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EDITED TRANSCRIPT

KIM - Q3 2019 Kimco Realty Corp Earnings Call

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OVERVIEW:

Co. reported 3Q19 NAREIT FFO of \$0.35 per diluted share and FFO as adjusted of \$0.37 per diluted share. Expects 2019 NAREIT FFO per diluted share to be \$1.44-1.46 and FFO as adjusted per diluted share to be \$1.46-1.47.



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CORPORATE PARTICIPANTS

Conor C. Flynn *Kimco Realty Corporation - CEO & Director*

David Jamieson *Kimco Realty Corporation - Executive VP & COO*

David F. Bujnicki *Kimco Realty Corporation - SVP of IR & Strategy*

Glenn Gary Cohen *Kimco Realty Corporation - Executive VP, CFO & Treasurer*

Raymond Edwards *Kimco Realty Corporation - EVP of Retailer Services*

Ross Cooper *Kimco Realty Corporation - President & CIO*

CONFERENCE CALL PARTICIPANTS

Alan Wai *Goldman Sachs Group Inc., Research Division - Research Analyst*

Alexander Goldfarb *Sandler O'Neill + Partners, L.P., Research Division - MD of Equity Research & Senior REIT Analyst*

Brian Hawthorne *RBC Capital Markets, LLC, Research Division - Senior Associate*

Caitlin Burrows *Goldman Sachs Group Inc., Research Division - Research Analyst*

Christine McElroy Tulloch *Citigroup Inc, Research Division - Director & Senior Analyst*

Craig Schmidt *BofA Merrill Lynch, Research Division - Director*

Derek Johnston *Deutsche Bank AG, Research Division - Research Analyst*

Greg McGinniss *Scotiabank Global Banking and Markets, Research Division - Analyst*

Haendel St. Juste *Mizuho Securities USA LLC, Research Division - MD of Americas Research & Senior Equity Research Analyst*

Ki Bin Kim *SunTrust Robinson Humphrey, Inc., Research Division - MD*

Michael Mueller *JP Morgan Chase & Co, Research Division - Senior Analyst*

Richard Hill *Morgan Stanley, Research Division - Head of U.S. REIT Equity & Commercial Real Estate Debt Research and Head of U.S. CMBS*

Richard Milligan *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Robert Metz *BMO Capital Markets Equity Research - Director & Analyst*

Stephen Sakwa *Evercore ISI Institutional Equities, Research Division - Senior MD & Senior Equity Research Analyst*

Vince Tibone *Green Street Advisors, Inc. - Analyst of Retail*

PRESENTATION**Operator**

Good day, and welcome to Kimco's Third Quarter 2019 Earnings Conference Call and Webcast. (Operator Instructions) Please note that this event is being recorded.

I would now like to turn the conference over to Mr. David Bujnicki, Senior Vice President. Please go ahead, sir.

David F. Bujnicki - *Kimco Realty Corporation - SVP of IR & Strategy*

Good morning, and thank you for joining Kimco's Third Quarter 2019 Earnings Call. Joining me on the call are Conor Flynn, Kimco's CEO; Ross Cooper, President and Chief Investment Officer; Glenn Cohen, our CFO; Dave Jamieson, Kimco's Chief Operating Officer; as well as other members of our executive team that are present and available to answer questions during the call.



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As a reminder, statements made during the course of this call may be deemed forward-looking, and it's important to note that the company's actual results could differ materially from those projected in such forward-looking statements due to a variety of risks, uncertainties and other factors. Please refer to the company's SEC filings that address such factors.

During this presentation, management may make certain reference to some non-GAAP items and financial measures that we believe help investors better understand Kimco's operating results. Reconciliations of these non-GAAP financial measures can be found in the Investor Relations website.

With that, I'm going to turn the call over to Conor.

Conor C. Flynn - *Kimco Realty Corporation - CEO & Director*

Thanks, Dave. Good morning, everyone. Thanks to a team effort focused on long-term value creation and growth, we had another solid quarter that validates both the quality of our portfolio and our earnings. Our team has been busy. In addition to the positive financial and operating results we posted this morning, we took advantage of the low interest rate environment, continued to successfully entitle new sites for redevelopment and delivered outsized results from our Signature Series' mixed-use platform.

Today, I'll give a brief overview of the leasing environment and some quarterly highlights, and then provide an update on our Signature Series' achievements. Ross will cover the transaction market, and Glenn will review the quarterly metrics, capital market activity and updated guidance.

The current shopping center environment is supported by favorable supply and demand dynamics in the top 20 markets, a near 40-year low in new construction and healthy interest from a diverse group of retail service-oriented users. As for our own portfolio, demand continues to be robust. Occupancy for the third quarter finished at 96.4%, which is a new all-time high for Kimco. Anchor occupancy also reached a new record high at 98.7%.

The demand for space at well-located shopping centers is being led by off-price, exemplified by Old Navy announcing aggressive store openings once they become a stand-alone company. Beyond the off-price category, increasing demand from health, wellness and medical products and services continues to be a growing category both in our sector and our portfolio.

Our anchor tenants, including those CNBC anchor, Jim Cramer, favorably refers to by the acronym WATCH: Walmart, Amazon, Target, Costco and Home Depot, continue to post positive same-store sales as they seamlessly integrate the online and offline shopping experience. With supply constrained for the foreseeable future, we believe that the tenants in our Rolodex will thoughtfully expand their footprints in portfolios like ours to better deliver instant gratification in the forms of Click & Collect, home delivery and convenient in-store experience.

Turning to our Signature Series. These needle-moving projects are enhancing the quality and growth profile of our portfolio. This quarter, we continue to enjoy strong leasing demand ahead of our pro forma at 2 of our flagship mixed-use assets, Lincoln Square in Center City Philadelphia and The Witmer in Pentagon City. At Lincoln, residential lease-up has now reached 90%. And at The Witmer, we are already over 75% leased within the first 100 days of opening.

At Mill Station in Baltimore County, we now achieved stabilization with the successful openings of a Giant Food, 2 TJX concepts and a Burlington store. Anchored by a grocer, Costco and Lowe's, and located at the intersection of 2 major highways and a subway stop, this center will draw from a wide trade area.

