



COMPANY UPDATE / ESTIMATE CHANGES

Key Metrics

ACC - NYSE (as of 7/24/2017)	\$48.94
Price Target	NA
52-Week Range	\$44.65 - \$54.56
Shares & Units Outstanding (mm) (6/17)	138
Market Cap. (\$mm)	\$6,754
3-Mo. Average Daily Volume (000)	664
Institutional Ownership	NA
Debt/Total Market Capital (6/17)	26.5%
Dividend	\$1.76
Dividend Yield	3.6%
Interest Coverage (6/17)	4.3x

FFOM Per Share FY 12/31

	Prior 2016	Curr. 2017E	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	\$0.46	\$0.47	\$0.50
4Q	\$0.65	\$0.73	\$0.73	\$0.74
Year	\$2.27	\$2.34	\$2.35	\$2.50
P/FFOM	21.6x	20.8x		19.6x

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 2018E	Curr. 2018E
1Q	\$200	\$193	A \$223	\$220
2Q	\$186	\$179	A \$207	\$204
3Q	\$196	\$199	\$197	\$221
4Q	\$204	\$229	\$226	\$241
Year	\$786	\$799	\$794	\$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 – Underperform -- 3

Second Quarter Results

- **ACC reported second quarter FFOM (funds from operations - modified) per share of \$0.53, a penny below the year ago period.** This was equal to our estimate and a penny below the consensus.
- **Same store wholly-owned average occupancy was down 10 basis points year-over-year.** For the company's same store wholly-owned portfolio, average occupancy was 92.0% for the second quarter. Same store NOI increased 2.2%.
- **Dividend Increase.** In May, ACC announced a 4.8% dividend increase to a quarterly rate of \$0.44 per common share from the previous rate of \$0.42 per common share.
- **We are fine tuning our 2017 FFOM per share estimate to \$2.35 from \$2.34 previously.** Management maintained 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 decreased 3.8% to \$179.0 million in the second quarter, compared to \$186.0 million in the year ago period. 2Q17 average same store occupancy for the wholly owned portfolio was 92.0%, 10 basis points below the year ago period. Revenues from the wholly-owned portfolio declined 3.2% from last year.

Operating expenses increased 13.3% in the quarter, largely due to a provision for real estate impairment. Operating income declined 67.8% to \$12.6 million. Net income available to common shareholders was a loss of \$2.8 million versus an \$18.4 million gain in the prior year's second quarter. Diluted EPS were a loss of \$0.02 versus \$0.14 gain on a 2.6% increase in average shares outstanding. Funds from operations - modified were \$72.5 million versus \$72.2 million. Diluted FFOM per share were \$0.53 versus \$0.54 last year on a 3.0% increase in average shares and units outstanding.

Occupancy - For the company's same store wholly owned portfolio, average occupancy was 92.0% for the quarter, 10 basis points below the year ago period. Same store NOI increased 2.2%. Average occupancy for the wholly owned portfolio (excluding properties sold and held for sale) in the quarter was 91.7%.

2017/2018 Academic Year - As of July 21, the same store wholly owned portfolio was 99.3% applied for and 94.1% leased for the upcoming academic year versus 100.0% applied for and 93.8% leased a year ago. ACC is currently targeting rental revenue growth of 2.9% for the 2017/2018 academic year.

Acquisitions & Dispositions - During the quarter, ACC acquired a 598 bed community serving the University of Texas Arlington Campus. ACC purchased an apartment property in Seattle, Washington from AvalonBay (AVB - \$189.16) and renamed the property Twelve at U District. This is ACC's initial entry into the University of Washington market. ACC sold one non-core student housing community near Wright State University this quarter.

Developments - As of June 30, ACC had 20 projects of its own development and presale development projects under construction or in the pipeline. Nineteen 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 2.6 million common shares through its at-the-market equity program for net proceeds of \$124.7 million. Subsequent to quarter end, ACC has sold 24,000 common shares for net proceeds of \$1.1 million. \$233 million of capacity remains under the current program.

