



Mid-America Apartment Communities (MAA)

Updated February 7th, 2025 by Aristofanis Papadatos

Key Metrics

Current Price:	\$159	5 Year CAGR Estimate:	7.1%	Market Cap:	\$18.8 B
Fair Value Price:	\$157	5 Year Growth Estimate:	4.0%	Ex-Dividend Date¹:	4/11/2025
% Fair Value:	102%	5 Year Valuation Multiple Estimate:	-0.3%	Dividend Payment Date:	4/29/2025
Dividend Yield:	3.8%	5 Year Price Target	\$191	Years Of Dividend Growth:	14
Dividend Risk Score:	F	Retirement Suitability Score:	D	Rating:	Hold

Overview & Current Events

Mid-America Apartment Communities (MAA) is a real estate investment trust (REIT) that owns, operates and acquires apartment communities in the Southeast, Southwest and mid-Atlantic regions of the U.S. Founded in 1977, it currently has ownership interest in 104,587 apartment units across 16 states and the District of Columbia and has a market capitalization of \$18.8 billion. MAA aims to offer superior returns to its shareholders by focusing on the Sunbelt Region of the U.S., which has exhibited superior population growth and economic growth in the long run.

In early February, MAA reported (2/5/25) financial results for the fourth quarter of fiscal 2024. Same-store net operating income slipped -0.2% over the prior year's quarter. Core funds from operations (FFO) per share dipped -4%, from \$2.32 to \$2.23, due to higher interest expense, and missed the analysts' consensus by \$0.01. MAA has missed the analysts' FFO estimates only twice in the last 27 quarters. MAA has decelerated in the last six quarters due to high supply of new apartments in its markets but the volume of new apartments has begun to lose steam, with fewer new apartments expected next year. MAA provided guidance for core FFO per share of \$8.61-\$8.93, thus implying flat performance at the mid-point. MAA has repeatedly proved conservative in its guidance and tends to raise its guidance many times throughout the year. As a result, we expect core FFO per share of \$8.85 this year, which is 1% above the mid-point but still within the range of the guidance.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
FFO	\$6.02	\$5.88	\$6.15	\$6.27	\$6.79	\$6.43	\$7.01	\$8.50	\$9.39	\$8.77	\$8.85	\$10.77
DPS	\$3.08	\$3.28	\$3.48	\$3.69	\$3.84	\$4.00	\$4.10	\$4.68	\$5.60	\$5.88	\$6.06	\$7.20
Shares²	75.2	78.8	113.7	113.8	114.1	114.5	118.6	118.6	119.8	120.0	121.0	150.0

MAA has benefited from its focus on the Sunbelt Region of the U.S., which has enjoyed higher economic growth than the rest of the country. About 60% of all the domestic moves occurred in the markets of MAA in the last nine years. MAA has grown its FFO per share at a 4.3% average annual rate over the last decade. Growth stumbled in 2020 due to the pandemic, but the pandemic has subsided and thus MAA has recovered. MAA has ample room to expand its asset portfolio while it will also grow its bottom line by enhancing the value to its customers via the rollout of smart home technology in its units. MAA has already installed smart home technology in more than 50,000 units. Overall, we have assumed that the REIT will grow its FFO per share at a 4.0% average annual rate over the next five years, roughly in line with its historical growth rate.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg P/FFO	13.2	16.4	16.7	15.3	17.5	18.7	24.7	21.3	15.4	16.4	18.0	17.7
Avg. Yld.	3.9%	3.4%	3.4%	3.8%	3.2%	3.3%	2.4%	2.6%	3.9%	4.1%	3.8%	3.8%

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.



Mid-America Apartment Communities (MAA)

Updated February 7th, 2025 by Aristofanis Papadatos

MAA is currently trading at a P/FFO ratio of 18.0, which is marginally higher than the historical 10-year average of 17.7. If the stock trades at its average valuation level in five years, it will incur a -0.3% annualized drag in its returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	51.2%	55.8%	56.6%	58.9%	56.6%	62.2%	58.5%	55.1%	59.6%	67.0%	68.5%	66.8%

