



American Homes 4 Rent (AMH)

Updated February 26th, 2022 by Nathan Parsh

Key Metrics

Current Price:	\$39	5 Year CAGR Estimate:	1.5%	Market Cap:	\$15.5 billion
Fair Value Price:	\$33	5 Year Growth Estimate:	3.0%	Ex-Dividend Date:	3/14/2022
% Fair Value:	119%	5 Year Valuation Multiple Estimate:	-3.4%	Dividend Payment Date:	3/31/2022
Dividend Yield:	1.8%	5 Year Price Target	\$38	Years Of Dividend Growth:	2
Dividend Risk Score:	D	Retirement Suitability Score:	F	Last Dividend Increase:	80%

Overview & Current Events

Based in Maryland, American Homes 4 Rent is an internally managed real estate investment trust which focuses on acquiring, developing, renovating, operating and leasing single-family homes as rental properties. The trust holds nearly 54,000 single-family properties in sub-markets of metropolitan statistical areas in 22 states. AMH formed in August of 2013 and has a market capitalization of more than \$15 billion and generates annual revenues of \$1.5 billion.

On 2/17/2022, AMH announced an 80% quarterly dividend increase to \$0.18 per share. This follows last year's 100% raise.

AMH announced fourth quarter and full year earnings results on 2/24/2022. For the quarter, revenue improved 14% to \$338 million, but was \$8.2 million lower than expected. FFO of \$0.37 was in-line with estimates and compared favorably to FFO of \$0.31 in the previous year.

For 2021, revenue was higher by 11.2% to \$1.3 billion while core FFO of \$1.36 matched our estimate and compared favorably to core FFO of \$1.16 in 2020.

For the quarter, AMH saw a same-home average occupied day percentage of 97.6%, up 20 basis points sequentially. New leases signed had rental rate growth of 12.2%. Total rents grew 14% and occupied homes totaled 53,385 compared to 52,269 in the third quarter. Rent from single-family properties increased 7.6% to \$245.5 million, with average monthly rents per property up 7.4%. Expenses increased 7.4% to \$86 million, but this was offset by lower uncollectable rents and higher fees.

AMH offered an outlook for 2022 as well. The trust expects core FFO of \$1.53 to \$1.59, which would be a 14.7% improvement from 2021 at the midpoint. We have initiated our estimates accordingly.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
FFO	---	\$0.15	\$0.57	\$0.72	\$0.97	\$1.02	\$1.06	\$1.11	\$1.16	\$1.36	\$1.56	\$1.81
DPS	---	\$0.05	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.40	\$0.72	\$0.83
Shares¹	---	186	211	208	243	287	297	301	317	336	336	336

AMH has a short history as a publicly traded REIT, but funds-from-operation growth was extensive at the beginning of the trust's existence. AMH's funds-from-operation grew at a rate of 5.9% annually over the last five year as growth has slowed since 2013. We forecast a 3% funds-from-operation growth annually through 2027.

AMH's quarterly dividend had amounted to \$0.05 per share since the trust's inception. That changed when the trust doubled its dividend for the 3/31/2021 payment date and followed that up with an 80% increase for the late-March distribution. Following these increases, we now anticipate dividend growth in line with FFO growth.

¹ Share count 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.



American Homes 4 Rent (AMH)

Updated February 26th, 2022 by Nathan Parsh

Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Avg. P/FFO	---	---	30.1	22.9	19.3	21.8	19.6	21.9	23.5	32.1	25.0	21.0
Avg. Yld.	---	0.3%	1.2%	1.2%	1.1%	0.9%	1.0%	0.8%	0.7%	0.9%	1.8%	2.2%

Shares of the trust are lower by \$1, or 2.5%, since our 11/6/2021 report. AMH has enjoyed a rich valuation since the beginning of its existence. With a multiple trading at 25 times funds-from-operations, AMH's valuation is above our target price-to-funds-from-operations of 21. Reverting to this valuation by 2027 would reduce annual returns by 3.4%.

Investors often hold shares of REITs for the high yields. AMH is the rare name in the sector that has a very low yield. At 1.8%, the current yield is below that of the typical REIT stock, but above the average yield of the S&P 500 index.