Financials - As of June 30, ACC had \$25.5 million of cash and cash equivalents on the balance sheet. The company's average term to maturity on its outstanding debt is 5.2 years. In 2017 & 2018, ACC has \$27 million and \$162 million, respectively, of debt maturing as of June 30, 2017. We believe these maturities are manageable.

Guidance - Management maintained 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 \$2.35.

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

	2Q17	2Q16	% Change
Revenues:			
Wholly-owned properties	\$169,156	\$174,682	-3.2%
On-campus participating properties	6,171	6,214	-0.7%
Third-party development services	675	2,121	-68.2%
Third-party management services	2,288	2,253	1.6%
Resident services	718	713	0.7%
Total revenues	179,008	185,983	-3.8%
Operating expenses:			
Wholly-owned properties	75,172	77,722	-3.3%
On-campus participating properties	3,892	3,299	18.0%
Third-party development and management services	3,827	3,560	7.5%
General and administrative	9,782	6,126	59.7%
Depreciation and amortization	55,943	53,703	4.2%
Ground/facility leases	2,465	2,467	-0.1%
Provision for real estate impairment	15,317		
Total operating expenses	166,398	146,877	13.3%
Operating income	12,610	39,106	-67.8%
Nonoperating income and (expenses):			
Interest income	1,232	1,475	-16.5%
Interest expense	(14,573)	(20,119)	
Amortization of deferred financing costs	(1,023)	(1,352)	
Income (loss) from unconsolidated joint ventures			
Gain from disposition of real estate	(632)		
Loss from early extinguishment of debt			
Other nonoperating income			
Total nonoperating expenses	(14,996)	(19,996)	
Loss before income taxes, minority interests, and discontinued operations	(2,386)	19,110	
Income tax provision	(267)	(345)	
Income (loss) from continuing operations	(2,653)	18,765	
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	(109)	(327)	
Net income (loss)	(\$2,762)	\$18,438	
Net income (loss) per share - diluted	(\$0.02)	\$0.14	
Weighted-average common shares outstanding - diluted	134,614	131,241	2.6%

Funds From Operations	2Q17	2Q16	% Change
Net income (loss)	(\$2,762)	\$18,438	
Noncontrolling interests	109	327	-66.7%
Gain from disposition of real estate	632		
Loss (income) from unconsolidated joint ventures			
FFO from unconsolidated joint ventures			
Elimination of provision for real estate impairment	15,317		
Real estate depreciation and amortization	55,211	52,885	4.4%
Elimination of provision for asset impairment			
Funds from operations	68,507	71,650	-4.4%
Elimination of operations of on-campus participating properties and unconsolidated jv:			
Net loss (income) from on-campus participating properties	1,395	1,097	
Amortization of investment in on-campus participating properties	(1,869)	(1,831)	
FFO from unconsolidated joint venture			
	68,033	70,916	-4.1%
Modifications to reflect operational performance of on-campus participating properties:			
ACC's share of net cash flow	778	1,015	-23.3%
Management fees	272	264	3.0%
On-campus participating property development fees			
Impact of on-campus participating properties	1,050	1,279	-17.9%
Non-cash litigation expense			
Property acquisition costs			
Elimination of loss from early extinguishment of debt			
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			
Contractual executive separation and retirement charges	3,420		
Funds from operations - modified for operational performance of on-campus participating properties ("FFOM")	\$72,503	\$72,195	0.4%
FFOM per share - diluted	\$0.53	\$0.54	-1.9%
Weighted average common shares outstanding - diluted	136,602	132,639	3.0%

