



News Release

American Homes 4 Rent Reports Third Quarter 2019 Financial and Operating Results

AGOURA HILLS, Calif., Nov. 7, 2019—American Homes 4 Rent (NYSE: AMH) (the “Company”), a leading provider of high-quality single-family homes for rent, today announced its financial and operating results for the quarter ended September 30, 2019.

Highlights

- Total revenues increased 6.5% to \$298.3 million for the third quarter of 2019 from \$280.1 million for the third quarter of 2018.
- Net income attributable to common shareholders totaled \$23.5 million, or \$0.08 per diluted share, for the third quarter of 2019, compared to \$15.2 million, or \$0.05 per diluted share, for the third quarter of 2018.
- Core Funds from Operations (“Core FFO”) attributable to common share and unit holders for the third quarter of 2019 was \$97.4 million, or \$0.28 per FFO share and unit, compared to \$92.2 million, or \$0.26 per FFO share and unit, for the third quarter of 2018, which represents a 5.4% increase on a per share and unit basis.
- Adjusted Funds from Operations (“Adjusted FFO”) attributable to common share and unit holders for the third quarter of 2019 was \$83.9 million, or \$0.24 per FFO share and unit, compared to \$79.4 million, or \$0.23 per FFO share and unit, for the third quarter of 2018, which represents a 5.2% increase on a per share and unit basis.
- Core Net Operating Income (“Core NOI”) from Same-Home properties increased by 2.5% year-over-year for the third quarter of 2019. Core NOI After Capital Expenditures from Same-Home properties increased by 2.0% year-over-year for the third quarter of 2019.
- Maintained strong Same-Home portfolio Average Occupied Days Percentage of 95.1% while achieving a 3.6% year-over-year growth in Average Monthly Realized Rent per property for the third quarter of 2019.
- Raised Full Year 2019 Core FFO attributable to common share and unit holders guidance by \$0.01 per share and unit at the midpoint to a range of \$1.10 to \$1.12, along with updates to certain other components to 2019 guidance.

“The American Homes 4 Rent platform continues to deliver strong and consistent operating results as we prepare for our next chapter of growth,” stated David Singelyn, American Homes 4 Rent’s Chief Executive Officer. “To date, we’ve strategically invested into building a one-of-a-kind internal development program that, when coupled with our operating platform and best-in-class balance sheet, clearly differentiates AMH and positions our portfolio for outsized growth. We are excited to be on the forefront of the built-for-rental home opportunity, which has the potential to both revolutionize our industry and further enhance long-term value creation for our shareholders.”

Third Quarter 2019 Financial Results

On January 1, 2019, the Company adopted the new lease accounting standard, ASU No. 2016-02, which prospectively results in a larger portion of internal leasing costs being expensed that were previously capitalized. For purposes of comparability, applicable prior period non-GAAP financial metrics have been conformed to reflect the new lease accounting standard. Refer to Non-GAAP Financial Measures for further information.

Net income attributable to common shareholders totaled \$23.5 million, or \$0.08 per diluted share, for the third quarter of 2019, compared to \$15.2 million, or \$0.05 per diluted share, for the third quarter of 2018. This improvement was primarily attributable to higher revenues resulting from a larger number of occupied properties and higher rental rates, which were offset in part by higher property operating expenses and property management expenses, as well as an increase in gain on sale of single-family properties and other, net.



Total revenues increased 6.5% to \$298.3 million for the third quarter of 2019 from \$280.1 million for the third quarter of 2018. Revenue growth was primarily driven by continued strong leasing activity, as our average occupied portfolio grew to 48,990 homes for the quarter ended September 30, 2019, compared to 47,655 homes for the quarter ended September 30, 2018, as well as higher rental rates.

Core NOI on our total portfolio increased 5.1% to \$150.9 million for the third quarter of 2019, compared to \$143.6 million for the third quarter of 2018. This increase was primarily due to growth in rental income resulting from a larger number of occupied properties and higher rental rates, partially offset by higher property tax expense and higher repairs and maintenance and turnover costs, net.

