

Apartment Investment (AIV)

\$36.41 (As of 05/04/20)

Price Target (6-12 Months): **\$39.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 05/02/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:F

Value: D

Growth: D

Momentum: C

Summary

Apartment Investment and Management Company, commonly known as Aimco, withdrew its 2020 guidance due to the coronavirus crisis. Nevertheless, per management, the company's first-quarter results are aligned with its previously-provided estimates. Aimco has a well-diversified portfolio of residential properties in key markets that are likely to benefit from favorable demographics and household formation trends. Efforts to improve portfolio quality and investments in valuable properties also bode well for long-term growth. Furthermore, the company's balance-sheet position is solid and it has limited maturities for the near term. However, elevated levels of apartment deliveries might adversely impact the company, affecting occupancy and rent growth. Additionally, shares of Aimco have underperformed the industry over the past year.

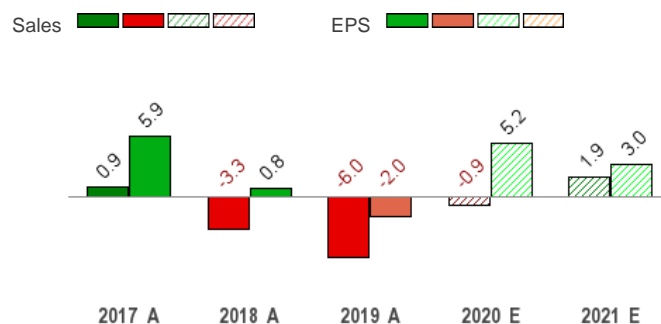
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$55.68 - \$24.53
20 Day Average Volume (sh)	1,557,319
Market Cap	\$5.4 B
YTD Price Change	-29.5%
Beta	0.87
Dividend / Div Yld	\$1.64 / 4.5%
Industry	REIT and Equity Trust - Residential
Zacks Industry Rank	Top 28% (71 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	0.0%
Last Sales Surprise	-0.2%
EPS F1 Est- 4 week change	-0.7%
Expected Report Date	05/07/2020
Earnings ESP	0.0%
P/E TTM	14.6
P/E F1	13.8
PEG F1	2.6
P/S TTM	5.9

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	244 E	244 E	247 E	248 E	923 E
2020	228 E	225 E	226 E	227 E	906 E
2019	230 A	224 A	230 A	230 A	914 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.66 E	\$0.67 E	\$0.68 E	\$0.70 E	\$2.71 E
2020	\$0.66 E	\$0.66 E	\$0.67 E	\$0.67 E	\$2.63 E
2019	\$0.61 A	\$0.60 A	\$0.64 A	\$0.65 A	\$2.50 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 05/04/2020. The reports text is as of 05/05/2020.

Overview

Headquartered in Denver, CO, Apartment Investment and Management Company – commonly known as Aimco – is a real estate investment trust (REIT) that is engaged in the acquisition, ownership, management and redevelopment of apartment properties situated in some of the largest markets in the United States.

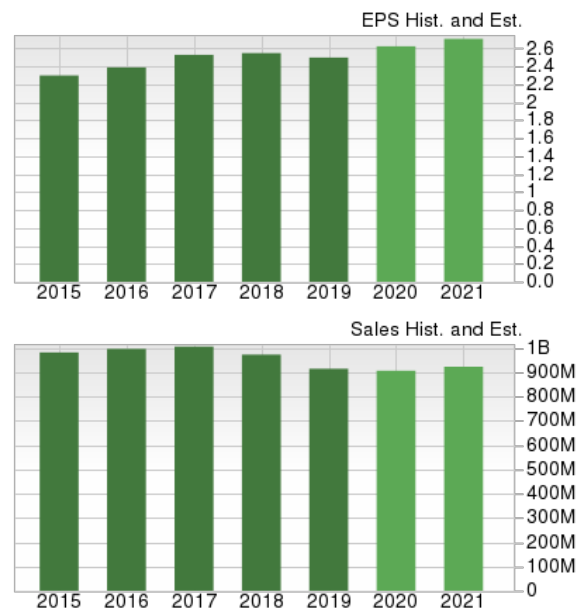
Aimco's portfolio of market rate apartment communities is diversified by both geography and price point. As of Dec 31, 2019, the company's portfolio comprised ownership interest in 124 apartment communities with 32,839 apartment homes in 17 states and the District of Columbia..

In 2019, the company has revised its segmental information as a result of the 2018 sale of the Asset Management business. The company reports in four following segments: Same Store, Redevelopment and Development, Acquisition, and Other Real Estate.