Our Boulevard project in Staten Island continues to progress, and with Shoprite moving in shortly, we will be gaining control of their existing box, which will expand the scope of our project. The existing Shoprite box represents a significantly below-market rent opportunity to create value on another New York Metro asset.

At Dania Pointe, our large mixed-use project adjacent to Fort Lauderdale Airport and fronting I-95, we welcomed a major new anchor to our lineup. Spirit Airlines has committed to acquire and build a state-of-the-art corporate headquarters, with office towers and a crew training facility with



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flight simulators. Dania Pointe will be a flagship live/work/play environment and adding Spirit to the project will drive significant traffic to the site at all hours of the day to enjoy all the amenities, restaurants, retail and services that Dania has to offer.

Our current focus is to complete the projects in progress and entitle select assets for additional density, where we see significant value creation through redevelopment. Today, we have over 4,500 apartments entitled on only 8 sites. As we design customized master plans for each asset in our portfolio, it's clear that the runway for value creation is long and varied as we anticipate and embrace the retail evolution and the growth of our mixed-use development.

As I mentioned at the outset, it is clear our team has been busy, and we remain committed to creating a great portfolio that is resilient, grows earnings and creates value. Ross?

Ross Cooper - *Kimco Realty Corporation - President & CIO*

Thank you, Conor, and good morning. We continued our modest level of transactions in the third quarter, selling 8 shopping centers for a total gross price of \$166.7 million with \$70.9 million of Kimco share. Of the 8 properties sold, 3 of them were held in joint ventures as we improve the quality of both the wholly-owned and joint venture portfolios. Given the level of dispositions completed so far this year as well as the anticipated closings in the fourth quarter, we are comfortable with the high end of the dispositions range of \$200 million to \$300 million.

Demand for product in the open-air sector continues to be healthy. Over 85% of assets we have brought to market have priced at or above our initial expectations. This has allowed us to be strategic with our asset pruning and to achieve cap rates within our budgeted 7.25% to 7.75% range.

Our buyers continue to seek opportunities as the debt markets helped generate attractive returns to the private-levered buyer. Beyond the single property transaction market, we anticipate seeing a few smaller portfolio transactions announced in the coming months.

For core market institutional quality assets, demand continues to be robust. We have seen institutions commenting on the need to rebalance their portfolio allocations with more grocery-anchored and neighborhood centers after increasing exposure to multifamily and industrial properties in recent years. This quarter, we saw transactions in the 5 cap and even sub-5 cap range in markets such as Dallas, Washington D.C., South Florida and California.

On the capital recycling front, the proceeds from our asset-pruning activity remain earmarked for finishing the development and redevelopment projects in the active pipeline. That being said, we continue to evaluate acquisition opportunities that fit the geographic and high-quality profile that we have created.

While still aggressively priced, we'll be strategic and opportunistic for the right deals. We believe we have the right portfolio, the right reinvestment opportunities and the right team as we finish 2019 and head into 2020.

I will now pass it off to Glenn.

Glenn Gary Cohen - *Kimco Realty Corporation - Executive VP, CFO & Treasurer*

Thanks, Ross, and good morning. Our strong third quarter results represent a further continuation of our focused execution. We delivered all-time high occupancy, another quarter of double-digit new leasing spreads and positive same-site NOI growth. In addition, we reduced our financing costs with the redemption of preferred stock.

Now for some additional color on the third quarter results. As a reminder, in connection with the NAREIT FFO definition clarification, we no longer include gains and losses from land sales, marketable securities and preferred equity investments in NAREIT FFO. We are presenting prior periods to conform to this election. These transactional items were already excluded from FFO as adjusted and, therefore, have no impact on that calculation.



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NAREIT FFO grew 6% to \$0.35 per diluted share for the third quarter 2019 as compared to \$0.33 per diluted share in the third quarter last year. Included in third quarter 2019 NAREIT FFO, but excluded from FFO as adjusted, is \$11.4 million or \$0.03 per diluted share related to the preferred stock redemption charge and \$1 million of property insurance proceeds associated with claims from our Puerto Rico portfolio due to Hurricane Maria.

By comparison, included in third quarter 2018 NAREIT FFO, but excluded from FFO as adjusted, is a \$12.8 million charge or \$0.03 per diluted share attributable to the early extinguishment of debt and \$1.5 million of hurricane real property insurance proceeds.

FFO as adjusted was up \$0.01 to \$0.37 per diluted share for the third quarter 2019 as compared to \$0.36 per diluted share for the same quarter last year. The primary contributor of the growth were \$4.5 million of same-site NOI growth, \$4 million of incremental NOI from developments, \$1.6 million of higher lease termination fees and \$1.9 million of lower financing costs.

These increases were offset by the impact of the significant disposition program in 2018 and the more modest level of dispositions in 2019, which reduced NOI by \$9.1 million in the third quarter 2019 as compared to the third quarter last year.

For the 2019 9-month period, NAREIT FFO was \$1.08 per diluted share and includes \$8.4 million of net transactional expense items not included in FFO as adjusted. This compares to \$1.09 per diluted share for same period last year, which includes \$5.5 million of net transactional expense items not included in FFO as adjusted.

FFO as adjusted for the 2019 9-month period was \$1.10 per diluted share, the same amount as the 2018 9-month period. Our 9-month results include a \$12.4 million reduction in NOI. This reflects dispositions which reduced NOI by \$45.8 million, partially offset by \$16.9 million of same-site NOI growth, \$10.9 million of incremental NOI from our developments and \$5.9 million of higher lease termination fees.

FFO is also impacted by the adoption of the new lease accounting standard, which requires the expensing of internal leasing and legal costs previously capitalized. Included in G&A for the 2019 9-month period is \$9.6 million of previously capitalized costs compared to the same period last year. FFO as adjusted for the 2019 9-month period benefited from \$9.8 million of lower financing costs as compared to the same period last year.

Our high-quality property portfolio continues to produce strong operating metrics. During the third quarter, we signed 308 leases totaling 1.7 million square feet at a weighted average rate of \$19.73 per square foot. As Conor stated, we achieved all-time highs for total occupancy and anchor occupancy.