Core revenues from Same-Home properties increased 3.9% to \$189.6 million for the third quarter of 2019, compared to \$182.5 million for the third quarter of 2018. This growth was primarily driven by a 3.6% increase in Average Monthly Realized Rent per property as well as higher fees from single-family properties resulting from operational enhancements to our fee structure. Core property operating expenses from Same-Home properties increased 6.3% to \$72.4 million for the third quarter of 2019, compared to \$68.1 million for the third quarter of 2018, driven mostly by higher property tax expense related to outsized 2019 valuation increases and higher repairs and maintenance and turnover costs, net primarily due to multiple hurricane and weather-related events, resulting in \$1.0 million of expenses in the third quarter of 2019. As a result, Core NOI from Same-Home properties increased 2.5% to \$117.2 million for the third quarter of 2019, compared to \$114.4 million for the third quarter of 2018. After capital expenditures, Core NOI from Same-Home properties increased 2.0% to \$107.2 million for the third quarter of 2019, compared to \$105.1 million for the third quarter of 2018. For the third quarter of 2019, capital expenditures reflected above average increases from the planned expansion of our strategic preventative maintenance program.

Core FFO attributable to common share and unit holders was \$97.4 million, or \$0.28 per FFO share and unit, for the third quarter of 2019, compared to \$92.2 million, or \$0.26 per FFO share and unit, for the third quarter of 2018. Adjusted FFO attributable to common share and unit holders for the third quarter of 2019 was \$83.9 million, or \$0.24 per FFO share and unit, compared to \$79.4 million, or \$0.23 per FFO share and unit, for the third quarter of 2018. This improvement was primarily attributable to increases in rental revenue driven by a larger number of occupied properties and higher rental rates, partially offset by higher property tax expense and higher repairs and maintenance and turnover costs, net.

Year-to-Date 2019 Financial Results

On January 1, 2019, the Company adopted the new lease accounting standard, ASU No. 2016-02, which prospectively results in a larger portion of internal leasing costs being expensed that were previously capitalized. For purposes of comparability, applicable prior period non-GAAP financial metrics have been conformed to reflect the new lease accounting standard. Refer to Non-GAAP Financial Measures for further information.

Net income attributable to common shareholders was \$62.3 million, or \$0.21 per diluted share, for the nine-month period ended September 30, 2019, compared to \$5.8 million, or \$0.02 per diluted share, for the nine-month period ended September 30, 2018. This improvement was primarily attributable to higher revenues resulting from a larger number of occupied properties and higher rental rates, an increase in gain on sale of single-family properties and other, net, and a noncash charge related to the redemption of the Series C participating preferred shares through a conversion into Class A common shares during the second quarter of 2018.

Total revenues increased 7.1% to \$859.4 million for the nine-month period ended September 30, 2019 from \$802.5 million for the nine-month period ended September 30, 2018. Revenue growth was primarily driven by continued strong leasing activity, as our average occupied portfolio grew to 48,667 homes as of September 30, 2019, compared to 47,255 homes as of September 30, 2018.



Core NOI on our total portfolio increased 7.6% to \$455.5 million for the nine-month period ended September 30, 2019, compared to \$423.2 million for the nine-month period ended September 30, 2018. This increase was primarily due to growth in rental income resulting from a larger number of occupied properties and higher rental rates, partially offset by higher property tax expense, higher repairs and maintenance and turnover costs, net and higher property management expenses, net.

