

American Homes 4 Rent  
Form 10-Q  
May 04, 2018

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2018

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-36013 (American Homes 4 Rent)

Commission File Number: 333-221878-02 (American Homes 4 Rent, L.P.)

AMERICAN HOMES 4 RENT  
AMERICAN HOMES 4 RENT, L.P.  
(Exact name of registrant as specified in its charter)

Maryland (American Homes 4 Rent) 46-1229660  
Delaware (American Homes 4 Rent, L.P.) 80-0860173  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

30601 Agoura Road, Suite 200  
Agoura Hills, California 91301  
(Address of principal executive offices) (Zip Code)

(805) 413-5300  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

American Homes 4 Rent  Yes  No American Homes 4 Rent, L.P.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Edgar Filing: American Homes 4 Rent - Form 10-Q

American Homes 4 Rent  Yes  No                      American Homes 4 Rent, L.P.  Yes  No  
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

American Homes 4 Rent

Large accelerated filer   Accelerated filer    
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company    
Emerging growth company

American Homes 4 Rent, L.P.

Large accelerated filer   Accelerated filer    
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company    
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

American Homes 4 Rent   American Homes 4 Rent, L.P.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

American Homes 4 Rent  Yes  No

American Homes 4 Rent, L.P.  Yes  No

There were 295,218,488 shares of American Homes 4 Rent's Class A common shares, \$0.01 par value per share, and 635,075 shares of American Homes 4 Rent's Class B common shares, \$0.01 par value per share, outstanding on May 2, 2018.

## EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended March 31, 2018, of American Homes 4 Rent and American Homes 4 Rent, L.P. Unless stated otherwise or the context otherwise requires, references to "AH4R" or "the General Partner" mean American Homes 4 Rent, a Maryland real estate investment trust ("REIT"), and references to "the Operating Partnership," "our operating partnership" or "the OP" mean American Homes 4 Rent, L.P., a Delaware limited partnership, and its subsidiaries taken as a whole. References to "the Company," "we," "our," and "us" mean collectively AH4R, the Operating Partnership and those entities/subsidiaries owned or controlled by AH4R and/or the Operating Partnership.

AH4R is the general partner of, and as of March 31, 2018, owned an approximate 83.7% common partnership interest in, the Operating Partnership. The remaining 16.3% common partnership interest was owned by limited partners. As the sole general partner of the Operating Partnership, AH4R has exclusive control of the Operating Partnership's day-to-day management. The Company's management operates AH4R and the Operating Partnership as one business, and the management of AH4R consists of the same members as the management of the Operating Partnership.

The Company believes that combining the quarterly reports on Form 10-Q of the Company and the Operating Partnership into this single report provides the following benefits:

- enhances investors' understanding of the Company and the Operating Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;

- eliminates duplicative disclosure and provides a more streamlined and readable presentation since a substantial portion of the disclosure applies to both the Company and the Operating Partnership; and

- creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.

The Company believes it is important to understand the few differences between AH4R and the Operating Partnership in the context of how AH4R and the Operating Partnership operate as a consolidated company. AH4R's primary function is acting as the general partner of the Operating Partnership. The only material asset of AH4R is its partnership interest in the Operating Partnership. As a result, AH4R generally does not conduct business itself, other than acting as the sole general partner of the Operating Partnership, issuing equity from time to time and guaranteeing certain debt of the Operating Partnership. AH4R itself is not directly obligated under any indebtedness, but guarantees some of the debt of the Operating Partnership. The Operating Partnership owns substantially all of the assets of the Company, including the Company's ownership interests in its joint ventures, either directly or through its subsidiaries, conducts the operations of the Company's business and is structured as a limited partnership with no publicly traded equity. One difference between the Company and the Operating Partnership is \$25.7 million of asset-backed securitization certificates issued by the Operating Partnership and purchased by AH4R. The asset-backed securitization certificates are recorded as an asset-backed securitization certificates receivable by the Company and as an amount due from affiliates by the Operating Partnership. AH4R contributes all net proceeds from its various equity offerings to the Operating Partnership. In return for those contributions, AH4R receives Operating Partnership units ("OP units") equal to the number of shares it has issued in the equity offering. Based on the terms of the Agreement of Limited Partnership of the Operating Partnership, as amended (the "Agreement of Limited Partnership"), OP units can be exchanged for shares on a one-for-one basis. Except for net proceeds from equity issuances by AH4R, the Operating Partnership generates the capital required by the Company's business through the Operating Partnership's operations, by the Operating Partnership's incurrence of indebtedness or through the issuance of OP units.

Shareholders' equity, partners' capital and noncontrolling interests are the main areas of difference between the consolidated financial statements of the Company and those of the Operating Partnership. The limited partnership

interests in the Operating Partnership are accounted for as partners' capital in the Operating Partnership's financial statements and as noncontrolling interests in the Company's financial statements. The noncontrolling interests in the Operating Partnership's financial statements include an outside ownership interest in a consolidated subsidiary of the Company. The noncontrolling interests in the Company's financial statements include the same noncontrolling interests at the Operating Partnership level, as well as the limited partnership interests in the Operating Partnership. The differences between shareholders' equity and partners' capital result from differences in the equity and capital issued at the Company and Operating Partnership levels.

To help investors understand the differences between the Company and the Operating Partnership, this report provides separate consolidated financial statements for the Company and the Operating Partnership; a single set of consolidated notes to such financial statements that includes separate discussions of each entity's debt, noncontrolling interests and shareholders' equity or partners' capital, as applicable; and a combined Management's Discussion and Analysis of Financial Condition and Results of Operations section that includes discrete information related to each entity.

---

This report also includes separate Part I, Item 4. Controls and Procedures sections and separate Exhibits 31 and 32 certifications for each of the Company and the Operating Partnership in order to establish that the requisite certifications have been made and that the Company and the Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934 and 18 U.S.C. §1350.