As of Dec 31, 2019, the Same-Store segment consisted of 91 consolidated apartment communities, while the Redevelopment and Development segment included seven consolidated apartment communities. Furthermore, the Acquisition segment included seven consolidated apartment communities and the Other Real Estate segment, 15 apartment communities.

Notably, in December 2019, Aimco announced a \$275-million loan to the partnership which owns Parkmerced Apartments. Accruing interest at 10% per annum, the loan has a five-year term. Also, there is the right of the partnership to extend for a second five-year term. Moreover, it is secured by a pledge of the ownership of the partnership. This loan will offer current income to Aimco. Furthermore, Aimco has acquired a 10-year option to buy a 30% stake in the partnership and thus, participate in its substantial development pipeline.

Note: All EPS numbers presented in this report represent funds from operations ("FFO") per share. FFO, a widely used metric to gauge the performance of REITs, is obtained after adding depreciation and amortization and other non-cash expenses to net income.



Reasons To Buy:

- ▲ Aimco has a sturdy portfolio diversified both in terms of geography and price point, and situated in some key markets in the United States. This helps in diversifying the company's exposure to economic downturns and to competitive new building supply.
- ▲ The rise in demand for apartment properties driven by 'echo boomers' – children of the baby boomer generation – keeps us positive on the stock. This age cohort, which mainly consists of people less than 35 years of age, prefers to stay on their own. Added to this, due to changing lifestyle, people, on an average, are settling later in life and thereby buying homes later, leading to a rising tendency of living in a rented home. Further, as renting is the only viable option for customers who cannot avail mortgage loans or are unwilling to buy a house at present, demand for Aimco's premium rental properties are expected to continue to rise in the coming quarters.
- ▲ Aimco is revamping its portfolio through property sales and reinvesting the proceeds in select apartment homes with projected free cash flow internal rates of return higher than expected from the communities being sold. Moreover, the company is reinvesting the proceeds in measures like capital enhancements, redevelopments and occasional developments. Through these moves, Aimco increased its average revenues per apartment home by 7% to \$2,272. The company's percentage of A, B and C+ home was 54%, 29% and 17%, respectively, in fourth-quarter 2019. Also, during the fourth quarter, Aimco invested \$58 million in redevelopment and development activities. In July 2018, the company also completed its exit from the affordable housing line of business. Such efforts are expected to help the company enhance its overall portfolio quality and achieve a favorable mix for long-term growth.
- ▲ Aimco has been well on track to enhance its balance sheet and liquidity position, and bring down leverage. Further, the company believes completed redevelopments will contribute to earnings growth by increasing EBITDA and thereby, reduce leverage ratios. Further, the company is aimed at boosting its financial flexibility by increasing its pool of unencumbered apartment assets. As of Dec 31, 2019, the estimated fair market value of the company's unencumbered apartment communities was around \$2.4 billion. Furthermore, to bolster liquidity in these uncertain times the company drew down \$300 million under its credit facility. Also, Aimco has access to an asset pool of \$2.4 billion without any debt encumbrances.

Aimco's portfolio diversified in terms of geography and price point, revamping efforts through sales and reinvesting in select apartment homes and decent balance sheet are positives.

Reasons To Sell:

- ▼ Apartment deliveries are expected to remain elevated in a number of the company's markets in the near term.. This high supply is a concern because it curtails landlords' ability to command more rent and result in lesser absorption. Such an environment is predicted to continue in the near term, and result in aggressive rental concessions and moderate pricing power of landlords.
- ▼ In line with its portfolio strategy, the company aims to sell up to 10% of its total apartment communities in its portfolio annually. In 2019, the company sold 12 apartment communities and anticipates property dispositions to range between \$900 million and \$1,000 million for 2020. Although, Aimco's effort to sell non-core assets and buy property in higher-growth submarkets is a strategic fit for the long term, the dilutive impact on earnings from such asset dispositions cannot be avoided in the near term. In fact, the company's top-line performance in the recent quarters was affected by revenues lost from sale of its Asset Management business.
- ▼ Over the past year, shares of Aimco have declined 26.9% compared with the industry's fall of 14.7%. Moreover, the trend in estimate revisions for 2020 FFO per share does not indicate a favorable outlook for the company as estimates have been revised marginally downward over the past month. Therefore, given the above-mentioned concerns and downward estimate revisions, the stock has a limited upside potential.

Completion of a number of projects in Aimco's markets, leading to higher supply, is likely to impact rent growth. In addition, earnings-dilutive impacts of divestiture add to its woes.

Last Earnings Report

Aimco Meets FFO Estimates in Q4

Aimco reported fourth-quarter 2019 pro forma FFO of 65 cents per share, meeting the Zacks Consensus Estimate. Also, the figure improved 5% from the year-ago quarter tally of 62 cents.

