



American Homes 4 Rent (AMH)

Updated May 6th, 2024 by Nathan Parsh

Key Metrics

Current Price:	\$36	5 Year CAGR Estimate:	8.2%	Market Cap:	\$15 billion
Fair Value Price:	\$36	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	06/14/24 ¹
% Fair Value:	99%	5 Year Valuation Multiple Estimate:	0.2%	Dividend Payment Date:	06/28/24 ²
Dividend Yield:	2.9%	5 Year Price Target	\$46	Years Of Dividend Growth:	4
Dividend Risk Score:	F	Retirement Suitability Score:	F	Rating:	Hold

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, has a market capitalization of \$15 billion, and generates annual revenues of \$1.6 billion.

On February 21st, 2024, AMH announced it was increasing its quarterly dividend 18.2% to \$0.26 per share. This follows the trust's 22.2%, 80%, and 100% raises over the last three years.

On May 2nd, 2024, AMH reported first quarter results for the period ending March 31st, 2024. For the quarter, revenue increased 6.5% to \$423.6 million, which was \$3.2 million better than expected. FFO of \$0.43 compared favorably to FFO of \$0.41 in the previous year and was in-line with estimates.

For the quarter, AMH had a same-home average occupied day percentage of 96.2%, which was unchanged on a sequential basis. New leases signed had rental rate growth of 4.8% while renewal rental rates increased 5.9%. The blended growth rate was 5.6%. Rents and other single-family property revenues grew 6.5% while occupied homes of 59,343 compared to 59,332 in the first quarter of 2023. Average monthly rents per property was up 5.9% while property expenses increased 5.9% to \$114.8 million.

AMH reaffirmed prior guidance for 2024 as well. The trust continues to expect core FFO in a range of \$1.70 to \$1.76 for the year, which would be a 4.2% increase at the midpoint from last year. We have initiated our forecast accordingly.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
FFO	\$0.57	\$0.72	\$0.97	\$1.02	\$1.06	\$1.11	\$1.16	\$1.36	\$1.54	\$1.66	\$1.73	\$2.21
DPS	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.40	\$0.72	\$0.88	\$1.04	\$1.67
Shares³	211	208	243	287	297	301	317	336	354	364	367	370

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 11.3% per year for the 2014 to 2023 period, though this has slowed to 8.4% annually over the last five years. We continue to forecast annual growth of 5% for funds-from-operation through 2029.

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 March 31st, 2021 payment date and has followed that up with two sizeable increases in the last two years. Given the aggressive growth recently and the reasonable payout ratio, we project dividend growth will be 10% per year moving forward.

¹ Estimated ex-dividend date.

² Estimated dividend payment date.

³ Share count in millions.

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Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Avg. P/FFO	30.1	22.9	19.3	21.8	19.6	21.9	23.5	32.1	19.6	21.7	20.8	21.0
Avg. Yld.	1.2%	1.2%	1.1%	0.9%	1.0%	0.8%	0.7%	0.9%	2.4%	2.4%	2.9%	3.6%

Shares of the trust are unchanged since our February 26th, 2024 report. AMH has enjoyed a rich valuation since the beginning of its existence. With the stock trading at 20.8 times funds-from-operations, AMH's valuation is just below our target price-to-funds-from-operations of 21. Reverting to this valuation by 2029 would add 0.2% to annual returns over this period.

Investors often hold shares of REITs for the high yields. AMH is the rare name in the sector that has a lower yield. At 2.9%, the current yield is below that of the typical REIT stock, but this is twice average yield of the S&P 500 index.