Small shop occupancy stands at 89.9%. Small shop occupancy was impacted by the bankruptcies and store closings of Payless, Avenues and Charming Charlies, which combined for a reduction of 55 basis points in small shop occupancy. Our team is actively working to re-tenant these boxes.

For the third quarter, our new leasing spreads were positive 27.2%, and renewals and options were up 4.6% for combined leasing per spreads of positive 8.1%.

Same-site NOI growth was positive 2.2% for the third quarter, bringing year-to-date same-site NOI growth there to 2.7% overall and 2.8% excluding redevelopments. Minimum rent increases were the primary driver of the positive growth. Our spread between same-site leased occupancy and economic occupancy stands at 270 basis points at the end of the third quarter, the same spread as at the end of the second quarter.

We were active in the capital markets during the quarter, issuing a new \$350 million, 30-year unsecured bond at a 3.7% coupon and using the proceeds to redeem \$350 million of preferred stock with a weighted average coupon of 5.81%. As a result, we recognized an \$11.4 million redemption charge.



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Our weighted average debt maturity profile is now 10.8 years and continues to be one of the longest in the REIT industry. We have minimal debt maturing in 2020 and have over \$2 billion of immediate liquidity available. We've also reestablished a \$500 million at-the-market common equity program, which we can use opportunistically.

Turning to 2019 guidance. Based on our year-to-date same-site NOI results, we are raising our guidance for full year 2019 same-site NOI growth to a range of 2.5% to 2.8% from the previous range of 2% to 2.7%. We are refining our NAREIT FFO per diluted share guidance range to \$1.44 to \$1.46, which takes into account the \$0.03 per share charge for the redemption of the preferred stock.

We are also updating our FFO as adjusted per diluted share guidance range to \$1.46 to \$1.47. The prior range for each was \$1.44 to \$1.48 per diluted share. We expect to provide 2020 guidance on our next earnings call.

We thank all of our associates who've been working tirelessly on all fronts with a common goal of creating value for the long term.

And with that, we'd be happy to take your questions.

David F. Bujnicki - *Kimco Realty Corporation - SVP of IR & Strategy*

Before we start the Q&A, I just want to offer a reminder that you may ask a question with an additional follow-up. If you have further questions, you're more than welcome to rejoin the queue. Cherry, you can take our first caller.

QUESTIONS AND ANSWERS

Operator

The first question is from Caitlin Burrows of Goldman Sachs.

Caitlin Burrows - *Goldman Sachs Group Inc., Research Division - Research Analyst*

I guess I was wondering, when you look at occupancy, and it has been creeping higher with the leasing spreads overall have come in a little bit, how are you thinking about occupancy versus price at this point? And are you able to really push price much further?

David Jamieson - *Kimco Realty Corporation - Executive VP & COO*

Yes. This is Dave. Good question. On the new lease spreads, as you can see, we maintained very strong double-digit spread comps on new deals for the last 22 quarters, and so that continues to be a very positive trend. As it relates to renewals and options, this quarter was consistent with prior quarter, this one driven primarily by a few options that were exercised that were low-ranked ground leases. And as a result, they exercised flat with the Costcos and the Publix of the world. So you strip those out and you get to more normalized rate of the trailing 4. So when you look at the activity of where we are today and the demand drivers and the quality of our portfolio, we still see room to run in terms of growth.

Conor C. Flynn - *Kimco Realty Corporation - CEO & Director*

We also see pretty good demand from the small shop tenants. When you look at the velocity of the quarter, we did a huge amount of small shop leasing. Obviously, we're impacted with some store closures there, but we feel really good about the trajectory of that small shop occupancy as we continue to focus on leasing those up. As our anchor boxes are reaching all-time highs, that's when those anchors open for business, it usually stimulates the small shop residual leasing as well.



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Caitlin Burrows - *Goldman Sachs Group Inc., Research Division - Research Analyst*

That makes sense. And then, Glenn, I think you mentioned on the new ATM program that's now established, could you just go through how you could use this going forward? Would it be to delever or make acquisitions, maybe nothing, or just kind of the plans for that going forward?

Glenn Gary Cohen - *Kimco Realty Corporation - Executive VP, CFO & Treasurer*

Yes. I mean it's -- like anything else, it's any and all of the above. We view it as a tool that should be in our box, just the way we put in a buyback program when it made sense. So it's a tool we should have available to us and we'll use it opportunistically where it makes sense, whether it be to fund development and redevelopment; to further delever, we still have \$225 million of callable preferred. So we have lots of options to be opportunistic with it.

Operator

The next question is from Rich Hill of Morgan Stanley.

Richard Hill - *Morgan Stanley, Research Division - Head of U.S. REIT Equity & Commercial Real Estate Debt Research and Head of U.S. CMBS*

One of the things we were looking at was your credit charges, and it looks like you're running below, I think it was 100 basis points guidance that you've given on prior calls. So I was wondering how you're thinking about that going forward? And maybe in the context of the store closures that you may or may not think is coming?

Conor C. Flynn - *Kimco Realty Corporation - CEO & Director*

I think we really have to monitor the environment. We've been using 100 basis points as a reserve, as you mentioned, which historically has been, I think, appropriate, and we want to continue to be mindful that retailers are evolving and changing rapidly. Now the lion's share of our retailers have been able to adapt and are delivering what the consumers are looking for today. But there are some that are struggling a little bit, looking to change, and some new leadership, hopefully, is in place with some of our retailers now that they're going to change that going forward. But again, the 100 basis points seems to be appropriate and we're going to continue to monitor that. But you're right, to date, we've been running below that because the occupancy has been higher than we anticipated.

Richard Hill - *Morgan Stanley, Research Division - Head of U.S. REIT Equity & Commercial Real Estate Debt Research and Head of U.S. CMBS*

Got it. And maybe just a related question to that. On Dania, and I know you can't talk about Forever 21, but maybe there was some discussion about cotenancy clauses at Dania. I view that as a pretty strong property and certainly as evidenced by Spirit. How should we think about that property going forward, again recognizing you probably can't talk about Forever 21?

