



Camden Property Trust (CPT)

Updated August 30th, 2020 by Eli Inkrot

Key Metrics

Current Price:	\$91	5 Year CAGR Estimate:	7.7%	Market Cap:	\$9.2 B
Fair Value Price:	\$88	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	09/29/20 ¹
% Fair Value:	103%	5 Year Valuation Multiple Estimate:	-0.6%	Dividend Payment Date:	10/17/20 ¹
Dividend Yield:	3.6%	5 Year Price Target	\$113	Years Of Dividend Growth:	10
Dividend Risk Score:	D	Retirement Suitability Score:	D	Last Dividend Increase:	3.8%

Overview & Current Events

Founded in 1993, and headquartered in Houston, Texas, Camden Property Trust is one of the largest publicly traded multifamily companies in the United States. The company is structured as a Real Estate Investment Trust (REIT), owning, managing, and developing multifamily apartment communities. As of July 31st, 2020 Camden owned 164 properties containing 56,112 apartments. The \$9 billion market cap company has approximately 1,600 employees.

On July 30th, 2020 Camden released Q2 2020 results for the period ending June 30th, 2020. For the quarter the company reported property revenue of \$250.7 million, a 2.0% decline compared to Q2 2019, as the company continues to prove resilient amidst the COVID-19 pandemic. Net income equaled \$16.8 million, versus \$35.0 million in the prior year's quarter, while Funds From Operations (FFO) totaled \$110.4 million compared to \$128.6 million in Q2 2019. On a per share basis, earnings-per-share, FFO and adjusted FFO came in at \$0.17, \$1.09 and \$0.91 versus \$0.43, \$1.28 and \$1.07 in the year ago quarter. All three figures include an approximately -\$0.14 impact from non-recurring charges related to COVID-19, with Resident Relief Funds making up the bulk of the charge. For the first six months of the year Camden had generated adjusted FFO of \$2.11 versus \$2.19 in the first half of 2019.

In Q2 2020 Camden reported occupancy of 95.2% compared to 96.1% a year ago, with 97.7% of rent being collected versus 98.6% in Q2 2019. The company currently has 7 properties in the construction phase of development.

Camden also provided an outlook for Q3 2020, anticipating revenue to decline 2.2% to 1.0%, EPS in the \$0.27 to \$0.33 range and FFO of \$1.14 to \$1.20 (compared to \$1.29 in Q3 2019).

Growth on a Per-Share Basis

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2025
FFO	\$2.72	\$2.73	\$3.62	\$4.11	\$4.29	\$4.54	\$4.64	\$4.53	\$4.77	\$5.05	\$4.90	\$6.25
DPS	\$1.80	\$1.96	\$2.24	\$2.52	\$2.64	\$2.80	\$2.95	\$3.00	\$3.08	\$3.20	\$3.32	\$4.24
Shares²	69.8	78.8	96.2	85.3	88.5	97.6	89.9	91.5	103.1	97.3	101	115

Note that we have presented FFO in the table above, as this better reflects the underlying earnings power of a REIT. Dating back to 2010, Camden has been able to grow its dividend and FFO by 6.6% and 7.1% per annum respectively. However, in the last five years these growth rates have slowed to 3.9% and 3.3% respectively. We are forecasting 5% annual growth over the intermediate-term – in-between these two historical marks – for a variety of reasons.

On the positive growth side, we expect Camden to come off a subdued base this year, making future growth easier to come by. In addition, we are impressed by the resilience that the company has demonstrated thus far, the small COVID-19 charges notwithstanding. In actuality, these actions may very well garner future goodwill, as the company is offering relief funds to residents and bonuses to employees. In addition, general economic growth over the long-term ought to help drive growth and the 7 properties in development will add over 1,900 units.

¹ Estimated date.

² In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Counterbalancing these positive notions, is the idea that growth began to slow even before the pandemic and Camden routinely issues shares to fund new properties. While this is a common practice among REITs, it does create a higher return bar that must be met before growth can occur on a per share level.

Valuation Analysis

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Now	2025
P/FFO	15.0	22.2	18.2	16.3	15.7	16.8	17.6	16.6	20.2	20.7	18.6	18.0
Avg. Yld.	4.4%	4.8%	3.4%	3.8%	3.9%	3.7%	3.6%	3.7%	3.5%	3.1%	3.6%	3.8%

Over the past decade shares of Camden have traded with an average price-to-FFO ratio of about 18. We believe this is more or less fair, taking into consideration the company's history and valuation of similar securities. With shares trading closer to 19 times FFO, this implies the potential for a very small valuation headwind. Meanwhile, the dividend was cut during the Great Recession, but has since recovered nicely, having increased each year for the past decade. This component ought to buoy investor returns over time.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2025
Payout	66%	72%	62%	61%	62%	62%	64%	66%	65%	63%	68%	68%

Camden has a competitive advantage in its position as one of the largest multifamily REITs in the U.S. Its scale and expertise allow it to leverage its experience across a wide portfolio of properties and actively pursue developments.

