



COMPANY UPDATE / ESTIMATE CHANGES

Key Metrics

ACC - NYSE (as of 2/21/2017)	\$50.22
Price Target	NA
52-Week Range	\$42.20 - \$54.56
Shares & Units Outstanding (mm) (9/16)	134
Market Cap. (\$mm)	\$6,729
3-Mo. Average Daily Volume (000)	607.4
Institutional Ownership	96%
Debt/Total Market Capital (12/16)	24.1%
Dividend	\$1.68
Dividend Yield	3.3%
Interest Coverage (12/16)	4.5x

FFOM Per Share FY 12/31

	2015	2016	Prior 2017E	Curr. 2017E
1Q	\$0.67	\$0.62	\$0.64	\$0.63
2Q	\$0.57	\$0.54	\$0.56	\$0.56
3Q	\$0.43	\$0.45	\$0.44	\$0.46
4Q	\$0.69	\$0.65	\$0.69	\$0.68
Year	\$2.36	\$2.27	\$2.32	\$2.33
P/FFOM	21.3x	22.1x		21.6x

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)

	2015	2016	Prior 2017E	Curr. 2017E
1Q	\$192	\$200	\$201	\$196
2Q	\$178	\$186	\$187	\$186
3Q	\$181	\$196	\$194	\$193
4Q	\$202	\$204	\$214	\$211
Year	\$753	\$786	\$796	\$786

*Previous revenue numbers have not been restated.

Company Description: American Campus Communities, headquartered in Austin, Texas, is a REIT that owns or manages 203 student housing properties containing approximately 132,000 beds throughout the United States as of December 31, 2016. ACC also develops properties for its own portfolio and third party owners.

REITs

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American Campus Communities, Inc.

ACC -- NYSE – Underperform -- 3

Fourth Quarter Results

- **ACC reported fourth quarter FFOM (funds from operations - modified) per share of \$0.65, \$0.04 below the year ago period.** This was a penny above our estimate.
- **Occupancy was down year-over-year.** For the company's same store wholly-owned portfolio, average occupancy was 97.6% for the fourth quarter. Same store NOI increased 2.1%.
- **We are fine tuning our 2017 FFOM per share estimate to \$2.33 from \$2.32 previously.** Management initiated 2017 FFOM per share guidance of \$2.32 to \$2.42.
- **We maintain our Underperform rating on ACC.** Our rating is based on valuation only, as we like the fundamentals of the company.

Note Important Disclosures on Pages 6 - 7.
Note Analyst Certification on Page 6.

Additional Discussion

Total revenue increased 0.9% to \$204.0 million in the fourth quarter compared to \$202.2 million in the year ago period. 4Q16 average same store occupancy for the wholly-owned portfolio was 97.6%, 50 basis points below the year ago period. Revenues from the wholly-owned portfolio increased 1.1% over last year.

Operating expenses increased 2.5% in the quarter. Operating income declined 3.7% to \$51.7 million. Net income available to common shareholders was \$25.4 million versus \$28.4 million in the prior year's fourth quarter. Diluted EPS were \$0.19 versus \$0.25 on a 17.7% increase in average shares outstanding. Funds from operations - modified were \$86.9 million versus \$79.1 million. Diluted FFOM per share were \$0.65 versus \$0.69 last year on a 17.1% increase in average shares and units outstanding.

Occupancy - For the company's same store wholly-owned portfolio, average occupancy was 97.6% for the quarter, 50 basis points below the year ago period. Same store NOI increased 2.1%. Average occupancy for the wholly owned portfolio (excluding properties sold and held for sale) in the quarter was 97.2%.

2017/2018 Academic Year - As of February 17, the same store wholly-owned portfolio was 66.3% applied for and 60.0% leased for the upcoming academic year versus 64.0% applied for and 59.3% leased a year ago. ACC is currently targeting rental revenue growth of 2.9% for the 2017/2018 academic year.

Acquisitions & Dispositions - In October, ACC purchased a 163 bed apartment community (U Point) pedestrian to Syracuse University. On November 15, ACC closed on the sale of its 19 property non-core portfolio for \$508 million. The company has one additional asset under contract for sale it expects to close on in 2Q17.

Developments - As of December 31, ACC had 17 projects of its own under construction or in the pipeline. Sixteen of these projects are under construction, while one is in the planning phase. The company has two projects under construction in its third party development pipeline.

ATM - During the quarter, ACC sold 250,000 common shares through its at-the-market equity program for net proceeds of \$12.7 million. Subsequent to quarter end, ACC has sold 1.0 million common shares for net proceeds of \$51.6 million. \$372 million of capacity remains under the current program.

