

Apartment Investment (AIV)

\$38.35 (As of 04/13/20)

Price Target (6-12 Months): **\$41.00**

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

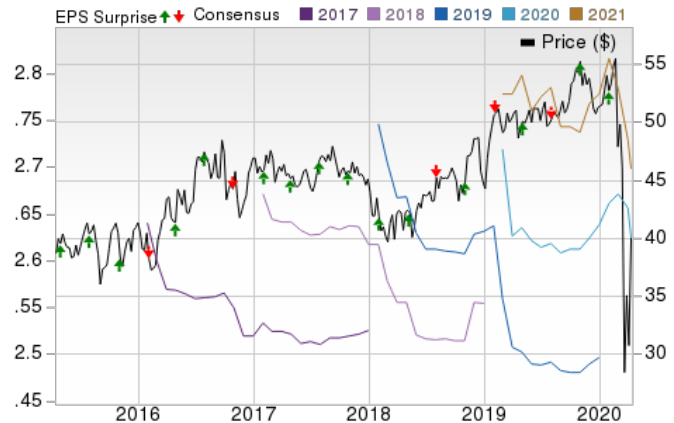
Growth: F

Momentum: B

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.

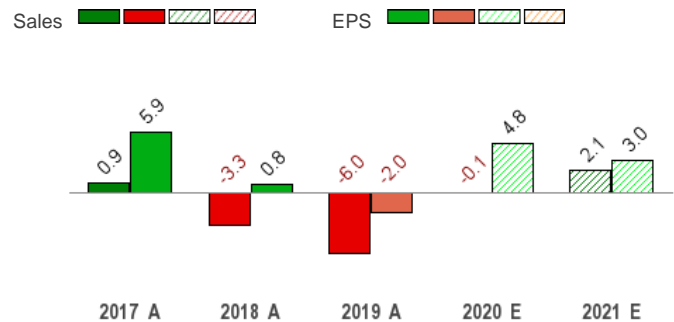
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$55.68 - \$24.53
20 Day Average Volume (sh)	2,009,015
Market Cap	\$5.7 B
YTD Price Change	-25.8%
Beta	0.91
Dividend / Div Yld	\$1.64 / 4.3%
Industry	REIT and Equity Trust - Residential
Zacks Industry Rank	Top 34% (86 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	-1.5%
Expected Report Date	05/07/2020
Earnings ESP	-0.5%
P/E TTM	15.3
P/E F1	14.6
PEG F1	2.8
P/S TTM	6.3

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	241 E	243 E	246 E	246 E	932 E
2020	229 E	227 E	229 E	229 E	913 E
2019	230 A	224 A	230 A	230 A	914 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.66 E	\$0.68 E	\$0.70 E	\$0.71 E	\$2.70 E
2020	\$0.66 E	\$0.66 E	\$0.67 E	\$0.67 E	\$2.62 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 04/13/2020. The reports text is as of 04/14/2020.

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.

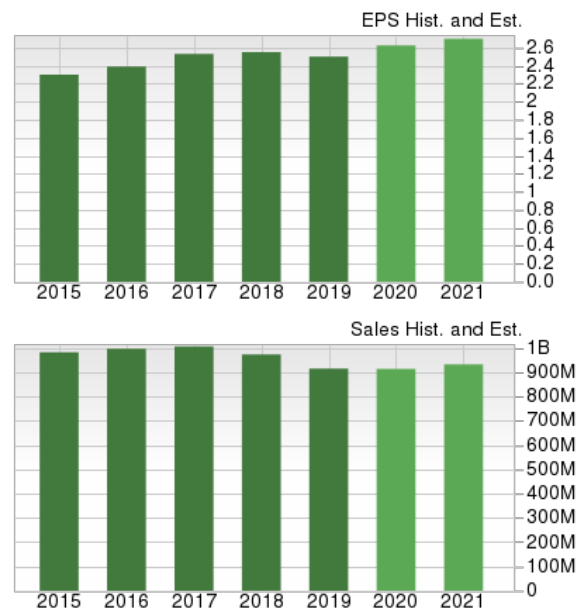
Aimco's portfolio of market rate apartment communities is diversified by both geography and price point. As of Dec 31, 2019, the company's portfolio comprised ownership interest in 124 apartment communities with 32,839 apartment homes in 17 states and the District of Columbia..

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 24.6% compared with the industry's fall of 9.6%. 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 1.9% 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 Jan 29, Aimco announced cash dividend of 41 cents per share on its common stock for fourth-quarter 2019. This represented a sequential increase of 5%. The dividend was paid on Feb 28, to shareholders on record as of Feb 14, 2020.

Valuation

Aimco's shares have been down 24.6% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector declined 9.6% and 17.6% in the past year, respectively.

The S&P 500 index is down 4.6% in the past year.