Core revenues from Same-Home properties increased 4.2% to \$565.9 million for the nine-month period ended September 30, 2019, compared to \$543.3 million for the nine-month period ended September 30, 2018. This growth was primarily driven by a 3.6% increase in Average Monthly Realized Rent per property and an increase in Average Occupied Days Percentage to 95.4% from 95.1% as well as higher fees from single-family properties resulting from operational enhancements to our fee structure. Core property operating expenses from Same-Home properties increased 4.8% to \$208.0 million for the nine-month period ended September 30, 2019, compared to \$198.5 million for the nine-month period ended September 30, 2018, driven mostly by higher property tax expense related to outsized 2019 valuation increases and higher repairs and maintenance and turnover costs, net. As a result, Core NOI from Same-Home properties increased 3.8% to \$357.9 million for the nine-month period ended September 30, 2019, compared to \$344.8 million for the nine-month period ended September 30, 2018. After capital expenditures, Core NOI from Same-Home properties increased 3.3% to \$333.3 million for the nine-month period ended September 30, 2019, compared to \$322.6 million for the nine-month period ended September 30, 2018. For the nine-month period ended September 30, 2019, capital expenditures reflected above average increases from the planned expansion of our strategic preventative maintenance program.

Core FFO attributable to common share and unit holders was \$291.4 million, or \$0.83 per FFO share and unit, for the nine-month period ended September 30, 2019, compared to \$267.3 million, or \$0.77 per FFO share and unit, for the nine-month period ended September 30, 2018. Adjusted FFO attributable to common share and unit holders for the nine-month period ended September 30, 2019 was \$257.5 million, or \$0.73 per FFO share and unit, compared to \$236.2 million, or \$0.68 per FFO share and unit, for the nine-month period ended September 30, 2018. This improvement was primarily attributable to increases in rental revenue driven by a larger number of occupied properties and higher rental rates, partially offset by higher property tax expense, higher repairs and maintenance and turnover costs, net and higher property management expenses, net.

Portfolio

As of September 30, 2019, the Company had an occupancy percentage of 95.6%, compared to 96.4% as of June 30, 2019. The occupancy percentage on Same-Home properties was 95.7% as of September 30, 2019, compared to 96.4% as of June 30, 2019.

Investments

As of September 30, 2019, the Company's total portfolio consisted of 52,537 homes, including 1,439 properties held for sale, compared to 52,634 homes as of June 30, 2019, including 1,664 properties held for sale, a decrease of 97 homes, which included 341 homes sold, offset by 9 properties acquired through traditional acquisition channels and 235 newly constructed properties delivered through our AMH Development and National Builder Programs.

Capital Activities and Balance Sheet

As of September 30, 2019, the Company had cash and cash equivalents of \$171.2 million and had total outstanding debt of \$2.9 billion, excluding unamortized discounts and unamortized deferred financing costs, with a weighted-average interest rate of 4.4% and a weighted-average term to maturity of 13.4 years. The Company had no outstanding borrowings on its \$800.0 million revolving credit facility at the end of the quarter.



2019 Guidance

Guidance Summary

	Full Year 2019	
	Previous Guidance	Current Guidance
Core FFO attributable to common share and unit holders	\$1.06 - \$1.14	\$1.10 - \$1.12
Same-Home		
Core revenues growth	3.2% - 4.2%	3.8% - 4.2%
Core property operating expenses growth	3.5% - 4.5%	4.7% - 5.1%
Core NOI growth	3.0% - 4.0%	3.3% - 3.7%
Core NOI After Capital Expenditures growth	2.6% - 3.6%	2.9% - 3.3%

Changes to Full Year 2019 guidance:

- Core FFO attributable to common share and unit holders revised to reflect higher NOI growth from Non-Same-Home properties.
- Same-Home Core revenues growth revised to reflect better than expected strength in Average Occupied Days.
- Same-Home Core property operating expenses growth revised to reflect higher than expected property tax expense related to outsized 2019 valuation increases.

Note: The Company does not provide guidance for the most comparable GAAP financial measures of net income or loss, total revenues and property operating expenses, or a reconciliation of the above-listed forward-looking non-GAAP financial measures to the comparable GAAP financial measures because we are unable to reasonably predict certain items contained in the GAAP measures, including non-recurring and infrequent items that are not indicative of the Company's ongoing operations. Such items include, but are not limited to, net gain or loss on sales and impairment of single-family properties, casualty loss, Non-Same-Home revenues and Non-Same-Home property operating expenses. These items are uncertain, depend on various factors and could have a material impact on our GAAP results for the guidance period.