Financials - As of December 31, ACC had \$22.1 million of cash and cash equivalents on the balance sheet. The company's average term to maturity on its outstanding debt is 5.5 years. In 2017 & 2018, ACC has \$28 million and \$262 million, respectively, of debt maturing as of December 31, 2016. We believe these maturities are manageable.

Guidance - Management initiated 2017 FFOM per share guidance of \$2.32 to \$2.42. Assumptions made in guidance include same store NOI growth of 3.6% - 5.3%, \$603.1 million in development deliveries, final 2017/2018 academic year leasing results of 96.55% to 98.75%, a 2.9% rental rate increase for 2017/2018 academic year, and one property disposition in 2017. Our 2017 FFOM per share estimate is \$2.33. We note that our model includes more disposition activity than management includes in guidance, as we think the portfolio may continue to be pruned to fund development activity.

American Campus Communities Inc. and Subsidiaries
Consolidated Statement of Operations
(In thousands, except per share data)

	4Q16	4Q15	% Change
Revenues:			
Wholly-owned properties	\$189,314	\$187,268	1.1%
On-campus participating properties	10,415	10,117	2.9%
Third-party development services	677	1,786	-62.1%
Third-party management services	2,685	2,227	20.6%
Resident services	881	800	10.1%
Total revenues	203,972	202,198	0.9%
Operating expenses:			
Wholly-owned properties	80,121	79,164	1.2%
On-campus participating properties	3,322	3,270	1.6%
Third-party development and management services	3,895	3,792	2.7%
General and administrative	5,683	5,171	9.9%
Depreciation and amortization	51,901	54,685	-5.1%
Ground/facility leases	2,431	2,391	1.7%
Provision for real estate impairment	4,895		
Total operating expenses	152,248	148,473	2.5%
Operating income	51,724	53,725	-3.7%
Nonoperating income and (expenses):			
Interest income	1,455	1,125	29.3%
Interest expense	(16,925)	(24,162)	
Amortization of deferred financing costs	(1,282)	(1,518)	
Income (loss) from unconsolidated joint ventures			
Gain from disposition of real estate	3,788		
Loss from early extinguishment of debt	(12,841)		
Other nonoperating income			
Total nonoperating expenses	(25,805)	(24,555)	
Loss before income taxes, minority interests, and discontinued operations	25,919	29,170	-11.1%
Income tax provision	(115)	(310)	
Income (loss) from continuing operations	25,804	28,860	-10.6%
Discontinued operations:			
Income (loss) attributable to discontinued operations			
Loss from early extinguishment of debt			
Gain (loss) from disposition of real estate			
Net income attributable to noncontrolling interests	(412)	(501)	
Net income (loss)	\$25,392	\$28,359	-10.5%
Net income (loss) per share - diluted	\$0.19	\$0.25	-24.0%
Weighted-average common shares outstanding - diluted	132,950	113,001	17.7%

Funds From Operations	4Q16	4Q15	% Change
Net income (loss)	\$25,392	\$28,359	-10.5%
Noncontrolling interests	412	501	-17.8%
Gain from disposition of real estate	(3,788)		
Loss (income) from unconsolidated joint ventures			
FFO from unconsolidated joint ventures			
Elimination of provision for real estate impairment	4,895		
Real estate depreciation and amortization	51,044	53,766	-5.1%
Elimination of provision for asset impairment			
Funds from operations	77,955	82,626	-5.7%
Elimination of operations of on-campus participating properties and unconsolidated jv:			
Net loss (income) from on-campus participating properties	(3,492)	(3,030)	15.2%
Amortization of investment in on-campus participating properties	(1,850)	(1,803)	
FFO from unconsolidated joint venture			
	72,613	77,793	-6.7%
Modifications to reflect operational performance of on-campus participating properties:			
ACC's share of net cash flow	794	853	-6.9%
Management fees	476	467	1.9%
On-campus participating property development fees			
Impact of on-campus participating properties	1,270	1,320	-3.8%
Non-cash litigation expense			
Property acquisition costs	212		
Elimination of loss from early extinguishment of debt	12,841		
Elimination of gain on debt restructuring - unconsolidated joint venture			
Loss on remeasurement of equity method investment			
Gain on insurance settlement			
Impact of University Walk (pre-sale arrangement)			
Elimination of provision for asset impairment - wholly-owned property			
Elimination of provision for asset impairment - unconsolidated jv			
Funds from operations - modified for operational performance of on-campus participating properties ("FFOM")	\$86,936	\$79,113	9.9%
FFOM per share - diluted	\$0.65	\$0.69	-5.8%
Weighted average common shares outstanding - diluted	134,120	114,514	17.1%

