



COMPANY UPDATE / ESTIMATE CHANGES

Key Metrics

ACC - NYSE (as of 10/23/2017)	\$43.46
Price Target	NA
52-Week Range	\$43.34 - \$52.53
Shares & Units Outstanding (mm) (9/17)	138
Market Cap. (\$mm)	\$5,997
3-Mo. Average Daily Volume (000)	669
Institutional Ownership	NA
Debt/Total Market Capital (9/17)	31.2%
Dividend	\$1.76
Dividend Yield	4.0%
Interest Coverage (9/17)	4.4x

FFOM Per Share FY 12/31

	Prior 2016	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$0.62	\$0.62	A \$0.68	\$0.68
2Q	\$0.54	\$0.53	A \$0.57	\$0.56
3Q	\$0.45	\$0.44	A \$0.49	\$0.48
4Q	\$0.65	\$0.73	\$0.72	\$0.71
Year	\$2.27	\$2.31	\$2.45	\$2.42
P/FFOM	19.1x	18.7x		18.0x

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 \$218	\$219
2Q	\$186	\$179	A \$199	\$200
3Q	\$196	\$197	A \$215	\$216
4Q	\$204	\$228	\$237	\$238
Year	\$786	\$795	\$869	\$874

*Previous revenue numbers have not been restated.

Company Description: American Campus Communities, headquartered in Austin, Texas, is a REIT that owns or manages 204 student housing properties containing approximately 131,300 beds throughout the United States as of September 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

Third Quarter Results

- **ACC reported third quarter FFOM (funds from operations - modified) per share of \$0.44, a penny below the year ago period.** This was equal to our estimate and two cents below the consensus.
- **Same store wholly-owned average occupancy was down 30 basis points year-over-year.** For the company's same store wholly-owned portfolio, average occupancy was 91.9% for the third quarter. Same store NOI declined 0.8%.
- **We are fine tuning our 2017 FFOM per share estimate to \$2.32 from \$2.31 previously.** Management lowered its 2017 FFOM per share guidance to a range of \$2.28 to \$2.32 from a range of \$2.32 to \$2.42. Guidance was lowered based on several factors including 2017/2018 lease-up results, the timing of the bond offering, hurricane related expenses, and non-cash interest expense associated with transferring a property to the lender.
- **We maintain our Neutral 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 0.3% to \$196.9 million in the third quarter, compared to \$196.4 million in the year ago period. 3Q17 average same store occupancy for the wholly owned portfolio was 91.9%, 30 basis points below the year ago period. Revenues from the wholly-owned portfolio decreased 1.1% from last year.

Operating expenses increased 7.3% in the quarter, largely due to an increase in depreciation and amortization of recent acquisitions, acquisition costs, and hurricane related expenses. Operating income declined 40.0% to \$17.6 million. Net income available to common shareholders was a loss of \$1.3 million versus a \$9.6 million gain in the prior year's third quarter. Diluted EPS were a loss of \$0.01 versus \$0.07 gain on a 3.7% increase in average shares outstanding. Funds from operations - modified were \$61.2 million versus \$60.4 million. Diluted FFOM per share were \$0.44 versus \$0.45 last year on a 4.1% increase in average shares and units outstanding.

Occupancy - For the company's same store wholly owned portfolio, average occupancy was 91.9% for the quarter, 30 basis points below the year ago period. Same store NOI declined 0.8%. Average occupancy for the wholly owned portfolio (excluding properties sold and held for sale) in the quarter was 91.2%.

Acquisitions - On September 25, ACC announced it had entered into an agreement to recapitalize and ultimately acquire seven student housing properties for an aggregate \$590.6 million from Core Space/DRW Portfolio. Four of these properties are already built and three are under construction for a fall 2018 opening. All of the properties are in Power-5 conference markets and state flagship markets. The average distance to campus for this portfolio is 0.2 miles. Average enrollment at the universities these properties are located in is 35,000 students with the existing purpose built student housing supply serving only 13% of total enrollment, as compared to an average 22% for ACC's current portfolio.

Subsequent to the end of the quarter, ACC acquired a 258 bed community serving the University of Washington. This is the third property in the University of Washington market that ACC has acquired this year.

Developments - As of September 30, ACC had 14 projects of its own development and presale development projects under construction or in the pipeline. Twelve of these projects are under construction, while two are in the planning phase. The company has one project under construction in its third party development pipeline.