In order to highlight the differences between the Company and the Operating Partnership, the separate sections in this report for the Company and the Operating Partnership specifically refer to the Company and the Operating Partnership. In the sections that combine disclosure of the Company and the Operating Partnership, this report refers to actions or holdings as being actions or holdings of the Company. Although the Operating Partnership is generally the entity that directly or indirectly enters into contracts and joint ventures and holds assets and debt, reference to the Company is appropriate because the Company is one business and the Company operates that business through the Operating Partnership. The separate discussions of the Company and the Operating Partnership in this report should be read in conjunction with each other to understand the results of the Company on a consolidated basis and how management operates the Company.

---

American Homes 4 Rent  
 American Homes 4 Rent, L.P.  
 Form 10-Q  
 INDEX

|  | Page |
|--|------|
| <u>CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>  | i    |
| <u>PART I FINANCIAL INFORMATION</u>  |      |
| <u>Item 1. Financial Statements (Unaudited)</u>  | 1    |
| <u>American Homes 4 Rent</u>   |      |
| <u>Condensed Consolidated Balance Sheets as of March 31, 2018, and December 31, 2017</u>                                   | 1    |
| <u>Condensed Consolidated Statements of Operations for the three months ended March 31, 2018 and 2017</u>                  | 2    |
| <u>Condensed Consolidated Statements of Comprehensive Income (Loss) for the three months ended March 31, 2018 and 2017</u> | 3    |
| <u>Condensed Consolidated Statement of Equity for the three months ended March 31, 2018</u>                                | 4    |
| <u>Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2018 and 2017</u>                  | 5    |
| <u>American Homes 4 Rent, L.P.</u>   |      |
| <u>Condensed Consolidated Balance Sheets as of March 31, 2018, and December 31, 2017</u>                                   | 7    |
| <u>Condensed Consolidated Statements of Operations for the three months ended March 31, 2018 and 2017</u>                  | 8    |
| <u>Condensed Consolidated Statements of Comprehensive Income (Loss) for the three months ended March 31, 2018 and 2017</u> | 9    |
| <u>Condensed Consolidated Statement of Capital for the three months ended March 31, 2018</u>                               | 10   |
| <u>Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2018 and 2017</u>                  | 11   |
| <u>American Homes 4 Rent and American Homes 4 Rent, L.P.</u>   |      |
| <u>Notes to Condensed Consolidated Financial Statements</u>  | 13   |
| <u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>                       | 37   |
| <u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>  | 50   |

|                                  |  |           |
|----------------------------------|--|-----------|
| <u>Item 4.</u>                   | <u>Controls and Procedures</u>                                     | <u>50</u> |
| <u>PART II OTHER INFORMATION</u> |  |           |
| <u>Item 1.</u>                   | <u>Legal Proceedings</u>   | <u>51</u> |
| <u>Item 1A.</u>                  | <u>Risk Factors</u>  | <u>51</u> |
| <u>Item 2.</u>                   | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | <u>51</u> |
| <u>Item 3.</u>                   | <u>Defaults Upon Senior Securities</u>                             | <u>52</u> |
| <u>Item 4.</u>                   | <u>Mine Safety Disclosures</u>                                     | <u>52</u> |
| <u>Item 5.</u>                   | <u>Other Information</u>   | <u>52</u> |
| <u>Item 6.</u>                   | <u>Exhibits</u>  | <u>52</u> |
|                                  | <u>Exhibit Index</u>   | <u>53</u> |
|                                  | <u>Signatures</u>  | <u>55</u> |

---

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Various statements contained in this Quarterly Report on Form 10-Q of American Homes 4 Rent ("AH4R," "the General Partner") and of American Homes 4 Rent, L.P. ("the Operating Partnership," "our operating partnership," or "the OP") including those that express a belief, expectation or intention, as well as those that are not statements of historical fact, are forward-looking statements. These forward-looking statements may include projections and estimates concerning the timing and success of specific projects and our future operations, revenues, income and capital spending. Our forward-looking statements are generally accompanied by words such as "estimate," "project," "predict," "believe," "expect," "intend," "anticipate," "potential," "plan," "goal" or other words that convey the uncertainty of future events or outcomes. We have based these forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. These and other important factors, including those discussed or incorporated by reference under Part II, Item 1A."Risk Factors", Part I, Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this report and in our Annual Report on Form 10-K for the year ended December 31, 2017, filed with the Securities and Exchange Commission, may cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements.

While forward-looking statements reflect our good faith beliefs, assumptions and expectations, they are not guarantees of future performance, and you should not unduly rely on them. The forward-looking statements in this Quarterly Report on Form 10-Q speak only as of the date of this report. We are not obligated to update or revise these statements as a result of new information, future events or otherwise, unless required by applicable law.



PART I  
FINANCIAL INFORMATION

Item 1. Financial Statements.

American Homes 4 Rent

Condensed Consolidated Balance Sheets

(Amounts in thousands, except share data)