David Jamieson - *Kimco Realty Corporation - Executive VP & COO*

Yes. The activity at Dania has been exceptional. Specific to your question about Forever 21, we can say that lease itself has not been rejected. They're currently going through bankruptcy proceedings, and we are in a wait-and-see mode to see the outcome of that. As it relates to a cotenancy, no single tenant is tied to specific cotenancies. It's typically part of a larger equation. And in light of the recent Spirit announcement bringing 1,000 employees, \$250 million of their own investment into Dania, it is truly a city unto itself. And the demand has only increased and accelerated as a result of this near-term catalyst. So we feel very, very good long term about the project. And Forever 21, specifically, was one of the first leases signed at Dania nearly 3 years ago, located in the heart of Main Street. So its location is ideal and there's upside.



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Operator

The next question is from Christy McElroy of Citi.

Christine McElroy Tulloch - *Citigroup Inc, Research Division - Director & Senior Analyst*

Just to follow up on Caitlin's question on equity issuance and ATM. Understanding that it's a tool on your chest to use opportunistically, but given the outperformance this year, you're trading at a premium to consensus NAV. You don't appear to assume any equity issuance in guidance, but we are getting towards the end of the year. Maybe can you just sort of discuss your desire to issue, given where the stock is today and sort of the context of how you think about your cost of capital?

Conor C. Flynn - *Kimco Realty Corporation - CEO & Director*

Christy, it's Conor. And as Glenn mentioned, we do believe it's a good tool to have for us going forward, just like our buyback program. And we continue to think there we're somewhat undervalued when you look at the opportunity set that we have embedded in the portfolio and all the Signature Series development and redevelopment coming online. We're going to be looking at it opportunistically to see if we should match fund or use it appropriately to maybe delever. But again, it's one that we look at constantly to see what's the best use of our capital, how to reinvest accretively. You've seen us be extremely disciplined in terms of capital allocation over the past 2 years. As we've transformed the portfolio, we've reinvested in our properties. And we continue to think we're on the right track and we'll use it appropriately when we see fit.

Christine McElroy Tulloch - *Citigroup Inc, Research Division - Director & Senior Analyst*

Okay. And then same-store growth has clearly come in ahead of your own expectations from the beginning of the year. Some of that's been that lower pace of tenant fallout in 2019 and that inherent buffer, which you mentioned that you had for bad debt. As we look in to 2020, do you see a scenario where same-store growth could potentially accelerate from the 2019 pace given that you still have this potential tailwind in the lease to commence spread? And sort of how should we be thinking about your expectations for that credit loss buffer into next year?

Conor C. Flynn - *Kimco Realty Corporation - CEO & Director*

Again, Christy, we're at a point now where we obviously have raised the same-site NOI guidance consistently through the year as the portfolio has produced stronger results than we originally anticipated. As we look forward, we're going to continue to monitor the retail environment. You can see the transformation of the portfolio has been remarkable, it really has shined in terms of the performance. And we continue to think that we have a very strong portfolio, but that retail is still rapidly evolving. So we still believe that 100 basis points is probably consistent with how we're going to be thinking about the year ahead.

Christine McElroy Tulloch - *Citigroup Inc, Research Division - Director & Senior Analyst*

So in that context, the same-store NOI potentially accelerate into next year?

Conor C. Flynn - *Kimco Realty Corporation - CEO & Director*

Again, it will depend on the retail environment. We feel like our portfolio is well positioned, but we'll have to monitor the situations with the retailers that we're watching.



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Operator

The next question is from Derek Johnston of Deutsche Bank.

Derek Johnston - *Deutsche Bank AG, Research Division - Research Analyst*

Just a quick one on development yield expectations and how they've changed given tariffs and some rising labor costs. And I was really just wondering, is the low end expected yield still 6%? And can you see this slipping a bit lower and still making sense? Or were lower development yields delay future project phases such as Pentagon?

David Jamieson - *Kimco Realty Corporation - Executive VP & COO*

It's really a project-by-project assessment. I mean the reality is -- and it's no secret that construction costs have risen over the course of the last couple of years and we don't see that pace slowing any time soon. That said, the locations of a lot of our projects themselves are in high-demand areas that very difficult to seek entitlements and to develop. So it's really a case-by-case assessment. There are different yields expectations too between retail and residential. Residential historically, as you know, is a little bit lower than retail yield at times. But it's something that we manage. We look at each opportunity on its own and whether or not it's the best use of our capital at that given point in time and all other factors considered.

Conor C. Flynn - *Kimco Realty Corporation - CEO & Director*

I think we'll continue to look at opportunity set of future projects, understanding where costs have gone on the construction side and see if rents have been able to keep pace or outpace them. We have been pleasantly surprised at The Witmer at Pentagon City. We raised rents 4 time. Our original pro forma had close to 22 leases a month, we've been experiencing over 100 leases a month. So there are cases where the yields have actually improved over our pro forma.

Derek Johnston - *Deutsche Bank AG, Research Division - Research Analyst*

Okay. Great. And then just maybe a further update at Dania Pointe, the master plan there. I've seen some discussions from the municipality over potentially some design changes and I just don't understand how, if at all, that would affect you guys and kind of what's going on there.

Conor C. Flynn - *Kimco Realty Corporation - CEO & Director*

No, from a master plan perspective, the Dania Pointe project has not changed. We always allocated a certain portion of our entitlements to an office complex, which we always intended to sell. And so that was not something we felt comfortable self-developing due to the size and scale of the projects. What we've tried to do is derisk the project by selling off the office component, which we were very fortunate to have Spirit commit to as a corporate headquarters, and then ground lease the residential components, which the first tower is topped off, the second tower is in for permit and we're working on design for the third tower.

We also ground leased the 2 hotels components. Those are Marriott and AC by Marriott. Again, derisking it by having someone come in and take on the construction and development risk. The design of the retail have not changed. The Main Street is up and going up right now. We're leasing that as you see on the supplemental. And we feel very good about the momentum now that Spirit has announced, and we continue to look at the project as a flagship for us long term.

Operator

The next question is from Alexander Goldfarb of Sandler O'Neill.