ATM - During the quarter, ACC sold 24 thousand common shares through its at-the-market equity program for net proceeds of \$1.1 million. Subsequent to quarter end, ACC has not sold any additional shares.

Bonds - In October ACC sold \$400 million 3.625% senior unsecured notes due 2027. The notes were issued at 99.912% of par value. Net proceeds of \$395 million were used to repay the outstanding balance on its revolving credit facility, with the remaining proceeds available to fund acquisitions, developments, and for general business purposes.

Financials - As of September 30, ACC had \$16.3 million of cash and cash equivalents on the balance sheet. The company's average term to maturity on its outstanding debt is 4.5 years. In 2017 & 2018, ACC has \$27 million and \$431 million, respectively, of debt maturing as of September 30. We believe these maturities are manageable.

Guidance - Management lowered 2017 FFOM per share guidance to a range of \$2.28 - \$2.32 from a range of \$2.32 to \$2.42. Assumptions made in guidance include same store NOI growth of 1.6% - 2.4%, \$609.2

million in development deliveries, final 2017/2018 academic year leasing results of 96.6% occupancy, a 2.9% rental rate increase for 2017/2018 academic year, and \$53.0 million of disposition in 2017. Our 2017 FFOM per share estimate is \$2.32.

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

	3Q17	3Q16	% Change
Revenues:			
Wholly-owned properties	\$183,569	\$185,694	-1.1%
On-campus participating properties	6,799	6,758	0.6%
Third-party development services	3,566	773	361.3%
Third-party management services	2,291	2,376	-3.6%
Resident services	713	810	-12.0%
Total revenues	196,938	196,411	0.3%
Operating expenses:			
Wholly-owned properties	99,423	100,602	-1.2%
On-campus participating properties	3,923	3,784	3.7%
Third-party development and management services	3,879	3,340	16.1%
General and administrative	8,684	5,375	61.6%
Depreciation and amortization	61,125	52,067	17.4%
Ground/facility leases	2,329	1,965	18.5%
Provision for real estate impairment			
Total operating expenses	179,363	167,133	7.3%
Operating income	17,575	29,278	-40.0%
Nonoperating income and (expenses):			
Interest income	1,259	1,272	-1.0%
Interest expense	(18,654)	(19,016)	
Amortization of deferred financing costs	(1,146)	(1,344)	
Income (loss) from unconsolidated joint ventures			
Gain from disposition of real estate			
Loss from early extinguishment of debt			
Other nonoperating income			
Total nonoperating expenses	(18,541)	(19,088)	
Loss before income taxes, minority interests, and discontinued operations	(966)	10,190	
Income tax provision	(267)	(345)	
Income (loss) from continuing operations	(1,233)	9,845	
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	(79)	(201)	
Net income (loss)	(\$1,312)	\$9,644	
Net income (loss) per share - diluted	(\$0.01)	\$0.07	
Weighted-average common shares outstanding - diluted	136,421	131,568	3.7%

Funds From Operations	3Q17	3Q16	% Change
Net income (loss)	(\$1,312)	\$9,644	
Noncontrolling interests	85	201	-57.7%
Gain from disposition of real estate			
Loss (income) from unconsolidated joint ventures			
FFO from unconsolidated joint ventures			
Elimination of provision for real estate impairment			
Real estate depreciation and amortization	60,202	51,301	17.4%
Elimination of provision for asset impairment			
Funds from operations	58,975	61,146	-3.6%
Elimination of operations of on-campus participating properties and unconsolidated jv:			
Net loss (income) from on-campus participating properties	479	365	
Amortization of investment in on-campus participating properties	(1,892)	(1,839)	
FFO from unconsolidated joint venture			
	57,562	59,672	-3.5%
Modifications to reflect operational performance of on-campus participating properties:			
ACC's share of net cash flow	452	351	28.8%
Management fees	306	304	0.7%
On-campus participating property development fees			
Impact of on-campus participating properties	758	655	15.7%
Non-cash litigation expense			
Property acquisition costs	2,855	114	
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			
Funds from operations - modified for operational performance of on-campus participating properties ("FFOM")	\$61,175	\$60,441	1.2%
FFOM per share - diluted	\$0.44	\$0.45	-2.2%
Weighted average common shares outstanding - diluted	138,329	132,877	4.1%