|  | March 31,<br>2018<br>(Unaudited) | December 31,<br>2017 |
|--|----------------------------------|----------------------|
| Assets   |                                  |                      |
| Single-family properties:  |                                  |                      |
| Land   | \$1,670,599                      | \$1,665,631          |
| Buildings and improvements   | 7,286,264                        | 7,303,270            |
| Single-family properties held for sale, net  | 201,693                          | 35,803               |
|  | 9,158,556                        | 9,004,704            |
| Less: accumulated depreciation   | (989,476 )                       | (939,724 )           |
| Single-family properties, net  | 8,169,080                        | 8,064,980            |
| Cash and cash equivalents  | 203,883                          | 46,156               |
| Restricted cash  | 156,272                          | 136,667              |
| Rent and other receivables, net  | 28,115                           | 30,144               |
| Escrow deposits, prepaid expenses and other assets   | 241,707                          | 171,851              |
| Deferred costs and other intangibles, net  | 13,031                           | 13,025               |
| Asset-backed securitization certificates   | 25,666                           | 25,666               |
| Goodwill   | 120,279                          | 120,279              |
| Total assets   | \$8,958,033                      | \$8,608,768          |
| Liabilities  |                                  |                      |
| Revolving credit facility  | \$—                              | \$140,000            |
| Term loan facility, net  | 198,132                          | 198,023              |
| Asset-backed securitizations, net  | 1,973,242                        | 1,977,308            |
| Unsecured senior notes, net  | 492,282                          | —                    |
| Exchangeable senior notes, net   | 112,597                          | 111,697              |
| Secured note payable   | 48,604                           | 48,859               |
| Accounts payable and accrued expenses  | 262,267                          | 222,867              |
| Amounts payable to affiliates  | 2,001                            | 4,720                |
| Participating preferred shares derivative liability  | 28,258                           | 29,470               |
| Total liabilities  | 3,117,383                        | 2,732,944            |
| Commitments and contingencies  |                                  |                      |
| Equity   |                                  |                      |
| Shareholders' equity:  |                                  |                      |
| Class A common shares, \$0.01 par value per share, 450,000,000 shares authorized, 284,369,661 and 286,114,637 shares issued and outstanding at March 31, 2018, and December 31, 2017, respectively | 2,844                            | 2,861                |
| Class B common shares, \$0.01 par value per share, 50,000,000 shares authorized, 635,075 shares issued and outstanding at March 31, 2018, and December 31, 2017                                    | 6                                | 6                    |
| Preferred shares, \$0.01 par value per share, 100,000,000 shares authorized, 38,350,000 shares issued and outstanding at March 31, 2018, and December 31, 2017                                     | 384                              | 384                  |
| Additional paid-in capital   | 5,565,871                        | 5,600,256            |

Edgar Filing: American Homes 4 Rent - Form 10-Q

|  |             |              |
|--|-------------|--------------|
| Accumulated deficit                    | (462,504 )  | (453,953 )   |
| Accumulated other comprehensive income | 9,508       | 75           |
| Total shareholders' equity             | 5,116,109   | 5,149,629    |
| Noncontrolling interest                | 724,541     | 726,195      |
| Total equity                           | 5,840,650   | 5,875,824    |
| Total liabilities and equity           | \$8,958,033 | \$ 8,608,768 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

1

---

Edgar Filing: American Homes 4 Rent - Form 10-Q

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

|  | For the Three Months<br>Ended<br>March 31, |             |
|--|--|-------------|
|  | 2018                                       | 2017        |
| Revenues:  |  |             |
| Rents from single-family properties                              | \$218,023                                  | \$ 201,107  |
| Fees from single-family properties                               | 2,833                                      | 2,604       |
| Tenant charge-backs  | 35,807                                     | 28,373      |
| Other  | 1,341                                      | 1,670       |
| Total revenues   | 258,004                                    | 233,754     |
| Expenses:  |  |             |
| Property operating expenses                                      | 100,987                                    | 83,305      |
| Property management expenses                                     | 18,987                                     | 17,478      |
| General and administrative expense                               | 9,231                                      | 9,295       |
| Interest expense   | 29,301                                     | 31,889      |
| Acquisition fees and costs expensed                              | 1,311                                      | 1,096       |
| Depreciation and amortization                                    | 79,303                                     | 73,953      |
| Other  | 827  | 1,558       |
| Total expenses   | 239,947                                    | 218,574     |
| Gain on sale of single-family properties and other, net          | 2,256                                      | 2,026       |
| Remeasurement of participating preferred shares                  | 1,212                                      | (5,410 )    |
| Net income   | 21,525                                     | 11,796      |
| Noncontrolling interest  | 1,114                                      | (301 )      |
| Dividends on preferred shares                                    | 14,597                                     | 13,587      |
| Net income (loss) attributable to common shareholders            | \$5,814                                    | \$(1,490 )  |
| Weighted-average shares outstanding:                             |  |             |
| Basic  | 286,183,429                                | 244,391,368 |
| Diluted  | 286,727,862                                | 244,391,368 |
| Net income (loss) attributable to common shareholders per share: |  |             |
| Basic  | \$0.02                                     | \$(0.01 )   |
| Diluted  | \$0.02                                     | \$(0.01 )   |
| Dividends declared per common share                              | \$0.05                                     | \$ 0.05     |

The accompanying notes are an integral part of these condensed consolidated financial statements.

American Homes 4 Rent  
Condensed Consolidated Statements of Comprehensive Income (Loss)  
(Amounts in thousands)  
(Unaudited)

|   | For the Three<br>Months Ended<br>March 31, |            |
|---|--|------------|
|   | 2018                                       | 2017       |
| Net income  | \$21,525                                   | \$11,796   |
| Other comprehensive income (loss):  |  |            |
| Gain on cash flow hedging instruments:  |  |            |
| Gain on settlement of cash flow hedging instrument                                      | 9,553                                      | —          |
| Reclassification adjustment for amortization of interest expense included in net income | (120 )                                     | (28 )      |
| Gain on investment in equity securities:  |  |            |
| Reclassification adjustment for realized gain included in net income                    | —  | (67 )      |
| Other comprehensive income (loss)   | 9,433                                      | (95 )      |
| Comprehensive income  | 30,958                                     | 11,701     |
| Comprehensive income (loss) attributable to noncontrolling interests                    | 2,643                                      | (283 )     |
| Dividends on preferred shares   | 14,597                                     | 13,587     |
| Comprehensive income (loss) attributable to common shareholders                         | \$13,718                                   | \$(1,603 ) |

The accompanying notes are an integral part of these condensed consolidated financial statements.