Additional Information

A copy of the Company's Third Quarter 2019 Earnings Release and Supplemental Information Package and this press release are available on our website at www.americanhomes4rent.com. This information has also been furnished to the SEC in a current report on Form 8-K.

Conference Call

A conference call is scheduled on Friday, November 8, 2019, at 11:00 a.m. Eastern Time to discuss the Company's financial results for the quarter ended September 30, 2019, and to provide an update on its business. The domestic dial-in number is (877) 451-6152 (U.S. and Canada) and the international dial-in number is (201) 389-0879 (passcode not required). A simultaneous audio webcast may be accessed by using the link at www.americanhomes4rent.com, under "For Investors." A replay of the conference call may be accessed through Friday, November 22, 2019 by calling (844) 512-2921 (U.S. and Canada) or (412) 317-6671 (international), replay passcode number 13695224#, or by using the link at www.americanhomes4rent.com, under "For Investors."



About American Homes 4 Rent

American Homes 4 Rent (NYSE: AMH) is a leader in the single-family home rental industry and “American Homes 4 Rent” is fast becoming a nationally recognized brand for rental homes, known for high-quality, good value and tenant satisfaction. We are an internally managed Maryland real estate investment trust, or REIT, focused on acquiring, developing, renovating, leasing, and operating attractive, single-family homes as rental properties. As of September 30, 2019, we owned 52,537 single-family properties in selected submarkets in 22 states.

Forward-Looking Statements

This press release contains “forward-looking statements.” These forward-looking statements relate to beliefs, expectations or intentions and similar statements concerning matters that are not of historical fact and are generally accompanied by words such as “estimate,” “project,” “predict,” “believe,” “expect,” “anticipate,” “intend,” “potential,” “plan,” “goal,” “outlook,” “guidance” or other words that convey the uncertainty of future events or outcomes. Examples of forward-looking statements contained in this press release include, among others, our 2019 Guidance and our belief that there will be continued strong demand for single-family rentals and our ability to continue to expand our built-for-rental program and deliver consistent operating results. The Company has based these forward-looking statements on its current expectations and assumptions about future events. While the Company’s management considers these expectations to be reasonable, they are inherently subject to risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond the Company’s control and could cause actual results to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. Investors should not place undue reliance on these forward-looking statements, which speak only as of the date of this press release. The Company undertakes no obligation to update any forward-looking statements to conform to actual results or changes in its expectations, unless required by applicable law. For a further description of the risks and uncertainties that could cause actual results to differ from those expressed in these forward-looking statements, as well as risks relating to the business of the Company in general, see the “Risk Factors” disclosed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018, and in the Company’s subsequent filings with the SEC.



American Homes 4 Rent
Condensed Consolidated Balance Sheets
(Amounts in thousands, except share data)

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
	(Unaudited)	
Assets		
Single-family properties:		
Land	\$ 1,736,130	\$ 1,713,496
Buildings and improvements	7,612,612	7,483,600
Single-family properties in operation	<u>9,348,742</u>	<u>9,197,096</u>
Less: accumulated depreciation	<u>(1,389,216)</u>	<u>(1,176,499)</u>
Single-family properties in operation, net	7,959,526	8,020,597
Single-family properties under development and development land	262,138	153,651
Single-family properties held for sale, net	<u>247,529</u>	<u>318,327</u>
Total real estate assets, net	8,469,193	8,492,575
Cash and cash equivalents	171,209	30,284
Restricted cash	126,801	144,930
Rent and other receivables, net	36,302	29,027
Escrow deposits, prepaid expenses and other assets	182,894	146,034
Deferred costs and other intangibles, net	7,777	12,686
Asset-backed securitization certificates	25,666	25,666
Goodwill	120,279	120,279
Total assets	<u>\$ 9,140,121</u>	<u>\$ 9,001,481</u>
Liabilities		
Revolving credit facility	\$ —	\$ 250,000
Term loan facility, net	—	99,232
Asset-backed securitizations, net	1,949,002	1,961,511
Unsecured senior notes, net	888,113	492,800
Accounts payable and accrued expenses	295,544	219,229
Amounts payable to affiliates	273	4,967
Total liabilities	<u>3,132,932</u>	<u>3,027,739</u>
Commitments and contingencies		
Equity		
Shareholders' equity:		
Class A common shares (\$0.01 par value per share, 450,000,000 shares authorized, 300,075,999 and 296,014,546 shares issued and outstanding at September 30, 2019 and December 31, 2018, respectively)	3,000	2,960
Class B common shares (\$0.01 par value per share, 50,000,000 shares authorized, 635,075 shares issued and outstanding at September 30, 2019 and December 31, 2018)	6	6
Preferred shares (\$0.01 par value per share, 100,000,000 shares authorized, 35,350,000 shares issued and outstanding at September 30, 2019 and December 31, 2018)	354	354
Additional paid-in capital	5,788,950	5,732,466
Accumulated deficit	(473,893)	(491,214)
Accumulated other comprehensive income	<u>6,862</u>	<u>7,393</u>
Total shareholders' equity	5,325,279	5,251,965
Noncontrolling interest	<u>681,910</u>	<u>721,777</u>
Total equity	<u>6,007,189</u>	<u>5,973,742</u>
Total liabilities and equity	<u>\$ 9,140,121</u>	<u>\$ 9,001,481</u>