Source: Company reports

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

	12/31/2015	12/31/2016	9/30/2017
Assets			
Investments in real estate:			
Wholly-owned properties, net	\$5,522,271	\$5,427,014	\$6,262,077
Wholly-owned properties - held for sale	55,354	25,350	
On-campus participating properties, net	90,129	85,797	83,095
Investments in real estate, net	\$5,667,754	\$5,538,161	\$6,345,172
Cash and cash equivalents	16,659	22,140	16,341
Restricted cash	33,675	24,817	25,824
Student contracts receivable, net	18,475	8,428	15,531
Other assets	289,384	272,367	284,023
Total assets	\$6,025,947	\$5,865,913	\$6,686,891
Liabilities and stockholders' equity			
Liabilities:			
Secured debt	1,101,325	688,195	662,874
Unsecured notes	1,197,755	1,188,737	1,190,296
Unsecured term loan	600,000	149,065	646,675
Senior secured term loan			
Secured revolving credit facility			
Unsecured revolving credit facility	68,900	99,300	266,440
Secured agency facility			
Accounts payable and accrued expenses	71,988	76,614	79,612
Other liabilities	144,811	158,437	214,918
Total liabilities	\$3,184,779	\$2,360,348	\$3,060,815
Minority interests			
Redeemable noncontrolling interest	59,511	55,078	112,270
Stockholders' equity:			
Preferred stock			
Common stock	1,124	1,322	1,364
Additional paid in capital	3,325,806	4,118,842	4,321,228
Treasury stock	(403)	(975)	(2,944)
Accumulated earnings and distributions	(550,501)	(670,137)	(816,360)
Accumulated other comprehensive loss	(5,830)	(4,067)	(3,195)
Total stockholders' equity	\$2,770,196	\$3,444,985	\$3,500,093
Noncontrolling interests	11,461	5,502	13,713
Total equity	\$2,781,657	\$3,450,487	\$3,513,806
Total liabilities and equity	\$6,025,947	\$5,865,913	\$6,686,891

Balance Sheet Ratio Analysis	12/31/2015	12/31/2016	9/30/2017
Total R/E Investments / Total Debt	191.0%	260.6%	229.4%
Debt to Total Equity	106.7%	61.6%	78.7%
Debt as % of Total Assets	49.3%	36.2%	41.4%
Interest Coverage Ratio	3.7x	4.5x	4.4x
Equity as % of Total Assets	46.2%	58.8%	52.5%

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	
		10/23/2017	Dividend			2016	2017E	2018E	Avg. Growth	Growth Rate	2017E	2018E
Apartment Investment & Management	AIV	\$44.11	\$1.44	3.3%	59.0%	\$2.30	\$2.44	\$2.54	5.2%	4.1%	18.1x	17.4x
Mid-America Apartment Communities	MAA	\$104.41	\$3.48	3.3%	59.2%	\$5.59	\$5.88	\$6.26	6.0%	6.5%	17.8x	16.7x
Education Realty Trust	EDR	\$36.33	\$1.56	4.3%	81.3%	\$1.77	\$1.92	\$2.00	6.5%	4.2%	18.9x	18.2x
Camden Property Trust	CPT	\$92.23	\$3.00	3.3%	66.1%	\$4.63	\$4.54	\$4.81	1.9%	5.9%	20.3x	19.2x
Peer Average		\$69.27	\$2.37	3.5%	66.4%	\$3.57	\$3.70	\$3.90	4.9%	5.2%	18.8x	17.8x
S&P 500	.SPX	\$2,564.98	\$49.42	1.9%	37.9%	\$117.75	\$130.53	\$140.86	9.8%	7.9%	19.7x	18.2x
American Campus Communities	ACC	\$43.46	\$1.76	4.0%	75.9%	\$2.27	\$2.32	\$2.42	3.3%	4.3%	18.7x	18.0x

Note: EDR and MAA are both rated 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 slight discount to its median five year historic forward Price/FFOM multiple and at a premium to the group. Our rating on ACC is Neutral 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 4.0%.

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	39	32%	8%	92%
Hold/Neutral	74	60%	9%	91%
Sell	8	7%	0%	100%
Restriction	2	2%	100%	0%

As of 5 October 2017

Other Disclosures

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