Edgar Filing: American Homes 4 Rent - Form 10-Q

American Homes 4 Rent  
Condensed Consolidated Statement of Equity  
(Amounts in thousands, except share data)  
(Unaudited)

|  | Class A common shares |         | Class B common shares |        | Preferred shares    |        | Additional<br>paid-in<br>capital | Accumulated<br>deficit | Accumulated<br>comprehensive<br>income | Accumulated other<br>Shareholders'<br>equity | Noncon<br>interest |
|--|-----------------------|---------|-----------------------|--------|---------------------|--------|----------------------------------|------------------------|--|--|--------------------|
|  | Number<br>of shares   | Amount  | Number<br>of shares   | Amount | Number<br>of shares | Amount |                                  |                        |  |  |                    |
| Balances at<br>December 31,<br>2017  | 286,114,637           | \$2,861 | 635,075               | \$6    | 38,350,000          | \$384  | \$5,600,256                      | \$(453,953)            | \$75                                   | \$5,149,629                                  | \$726,109          |
| Share-based<br>compensation  | —                     | —       | —                     | —      | —                   | —      | 975                              | —                      | —                                      | 975  | —                  |
| Common stock<br>issued under<br>share-based<br>compensation<br>plans, net of<br>shares withheld<br>for employee<br>taxes | 59,187                | 1       | —                     | —      | —                   | —      | (409)                            | —                      | —                                      | (408)  | —                  |
| Repurchase of<br>Class A<br>common shares  | (1,804,163)           | (18)    | —                     | —      | —                   | —      | (34,951)                         | —                      | —                                      | (34,969)                                     | —                  |
| Distributions to<br>equity holders:  |                       |         |                       |        |                     |        |                                  |                        |  |  |                    |
| Preferred<br>shares  | —                     | —       | —                     | —      | —                   | —      | —                                | (14,597)               | —                                      | (14,597)                                     | —                  |
| Noncontrolling<br>interests  | —                     | —       | —                     | —      | —                   | —      | —                                | —                      | —                                      | —  | (2,768)            |
| Common<br>shares   | —                     | —       | —                     | —      | —                   | —      | —                                | (14,365)               | —                                      | (14,365)                                     | —                  |
| Net income   | —                     | —       | —                     | —      | —                   | —      | —                                | 20,411                 | —                                      | 20,411                                       | 1,114              |
| Total other<br>comprehensive<br>income   | —                     | —       | —                     | —      | —                   | —      | —                                | —                      | 9,433                                  | 9,433  | —                  |
| Balances at<br>March 31, 2018  | 284,369,661           | \$2,844 | 635,075               | \$6    | 38,350,000          | \$384  | \$5,565,871                      | \$(462,504)            | \$9,508                                | \$5,116,109                                  | \$724,509          |

The accompanying notes are an integral part of these condensed consolidated financial statements.



Edgar Filing: American Homes 4 Rent - Form 10-Q

American Homes 4 Rent  
 Condensed Consolidated Statements of Cash Flows  
 (Amounts in thousands)  
 (Unaudited)

|   | For the Three Months<br>Ended<br>March 31, |          |
|---|--|----------|
|   | 2018                                       | 2017     |
| Operating activities  |  |          |
| Net income  | \$21,525                                   | \$11,796 |
| Adjustments to reconcile net income to net cash provided by operating activities: |  |          |
| Depreciation and amortization   | 79,303                                     | 73,953   |
| Noncash amortization of deferred financing costs                                  | 1,900                                      | 2,562    |
| Noncash amortization of discounts on debt instruments                             | 935  | 840      |
| Noncash amortization of cash flow hedging instrument                              | (120)                                      | —        |
| Noncash share-based compensation  | 975  | 938      |
| Provision for bad debt  | 2,000                                      | 1,510    |
| Remeasurement of participating preferred shares                                   | (1,212)                                    | 5,410    |
| Equity in net earnings of unconsolidated ventures                                 | (314)                                      | (295)    |
| Net gain on sale of single-family properties and other                            | (2,256)                                    | (2,026)  |
| Loss on impairment of single-family properties                                    | 700  | 929      |
| Net gain on resolutions of mortgage loans   | —  | (15)     |
| Other changes in operating assets and liabilities:                                |  |          |
| Rent and other receivables  | (3,886)                                    | (2,657)  |
| Prepaid expenses and other assets   | (13,476)                                   | (8,356)  |
| Deferred leasing costs  | (2,723)                                    | (1,482)  |
| Accounts payable and accrued expenses   | 29,150                                     | 22,050   |
| Amounts payable to affiliates   | (10)                                       | 4,880    |
| Net cash provided by operating activities   | 112,491                                    | 110,037  |
| Investing activities  |  |          |
| Cash paid for single-family properties  | (149,674)                                  | (73,622) |
| Change in escrow deposits for purchase of single-family properties                | (4,115)                                    | (1,072)  |
| Net proceeds received from sales of single-family properties and other            | 11,967                                     | 31,306   |
| Proceeds received from hurricane-related insurance claims                         | 4,000                                      | —        |
| Collections from mortgage financing receivables                                   | —  | 70       |
| Distributions from joint ventures   | 1,230                                      | 1,192    |
| Initial renovations to single-family properties                                   | (20,400)                                   | (7,677)  |
| Recurring and other capital expenditures for single-family properties             | (11,167)                                   | (6,484)  |
| Other purchases of productive assets  | (53,472)                                   | (13,710) |
| Net cash used for investing activities  | (221,631)                                  | (69,997) |
| Financing activities  |  |          |
| Proceeds from issuance of Class A common shares                                   | —  | 350,612  |
| Payments of Class A common share issuance costs                                   | —  | (236)    |
| Repurchase of Class A common shares   | (34,969)                                   | —        |
| Share-based compensation (payments) proceeds, net                                 | (414)                                      | 258      |
| Payments on asset-backed securitizations  | (5,312)                                    | (6,231)  |
| Proceeds from revolving credit facility   | 100,000                                    | —        |
| Payments on revolving credit facility   | (240,000)                                  | —        |

Edgar Filing: American Homes 4 Rent - Form 10-Q

|  |           |           |
|--|-----------|-----------|
| Proceeds from term loan facility                                       | —         | 25,000    |
| Payments on secured note payable                                       | (255 )    | (245 )    |
| Proceeds from unsecured senior notes, net of discount                  | 497,210   | —         |
| Settlement of cash flow hedging instrument                             | 9,628     | —         |
| Distributions to noncontrolling interests                              | (5,457 )  | (2,779 )  |
| Distributions to common shareholders                                   | (14,337 ) | (12,214 ) |
| Distributions to preferred shareholders                                | (14,597 ) | (13,587 ) |
| Deferred financing costs paid  | (5,025 )  | —         |
| Net cash provided by financing activities                              | 286,472   | 340,578   |
| <br>   |           |           |
| Net increase in cash, cash equivalents and restricted cash             | 177,332   | 380,618   |
| Cash, cash equivalents and restricted cash, beginning of period        | 182,823   | 250,241   |
| Cash, cash equivalents and restricted cash, end of period (see Note 3) | \$360,155 | \$630,859 |



