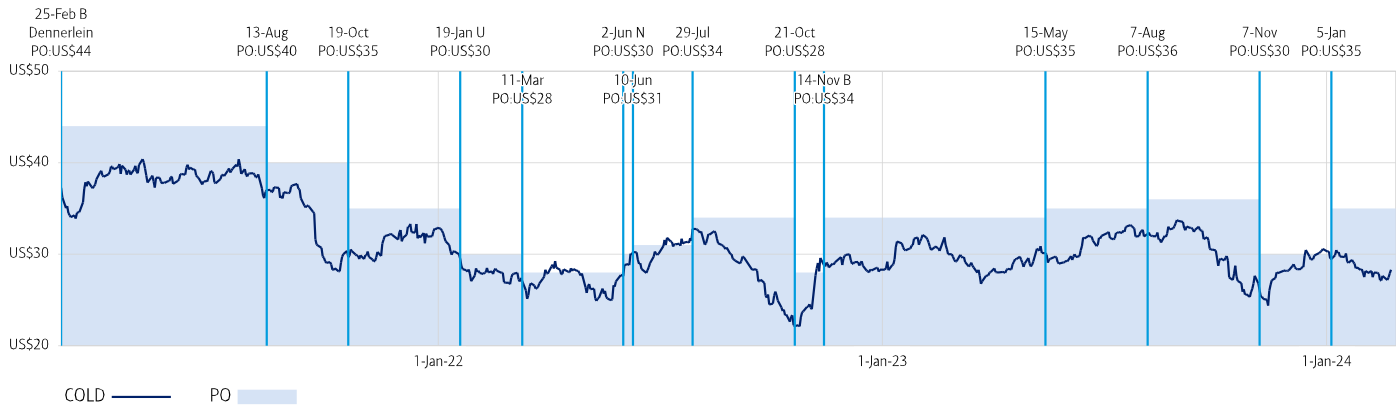
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# Disclosures

## Important Disclosures

### Americold Realty Tr (COLD) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### Equity Investment Rating Distribution: REITs (Real Estate Investment Trusts) Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	40	46.51%	Buy	33	82.50%
Hold	27	31.40%	Hold	21	77.78%
Sell	19	22.09%	Sell	16	84.21%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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