



Camden Property Trust (CPT)

Updated October 28th, 2022, by Nikolaos Sismanis

Key Metrics

Current Price:	\$113	5 Year CAGR Estimate:	7.3%	Market Cap:	\$12.0 B
Fair Value Price:	\$115	5 Year Growth Estimate:	4.0%	Ex-Dividend Date:	12/15/22 ¹
% Fair Value:	98%	5 Year Valuation Multiple Estimate:	0.3%	Dividend Payment Date:	01/18/23
Dividend Yield:	3.3%	5 Year Price Target	\$140	Years Of Dividend Growth:	11
Dividend Risk Score:	D	Retirement Suitability Score:	D	Rating:	Hold

Overview & Current Events

Founded in 1993, and headquartered in Houston, Texas, Camden Property Trust is one of the largest publicly traded multifamily real estate 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 September 30th, 2022, Camden owned 178 properties containing 60,652 apartments. The \$12.0 billion market cap company has approximately 1,700 employees, and generates around \$1.17 billion in revenues annually.

On October 27th, 2022, Camden reported Q3 2022 results for the period ending September 30th, 2022. For the quarter, the company reported property revenue of \$373.8 million, a 27% increase compared to Q3 2021. Higher revenues were primarily driven by same-property revenue growth, which came in at 11.7%. With same-property expenses only growing 4.0% during the period, same-property NOI (Net Operating Income) jumped 16.3%.

Funds from Operations (FFO) totaled \$187.6 million or \$1.70 per share compared to \$142.2 million or \$1.36 per share in Q3 2021. Camden narrowed its fiscal 2022 guidance upwards following better-than-expected results, now anticipating FFO/share to land between \$6.57 and \$6.61 (previously \$6.48 to \$6.68). We have adjusted our forecast accordingly.

Subsequent to quarter end, Camden's Board of Trust Managers increased its share repurchase authorization from \$269 million to \$500 million.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
FFO	\$3.62	\$4.11	\$4.29	\$4.54	\$4.64	\$4.53	\$4.77	\$5.05	\$4.90	\$5.39	\$6.59	\$8.02
DPS	\$2.24	\$2.52	\$2.64	\$2.80	\$2.95	\$3.00	\$3.08	\$3.20	\$3.29	\$3.32	\$3.76	\$4.57
Shares²	96.2	85.3	88.5	97.6	89.9	91.5	103.1	97.3	99.4	102.8	108.5	115.0

Note that we have presented FFO in the table above, as this better reflects the underlying earnings power of a REIT.

Dating back to 2012, Camden has been able to grow both its dividend and FFO/share by compound annual growth rate of 4.5%.

However, in the last five years these growth rates have slowed to 2.4% and 3.0% respectively, despite strong results in 2021. We are forecasting 4% annual growth over the intermediate-term – in-between these two historical marks – for a variety of reasons.

On the positive growth side, Camden is coming off an elevated 2022 base. In addition, we are impressed by the resilience that the company demonstrated during the pandemic. Further, general economic growth over the long-term ought to help drive growth. At the same time, the recently acquired properties should lead to economies of scale, as proven by the robust NOI growth in the company's most recent results.

¹ Estimated dates based on past dividend dates

² In millions.

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Offsetting these positive points is the idea that growth began to slow even before the pandemic, while rent growth prospects for residential properties have already started to cool off in the face of a tough macro environment. We are also cautious of the rising-rates environment, meaning Camden's financing is likely to become more expensive.

Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
P/FFO	18.2	16.3	15.7	16.8	17.6	16.6	20.2	20.7	19.4	25.0	17.2	17.5
Avg. Yld.	3.4%	3.8%	3.9%	3.7%	3.6%	3.7%	3.5%	3.1%	3.5%	2.5%	3.3%	3.3%

Over the past decade, Camden has traded with an average price-to-FFO ratio of just under 19. With residential REITs likely to have a harder time than usual moving forward if the current macro environment persists, we have set our fair multiple at 17.5. At its current multiple of 17.2, we believe the stock is more or less fairly valued. The dividend was cut during the Great Recession but has since recovered nicely since. The company has increased each year since. This component ought to buoy investor returns over time.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	62%	61%	62%	62%	64%	66%	65%	63%	67%	62%	57%	57%

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.