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Alexander Goldfarb - *Sandler O'Neill + Partners, L.P., Research Division - MD of Equity Research & Senior REIT Analyst*

Just going back to Christy's question on the ATM. I mean, clearly, you guys have had incredible year-to-date performance trading. I mean our numbers, slight premium to NAV, but cost is at NAV. And on one hand, yes, the economy seems fine. Concern maybe there's some softening in the future. But still, it'd be a shame to obviously look at gift horse in the mouth. So there seems to be support for you guys to issue equity to delever. Obviously, we've heard your judicious comments on the balance sheet and trying to be prudent with how you manage your capital position. But what's the reason or what's the hesitancy given how much progress you've made sort of repositioning the portfolio and also be -- and waiting prudently for your stock to appreciate to match NAV before issuing? So what's sort of the holdup as far as pulling the trigger?

Conor C. Flynn - *Kimco Realty Corporation - CEO & Director*

Alex, we continue to monitor the situation. Obviously, we're pleased with the path that we're on and the execution the team has been making. We like the opportunity set we have in front of us in terms of development and redevelopment. Our capital plan had us match-funding that this year with dispositions, and you continue to see us price those aggressively in the market today. We have the ATM up that we can use it opportunistically, and we plan to do exactly that.

Glenn Gary Cohen - *Kimco Realty Corporation - Executive VP, CFO & Treasurer*

We also had a benefit of -- we do expect EBITDA to continue to grow. So although we are watching closely net debt-to-EBITDA on a look-through basis, we do expect it to continue to come down as EBITDA grows from the developments at that are coming online and other things that we have in the hopper that we feel very optimistic about.

Alexander Goldfarb - *Sandler O'Neill + Partners, L.P., Research Division - MD of Equity Research & Senior REIT Analyst*

Okay. And then the second is, obviously, a big win with Spirit down at Dania Pointe. You've had good leasing progress on your residential projects. So Conor, big picture, the big developments you're -- the big developments that you guys have, do you still view these as sort of specific developments that you'll do a few of? Or are you seeing success in returns that makes you feel like you can have a broader set of these redevelopments and grow more redevelopments through the portfolio?

Conor C. Flynn - *Kimco Realty Corporation - CEO & Director*

When I look at the portfolio as a whole, I feel like we're just getting started in terms of our Signature Series redevelopment program. A lot of what we have seen is our assets have a higher better use and we can entitle that accordingly with our team. And then we have a methodical approach of how to unlock that value. I don't see putting a huge amount of projects in the pipeline all at the same time. I see a more measured approach where we'll take them one by one, do some deep due diligence on the projects, making sure we understand the supply and demand.

The lion's share of what we're looking at going forward is more mixed use. There's no doubt about it. There's a lot of mixed-use entitlements that we already have, and we continue to see that being a significant piece of the puzzle to us going forward. But I don't see us adding a huge amount all at once. I think that \$200 million to \$250 million of redevelopment investment per year is appropriate that we can take on and continue to create value with.

Operator

The next question is from Steve Sakwa of Evercore ISI.



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Stephen Sakwa - Evercore ISI Institutional Equities, Research Division - Senior MD & Senior Equity Research Analyst

I know you guys have talked about historically about maybe \$15 million of redevelopment income coming in. And I'm just curious, as you sit here today, how you sort of feel about that number, what kind of risks there might be either to the upside or the downside on that number.

Conor C. Flynn - Kimco Realty Corporation - CEO & Director

That continues to be in the range of what we're anticipating, Steve. I mean when you look at the projects and how they've performed and how they're moving forward, we continue to see that, that is an achievable number. And we're monitoring, obviously, the lease-up closely. We're monitoring the projections closely. But so far to date, the momentum has been there in terms of the mixed use as well as the retail absorption.

David F. Bujnicki - Kimco Realty Corporation - SVP of IR & Strategy

And Steve, just to clarify, that \$15 million is on the development NOI.

Stephen Sakwa - Evercore ISI Institutional Equities, Research Division - Senior MD & Senior Equity Research Analyst

Right. Okay. Yes. I guess I realize you haven't given sort of a number for next year. But just given what you sort of got in the hopper today, is that -- does that sort of seem like a number that is repeatable sort of on an annual basis? Or do you see that number sort of changing dramatically as you move forward?

Conor C. Flynn - Kimco Realty Corporation - CEO & Director

We're going to look at 2020 next quarter and see how it rolls up. I mean we obviously have to look through the budgets and make sure everything is tying together. But again, we'll be giving 2020 guidance on the next call.

Stephen Sakwa - Evercore ISI Institutional Equities, Research Division - Senior MD & Senior Equity Research Analyst

Okay. And then just lastly on sort of the tenant watch list, and I realized things have come in a bit better this year on closures and your use of the bad debt. But when I just sort of look at your tenant watch list today versus a year ago, how does it sort of stack up as we look forward?

Conor C. Flynn - Kimco Realty Corporation - CEO & Director

It has skinned down. I mean when you look at what we've been able to accomplish, we have been selling assets with some at-risk tenancy. We've been reducing our exposure to some tenants that have just been able to pivot and embrace the omnichannel approach. But we're continuing to be mindful that there are retailers that are winning and there are some that are losing. And we're actively pre-leasing a lot of boxes. If you look at our portfolio, you can see where the anchor occupancy is now over 98% leased. And we feel like we have a good opportunity now to pre-lease a lot of these places that we feel that we might have the opportunity to recapture. So it's a good place to be as the anchor occupancy sits at that level. We continue to think that the demand sources are far outweighing the supply side.

Operator

The next question is from Jeremy Metz of BMO Capital.



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Robert Metz - *BMO Capital Markets Equity Research - Director & Analyst*

Can you guys here me?

Conor C. Flynn - *Kimco Realty Corporation - CEO & Director*

Yes.

Robert Metz - *BMO Capital Markets Equity Research - Director & Analyst*

Sorry. I was hoping you can go back to some of the same-store NOI question. If I look at it, obviously, you're up nearly 100 basis points when we started the year when you gave initial guidance. Your net disposition activity is still at the low end at this point. So Ross, I know you mentioned having some further stuff in pipeline, but that's really not going to have much drag. But if I look at your overall earnings expectations for the year, it's more or less unchanged really. So I'm just wondering what sort of has been the drag that's really offset the positive momentum you've had in the core here as we look at this year.

