



## COMPANY UPDATE / RATING CHANGE

### Key Metrics

ACC - NYSE (as of 8/10/2017)	\$46.49
Price Target	NA
52-Week Range	\$44.65 - \$53.27
Shares & Units Outstanding (mm) (6/17)	138
Market Cap. (\$mm)	\$6,416
3-Mo. Average Daily Volume (000)	662
Institutional Ownership	NA
Debt/Total Market Capital (6/17)	26.5%
Dividend	\$1.76
Dividend Yield	3.8%
Interest Coverage (6/17)	4.3x

### FFOM Per Share FY 12/31

	Prior 2016	Curr. 2017E	Prior 2017E	Curr. 2018E	Prior 2018E	Curr. 2018E
1Q	\$0.62		\$0.62	A	\$0.69	\$0.69
2Q	\$0.54		\$0.53	A	\$0.58	\$0.58
3Q	\$0.45	\$0.47	\$0.47		\$0.50	\$0.50
4Q	\$0.65	\$0.73	\$0.73		\$0.74	\$0.74
Year	\$2.27	\$2.35	\$2.35		\$2.50	\$2.50
P/FFOM	20.5x		19.8x			18.6x

Quarterly FFOM per share may not add up to annual amounts due to the impact of rounding and the timing of stock offerings.

### Revenue (\$mm)

	Prior 2016	Curr. 2017E	Prior 2017E	Curr. 2018E	Prior 2018E	Curr. 2018E
1Q	\$200		\$193	A	\$220	\$220
2Q	\$186		\$179	A	\$204	\$204
3Q	\$196	\$197	\$197		\$218	\$218
4Q	\$204	\$226	\$226		\$238	\$238
Year	\$786	\$794	\$794		\$880	\$880

\*Previous revenue numbers have not been restated.

**Company Description:** American Campus Communities, headquartered in Austin, Texas, is a REIT that owns or manages 197 student housing properties containing approximately 128,700 beds throughout the United States as of June 30, 2017. ACC also develops properties for its own portfolio and third party owners.

### REITs

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## American Campus Communities, Inc.

ACC -- NYSE – Neutral -- 3

### Upgrading to Neutral

- **We are raising our rating on ACC to Neutral from Underperform.** The shares are now fairly valued in our view, due to the recent price weakness. We like the fundamentals for ACC and the student housing space.
- **We would encourage investors to read our report on ACC's third quarter earnings published July 25, 2017.** That report contains a more in depth discussion of operations at ACC.
- **Our 2017 and 2018 FFO per share estimates are unchanged at this time.**

**Note Important Disclosures on Pages 3 - 4.**  
**Note Analyst Certification on Page 3.**

**Valuation**

It is somewhat difficult to find a peer group comparable to ACC. Education Realty Trust is the only other publicly traded pure-play student housing REIT. The other REITs we use for comparison are multi-family REITs.

Residential REITs	Symbol	Price	Current	Yield	Payout Ratio	FFO Per Share			2 -Year Exp.	18/17E	Price/FFO	
		8/10/2017	Dividend			2016	2017E	2018E	Avg. Growth	Growth Rate	2017E	2018E
Apartment Investment & Management	AIV	\$45.74	\$1.44	3.1%	59.0%	\$2.30	\$2.44	\$2.55	5.4%	4.5%	18.7x	17.9x
Mid-America Apartment Communities	MAA	\$104.48	\$3.48	3.3%	59.4%	\$5.59	\$5.86	\$6.26	6.0%	6.8%	17.8x	16.7x
Education Realty Trust	EDR	\$37.87	\$1.56	4.1%	81.3%	\$1.77	\$1.92	\$2.00	6.5%	4.2%	19.7x	18.9x
Camden Property Trust	CPT	\$89.80	\$3.00	3.3%	65.4%	\$4.63	\$4.59	\$4.79	1.7%	4.4%	19.6x	18.7x
<b>Peer Average</b>		<b>\$69.47</b>	<b>\$2.37</b>	<b>3.5%</b>	<b>66.3%</b>	<b>\$3.57</b>	<b>\$3.70</b>	<b>\$3.90</b>	<b>4.9%</b>	<b>5.0%</b>	<b>19.0x</b>	<b>18.1x</b>
<b>S&amp;P 500</b>	<b>.SPX</b>	<b>\$2,438.21</b>	<b>\$49.29</b>	<b>2.0%</b>	<b>37.7%</b>	<b>\$117.75</b>	<b>\$130.74</b>	<b>\$139.52</b>	<b>9.2%</b>	<b>6.7%</b>	<b>18.6x</b>	<b>17.5x</b>
<b>American Campus Communities</b>	<b>ACC</b>	<b>\$46.49</b>	<b>\$1.76</b>	<b>3.8%</b>	<b>74.9%</b>	<b>\$2.27</b>	<b>\$2.35</b>	<b>\$2.50</b>	<b>5.1%</b>	<b>6.4%</b>	<b>19.8x</b>	<b>18.6x</b>