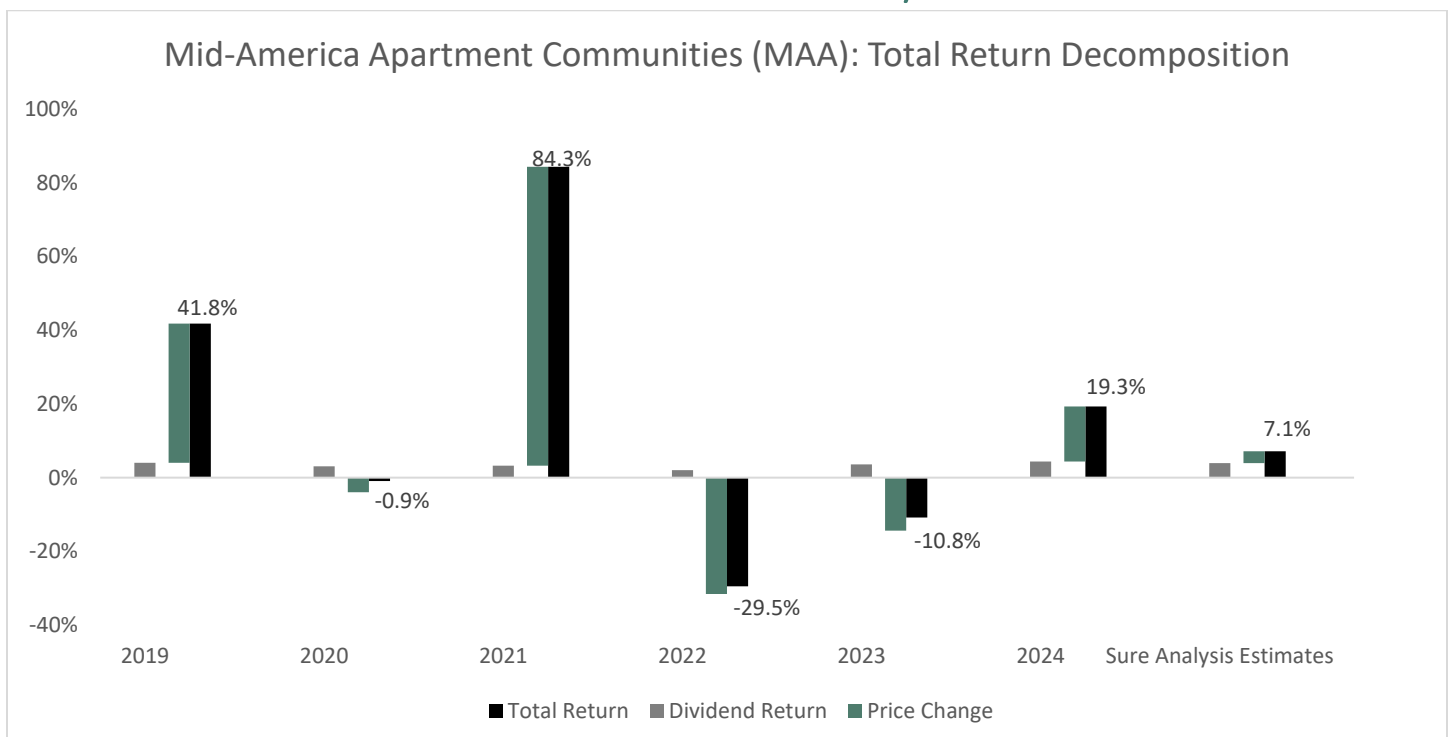
MAA heavily dilutes its shareholders on a regular basis. Its share count has more than tripled over the last 14 years, from 32 million in 2010 to 120 million now. This is a point of concern but the REIT has grown its FFO at a higher rate and thus it has exhibited a decent growth record. MAA has also raised its dividend for 14 consecutive years and has a healthy payout ratio of 68.5%. It also has one of the strongest balance sheets in the REIT universe, with net debt of \$5.6 billion, which is only about five times the annual FFO. As a result, the 3.8% dividend yield of MAA should be considered safe.

It is also worth noting that MAA proved markedly resilient to the recession caused by the pandemic, posting just a -5% decrease in its FFO per share in 2020 while it collected the vast portion of its billings. Therefore, MAA appears much more resilient to recessions than most REITs, which have significant exposure to companies and individuals who are vulnerable to recessions.

Final Thoughts & Recommendation

MAA has rallied 30% in the last 15 months, primarily thanks to expectations that the Fed will reduce interest rates significantly until the end of next year. Lower interest rates are favorable, as they reduce interest expense. Despite its rally, the stock can still offer a 7.1% average annual return over the next five years thanks to 4.0% annual growth of FFO per share and its 3.8% dividend, partly offset by a -0.3% valuation headwind. The stock maintains its hold rating. Overall, MAA is attractive for patient, income-oriented investors thanks to its reliable growth strategy, its healthy payout ratio and its strong balance sheet.

Total Return Breakdown by Year



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.



Mid-America Apartment Communities (MAA)

Updated February 7th, 2025 by Aristofanis Papadatos

Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	1,043	1,125	1,529	1,571	1,641	1,678	1,778	2,020	2,148	2,191
Gross Profit	317	345	415	439	476	527	573	753	815	713
Gross Margin	30.4%	30.7%	27.1%	28.0%	29.0%	31.4%	32.3%	37.3%	37.9%	32.6%
SG&A Exp.	26	29	40	35	46	99	109	124	126	57
D&A Exp.	295	323	495	491	498	512	534	544	566	586
Operating Profit	291	316	375	405	430	428	465	629	689	657
Op. Margin	27.9%	28.1%	24.5%	25.7%	26.2%	25.5%	26.1%	31.1%	32.1%	30.0%
Net Profit	332	212	328	223	354	255	534	637	553	528
Net Margin	31.9%	18.9%	21.5%	14.2%	21.6%	15.2%	30.0%	31.5%	25.7%	24.1%
Free Cash Flow	298	301	317	480	478	397	615	762	598	776

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	6,848	11,604	11,492	11,324	11,230	11,195	11,285	11,241	11,485	11,812
Cash & Equivalents	38	34	11	34	20	25	54	39	41	43
Total Liabilities	3,690	4,962	4,918	4,952	4,941	5,091	5,101	5,031	5,185	5,665
Long-Term Debt	3,428	4,500	4,502	4,528	4,455	4,563	4,517	4,415	4,540	4,981
Shareholder's Equity	2,992	6,404	6,340	6,150	6,069	5,872	5,995	6,026	6,113	5,964
LTD/E Ratio	1.15	0.70	0.71	0.74	0.73	0.78	0.75	0.73	0.74	0.84

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	4.9%	2.3%	2.8%	2.0%	3.1%	2.3%	4.7%	5.7%	4.9%	4.5%
Return on Equity	11.3%	4.5%	5.2%	3.6%	5.8%	4.3%	9.0%	10.6%	8.8%	8.5%
ROIC	5.1%	2.4%	3.0%	2.0%	3.3%	2.4%	5.0%	6.0%	5.2%	4.8%
Shares Out.	75.2	78.8	113.7	113.8	114.1	114.5	118.6	115.6	116.6	116.8
Revenue/Share	13.87	14.28	13.45	13.80	14.38	14.15	15.46	17.48	18.42	18.76
FCF/Share	3.96	3.82	2.79	4.21	4.19	3.35	5.18	6.60	5.13	6.64

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.