The stock is currently trading at 14.27X forward 12-month FFO, which compares to 18.10X for the Zacks sub-industry, 13.29X for the Zacks sector and 18.10X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 21.32X and as low as 11.64X, with a 5-year median of 17.58X. Our neutral recommendation indicates that the stock will perform in line with the market. Our \$41 price target reflects 15.26X FFO.

The table below shows summary valuation data for AIV.

Valuation Multiples - AIV					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	14.27	18.1	13.29	18.1
	5-Year High	21.32	19.34	16.19	19.34
	5-Year Low	11.64	15.19	11.23	15.19
	5-Year Median	17.58	17.45	13.95	17.45
P/S F12M	Current	6.19	3.07	4.93	3.07
	5-Year High	8.99	3.44	6.65	5.44
	5-Year Low	5.04	2.54	4.93	2.54
	5-Year Median	6.92	3.01	6.03	3.01
P/B TTM	Current	3.07	3.69	2.13	3.69
	5-Year High	5.42	4.55	2.89	4.55
	5-Year Low	2.02	2.84	1.69	2.84
	5-Year Median	4.04	3.63	2.51	3.63

As of 04/13/2020

Industry Analysis Zacks Industry Rank: Top 34% (86 out of 253)



Top Peers

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

Industry Comparison Industry: Reit And Equity Trust - Residential				Industry Peers		
	AIV Neutral	X Industry	S&P 500	AVB Neutral	EQR Neutral	UDR Neutral
VGM Score	F	-	-	F	D	C
Market Cap	5.71 B	1.31 B	19.08 B	22.72 B	24.74 B	11.37 B
# of Analysts	7	4	14	8	11	10
Dividend Yield	4.28%	4.34%	2.19%	3.94%	3.62%	3.73%
Value Score	D	-	-	F	F	F
Cash/Price	0.03	0.03	0.06	0.01	0.00	0.05
EV/EBITDA	9.46	15.98	11.58	20.08	15.15	17.57
PEG Ratio	2.79	3.42	2.06	3.65	3.44	3.67
Price/Book (P/B)	3.07	1.48	2.58	2.05	2.35	3.38
Price/Cash Flow (P/CF)	6.62	12.65	10.19	15.21	13.29	16.31
P/E (F1)	14.75	14.61	17.15	16.86	18.70	17.86
Price/Sales (P/S)	6.25	5.84	2.07	10.24	9.16	9.87
Earnings Yield	6.83%	6.83%	5.67%	5.93%	5.35%	5.60%
Debt/Equity	2.42	1.02	0.70	0.68	0.86	1.41
Cash Flow (\$/share)	5.79	2.46	7.01	10.61	5.00	2.36
Growth Score	F	-	-	C	B	B
Hist. EPS Growth (3-5 yrs)	3.28%	3.64%	10.92%	4.05%	0.29%	5.67%
Proj. EPS Growth (F1/F0)	4.97%	3.41%	-1.91%	2.48%	1.90%	3.80%
Curr. Cash Flow Growth	-18.15%	8.85%	5.93%	-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	1.24	0.40	0.28	4.71
Debt/Capital	71.23%	47.73%	42.36%	40.37%	47.40%	58.14%
Net Margin	51.85%	14.18%	11.64%	35.42%	35.93%	16.08%
Return on Equity	25.88%	5.81%	16.74%	7.26%	9.36%	5.81%
Sales/Assets	0.14	0.13	0.54	0.12	0.13	0.13
Proj. Sales Growth (F1/F0)	-0.14%	5.09%	0.45%	9.95%	2.29%	9.69%
Momentum Score	B	-	-	C	C	B
Daily Price Chg	-4.05%	-3.77%	-2.62%	-3.56%	-4.21%	-6.23%
1 Week Price Chg	30.45%	24.81%	16.01%	26.58%	27.94%	30.04%
4 Week Price Chg	8.00%	4.73%	14.48%	-1.26%	8.73%	4.73%
12 Week Price Chg	-27.30%	-26.25%	-21.69%	-25.30%	-19.39%	-18.74%
52 Week Price Chg	-24.64%	-16.94%	-14.14%	-20.93%	-14.30%	-15.68%
20 Day Average Volume	2,009,015	976,323	3,634,618	1,544,736	3,139,658	2,687,725
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	-0.25%	-0.17%	0.00%
(F1) EPS Est 4 week change	-1.48%	-1.81%	-5.74%	-2.15%	-1.81%	-1.60%
(F1) EPS Est 12 week change	-0.50%	-2.63%	-8.41%	-2.68%	-1.81%	-2.26%
(Q1) EPS Est Mthly Chg	-0.10%	-0.74%	-10.28%	-2.24%	-1.73%	-1.81%

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	F
Momentum Score	B
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.

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