

ModernGraham Valuation

AvalonBay
Communities Inc



Company Name:

Company Ticker AVB

Date of Analysis

2/28/2018

Stage 1: Is this company suitable for the Defensive Investor or the Enterprising Investor?

Defensive Investor; must pass 6 out of the following 7 tests.

1. Adequate Size of the Enterprise	Market Cap > \$2Bil	\$21,545,664,869	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	0.37	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Pass
4. Dividend Record	Dividend Payments for 10 years prior		Pass
5. Earnings Growth	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	104.40%	Pass
6. Moderate PEmg Ratio	PEmg < 20	27.38	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	2.08	Pass

Enterprising Investor; must pass 4 out of the following 5 tests, or be suitable for the Defensive Investor.

1. Sufficiently Strong Financial Condition	Current Ratio > 1.5	0.37	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	-18.41	Fail
3. Earnings Stability	Positive EPS for 5 years prior		Pass
4. Dividend Record	Currently Pays Dividend		Pass
5. Earnings Growth	EPSmg greater than 5 years ago Score		Pass

Suitability

Defensive	No
Enterprising	No

Stage 2: Determination of Intrinsic Value

EPSmg	\$5.70
MG Growth Estimate	5.70%
MG Value	\$113.45
MG Value based on 3% Growth	\$82.64
MG Value based on 0% Growth	\$48.44
Market Implied Growth Rate	9.44%

MG Opinion

Current Price	\$156.02
% of Intrinsic Value	137.52%
Opinion	Overvalued
MG Grade	D+

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$56.36
Graham Number	\$84.91
PEmg	27.38
Current Ratio	0.37
PB Ratio	2.08
Current Dividend	\$5.68
Dividend Yield	3.64%
Number of Consecutive Years of Dividend Growth	6

Useful Links:

ModernGraham tagged articles	Morningstar
Google Finance	MSN Money
Yahoo Finance	Seeking Alpha
GuruFocus	SEC Filings

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$4.26	Next Fiscal Year Estimate	\$5.70
Dec2017	\$6.35	Dec2017	\$6.10
Dec2016	\$7.52	Dec2016	\$5.68
Dec2015	\$5.51	Dec2015	\$4.68
Dec2014	\$5.21	Dec2014	\$4.13
Dec2013	\$2.78	Dec2013	\$3.46
Dec2012	\$4.32	Dec2012	\$3.75
Dec2011	\$4.87	Dec2011	\$3.54
Dec2010	\$2.07	Dec2010	\$3.05
Dec2009	\$1.93	Dec2009	\$3.62
Dec2008	\$5.17	Dec2008	\$4.31
Dec2007	\$4.38	Dec2007	\$3.82
Dec2006	\$3.42	Dec2006	\$3.45
Dec2005	\$4.05	Dec2005	\$3.37
Dec2004	\$2.92	Dec2004	\$2.99
Dec2003	\$3.73	Dec2003	\$2.91
Dec2002	\$2.23	Dec2002	\$2.45
Dec2001	\$3.02	Balance Sheet Information 12/1/2017	
Dec2000	\$2.53	Total Current Assets	\$234,592,000
Dec1999	\$2.03	Total Current Liabilities	\$632,776,000
Dec1998	\$1.84	Long-Term Debt	\$7,329,470,000
		Total Assets	\$18,414,821,000
		Intangible Assets	\$0
		Total Liabilities	\$8,026,775,000
		Shares Outstanding (Diluted Average)	138,248,000





Disclaimer:

This valuation is not investment advice. Anyone who is considering making an investment decision should speak to a registered investment advisor. The author did not hold a position in any company mentioned in this article at the time of publication and had no intention of changing those holdings within the next 72 hours.

Recommended Reading:

Other ModernGraham posts about the company [AvalonBay Communities Inc Valuation – May 2016 \\$AVB](#)
[AvalonBay Communities Inc. Annual Valuation – 2014 \\$AVB](#)

Other ModernGraham posts about related companies [Weyerhaeuser Co Valuation – February 2018 \\$WY](#)
[Alexandria Real Estate Equities Inc Valuation – February 2018 \\$ARE](#)
[Education Realty Trust Inc Valuation – Initial Coverage \\$EDR](#)
[American Campus Communities Inc Valuation – September 2017 \\$ACC](#)
[First Industrial Realty Trust Inc Valuation – Initial Coverage \\$FR](#)
[Saul Centers Inc Valuation – Initial Coverage \\$BFS](#)
[Douglas Emmett Inc Valuation – Initial Coverage \\$DEI](#)
[Lexington Realty Trust Valuation – Initial Coverage \\$LXP](#)
[LTC Properties Inc Valuation – Initial Coverage \\$LTC](#)
[REIT Industry Review – April 2017](#)