Safety, Quality, Competitive Advantage, & Recession Resiliency

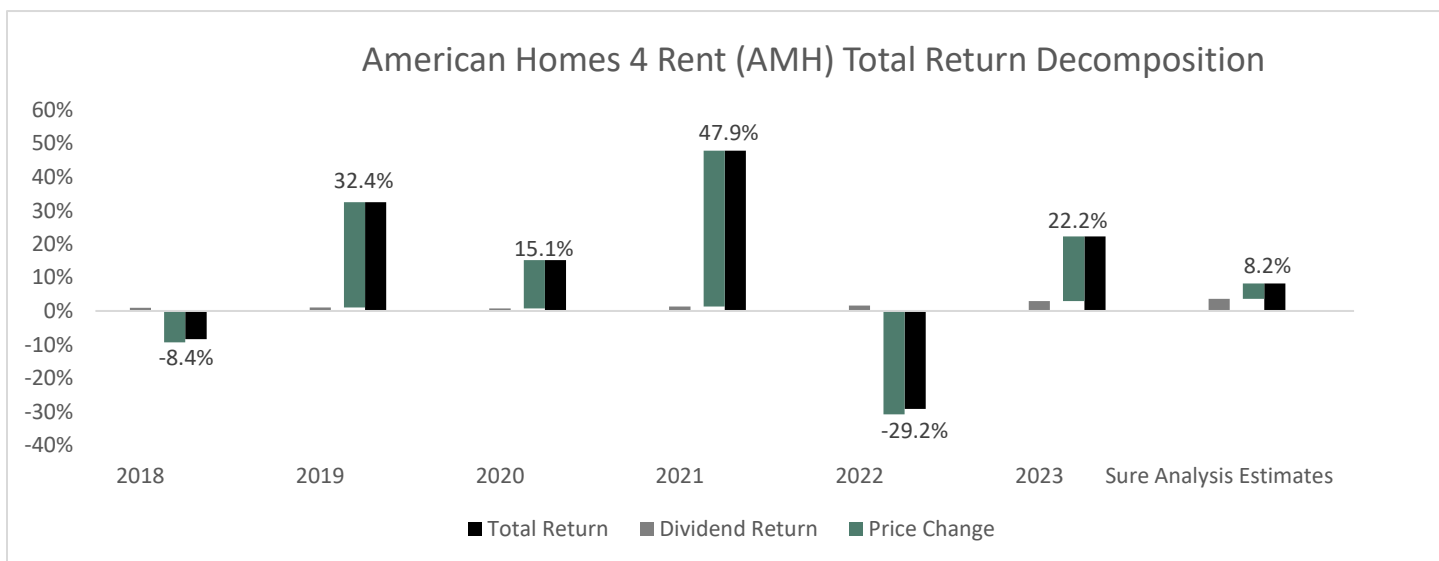
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	35%	28%	21%	20%	19%	18%	17%	29%	47%	53%	60%	76%

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 8.2% through 2029, which matches our prior estimate. Our projected return stems from a 5% funds-from-operation growth rate, a starting yield of 2.9%, and a small contribution from multiple expansion. The trust once again saw strong growth metrics throughout its business. American Homes 4 Rent benefited from a high occupancy rate, an increase in rent and lease agreements, and a slightly larger portfolio of houses. We reaffirm our five-year price target of \$46 due to estimates for the year, but maintain our hold rating on shares of American Homes 4 Rent due to projected returns.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	399	631	879	960	1,073	1,132	1,173	1,304	1,491	1,624
Gross Profit	214	337	491	536	585	611	632	717	826	901
Gross Margin	53.7%	53.5%	55.8%	55.8%	54.6%	54.0%	53.9%	55.0%	55.4%	55.5%
SG&A Exp.	25	27	33	35	37	43	49	56	68	75
Operating Profit	24	68	159	204	230	239	241	288	331	370
Op. Margin	6.0%	10.7%	18.1%	21.2%	21.4%	21.1%	20.5%	22.1%	22.2%	22.8%
Net Profit	(48)	(62)	7	81	108	141	140	189	273	380
Net Margin	-12.0%	-9.9%	0.8%	8.4%	10.1%	12.5%	12.0%	14.5%	18.3%	23.4%
Free Cash Flow	176	185	251	348	356	386	369	473	527	605

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	6,227	6,751	8,107	8,609	9,001	9,100	9,594	10,962	12,175	12,688
Cash & Equivalents	109	58	119	46	30	38	137	48	69	59
Acc. Receivable	11	14	18	30	29	30	42	42	48	43
Goodwill & Int.	104	110	118	115	110	112	125	133	120	120
Total Liabilities	2,058	2,816	3,170	2,733	3,028	3,081	3,121	4,224	5,000	5,035
Accounts Payable	5	1	0	2	0	5	0	1	6	36
Long-Term Debt	1,850	2,594	2,923	2,476	2,804	2,833	2,817	3,880	4,516	4,462
Total Equity	3,450	3,259	4,193	5,149	5,252	5,335	5,789	6,059	6,496	6,967
LTD/E Ratio	0.54	0.80	0.70	0.48	0.53	0.53	0.49	0.64	0.70	0.64

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	-0.9%	-1.0%	0.1%	1.0%	1.2%	1.6%	1.5%	1.8%	2.4%	3.1%
Return on Equity	-1.2%	-1.5%	0.2%	1.5%	1.8%	2.4%	2.2%	2.9%	3.9%	5.1%
ROIC	-1.0%	-1.0%	0.1%	1.0%	1.3%	1.6%	1.5%	1.9%	2.4%	3.2%
Shares Out.	211	208	243	287	297	301	317	336	354	364
Revenue/Share	2.03	2.99	3.76	3.63	3.65	3.77	3.82	4.01	4.26	4.48
FCF/Share	0.89	0.88	1.07	1.32	1.21	1.29	1.20	1.45	1.51	1.67

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

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