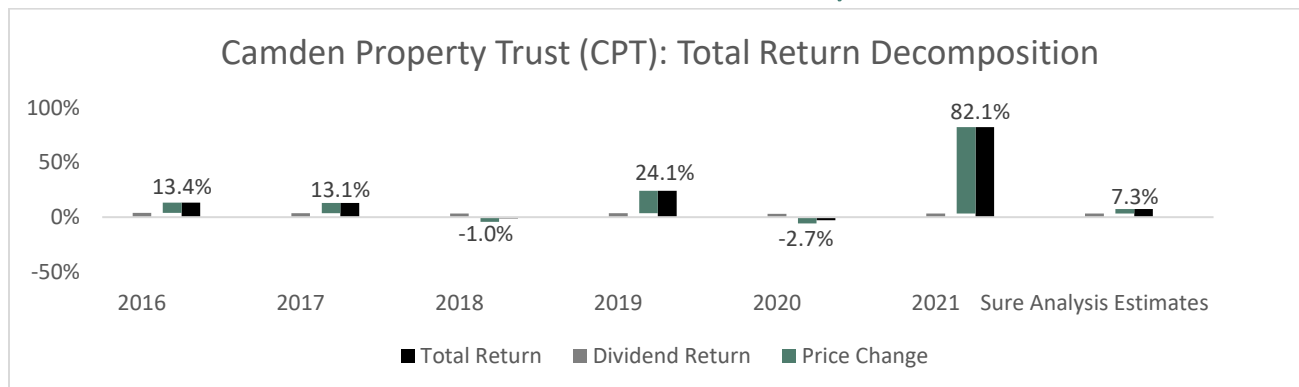
The company's FFO payout ratio has hovered in the 60% to 70% range for the last decade. We anticipate it will remain at slightly lower levels, with dividend growth tracking FFO growth over time. During the Great Recession, Camden posted FFO of \$2.90, \$1.68, \$2.72, and \$2.73 over the 2008 through 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 \$9.1 billion in real estate and \$9.4 billion in total assets against \$4.3 billion in total liabilities. The company's net debt-to-adjusted EBITDA ratio equaled 4.2x, an improvement from 4.4x last year.

Final Thoughts & Recommendation

Shares are down around 35% year-to-date. Camden is a leading multifamily REIT with a solid operating history. Camden is set to post record FFO/share this year, though we remain prudent regarding its medium-term prospects. We are forecasting a 7.3% annual total return potential, stemming from 4% FFO growth, a 3.3% starting yield, and light valuation tailwinds. Accordingly, we upgrade the stock from a sell to a hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	698	789	790	836	876	901	955	1028	1044	1144
Gross Profit	442	503	505	535	565	572	611	662	649	727
Gross Margin	63%	64%	64%	64%	64%	64%	64%	64%	62%	63.5%
SG&A Exp.	54	56	69	67	70	72	74	76	71	80
D&A Exp.	210	222	222	241	250	264	301	336	---	421
Operating Profit	194	230	214	227	245	236	236	250	211	226
Operating Margin	28%	29%	27%	27%	28%	26%	25%	24%	20%	19.8%
Net Profit	286	336	292	249	820	196	156	220	124	304
Net Margin	41%	43%	37%	30%	94%	22%	16%	21%	12%	26.6%
Free Cash Flow	34	47	-79	11	100	136	145	148	---	149
Income Tax	1	2	2	2	2	1	1	1	2	2

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	5385	5632	6044	6038	6028	6174	6220	6749	7199	7977
Cash & Equivalents	27	18	154	11	237	368	34	23	420	613
Accounts Receivable	34	28	26	25	24	24	23	22	20	19
Total Liabilities	2758	2825	3087	3065	2856	2612	2782	3047	3682	3711
Accounts Payable	102	113	157	133	138	128	147	172	176	192
Long-Term Debt	2510	2531	2731	2725	2481	2205	2322	2524	3167	3170
Shareholder's Equity	2563	2739	2884	2896	3092	3483	3364	3629	3445	4167
LTD/E Ratio	0.98	0.92	0.95	0.94	0.80	0.63	0.69	0.70	0.92	0.76

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	5.7%	6.1%	5.0%	4.1%	13.6%	3.2%	2.5%	3.4%	1.8%	4.0%
Return on Equity	13.0%	12.7%	10.4%	8.6%	27.4%	6.0%	4.6%	6.3%	3.5%	8.0%
ROIC	6.0%	6.4%	5.3%	4.4%	14.4%	3.4%	2.7%	3.7%	1.9%	4.3%
Shares Out.	85.6	88.5	88.5	89.5	89.9	92.5	95.4	99.4	99.4	102.8
Revenue/Share	\$8.16	\$8.91	\$8.93	\$9.34	\$9.75	\$9.74	\$10.01	\$10.35	\$10.50	\$11.12
FCF/Share	\$0.39	\$0.54	-\$0.89	\$0.13	\$1.11	\$1.47	\$1.52	\$1.49	---	\$1.45

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

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