American Homes 4 Rent  
 Condensed Consolidated Statements of Cash Flows (continued)  
 (Amounts in thousands)  
 (Unaudited)

|  | For the Three<br>Months Ended<br>March 31, |            |
|--|--|------------|
|  | 2018                                       | 2017       |
| Supplemental cash flow information   |  |            |
| Cash payments for interest, net of amounts capitalized   | \$(22,690)                                 | \$(28,487) |
| Supplemental schedule of noncash investing and financing activities                                  |  |            |
| Accounts payable and accrued expenses related to property acquisitions, renovations and construction | \$9,375                                    | \$(951 )   |
| Transfers of completed homebuilding deliveries to properties   | \$8,693                                    | \$—        |
| Note receivable related to a bulk sale of properties, net of discount                                | \$—  | \$5,483    |
| Accrued distributions to affiliates  | \$(2,719 )                                 | \$—        |
| Accrued distributions to non-affiliates  | \$25                                       | \$—        |

The accompanying notes are an integral part of these condensed consolidated financial statements.

Edgar Filing: American Homes 4 Rent - Form 10-Q

American Homes 4 Rent, L.P.  
Condensed Consolidated Balance Sheets  
(Amounts in thousands, except unit data)

|  | March 31,<br>2018<br>(Unaudited) | December<br>31, 2017 |
|--|----------------------------------|----------------------|
| Assets   |                                  |                      |
| Single-family properties:  |                                  |                      |
| Land   | \$1,670,599                      | \$1,665,631          |
| Buildings and improvements   | 7,286,264                        | 7,303,270            |
| Single-family properties held for sale, net  | 201,693                          | 35,803               |
|  | 9,158,556                        | 9,004,704            |
| Less: accumulated depreciation   | (989,476 )                       | (939,724 )           |
| Single-family properties, net  | 8,169,080                        | 8,064,980            |
| Cash and cash equivalents  | 203,883                          | 46,156               |
| Restricted cash  | 156,272                          | 136,667              |
| Rent and other receivables, net  | 28,115                           | 30,144               |
| Escrow deposits, prepaid expenses and other assets   | 241,697                          | 171,851              |
| Amounts due from affiliates  | 25,676                           | 25,666               |
| Deferred costs and other intangibles, net  | 13,031                           | 13,025               |
| Goodwill   | 120,279                          | 120,279              |
| Total assets   | \$8,958,033                      | \$8,608,768          |
| Liabilities  |                                  |                      |
| Revolving credit facility  | \$—                              | \$140,000            |
| Term loan facility, net  | 198,132                          | 198,023              |
| Asset-backed securitizations, net  | 1,973,242                        | 1,977,308            |
| Unsecured senior notes, net  | 492,282                          | —                    |
| Exchangeable senior notes, net   | 112,597                          | 111,697              |
| Secured note payable   | 48,604                           | 48,859               |
| Accounts payable and accrued expenses  | 262,267                          | 222,867              |
| Amounts payable to affiliates  | 2,001                            | 4,720                |
| Participating preferred units derivative liability   | 28,258                           | 29,470               |
| Total liabilities  | 3,117,383                        | 2,732,944            |
| Commitments and contingencies  |                                  |                      |
| Capital  |                                  |                      |
| Partners' capital:   |                                  |                      |
| General partner:   |                                  |                      |
| Common units (285,004,736 and 286,749,712 units issued and outstanding at March 31, 2018, and December 31, 2017, respectively) | 4,205,283                        | 4,248,236            |
| Preferred units (38,350,000 units issued and outstanding at March 31, 2018, and December 31, 2017)                             | 901,318                          | 901,318              |
| Limited partners:  |                                  |                      |
| Common units (55,350,153 units issued and outstanding at March 31, 2018, and December 31, 2017)                                | 725,901                          | 727,544              |
| Accumulated other comprehensive income   | 9,508                            | 75                   |
| Total partners' capital  | 5,842,010                        | 5,877,173            |

Edgar Filing: American Homes 4 Rent - Form 10-Q

|                               |             |   |             |   |
|-------------------------------|-------------|---|-------------|---|
| Noncontrolling interest       | (1,360      | ) | (1,349      | ) |
| Total capital                 | 5,840,650   |   | 5,875,824   |   |
| Total liabilities and capital | \$8,958,033 |   | \$8,608,768 |   |

The accompanying notes are an integral part of these condensed consolidated financial statements.

7

---

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

|  | For the Three Months<br>Ended<br>March 31, |             |
|--|--|-------------|
|  | 2018                                       | 2017        |
| Revenues:  |  |             |
| Rents from single-family properties                            | \$218,023                                  | \$ 201,107  |
| Fees from single-family properties                             | 2,833                                      | 2,604       |
| Tenant charge-backs  | 35,807                                     | 28,373      |
| Other  | 1,341                                      | 1,670       |
| Total revenues   | 258,004                                    | 233,754     |
| Expenses:  |  |             |
| Property operating expenses                                    | 100,987                                    | 83,305      |
| Property management expenses                                   | 18,987                                     | 17,478      |
| General and administrative expense                             | 9,231                                      | 9,295       |
| Interest expense   | 29,301                                     | 31,889      |
| Acquisition fees and costs expensed                            | 1,311                                      | 1,096       |
| Depreciation and amortization                                  | 79,303                                     | 73,953      |
| Other  | 827  | 1,558       |
| Total expenses   | 239,947                                    | 218,574     |
| Gain on sale of single-family properties and other, net        | 2,256                                      | 2,026       |
| Remeasurement of participating preferred units                 | 1,212                                      | (5,410 )    |
| Net income   | 21,525                                     | 11,796      |
| Noncontrolling interest  | (11 )                                      | 38          |
| Preferred distributions  | 14,597                                     | 13,587      |
| Net income (loss) attributable to common unitholders           | \$6,939                                    | \$ (1,829 ) |
| Weighted-average common units outstanding:                     |  |             |
| Basic  | 341,533,582                                | 299,947,328 |
| Diluted  | 342,078,016                                | 299,947,328 |
| Net income (loss) attributable to common unitholders per unit: |  |             |
| Basic  | \$0.02                                     | \$ (0.01 )  |
| Diluted  | \$0.02                                     | \$ (0.01 )  |

The accompanying notes are an integral part of these condensed consolidated financial statements.