American Homes 4 Rent
Condensed Consolidated Statements of Operations
(Amounts in thousands, except share and per share data)
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenues:				
Rents and other single-family property revenues	\$ 293,064	\$ 278,187	\$ 850,672	\$ 797,732
Other	5,240	1,865	8,696	4,807
Total revenues	298,304	280,052	859,368	802,539
Expenses:				
Property operating expenses	119,791	113,600	331,066	313,430
Property management expenses	22,727	18,865	65,086	56,468
General and administrative expense	11,107	9,265	31,028	28,173
Interest expense	31,465	30,930	95,951	92,209
Acquisition and other transaction costs	651	1,055	2,455	3,687
Depreciation and amortization	82,073	79,940	246,074	237,562
Other	2,610	1,069	5,148	3,520
Total expenses	270,424	254,724	776,808	735,049
Gain on sale of single-family properties and other, net	13,521	4,953	32,895	10,449
Loss on early extinguishment of debt	—	—	(659)	(1,447)
Remeasurement of participating preferred shares	—	—	—	1,212
Net income	41,401	30,281	114,796	77,704
Noncontrolling interest	4,099	2,881	11,129	845
Dividends on preferred shares	13,782	12,223	41,346	38,804
Redemption of participating preferred shares	—	—	—	32,215
Net income attributable to common shareholders	\$ 23,520	\$ 15,177	\$ 62,321	\$ 5,840
Weighted-average common shares outstanding:				
Basic	300,580,978	296,214,509	298,974,146	292,656,914
Diluted	301,032,855	296,967,649	299,479,234	293,319,245
Net income attributable to common shareholders per share:				
Basic	\$ 0.08	\$ 0.05	\$ 0.21	\$ 0.02
Diluted	\$ 0.08	\$ 0.05	\$ 0.21	\$ 0.02



Non-GAAP Financial Measures

This press release and the Third Quarter 2019 Earnings Release and Supplemental Information Package include Funds from Operations attributable to common share and unit holders (“FFO attributable to common share and unit holders”), Core FFO attributable to common share and unit holders, Adjusted FFO attributable to common share and unit holders, Core NOI, Same-Home Core NOI and Same-Home Core NOI After Capital Expenditures, which are non-GAAP financial measures. We believe these measures are helpful in understanding our financial performance and are widely used in the REIT industry. Because other REITs may not compute these financial measures in the same manner, they may not be comparable among REITs. In addition, these metrics are not substitutes for net income or loss or net cash flows from operating activities, as defined by GAAP, as measures of our operating performance, liquidity or ability to pay dividends. Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP measures are included in this press release and in the Third Quarter 2019 Earnings Release and Supplemental Information Package.