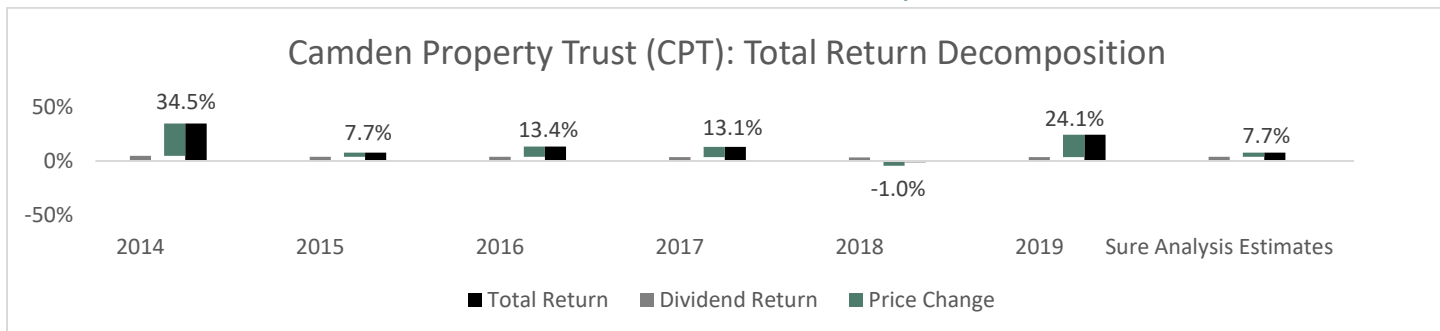
The company's FFO payout ratio has hovered in the 60% to 70% range for the last decade, which is where we anticipate it will remain with dividend growth tracking FFO growth over time. During the last recession, Camden posted FFO of \$2.90, \$1.68, \$2.72 and \$2.73 over the 2008 through 2011 stretch. Meanwhile, the dividend was cut from \$2.80 down to \$1.80 on an annual basis. This gives you some idea of the toll that recessions can take on the business, along with Camden's ability to bounce back. The company is holding up much better this time around, so far.

As of the most recent report, Camden held \$6.5 billion in net real estate and \$7.3 billion in total assets against \$3.7 billion in total liabilities. The company's net debt-to-adjusted EBITDA ratio equaled 4.6x, while the weighted average maturity if its debt was 8.8 years. Over 63% of its debt maturities are in 2026 and beyond.

Final Thoughts & Recommendation

Camden is a leading multifamily REIT with a solid operating history in the last decade. The last recession was not especially kind to the company, but so far Camden is holding up quite well this time around. We are forecasting 7.7% annual total return potential, stemming from 5% growth and a 3.6% starting yield, offset by a minor valuation headwind. Shares earn a hold rating at the current quotation.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue	568	599	698	789	790	836	876	901	955	1028
Gross Profit	341	369	442	503	505	535	565	572	611	662
Gross Margin	60%	62%	63%	64%	64%	64%	64%	64%	64%	64%
SG&A Exp.	47	52	54	56	69	67	70	72	74	76
D&A Exp.	174	182	210	222	222	241	250	264	301	336
Operating Profit	132	152	194	230	214	227	245	236	236	250
Operating Margin	23%	25%	28%	29%	27%	27%	28%	26%	25%	24%
Net Profit	30	56	286	336	292	249	820	196	156	220
Net Margin	5%	9%	41%	43%	37%	30%	94%	22%	16%	21%
Free Cash Flow	160	17	34	47	-79	11	100	136	145	148
Income Tax	2	2	1	2	2	2	2	1	1	1

Balance Sheet Metrics

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total Assets	4700	4622	5385	5632	6044	6038	6028	6174	6220	6749
Cash & Equivalents	171	55	27	18	154	11	237	368	34	23
Accounts Receivable	---	31	34	28	26	25	24	24	23	22
Total Liabilities	2942	2696	2758	2825	3087	3065	2856	2612	2782	3047
Accounts Payable	---	94	102	113	157	133	138	128	147	172
Long-Term Debt	---	2432	2510	2531	2731	2725	2481	2205	2322	2524
Shareholder's Equity	1686	1857	2563	2739	2884	2896	3092	3483	3364	3629
D/E Ratio	---	1.31	0.98	0.92	0.95	0.94	0.80	0.63	0.69	0.70

Profitability & Per Share Metrics

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Return on Assets	0.6%	1.2%	5.7%	6.1%	5.0%	4.1%	13.6%	3.2%	2.5%	3.4%
Return on Equity	1.9%	3.2%	13.0%	12.7%	10.4%	8.6%	27.4%	6.0%	4.6%	6.3%
ROIC	1.0%	1.8%	6.0%	6.4%	5.3%	4.4%	14.4%	3.4%	2.7%	3.7%
Shares Out.	68.6	73.5	85.6	88.5	88.5	89.5	89.9	92.5	95.4	99.4
Revenue/Share	\$8.28	\$8.16	\$8.16	\$8.91	\$8.93	\$9.34	\$9.75	\$9.74	\$10.01	\$10.35
FCF/Share	\$2.34	\$0.23	\$0.39	\$0.54	-\$0.89	\$0.13	\$1.11	\$1.47	\$1.52	\$1.49

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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