Glenn Gary Cohen - *Kimco Realty Corporation - Executive VP, CFO & Treasurer*

Again, we've had -- it's Glenn. We have a guidance range that we put out, \$1.44 to \$1.48. That took in the low end of the guidance and the high end of the guidance when we started. We're heading towards the higher end of the guidance. You saw us now tighten up and increase at the midpoint of the guidance range. So we're towards the upper end of that range to begin with. So things are going pretty well from our standpoint. We've done some refinancing that have helped. Occupancy is at all-time highs, so we're reaching the upper end of that range to begin with. So I think we're pretty much on track with what we've laid out.

Robert Metz - *BMO Capital Markets Equity Research - Director & Analyst*

Yes. I guess, I think the assumption was, when you laid the 1.5% to 2% at the start of the year, the high end of that same-store range correlated to the high end of the \$1.48, \$1.47 over the midpoint is roughly getting to now. So it just feels like there's some carry-through maybe isn't happening. And was just curious if there's anything else that maybe we're missing out there. It doesn't really sound like there is based on what you just say. Is that fair?

Glenn Gary Cohen - *Kimco Realty Corporation - Executive VP, CFO & Treasurer*

Yes. I would say we're really on track with what we've laid out as we head towards the upper end of the range.

David F. Bujnicki - *Kimco Realty Corporation - SVP of IR & Strategy*

Jeremy, the same-store NOI just talks about the performance of the current properties we have when you're looking through the FFO. It also contemplates, as Glenn laid out earlier, about the dispositions that we had and the NOI we've lost from there, as well as the new lease accounting that we have to deal with for capitalized cost. So that factors into it on a year-over-year basis.

Robert Metz - *BMO Capital Markets Equity Research - Director & Analyst*

All right. And second from me, you mentioned, Glenn, in your opening remarks some of the closings impact to the shop occupancy this quarter. Did you receive any cure payments related to any of those? Was that in earnings at all?



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Glenn Gary Cohen - *Kimco Realty Corporation - Executive VP, CFO & Treasurer*

No. No, we haven't received any of those payments yet, no. I mean we'll file for claims as it comes, but nothing -- you won't see that for quite a while.

Operator

The next question is from Brian Hawthorne of RBC Capital Markets.

Brian Hawthorne - *RBC Capital Markets, LLC, Research Division - Senior Associate*

Can you talk about what is changing with Shoprite's plans at The Boulevard and then kind of just go into more detail what caused scope of that project to change so much?

Conor C. Flynn - *Kimco Realty Corporation - CEO & Director*

Sure. The existing Shoprite is coming into the center from down the street, and we were be able to capture them to come into a more prototypical box for our redevelopment. As part of that, we've been able to recapture their existing location. We feel like that's the real nice upside because their rent is significantly below market, as I mentioned in my script. So they're going to be a more prototypical box size, and they have big expectations for the sales of that box. And so we believe that recapturing their existing location is actually a future upside in terms of another New York Metro asset, where we can create value.

Operator

The next question is from R.J. Milligan of Baird.

Richard Milligan - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Guys, obviously, your stock has done well this year, and as Christy and Alex commented, you're now trading at a premium to consensus NAV. I think just now 1 of 2 shopping centers REITs trading at a premium to NAV. With other quality portfolios trading at double-digit discounts to NAV, can you talk about your appetite for larger public-to-public M&A?

Conor C. Flynn - *Kimco Realty Corporation - CEO & Director*

I'm happy to talk about that. I mean when you look at our portfolio, we feel like we're on the right track. We've been able to execute our game plan, create value on the asset level through our mixed-use redevelopment program and lease up a lot of our remaining vacancies. We feel like we have a long way to go to really be rewarded for some of the other things we have in the hopper. We continue to always look at opportunities in the open market, whether it would be small portfolios, one-off transactions or large portfolios. And we'll always be looking to improve the portfolio and improve the growth profile the company. But that being said, we feel like we're just starting to get rewarded for all the hard work that we've been putting into the portfolio.

Richard Milligan - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

So probably a little early to be looking at that?



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Conor C. Flynn - *Kimco Realty Corporation - CEO & Director*

Again, we're always monitoring it, but we're just going to continue to focus and execute.

Operator

The next question is from Hong Zhang with JPMorgan.

Michael Mueller - *JP Morgan Chase & Co, Research Division - Senior Analyst*

It's actually Mike. I think I'm on for Hong Zhang here. So 2 questions. First, the Series J rate is similar to the K, so why didn't you take the J out as well?

Glenn Gary Cohen - *Kimco Realty Corporation - Executive VP, CFO & Treasurer*

Well, again, we did \$350 million. Again, we are cognizant of consolidated net debt-to-EBITDA as well as the look-through number. So when you replace debt -- and again, we use 30-year paper, not short-term debt, 30-year paper to replace the debt, again, you'll see that the net debt-to-EBITDA on a consolidated basis did tick up about 0.4x. So we don't want to bring that number so high up to start having any issues.

The rating agencies, we spend a lot of time with them on the logic of why taking out 6% and 5 5/8% preferred with basically a 3.7% 30-year piece of paper made all the sense in the world. And they were fine with it and still very supportive of our ratings and our outlook, but we don't want to really push the envelope too much with that. And it gives us another opportunity of other ways to take that paper out, maybe even further more opportunistic.

Conor C. Flynn - *Kimco Realty Corporation - CEO & Director*

It's a nice lever to further delever. I mean there's -- that's the one piece that we still have that's callable, so that's one thing that we've been looking at.

Michael Mueller - *JP Morgan Chase & Co, Research Division - Senior Analyst*

Got it. Okay. And then the 4,500 resi units that are entitled at 8 sites, are those sites at existing centers? Or are they all new locations?

Conor C. Flynn - *Kimco Realty Corporation - CEO & Director*

Those sites are at existing centers.

Operator

The next question is from Vince Tibone of Green Street Advisors.

Vince Tibone - *Green Street Advisors, Inc. - Analyst of Retail*

During the third and fourth quarters, how much occupancy uplift do you get from seasonal tenants such as Spirit Halloween stores? I'm just curious, are we doing any more or less of these deals than in the past?