Safety, Quality, Competitive Advantage, & Recession Resiliency

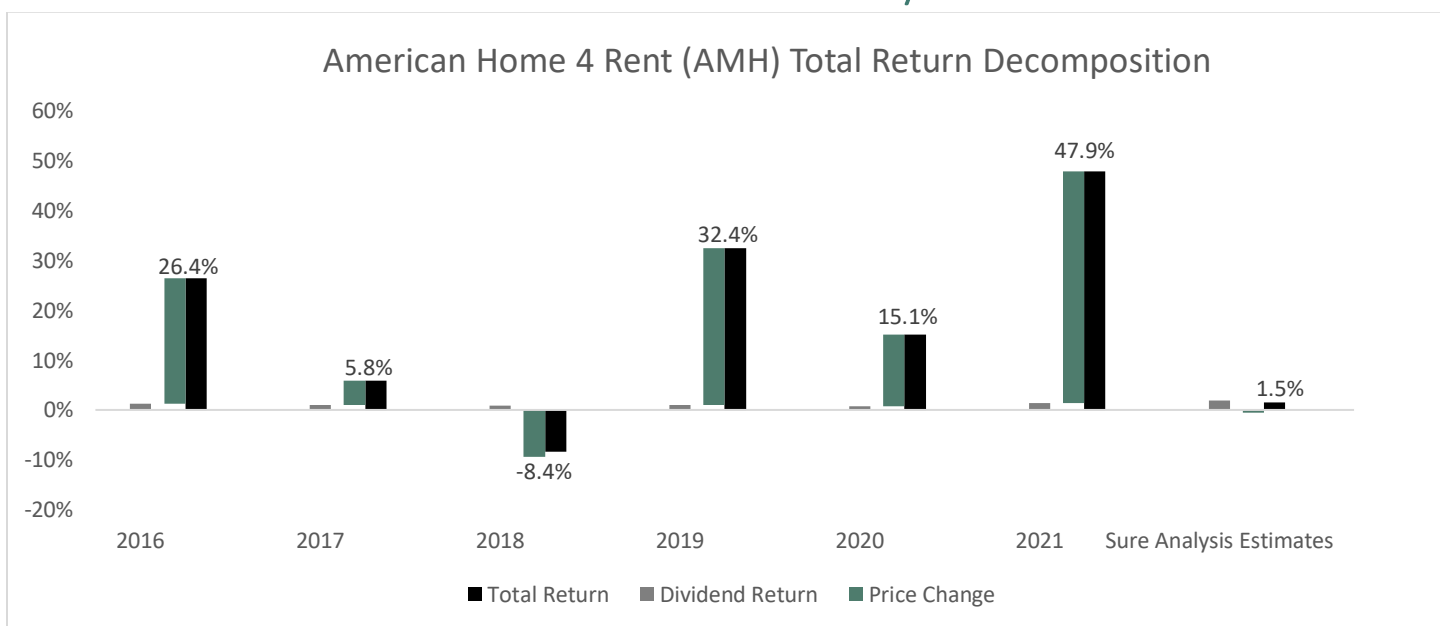
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	---	33%	35%	28%	21%	20%	19%	18%	17%	29%	46%	46%

AMH was not publicly traded during the 2007 to 2009 recession so understanding the trust's ability to withstand an economic downturn is not possible. Even so, we believe that the trust would encounter some difficulty. Consumers would still need places to live, so occupancy rates could well remain high. We fear that rental rates would probably decline. AMH is one of the largest operators of single-family in the U.S., giving it a size and scale that is above most of its peer group.

Final Thoughts & Recommendation

American Homes 4 Rent is expected to see total annual returns of 1.5% through 2027, up from our prior estimate of a loss of 2.6%. Our projected return stems from a 3% funds-from-operation growth rate and a starting yield of 1.8%, offset by a low single-digit headwind from multiple reversion. AMH closed 2021 on a strong note, with most metrics showing growth. The trust also raised its dividend by a meaningful amount. We have raised our five-year price target \$5 to \$38 due to guidance, but maintain our sell rating on the stock.

Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

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.



American Homes 4 Rent (AMH)

Updated February 26th, 2022 by Nathan Parsh

Income Statement Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue		5	139	399	631	879	960	1,073	1,143	1,183
Gross Profit		1	65	214	337	491	536	585	623	643
Gross Margin		20.9%	47.0%	53.7%	53.5%	55.8%	55.8%	54.6%	54.5%	54.3%
SG&A Exp.		8	16	25	27	33	35	37	43	49
Operating Profit		(9)	(22)	24	68	159	204	230	250	251
Op. Margin		-206%	-15.8%	6.0%	10.7%	18.1%	21.2%	21.4%	21.9%	21.2%
Net Profit		(10)	(32)	(48)	(62)	7	81	108	141	140
Net Margin		-226%	-23.2%	-12.0%	-9.9%	0.8%	8.4%	10.1%	12.3%	11.9%
Free Cash Flow		(7)	16	176	185	251	348	356	386	369

Balance Sheet Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Assets		921	4,224	6,227	6,751	8,107	8,609	9,001	9,100	9,594
Cash & Equivalents		397	149	109	58	119	46	30	38	137
Acc. Receivable		7	7	11	14	18	30	29	30	42
Goodwill & Int.		-	117	104	110	118	115	110	112	110
Total Liabilities		16	573	2,058	2,816	3,170	2,733	3,028	3,081	3,121
Accounts Payable		0	1	5	1	0	2	0	5	0
Long-Term Debt		-	442	1,850	2,594	2,923	2,476	2,804	2,833	2,817
Total Equity		905	2,935	3,450	3,259	4,193	5,149	5,252	5,335	5,789
LTD/E Ratio		-	0.15	0.54	0.80	0.70	0.48	0.53	0.53	0.49

Profitability & Per Share Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Return on Assets			-1.3%	-0.9%	-1.0%	0.1%	1.0%	1.2%	1.6%	1.5%
Return on Equity		-2.3%	-1.7%	-1.5%	-1.9%	0.2%	1.7%	2.1%	2.7%	2.5%
ROIC			-1.3%	-1.0%	-1.0%	0.1%	1.0%	1.3%	1.6%	1.5%
Shares Out.			186	211	208	243	287	297	301	317
Revenue/Share		0.06	1.12	2.03	2.99	3.76	3.63	3.65	3.81	3.85
FCF/Share		(0.09)	0.13	0.89	0.88	1.07	1.32	1.21	1.29	1.20

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

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.