Funds from Operations attributable to common share and unit holders

The following is a reconciliation of net income or loss attributable to common shareholders to FFO attributable to common share and unit holders, Core FFO attributable to common share and unit holders and Adjusted FFO attributable to common share and unit holders for the three and nine months ended September 30, 2019 and 2018 (amounts in thousands, except share data):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
Net income attributable to common shareholders	\$ 23,520	\$ 15,177	\$ 62,321	\$ 5,840
Adjustments:				
Noncontrolling interests in the Operating Partnership	4,099	2,881	11,129	1,104
Net (gain) on sale / impairment of single-family properties and other	(11,871)	(4,393)	(29,812)	(7,653)
Adjustments for unconsolidated joint ventures	(325)	—	976	—
Depreciation and amortization	82,073	79,940	246,074	237,562
Less: depreciation and amortization of non-real estate assets	(1,991)	(1,845)	(5,902)	(5,462)
FFO attributable to common share and unit holders	<u>\$ 95,505</u>	<u>\$ 91,760</u>	<u>\$ 284,786</u>	<u>\$ 231,391</u>
Adjustments:				
Internal leasing costs ⁽¹⁾	—	(2,451)	—	(5,813)
Acquisition and other transaction costs	651	1,055	2,455	3,687
Noncash share-based compensation - general and administrative	938	491	2,520	1,609
Noncash share-based compensation - property management	350	341	989	1,141
Noncash interest expense related to acquired debt	—	973	—	2,810
Loss on early extinguishment of debt	—	—	659	1,447
Remeasurement of participating preferred shares	—	—	—	(1,212)
Redemption of participating preferred shares	—	—	—	32,215
Core FFO attributable to common share and unit holders	<u>\$ 97,444</u>	<u>\$ 92,169</u>	<u>\$ 291,409</u>	<u>\$ 267,275</u>
Recurring capital expenditures ⁽²⁾	(12,475)	(11,467)	(30,665)	(27,342)
Leasing costs	(1,115)	(3,722)	(3,244)	(9,556)
Internal leasing costs ⁽¹⁾	—	2,451	—	5,813
Adjusted FFO attributable to common share and unit holders	<u>\$ 83,854</u>	<u>\$ 79,431</u>	<u>\$ 257,500</u>	<u>\$ 236,190</u>
<i>Per FFO share and unit:</i>				
FFO attributable to common share and unit holders	<u>\$ 0.27</u>	<u>\$ 0.26</u>	<u>\$ 0.81</u>	<u>\$ 0.66</u>
Core FFO attributable to common share and unit holders	<u>\$ 0.28</u>	<u>\$ 0.26</u>	<u>\$ 0.83</u>	<u>\$ 0.77</u>
Adjusted FFO attributable to common share and unit holders	<u>\$ 0.24</u>	<u>\$ 0.23</u>	<u>\$ 0.73</u>	<u>\$ 0.68</u>

Weighted-average FFO shares and units:

Common shares outstanding	300,580,978	296,214,509	298,974,146	292,656,914
Share-based compensation plan ⁽³⁾	611,476	753,140	660,267	662,331
Operating partnership units	52,133,502	55,350,153	53,388,074	55,350,153
Total weighted-average FFO shares and units	<u>353,325,956</u>	<u>352,317,802</u>	<u>353,022,487</u>	<u>348,669,398</u>

- Adjustment amount reflects the portion of leasing costs that were previously capitalized and treated as a reduction to Adjusted FFO attributable to common share and unit holders that would be expensed under the new lease accounting standard ASU 2016-02, adopted by the Company on January 1, 2019.
- As a portion of our homes are recently developed, acquired and/or renovated, we estimate recurring capital expenditures for our entire portfolio by multiplying (a) current period actual recurring capital expenditures per Same-Home Property by (b) our total number of properties, excluding newly acquired non-stabilized properties and properties classified as held for sale.
- Reflects the effect of potentially dilutive securities issuable upon the assumed vesting/exercise of restricted stock units and stock options.