Quarterly results benefited from decent growth in same-store property NOI, higher occupancy and increase in rents.

Notably, total revenues of \$230.03 million in the reported quarter missed the Zacks Consensus Estimate of \$230.53 million. Further, the revenue figure came in 0.8% lower than the prior-year quarter's reported tally.

For full-year 2019, the FFO per share came in at \$2.5, in line with the Zacks Consensus Estimate and 2% higher than the prior-year tally of \$2.45. However, total revenues witnessed a 6% decline, year over year, to \$914.3 million.

Quarter in Detail

Same-store revenues (before utility reimbursements) increased 3.3% year over year to \$174.8 million, while expenses (net of utility reimbursements) flared up 4.4% to \$44 million. Consequently, same-store NOI climbed 2.9% year over year to \$130.8 million.

Same-store average daily occupancy expanded 40 basis points (bps) year over year to 97.4%. Rental rates on new leases inched up 0.7%, whereas renewal rental rates increased 5%.

As of Dec 31, 2019, Aimco had cash and restricted cash of \$177 million. Moreover, the estimated fair market value of the company's unencumbered apartment communities was around \$2.4 billion.

Furthermore, at the end of the fourth quarter, Aimco had borrowing capacity of \$518 million under its revolving credit facility, after consideration of \$7 million of letters of credit backed by the facility.

Portfolio Activity

During the October-December period, Aimco disposed four apartment communities consisting of 991 apartment homes. Net proceeds of \$201 million were generated from these sales.

During the reported quarter, Aimco invested \$58 million in redevelopment and development activities. In addition, the company is revamping its portfolio through property sales, and reinvesting the proceeds in select apartment homes with higher rents, superior margins and higher-than-anticipated growth.

Through these moves, Aimco increased its average revenues per apartment home by 7% to \$2,272. However, NOI margin improved to 74% from the year-ago quarter's 73%. The company's percentage of A, B and C+ home was 54%, 29% and 17%, respectively, in fourth-quarter 2019.

Quarter Ending **12/2019**

Report Date	Jan 30, 2020
Sales Surprise	-0.22%
EPS Surprise	0.00%
Quarterly EPS	0.65
Annual EPS (TTM)	2.50

Recent News

Aimco Withdraws 2020 Guidance on Coronavirus Scare – Mar 24, 2020

Aimco withdrew its current year guidance amid the uncertainties due to the coronavirus pandemic. The company mentioned that it would be in a place to provide its full-year guidance, after it gathers more information on the coronavirus outbreak's impact on the economy.

Per management, the company's first-quarter results are aligned with its previously-provided estimates. The company's 2020 outlook for the pro forma FFO per share was projected at \$2.62-\$2.72. Full-year projections were backed by assumptions of same-store revenue growth of 3-3.8% and same-store expense growth of 1.6-2.4%, resulting in same-store NOI improvement of 3.2-4.6%.

Further, the company's balance-sheet position remained solid with the loan to value (LTV) ratio at 32% and has limited maturities in the near term. To have access to liquidity during this turbulent situation, the company informed that it "drew down" \$300 million under its credit facility. Also, Aimco has access to an asset pool of \$2.4 billion without any debt encumbrances. Further, the company delayed its planned capital expenditure of around \$150 million. However, total construction to the tune of \$420 million is expected to continue.

Dividend Update

On Apr 29, Aimco announced cash dividend of 41 cents per share on its common stock for first-quarter 2020. This represented a sequential increase of 5%. The dividend will be paid on May 29, to shareholders on record as of May 15, 2020.

Valuation

Aimco's shares have been down 26.9% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector declined 14.7% and 22.0% in the past year, respectively.

The S&P 500 index is down 3.7% in the past year.

The stock is currently trading at 13.72X forward 12-month FFO, which compares to 16.75X for the Zacks sub-industry, 14.85X for the Zacks sector and 20.16X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 21.32X and as low as 9.39X, with a 5-year median of 17.55X. Our neutral recommendation indicates that the stock will perform in line with the market. Our \$39 price target reflects 14.70X FFO.

The table below shows summary valuation data for AIV.