American Homes 4 Rent, L.P.  
 Condensed Consolidated Statements of Comprehensive Income (Loss)  
 (Amounts in thousands)  
 (Unaudited)

|   | For the Three<br>Months Ended<br>March 31, |            |
|---|--|------------|
|   | 2018                                       | 2017       |
| Net income  | \$21,525                                   | \$11,796   |
| Other comprehensive income (loss):  |  |            |
| Gain on cash flow hedging instruments:  |  |            |
| Gain on settlement of cash flow hedging instrument                                      | 9,553                                      | —          |
| Reclassification adjustment for amortization of interest expense included in net income | (120 )                                     | (28 )      |
| Gain on investment in equity securities:  |  |            |
| Reclassification adjustment for realized gain included in net income                    | —  | (67 )      |
| Other comprehensive income (loss)   | 9,433                                      | (95 )      |
| Comprehensive income  | 30,958                                     | 11,701     |
| Comprehensive (loss) income attributable to noncontrolling interests                    | (11 )                                      | 38         |
| Preferred distributions   | 14,597                                     | 13,587     |
| Comprehensive income (loss) attributable to common unitholders                          | \$16,372                                   | \$(1,924 ) |

The accompanying notes are an integral part of these condensed consolidated financial statements.

Edgar Filing: American Homes 4 Rent - Form 10-Q

American Homes 4 Rent, L.P.  
 Condensed Consolidated Statement of Capital  
 (Amounts in thousands, except unit data)  
 (Unaudited)

|   | General Partner<br>Common capital |             | Preferred<br>capital<br>amount | Limited Partners<br>Common capital |           | Accumulated<br>other<br>comprehensive<br>income | Total<br>partners'<br>comprehensive<br>capital | Noncontrolling<br>interest | Total capital |
|---|-----------------------------------|-------------|--------------------------------|------------------------------------|-----------|---|--|----------------------------|---------------|
|   | Units                             | Amount      |                                | Units                              | Amount    |   |  |                            |               |
| Balances at<br>December 31,<br>2017   | 286,749,712                       | \$4,248,236 | \$901,318                      | 55,350,153                         | \$727,544 | \$75  | \$5,877,173                                    | \$(1,349)                  | \$5,875,824   |
| Share-based<br>compensation   | —                                 | 975         | —                              | —                                  | —         | —   | 975  | —                          | 975           |
| Common units<br>issued under<br>share-based<br>compensation<br>plans, net of<br>units withheld<br>for employee<br>taxes | 59,187                            | (408 )      | —                              | —                                  | —         | —   | (408 )   | —                          | (408 )        |
| Repurchase of<br>Class A units  | (1,804,163 )                      | (34,969 )   | —                              | —                                  | —         | —   | (34,969 )                                      | —                          | (34,969 )     |
| Distributions to<br>capital holders:  |                                   |             |                                |                                    |           |   |  |                            |               |
| Preferred units   | —                                 | —           | (14,597 )                      | —                                  | —         | —   | (14,597 )                                      | —                          | (14,597 )     |
| Common units  | —                                 | (14,365 )   | —                              | —                                  | (2,768 )  | —   | (17,133 )                                      | —                          | (17,133 )     |
| Net income  | —                                 | 5,814       | 14,597                         | —                                  | 1,125     | —   | 21,536   | (11 )                      | 21,525        |
| Total other<br>comprehensive<br>income  | —                                 | —           | —                              | —                                  | —         | 9,433   | 9,433  | —                          | 9,433         |
| Balances at<br>March 31, 2018   | 285,004,736                       | \$4,205,283 | \$901,318                      | 55,350,153                         | \$725,901 | \$9,508   | \$5,842,010                                    | \$(1,360)                  | \$5,840,650   |

The accompanying notes are an integral part of these condensed consolidated financial statements.

Edgar Filing: American Homes 4 Rent - Form 10-Q

American Homes 4 Rent, L.P.  
 Condensed Consolidated Statements of Cash Flows  
 (Amounts in thousands)  
 (Unaudited)