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Conor C. Flynn - *Kimco Realty Corporation - CEO & Director*

We don't report as ancillary income occupancy. So those Spirit Halloween deals are temp deals. We don't actually report them as occupied. So those spaces are short-term deals that we continue to show as vacant. We don't get any lift whatsoever from those tenants.

Glenn Gary Cohen - *Kimco Realty Corporation - Executive VP, CFO & Treasurer*

But just to put it in perspective, as our occupancy has risen and the anchor boxes are up at 98.7%, you have less available boxes for those types of deals.

Vince Tibone - *Green Street Advisors, Inc. - Analyst of Retail*

Right. No, it makes sense. Are you able to quantify at all like -- let's say, if they did include the Halloween stores in occupancy, is that like 50 bps positive to occupancy? Or not nearly that much? I'm just trying to frame how big of a...

Conor C. Flynn - *Kimco Realty Corporation - CEO & Director*

It'd be smaller than that. We can get that for you, the detail of it, but it's small.

Vince Tibone - *Green Street Advisors, Inc. - Analyst of Retail*

And then is there any economics you could share on those deals? Like I'm assuming you provide no leasing capital, but like is this a fraction of market rent, in your mind, that they're paying? Or it's just a short lease, they do pay real rent?

David Jamieson - *Kimco Realty Corporation - Executive VP & COO*

No, I mean -- well, from a capital standpoint, there's no real capital contribution from our end. And from our a rent perspective, we don't disclose economics of deals. But it's a fair deal relative to what they sell for that 60-day period.

Operator

The next question is from Greg McGinniss of Scotiabank.

Greg McGinniss - *Scotiabank Global Banking and Markets, Research Division - Analyst*

Ross, you mentioned low cap rates in certain markets, and we've also heard from conversations with brokers, private landlords that there may be some more interesting assets entering the market as private landlords shy away from an increasingly intensive shopping center business. Are you seeing this side of the market as well? I'm just curious Kimco might become an acquirer in the near future, especially considering the availability of ATM funding right now?

Ross Cooper - *Kimco Realty Corporation - President & CIO*

Yes. We certainly do see opportunities. I would say that for, as I mentioned, the core institutional kind of down-the-fairway asset, there's no shortage of capital and cap rates continue to be as aggressive as they've ever been. We do think that there is a niche that we can provide in terms of some more value-add opportunities where we can utilize our platform that maybe some of the institutions are shying away from somewhat. That being



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said, the financing availability for those types of assets is still very robust. So we are competing with private buyers that are able to take advantage of very attractive financing opportunities. So it's certainly competitive out there, but when we look at what we've been able to accomplish and where we've been heading, we think that it becomes a bit more attractive for us with our cost of capital to hopefully go back a little bit on offense as we get into 2020.

Greg McGinniss - *Scotiabank Global Banking and Markets, Research Division - Analyst*

Okay. And then Conor and Glenn also mentioned utilizing the ATM to match fund development, does this potentially mean that we'll see fewer dispositions, which were maybe previously expected to fund redevelopment? Or are those assets noncore and they're going to be slated for disposition either way?

Ross Cooper - *Kimco Realty Corporation - President & CIO*

I think we'll continue to selectively prune the portfolio. We believe that, that \$200 million, \$250 million that Conor mentioned in terms of spend makes a lot of sense to continue as a run rate on our dispositions. If we have the opportunity and we decide to accretively tap into the ATM or other sources to fund, it'll just be that much to the positive. And the capital is fungible, so there's other opportunities to also look at delivering, potential acquisitions. So we have a lot of opportunity to invest capital. But on the dispositions front, we think the pruning continues to be appropriate at that level.

Operator

The next question comes from Haendel St. Juste of Mizuho.

Haendel St. Juste - *Mizuho Securities USA LLC, Research Division - MD of Americas Research & Senior Equity Research Analyst*

So Ross, I want to follow up on the transactions, if we could. So maybe you could talk a little bit about the pricing achieved on the assets sold in the third quarter versus your expectations? And given the fairly strong demand environment that you characterized, could you potentially sell a bit more than currently outlined? And then also, as part of that, can you talk about the growth profile of the assets sold relative to your same-store pool?

Ross Cooper - *Kimco Realty Corporation - President & CIO*

Sure. The third quarter dispositions were right in the middle of the range. It's been consistent through the first 3 quarters, so really no meaningful change. It's obviously somewhat is dependent upon the population of assets in that particular quarter, but it's been fairly consistent right in those mid-7% range.

We absolutely could do more. The market is certainly receptive to it. We don't intend to do more. As I mentioned, we believe that it's the appropriate level given the size of our company and the uses that we have for those funds.

The assets are all generally mixed. Some of them are grocery, some of them are power centers with various opportunities for growth for the next buyer. So I would just say that we've continued to evaluate where there's risk in the portfolio, we've looked geographically at what markets we believe have long-term growth opportunities and where we think there's more stagnant growth. And we've also been evaluating with our JV partners of where we see those portfolios going to the future. So it's a selective process that we're constantly monitoring, but we think that we have a pretty good handle on that process.



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Haendel St. Juste - Mizuho Securities USA LLC, Research Division - MD of Americas Research & Senior Equity Research Analyst

Got it. Conor, one for you. I know you're not ready to discuss 2020 guidance. But from where we sit, 2020 looks to be less of a transition year than this year and last year, given the reduced disposition activity, although tenant disruption is likely to continue in some form. And I think it was last year on the third quarter call that you talked about potentially getting to a mid-single-digit 4% to 5% FFO growth profile once your portfolio -- once this period of transition settles down, once the heightened sales activity and repositioning activity settles down here. So I guess I'm curious on any updated view here on when you think you'll be able to get to the sort mid-single-digit FFO growth profile, could 2020 be the year? Or is 2020 looking to be another transition year of sorts, albeit with a few less headwinds than this year?

Conor C. Flynn - Kimco Realty Corporation - CEO & Director

No, as I mentioned before, we're not giving 2020 guidance on this call. It will be next call. But we do feel like we're making significant progress in terms of the portfolio transformation. You saw the results we just reported. You saw the ability that we've been able to raise guidance of the same-site NOI pool through the year. We feel like the developments and redevelopments are all now starting to deliver what we anticipated. So we're on the right path. We feel like we still got a lot of work to do, but we're starting to get rewarded for all that work that we've been putting into the portfolio.