FFO attributable to common share and unit holders is a non-GAAP financial measure that we calculate in accordance with the definition approved by the National Association of Real Estate Investment Trusts (“NAREIT”), which defines FFO as net income or loss calculated in accordance with GAAP, excluding gains and losses from sales or impairment of real estate, plus real estate-related depreciation and amortization (excluding amortization of deferred financing costs and depreciation of non-real estate assets), and after adjustments for unconsolidated partnerships and joint ventures to reflect FFO on the same basis.

Core FFO attributable to common share and unit holders is a non-GAAP financial measure that we use as a supplemental measure of our performance. We compute this metric by adjusting FFO attributable to common share and unit holders for (1) acquisition and other transaction costs incurred with business combinations and the acquisition or disposition of properties, (2) noncash share-based compensation expense, (3) noncash interest expense related to acquired debt, (4) hurricane-related charges, net, which result in material charges to the impacted single-family properties, (5) gain or loss on early extinguishment of debt, (6) noncash fair value adjustments associated with remeasuring our participating preferred shares derivative liability to fair value, and (7) the allocation of income to our participating preferred shares in connection with their redemption.

Adjusted FFO attributable to common share and unit holders is a non-GAAP financial measure that we use as a supplemental measure of our performance. We compute this metric by adjusting Core FFO attributable to common share and unit holders for (1) recurring capital expenditures that are necessary to help preserve the value and maintain functionality of our properties and (2) capitalized leasing costs incurred during the period. As a portion of our homes are recently developed, acquired and/or renovated, we estimate recurring capital expenditures for our entire portfolio by multiplying (a) current period actual recurring capital expenditures per Same-Home Property by (b) our total number of properties, excluding newly acquired non-stabilized properties and properties classified as held for sale.

We present FFO attributable to common share and unit holders, as well as on a per FFO share and unit basis, because we consider this metric to be an important measure of the performance of real estate companies, as do many investors and analysts in evaluating the Company. We believe that FFO attributable to common share and unit holders provides useful information to investors because this metric excludes depreciation, which is included in computing net income and assumes the value of real estate diminishes predictably over time. We believe that real estate values fluctuate due to market conditions and in response to inflation. We also believe that Core FFO and Adjusted FFO attributable to common share and unit holders, as well as on a per FFO share and unit basis, provide useful information to investors because they allow investors to compare our operating performance to prior reporting periods without the effect of certain items that, by nature, are not comparable from period to period.

FFO shares and units include weighted-average common shares and operating partnership units outstanding, as well as potentially dilutive securities.

FFO, Core FFO and Adjusted FFO attributable to common share and unit holders are not a substitute for net income or net cash provided by operating activities, each as determined in accordance with GAAP, as a measure of our operating performance, liquidity or ability to pay dividends. These metrics also are not necessarily indicative of cash available to fund future cash needs. Because other REITs may not compute these measures in the same manner, they may not be comparable among REITs.



Core Net Operating Income

Core NOI, which we also present separately for our Same-Home portfolio, is a supplemental non-GAAP financial measure that we define as core revenues, which is calculated as total revenues, excluding expenses reimbursed by tenant charge-backs and other revenues, less core property operating expenses, which is calculated as property operating and property management expenses, excluding noncash share-based compensation expense and expenses reimbursed by tenant charge-backs. Our Same-Home portfolio consists of our single-family properties that have been stabilized longer than 90 days prior to the beginning of the earliest period presented, and that have not been classified as held for sale, identified for future sale or taken out of service as a result of a casualty loss.

Core NOI also excludes (1) noncash fair value adjustments associated with remeasuring our participating preferred shares derivative liability to fair value, (2) noncash gain or loss on conversion of shares or units, (3) gain or loss on early extinguishment of debt, (4) hurricane-related charges, net, which result in material charges to the impacted single-family properties, (5) gain or loss on sales of single-family properties and other, (6) depreciation and amortization, (7) acquisition and other transaction costs incurred with business combinations and the acquisition or disposition of properties, (8) noncash share-based compensation expense, (9) interest expense, (10) general and administrative expense, (11) other expenses and (12) other revenues. We believe Core NOI provides useful information to investors about the operating performance of our single-family properties without the impact of certain operating expenses that are reimbursed through tenant charge-backs. We further adjust Core NOI for our Same-Home portfolio by subtracting recurring capital expenditures to calculate Same-Home Core NOI After Capital Expenditures, which we believe provides useful information to investors because it more fully reflects our operating performance after the impact of all property-level expenditures, regardless of whether they are capitalized or expensed.