|   | For the Three Months<br>Ended<br>March 31, |             |
|---|--|-------------|
|   | 2018                                       | 2017        |
| Operating activities  |  |             |
| Net income  | \$21,525                                   | \$11,796    |
| Adjustments to reconcile net income to net cash provided by operating activities: |  |             |
| Depreciation and amortization   | 79,303                                     | 73,953      |
| Noncash amortization of deferred financing costs                                  | 1,900                                      | 2,562       |
| Noncash amortization of discounts on debt instruments                             | 935  | 840         |
| Noncash amortization of cash flow hedging instrument                              | (120)                                      | —           |
| Noncash share-based compensation  | 975  | 938         |
| Provision for bad debt  | 2,000                                      | 1,510       |
| Remeasurement of participating preferred units                                    | (1,212)                                    | ) 5,410     |
| Equity in net earnings of unconsolidated ventures                                 | (314)                                      | ) (295 )    |
| Net gain on sale of single-family properties and other                            | (2,256)                                    | ) (2,026 )  |
| Loss on impairment of single-family properties                                    | 700  | 929         |
| Net gain on resolutions of mortgage loans   | —  | (15 )       |
| Other changes in operating assets and liabilities:                                |  |             |
| Rent and other receivables  | (3,886)                                    | ) (2,657 )  |
| Prepaid expenses and other assets   | (13,476)                                   | ) (8,356 )  |
| Deferred leasing costs  | (2,723)                                    | ) (1,482 )  |
| Accounts payable and accrued expenses   | 29,150                                     | 22,050      |
| Amounts payable to affiliates   | (10)                                       | ) 4,880     |
| Net cash provided by operating activities   | 112,491                                    | 110,037     |
| Investing activities  |  |             |
| Cash paid for single-family properties  | (149,674)                                  | ) (73,622 ) |
| Change in escrow deposits for purchase of single-family properties                | (4,115)                                    | ) (1,072 )  |
| Net proceeds received from sales of single-family properties and other            | 11,967                                     | 31,306      |
| Proceeds received from hurricane-related insurance claims                         | 4,000                                      | —           |
| Collections from mortgage financing receivables                                   | —  | 70          |
| Distributions from joint ventures   | 1,230                                      | 1,192       |
| Initial renovations to single-family properties                                   | (20,400)                                   | ) (7,677 )  |
| Recurring and other capital expenditures for single-family properties             | (11,167)                                   | ) (6,484 )  |
| Other purchases of productive assets  | (53,472)                                   | ) (13,710 ) |
| Net cash used for investing activities  | (221,631)                                  | ) (69,997 ) |
| Financing activities  |  |             |
| Proceeds from issuance of Class A units   | —  | 350,612     |
| Payments of Class A unit issuance costs   | —  | (236 )      |
| Repurchase of Class A units   | (34,969)                                   | ) —         |
| Share-based compensation (payments) proceeds, net                                 | (414)                                      | ) 258       |
| Payments on asset-backed securitizations  | (5,312)                                    | ) (6,231 )  |
| Proceeds from revolving credit facility   | 100,000                                    | —           |
| Payments on revolving credit facility   | (240,000)                                  | ) —         |

Edgar Filing: American Homes 4 Rent - Form 10-Q

|  |           |           |
|--|-----------|-----------|
| Proceeds from term loan facility                                       | —         | 25,000    |
| Payments on secured note payable                                       | (255 )    | (245 )    |
| Proceeds from unsecured senior notes, net of discount                  | 497,210   | —         |
| Settlement of cash flow hedging instrument                             | 9,628     | —         |
| Distributions to common unitholders                                    | (19,794 ) | (14,993 ) |
| Distributions to preferred unitholders                                 | (14,597 ) | (13,587 ) |
| Deferred financing costs paid  | (5,025 )  | —         |
| Net cash provided by financing activities                              | 286,472   | 340,578   |
| Net increase in cash, cash equivalents and restricted cash             | 177,332   | 380,618   |
| Cash, cash equivalents and restricted cash, beginning of period        | 182,823   | 250,241   |
| Cash, cash equivalents and restricted cash, end of period (see Note 3) | \$360,155 | \$630,859 |



American Homes 4 Rent, L.P.  
 Condensed Consolidated Statements of Cash Flows (continued)  
 (Amounts in thousands)  
 (Unaudited)

|  | For the Three<br>Months Ended<br>March 31, |            |
|--|--|------------|
|  | 2018                                       | 2017       |
| Supplemental cash flow information   |  |            |
| Cash payments for interest, net of amounts capitalized   | \$(22,690)                                 | \$(28,487) |
| Supplemental schedule of noncash investing and financing activities                                  |  |            |
| Accounts payable and accrued expenses related to property acquisitions, renovations and construction | \$9,375                                    | \$(951 )   |
| Transfers of completed homebuilding deliveries to properties   | \$8,693                                    | \$—        |
| Note receivable related to a bulk sale of properties, net of discount                                | \$—  | \$5,483    |
| Accrued distributions to affiliates  | \$(2,719 )                                 | \$—        |
| Accrued distributions to non-affiliates  | \$25                                       | \$—        |

The accompanying notes are an integral part of these condensed consolidated financial statements.

American Homes 4 Rent  
American Homes 4 Rent, L.P.  
Notes to Unaudited Condensed Consolidated Financial Statements

Note 1. Organization and Operations

American Homes 4 Rent (“AH4R”) is a Maryland real estate investment trust (“REIT”) formed on October 19, 2012, for the purpose of acquiring, renovating, leasing and operating single-family homes as rental properties. American Homes 4 Rent, L.P., a Delaware limited partnership formed on October 22, 2012, and its consolidated subsidiaries (collectively, the “Operating Partnership,” our “operating partnership” or the “OP”) is the entity through which the Company conducts substantially all of our business and owns, directly or through subsidiaries, substantially all of our assets. References to “the Company,” “we,” “our,” and “us” mean collectively, AH4R, the Operating Partnership and those entities/subsidiaries owned or controlled by AH4R and/or the Operating Partnership. As of March 31, 2018, the Company held 51,840 single-family properties in 22 states, including 1,892 properties identified as part of the Company's disposition program, comprised of 1,318 properties classified as held for sale and 574 properties identified for future sale.

AH4R is the general partner of, and as of March 31, 2018, owned an approximate 83.7% common partnership interest in, the Operating Partnership with the remaining 16.3% common partnership interest owned by limited partners. As the sole general partner of the Operating Partnership, AH4R has exclusive control of the Operating Partnership's day-to-day management. The Company's management operates AH4R and the Operating Partnership as one business, and the management of AH4R consists of the same members as the management of the Operating Partnership. AH4R's primary function is acting as the general partner of the Operating Partnership. The only material asset of AH4R is its partnership interest in the Operating Partnership. As a result, AH4R generally does not conduct business itself, other than acting as the sole general partner of the Operating Partnership, issuing equity from time to time and guaranteeing certain debt of the Operating Partnership. AH4R itself is not directly obligated under any indebtedness, but guarantees some of the debt of the Operating Partnership. The Operating Partnership owns substantially all of the assets of the Company, including the Company's ownership interests in its joint ventures, either directly or through its subsidiaries, conducts the operations of the Company's business and is structured as a limited partnership with no publicly traded equity. One difference between the Company and the Operating Partnership is \$25.7 million of asset-backed securitization certificates issued by the Operating Partnership and purchased by AH4R. The asset-backed securitization certificates are recorded as an asset-backed securitization certificates receivable by the Company and an amount due from affiliates by the Operating Partnership. AH4R contributes all net proceeds from its various equity offerings to the Operating Partnership. In return for those contributions, AH4R receives Operating Partnership units (“OP units”) equal to the number of shares it has issued in the equity offering. Based on the terms of the Agreement of Limited Partnership of the Operating Partnership, OP units can be exchanged for shares on a one-for-one basis. Except for net proceeds from equity issuances by AH4R, the Operating Partnership generates the capital required by the Company's business through the Operating Partnership's operations, by the Operating Partnership's incurrence of indebtedness or through the issuance of OP units.