Haendel St. Juste - Mizuho Securities USA LLC, Research Division - MD of Americas Research & Senior Equity Research Analyst

I appreciate that. But certainly, (inaudible) it appears that -- well, in prior comments you've made the point that FFO growth is the priority, so should we at least expect that FFO growth is the expectation at minimum for next year?

Conor C. Flynn - Kimco Realty Corporation - CEO & Director

We will be focused on growing earnings next year, yes. That is something that you can take to the bank.

Operator

The next question is from Ki Bin Kim of SunTrust.

Ki Bin Kim - SunTrust Robinson Humphrey, Inc., Research Division - MD

So I just want to talk about the small shop leasing. I mean the leasing seems to be pretty stable, just curious about whether demand is coming from and how much of it is net expansion demand versus just kind of shuffling of fees and moving into better centers?

David Jamieson - Kimco Realty Corporation - Executive VP & COO

Sure. Yes. No, I mean, for us, these are net new leases. The demand drivers historically have been -- F&B has been strong, health and wellness, fitness. This quarter, for example, CosmoProf, F45, fitness and training. Foot Locker has been rapidly expanding more into the open-air world as well. Pacific Dental, The Joint Chiropractic, Jade Tours, just to name a few of the small shop tenants that we're seeing in terms of new occupancy.

And then as it relates to just the overall activity that we're seeing, this quarter really represented one of the highest rates of new deals for shop space under 5,000 square feet. So despite the bankruptcies and the vacates that were expected with Payless, Avenues, Charming Charlie, the demand drivers are still very, very strong going into the balance of the year.



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Ki Bin Kim - SunTrust Robinson Humphrey, Inc., Research Division - MD

And then in terms of like underwriting for the type of tenant or the merchandise mix, when you think about those things, has there been any kind of change in the way you think about what type of tenants to bring in? Maybe they're good for now or tomorrow. But how much do you think about just viability of that tenant and what they offer customers just longer term?

David Jamieson - Kimco Realty Corporation - Executive VP & COO

No, absolutely, that's top of mind always. I mean, at the end of the day, what we really try to focus on is expanding the utility of our shopping centers to almost more like an 18-hour work day. So you have you have your coffee shop in the morning, then followed by services and fitness through the duration of the day with some apparel, then complemented by restaurants in the evening. So the longer you can extend the utility of your shopping center, the better. And that really is only achieved by great tenant mix and merchandising mix. So it's something we always think about.

Operator

(Operator Instructions) Next question is from Craig Schmidt of Bank of America.

Craig Schmidt - BofA Merrill Lynch, Research Division - Director

I wondered what the -- looking at the net debt-to-EBITDA, which is higher than last year, what is the near-term movement expected? And what can we expect for the next couple of quarters in terms of your net debt-to-EBITDA number?

Glenn Gary Cohen - Kimco Realty Corporation - Executive VP, CFO & Treasurer

Craig, it's Glenn. I would guess that we'll end the year probably right around where we are, and then you'll start to see a decline as we go through 2020 and into 2021. Again, as you know, we have no debt maturities. Our funding has really been coming from the dispos for a lot of what we've done. And we have a lot of other opportunities that are really in the hopper that we think can help grow EBITDA as we go into 2020, 2021. So I think you're looking at kind of a peak level right now, and then it really should start declining as we go through 2021.

Craig Schmidt - BofA Merrill Lynch, Research Division - Director

Okay. Good. And then if you guys could give an update on Albertsons and if there's any thought to an alternative way of realizing value outside of an IPO?

Raymond Edwards - Kimco Realty Corporation - EVP of Retailer Services

It's Ray. With respect to Albertsons, they reported their second quarter earnings last week. And again, really good performance. Same-site -- same-store sales were up 2.4%. That's 7 quarters in a row. So Vivek, who's the new CEO, is doing a great job. If you have a chance to listen to the call, I think you'll be very impressed with him as well. I think the company has done everything over the last 9 months to get themselves in position to monetize the investment. And subject to market conditions, we're hoping something happens sooner rather than later, either through an IPO or otherwise. We're feeling comfortable.

Operator

We have a follow-up question from Caitlin Burrows of Goldman Sachs.



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Alan Wai - Goldman Sachs Group Inc., Research Division - Research Analyst

This is Alan on for Caitlin, just a quick follow-up. For Dress Barn, in particular, is the expectation that those stores will close at the year-end with no termination fee and that's it? Has that been finalized yet? And do you know if they're doing the same with other landlords?

Raymond Edwards - Kimco Realty Corporation - EVP of Retailer Services

This is Ray again. Yes, the transaction we worked out with them, which is what a lot of the landlords did, was we negotiated lease termination effective as of the end of the year on all locations. There's no additional termination fee to us. I mean most of leases had maybe another a year or 2 after that. It wasn't like they were long-term leases. But the one thing, the benefit we've got was -- the discussions started in May, so it wasn't like a bankruptcy where they filed, and then a day later, you find out you have 2 months to find a tenant. We have an 8- or 9-month head start working on that. So this had 13 leases and only 20 bps of ABR, so it's a very small position for us. But again, we've had a lead time of 6, 7 months. The leasing team and Dave has been working on getting the backfill, so we should be able to fill them up quicker for lease termination, but we had a head start.

Glenn Gary Cohen - Kimco Realty Corporation - Executive VP, CFO & Treasurer

Right. And they've continued paying the rent.

Raymond Edwards - Kimco Realty Corporation - EVP of Retailer Services

Yes. That's right.

Glenn Gary Cohen - Kimco Realty Corporation - Executive VP, CFO & Treasurer

It's a cycle, so.

Operator

This concludes the question-and-answer session. I would like to turn the conference back over to Mr. Bujnicki for any closing remarks.

David F. Bujnicki - Kimco Realty Corporation - SVP of IR & Strategy

Thank you for participating in our call today. I'm available to answer any follow-up questions you may have, and I hope you enjoy the day.

Operator

The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.



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