Note: EDR and MAA are both rate Neutral, respectively, by Hilliard Lyons: the rest are not rated.

EDR's figures are Core FFO not FFO; ACC's figures are FFOM not FFO.

SPX figures are EPS, not FFO per share.

EDR is the only other student housing REIT in the group.

Source: NAREIT, HL Estimates, and Thomson Eikon.

Based on our 2018 Core FFO per share estimate of \$2.50, ACC is trading slightly below its median 5 year historic forward P/Core FFO multiple of 19.28x. Given this valuation, we believe the shares are fairly valued at this time and rate the stock Neutral.

**Dividend**

To maintain REIT status, American Campus Communities is required to distribute at least 90% of its taxable income to its shareholders each year. ACC's current dividend is \$0.44 per quarter, or \$1.76 per year. The current dividend yield is 3.3%.

**Suitability**

We assign shares of American Campus Communities a suitability rating of 3 on our scale of 1 - 4 (1=most conservative, 4=most aggressive). Our rating is based on the company's lack of property type diversification offset by what we view as a strong balance sheet.

**Risks and Considerations**

Risks to owning shares of ACC include external factors beyond the company's control or internal factors. We believe these risk factors include general economic conditions, rising construction costs, weather, inability to achieve financing on favorable terms, increased competition, a decline in college enrollment, a change in university housing policy, etc. These factors could have an impact on ACC's FFOM.

Annual yield is calculated by dividing the distribution amount by the current market price of the security. For US income tax purposes, the Company may classify all or a portion of its distributions as dividends or other non-dividend distributions. Note that for some investors, for US income tax purposes all or a portion of the Company's 2016 dividend or distribution was treated as return of capital and not as "dividend income" as reflected on the IRS Form 1099-Div for the 2016 tax year. The Company generally makes a final determination regarding the proper tax treatment of distributions after calendar year end. We

urge each shareholder to consult with his or her own tax advisor to determine the tax consequences of the distributions received, including any state, local or foreign tax considerations.

*Additional information is available upon request.*

### **Analyst Certification**

I, Carol L. Kemple, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company (ies) and it's (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

### **Important Disclosures**

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

### **Investment Ratings**

**Buy** - We believe the stock has significant total return potential in the coming 12 months.

**Long-term Buy** - We believe the stock is an above average holding in its sector, and expect solid total returns to be realized over a longer time frame than our Buy rated issues, typically 2–3 years.

**Neutral** - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.

**Underperform** - We believe the stock is vulnerable to a price set back in the next 12 months.

### **Suitability Ratings**

**1** - A large cap, core holding with a solid history

**2** - A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks

**3** - An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage

**4** - Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base



	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
<b>Rating</b>				
<b>Buy</b>	38	30%	11%	89%
<b>Hold/Neutral</b>	77	61%	8%	92%
<b>Sell</b>	11	9%	0%	100%

As of 9 August 2017

**Other Disclosures**

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