Valuation Multiples - AIV					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	13.72	16.75	14.85	20.16
	5-Year High	21.32	22.36	16.18	20.16
	5-Year Low	9.39	15.54	11.24	15.19
	5-Year Median	17.55	18.55	13.94	17.44
P/S F12M	Current	5.9	9	4.98	3.19
	5-Year High	8.99	12.16	6.7	3.44
	5-Year Low	4.1	7.42	4.98	2.54
	5-Year Median	6.91	9.25	6.06	3.01
P/B TTM	Current	2.91	2.36	2.08	3.75
	5-Year High	5.42	3.28	2.9	4.55
	5-Year Low	2.02	1.81	1.71	2.84
	5-Year Median	4.04	2.41	2.53	3.64

As of 05/04/2020

Industry Analysis Zacks Industry Rank: Top 28% (71 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
AvalonBay Communities, Inc. (AVB)	Neutral	3
Camden Property Trust (CPT)	Neutral	3
Equity Residential (EQR)	Neutral	3
Essex Property Trust, Inc. (ESS)	Neutral	3
Investors Real Estate Trust (IRET)	Neutral	3
Mid-America Apartment Communities, Inc. (MAA)	Neutral	3
NexPoint Residential Trust, Inc. (NXRT)	Neutral	2
United Dominion Realty Trust, Inc. (UDR)	Neutral	3

Industry Comparison Industry: Reit And Equity Trust - Residential				Industry Peers		
	AIV	X Industry	S&P 500	AVB	EQR	UDR
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	F	-	-	F	C	C
Market Cap	5.42 B	1.23 B	19.65 B	22.26 B	23.26 B	10.77 B
# of Analysts	7	5	14	9	12	10
Dividend Yield	4.50%	4.37%	2.19%	4.02%	3.86%	3.94%
Value Score	D	-	-	F	F	F
Cash/Price	0.03	0.03	0.06	0.01	0.00	0.06
EV/EBITDA	9.19	15.76	11.76	19.77	14.49	16.90
PEG Ratio	2.63	3.52	2.48	3.64	3.43	5.18
Price/Book (P/B)	2.91	1.39	2.63	2.01	2.21	3.20
Price/Cash Flow (P/CF)	6.29	12.51	10.38	14.90	12.49	15.45
P/E (F1)	13.92	14.71	18.81	16.94	17.86	17.00
Price/Sales (P/S)	5.93	5.50	2.02	10.03	8.61	9.35
Earnings Yield	7.22%	6.80%	5.07%	5.91%	5.60%	5.88%
Debt/Equity	2.42	1.04	0.73	0.68	0.86	1.41
Cash Flow (\$/share)	5.79	2.46	7.01	10.61	5.00	2.36
Growth Score	D	-	-	C	B	B
Hist. EPS Growth (3-5 yrs)	3.28%	3.64%	10.87%	4.05%	0.29%	5.67%
Proj. EPS Growth (F1/F0)	5.03%	0.42%	-8.14%	-0.04%	0.26%	3.37%
Curr. Cash Flow Growth	-18.15%	8.85%	5.88%	-9.39%	23.84%	8.47%
Hist. Cash Flow Growth (3-5 yrs)	18.87%	17.18%	8.55%	6.67%	5.74%	5.98%
Current Ratio	0.49	1.04	1.25	0.40	0.28	4.71
Debt/Capital	71.23%	50.61%	44.07%	40.37%	47.40%	58.14%
Net Margin	51.85%	14.33%	11.00%	35.42%	35.93%	16.08%
Return on Equity	25.88%	5.93%	16.43%	7.26%	9.36%	5.81%
Sales/Assets	0.14	0.13	0.55	0.12	0.13	0.13
Proj. Sales Growth (F1/F0)	-0.90%	3.33%	-1.76%	8.28%	1.30%	9.69%
Momentum Score	C	-	-	D	A	A
Daily Price Chg	-0.16%	-0.16%	-0.01%	-0.18%	0.30%	1.22%
1 Week Price Chg	3.93%	3.93%	0.53%	0.04%	-2.63%	-0.52%
4 Week Price Chg	2.51%	6.25%	6.66%	9.02%	3.98%	3.40%
12 Week Price Chg	-32.50%	-28.13%	-20.38%	-28.68%	-26.42%	-26.03%
52 Week Price Chg	-26.83%	-20.56%	-13.44%	-21.15%	-17.99%	-17.65%
20 Day Average Volume	1,557,319	765,050	2,567,149	1,123,636	2,074,998	2,150,164
(F1) EPS Est 1 week change	-0.31%	0.00%	0.00%	-0.52%	0.00%	0.00%
(F1) EPS Est 4 week change	-0.73%	-0.73%	-6.96%	-3.14%	-1.82%	-0.51%
(F1) EPS Est 12 week change	-1.34%	-4.56%	-13.90%	-5.02%	-3.70%	-2.63%
(Q1) EPS Est Mthly Chg	0.15%	-0.27%	-13.62%	-4.16%	-2.66%	-0.21%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	D
Growth Score	D
Momentum Score	C
VGM Score	F

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

Disclosures

This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock. The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page. Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment. This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time. ZIR is not a broker-dealer. ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients. Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

No part of this report can be reprinted, republished or transmitted electronically without the prior written authorization of ZIR.