Source: Company reports

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

	12/31/2015	12/31/2016	6/30/2017
Assets			
Investments in real estate:			
Wholly-owned properties, net	\$5,522,271	\$5,427,014	\$5,805,403
Wholly-owned properties - held for sale	55,354	25,350	
On-campus participating properties, net	90,129	85,797	82,940
Investments in real estate, net	\$5,667,754	\$5,538,161	\$5,888,343
Cash and cash equivalents	16,659	22,140	25,476
Restricted cash	33,675	24,817	28,319
Student contracts receivable, net	18,475	8,428	7,447
Other assets	289,384	272,367	275,388
Total assets	\$6,025,947	\$5,865,913	\$6,224,973
Liabilities and stockholders' equity			
Liabilities:			
Secured debt	1,101,325	688,195	680,556
Unsecured notes	1,197,755	1,188,737	1,189,775
Unsecured term loan	600,000	149,065	347,417
Senior secured term loan			
Secured revolving credit facility			
Unsecured revolving credit facility	68,900	99,300	142,286
Secured agency facility			
Accounts payable and accrued expenses	71,988	76,614	62,547
Other liabilities	144,811	158,437	179,342
Total liabilities	\$3,184,779	\$2,360,348	\$2,601,923
Minority interests			
Redeemable noncontrolling interest	59,511	55,078	55,344
Stockholders' equity:			
Preferred stock			
Common stock	1,124	1,322	1,363
Additional paid in capital	3,325,806	4,118,842	4,312,413
Treasury stock	(403)	(975)	(1,688)
Accumulated earnings and distributions	(550,501)	(670,137)	(754,660)
Accumulated other comprehensive loss	(5,830)	(4,067)	(3,428)
Total stockholders' equity	\$2,770,196	\$3,444,985	\$3,554,000
Noncontrolling interests	11,461	5,502	13,706
Total equity	\$2,781,657	\$3,450,487	\$3,567,706
Total liabilities and equity	\$6,025,947	\$5,865,913	\$6,224,973

Balance Sheet Ratio Analysis	12/31/2015	12/31/2016	6/30/2017
Total R/E Investments / Total Debt	191.0%	260.6%	249.5%
Debt to Total Equity	106.7%	61.6%	66.1%
Debt as % of Total Assets	49.3%	36.2%	37.9%
Interest Coverage Ratio	3.7x	4.5x	4.3x
Equity as % of Total Assets	46.2%	58.8%	57.3%

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.	18/17E	Price/FFO	
		7/24/2017	Dividend			2016	2017E	2018E	Avg. Growth	Growth Rate	2017E	2018E
Apartment Investment & Management	AIV	\$43.68	\$1.44	3.3%	59.0%	\$2.30	\$2.44	\$2.55	5.4%	4.5%	17.9x	17.1x
Mid-America Apartment Communities	MAA	\$102.11	\$3.48	3.4%	59.4%	\$5.59	\$5.86	\$6.26	6.0%	6.8%	17.4x	16.3x
Education Realty Trust	EDR	\$39.09	\$1.56	4.0%	81.3%	\$1.77	\$1.92	\$2.03	7.3%	5.7%	20.4x	19.3x
Camden Property Trust	CPT	\$88.58	\$3.00	3.4%	65.5%	\$4.63	\$4.58	\$4.78	1.6%	4.4%	19.3x	18.5x
Peer Average		\$68.37	\$2.37	3.5%	66.3%	\$3.57	\$3.70	\$3.91	5.1%	5.4%	18.8x	17.8x
S&P 500	.SPX	\$2,469.91	\$48.97	2.0%	37.5%	\$117.75	\$130.75	\$139.66	9.3%	6.8%	18.9x	17.7x
American Campus Communities	ACC	\$48.94	\$1.76	3.6%	74.9%	\$2.27	\$2.35	\$2.50	5.1%	6.4%	20.8x	19.6x

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: NAREIT, HL Estimates, and Thomson Eikon.

Based on our 2018 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 \$0.44 per quarter, or \$1.76 per year. The current dividend yield is 3.6%.

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



Rating	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	36	29%	14%	86%
Hold/Neutral	79	63%	5%	95%
Sell	10	8%	0%	100%

As of 7 July 2017

Other Disclosures

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