Core NOI and Same-Home Core NOI After Capital Expenditures should be considered only as supplements to net income or loss as a measure of our performance and should not be used as measures of our liquidity, nor are they indicative of funds available to fund our cash needs, including our ability to pay dividends or make distributions. Additionally, these metrics should not be used as substitutes for net income or loss or net cash flows from operating activities (as computed in accordance with GAAP).



The following are reconciliations of core revenues, Same-Home core revenues, core property operating expenses, Same-Home core property operating expenses, Core NOI, Same-Home Core NOI and Same-Home Core NOI After Capital Expenditures to their respective GAAP metrics for the three and nine months ended September 30, 2019 and 2018 (amounts in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
Core revenues and Same-Home core revenues				
Total revenues	\$ 298,304	\$ 280,052	\$ 859,368	\$ 802,539
Tenant charge-backs	(48,306)	(44,152)	(123,561)	(112,876)
Other revenues	(5,240)	(1,865)	(8,696)	(4,807)
Bad debt expense	—	(2,749)	—	(6,365)
Core revenues	244,758	231,286	727,111	678,491
Less: Non-Same-Home core revenues	55,145	48,793	161,217	135,202
Same-Home core revenues	\$ 189,613	\$ 182,493	\$ 565,894	\$ 543,289
Core property operating expenses and Same-Home core property operating expenses				
Property operating expenses	\$ 119,791	\$ 113,600	\$ 331,066	\$ 313,430
Property management expenses	22,727	18,865	65,086	56,468
Noncash share-based compensation - property management	(350)	(341)	(989)	(1,141)
Expenses reimbursed by tenant charge-backs	(48,306)	(44,152)	(123,561)	(112,876)
Bad debt expense	—	(2,749)	—	(6,365)
Internal leasing costs ⁽¹⁾	—	2,451	—	5,813
Core property operating expenses	93,862	87,674	271,602	255,329
Less: Non-Same-Home core property operating expenses	21,418	19,546	63,606	56,815
Same-Home core property operating expenses	\$ 72,444	\$ 68,128	\$ 207,996	\$ 198,514
Core NOI, Same-Home Core NOI and Same-Home Core NOI After Capital Expenditures				
Net income	\$ 41,401	\$ 30,281	\$ 114,796	\$ 77,704
Remeasurement of participating preferred shares	—	—	—	(1,212)
Loss on early extinguishment of debt	—	—	659	1,447
Gain on sale of single-family properties and other, net	(13,521)	(4,953)	(32,895)	(10,449)
Depreciation and amortization	82,073	79,940	246,074	237,562
Acquisition and other transaction costs	651	1,055	2,455	3,687
Noncash share-based compensation - property management	350	341	989	1,141
Interest expense	31,465	30,930	95,951	92,209
General and administrative expense	11,107	9,265	31,028	28,173
Other expenses	2,610	1,069	5,148	3,520
Other revenues	(5,240)	(1,865)	(8,696)	(4,807)
Internal leasing costs ⁽¹⁾	—	(2,451)	—	(5,813)
Core NOI	150,896	143,612	455,509	423,162
Less: Non-Same-Home Core NOI	33,727	29,247	97,611	78,387
Same-Home Core NOI	117,169	114,365	357,898	344,775
Less: Same-Home recurring capital expenditures	9,979	9,307	24,576	22,194
Same-Home Core NOI After Capital Expenditures	\$ 107,190	\$ 105,058	\$ 333,322	\$ 322,581

(1) Adjustment amount reflects the portion of leasing costs that were previously capitalized, that would be expensed under the new lease accounting standard ASU 2016-02, adopted by the Company on January 1, 2019.

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