Source: Company reports

American Campus Communities Inc. and Subsidiaries
Consolidated Balance Sheets
(Dollars in thousands)

	12/31/2014	12/31/2015	12/31/2016
Assets			
Investments in real estate:			
Wholly-owned properties, net	\$5,308,538	\$5,522,271	\$5,427,014
Wholly-owned properties - held for sale	131,183	55,354	25,350
On-campus participating properties, net	94,128	90,129	85,797
Investments in real estate, net	\$5,533,849	\$5,667,754	\$5,538,161
Cash and cash equivalents	25,062	16,659	22,140
Restricted cash	31,937	33,675	24,817
Student contracts receivable, net	10,145	18,475	8,428
Other assets	233,755	289,384	272,367
Total assets	\$5,834,748	\$6,025,947	\$5,865,913
Liabilities and stockholders' equity			
Liabilities:			
Secured debt	1,331,914	1,101,325	688,195
Unsecured notes	798,305	1,197,755	1,188,737
Unsecured term loan	600,000	600,000	149,065
Senior secured term loan			
Secured revolving credit facility			
Unsecured revolving credit facility	242,500	68,900	99,300
Secured agency facility			
Accounts payable and accrued expenses	70,629	71,988	76,614
Other liabilities	121,645	144,811	158,437
Total liabilities	\$3,164,993	\$3,184,779	\$2,360,348
Minority interests			
Redeemable noncontrolling interest	54,472	59,511	55,078
Stockholders' equity:			
Preferred stock			
Common stock	1,072	1,124	1,322
Additional paid in capital	3,102,540	3,325,806	4,118,842
Treasury stock		(403)	(975)
Accumulated earnings and distributions	(487,986)	(550,501)	(670,137)
Accumulated other comprehensive loss	(6,072)	(5,830)	(4,067)
Total stockholders' equity	\$2,609,554	\$2,770,196	\$3,444,985
Noncontrolling interests	5,729	11,461	5,502
Total equity	\$2,615,283	\$2,781,657	\$3,450,487
Total liabilities and equity	\$5,834,748	\$6,025,947	\$5,865,913

Balance Sheet Ratio Analysis	12/31/2014	12/31/2015	12/31/2016
Total R/E Investments / Total Debt	186.2%	191.0%	260.6%
Debt to Total Equity	113.7%	106.7%	61.6%
Debt as % of Total Assets	50.9%	49.3%	36.2%
Interest Coverage Ratio	3.3x	3.7x	4.5x
Equity as % of Total Assets	44.8%	46.2%	58.8%

Previous numbers have not been restated.

Source: Company reports

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.	17/16E	Price/FFO	
		2/21/2017	Dividend			2015	2016E/A	2017E	Avg. Growth	Growth Rate	2016E/A	2017E
Apartment Investment & Management	AIV	\$45.78	\$1.44	3.1%	62.6%	\$1.96	\$2.30	\$2.44	12.2%	6.1%	19.9x	18.8x
Mid-America Apartment Communities	MAA	\$100.55	\$3.48	3.5%	62.3%	\$5.69	\$5.59	\$5.85	1.4%	4.7%	18.0x	17.2x
Education Realty Trust	EDR	\$41.27	\$1.52	3.7%	85.9%	\$1.83	\$1.77	\$1.99	4.4%	12.4%	23.3x	20.7x
Camden Property Trust	CPT	\$83.03	\$3.00	3.6%	64.8%	\$3.89	\$4.63	\$4.58	8.9%	-1.1%	17.9x	18.1x
Peer Average		\$67.66	\$2.36	3.5%	68.9%	\$3.34	\$3.57	\$3.72	6.7%	5.5%	19.8x	18.7x
S&P 500	SPX	2,365.38	\$48.08	2.0%	41.2%	\$118.23	\$116.83	\$129.74	4.9%	11.1%	20.2x	18.2x
American Campus Communities	ACC	\$50.22	\$1.68	3.3%	74.0%	\$2.36	\$2.27	\$2.33	-0.6%	2.6%	22.1x	21.6x

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: HL Estimates, Baseline, and NAREIT.

Based on our 2017 FFOM estimate, ACC is currently trading at a premium to its median five year historic forward Price/FFOM multiple and at a premium to the group. Our rating on ACC is Underperform based on valuation.

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 \$0.42 per quarter, or \$1.68 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 a strong balance sheet, in our view.

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 2015 dividend or distribution was treated as return of capital and not as "dividend income" as reflected on the IRS Form 1099-Div for the 2015 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



Rating	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	36	30%	17%	83%
Hold/Neutral	76	62%	7%	93%
Sell	10	8%	0%	100%

As of 6 February 2017

Other Disclosures

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