Note 2. Significant Accounting Policies

Basis of Presentation

The condensed consolidated financial statements are unaudited and include the accounts of AH4R, the Operating Partnership and their consolidated subsidiaries. The condensed consolidated financial statements of the Operating Partnership include the accounts of the Operating Partnership and its consolidated subsidiaries. Intercompany accounts and transactions have been eliminated. The Company consolidates real estate partnerships and other entities that are not variable interest entities (“VIEs”) when it owns, directly or indirectly, a majority interest in the entity or is otherwise able to control the entity. The Company consolidates VIEs in accordance with Accounting Standards

Codification (“ASC”) No. 810, Consolidation, if it is the primary beneficiary of the VIE as determined by its power to direct the VIE’s activities and the obligation to absorb its losses or the right to receive its benefits, which are potentially significant to the VIE. Entities for which the Company owns an interest, but does not consolidate, are accounted for under the equity method of accounting as an investment in unconsolidated subsidiary and are included in escrow deposits, prepaid expenses and other assets within the condensed consolidated balance sheets. The ownership interest in a consolidated subsidiary of the Company held by outside parties is included in noncontrolling interest within the condensed consolidated financial statements.

The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and in conjunction with the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures required for annual financial statements have been condensed or excluded pursuant to SEC rules and regulations. Accordingly, the condensed consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statements and should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017. Any references in this report to the number of properties is outside the scope of our independent registered public accounting firm’s review of our financial statements, in accordance with the standards of the Public Company Accounting Oversight Board. In the opinion of management, all adjustments of a normal and recurring nature necessary for a fair presentation of the

condensed consolidated financial statements for the interim periods have been made. The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

There have been no changes to our significant accounting policies that have had a material impact on our condensed consolidated financial statements and related notes, compared to those policies disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017. Therefore, notes to the condensed consolidated financial statements that would substantially duplicate the disclosures contained in our most recent audited consolidated financial statements have been omitted.

#### Recent Accounting Pronouncements

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, which is intended to reduce the existing diversity in practice by addressing eight specific cash flow issues related to how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The guidance is effective for the Company for annual reporting periods beginning after December 15, 2017, and for interim periods within those annual periods with early adoption permitted. The Company adopted this guidance effective January 1, 2018. The adoption of this guidance did not have a material impact on our financial statements.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326), to amend the accounting for credit losses for certain financial instruments by requiring companies to recognize an estimate of expected credit losses as an allowance in order to recognize such losses more timely than under previous guidance that had allowed companies to wait until it was probable such losses had been incurred. The guidance will be effective for the Company for annual reporting periods beginning after December 15, 2019, and for interim periods within those annual periods. Early adoption is permitted for annual reporting periods beginning after December 15, 2018, and interim periods within those annual periods. The Company is currently assessing the impact of the guidance on our financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which sets forth principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessors and lessees). Lessor accounting will remain similar to lessor accounting under previous guidance, while aligning with the FASB's new revenue recognition guidance for non-lease components. The new guidance will require lessees to recognize right-of-use assets and lease liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than one year. The new guidance will also require lessees and lessors to capitalize, as initial direct costs, only those costs that are incurred due to the execution of a lease. Any other costs incurred, including allocated indirect costs, will no longer be capitalized and instead will be expensed as incurred. The guidance will be effective for the Company for annual reporting periods beginning after December 15, 2018, and for interim periods within those annual periods, with early adoption permitted, and requires the use of the modified retrospective transition method. The Company does not anticipate significant changes in the accounting for our residential operating leases for which we are the lessor, as our leases generally do not have terms of more than one year. As part of our operations, we lease office space for our corporate and property management offices under non-cancelable operating lease agreements for which we are the lessee. We anticipate that the adoption of this guidance will require us to recognize a right-of-use asset and corresponding lease liability for these office leases. The Company is currently assessing the impact of the adoption of this guidance on our financial statements.

In January 2016, the FASB issued ASU No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, which amends certain aspects of recognition, measurement, presentation and disclosure of

financial instruments, including the requirement to measure certain equity investments at fair value with changes in fair value recognized in net income. The guidance is effective for the Company for annual reporting periods beginning after December 15, 2017, and for interim periods within those annual periods. The Company adopted this guidance effective January 1, 2018. The adoption of this guidance did not have a material impact on our financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which provides guidance on revenue recognition and supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, most industry-specific guidance and some cost guidance included in Subtopic 605-35, "Revenue Recognition-Construction-Type and Production-Type Contracts." The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under current guidance. These judgments include identifying "distinct" performance obligations in multi-element contracts, estimating the amount of variable consideration to include in the transaction price at contract inception, allocating the transaction price to each separate performance obligation, and determining at contract inception whether the performance obligation is satisfied over time or at a point in time. Since lease contracts under ASC 840, "Leases", are specifically excluded from ASU No. 2014-09's scope, most of the Company's rental

contract revenue will continue to follow current leasing guidance. We have reviewed our other sources of revenue and identified that the non-lease components (tenant chargebacks and recovery revenue) in our single-family home and office leases will continue being accounted for under ASC 840 until the adoption of ASU 2016-02 beginning January 1, 2019. Based on our assessment, the Company's current accounting policies for these non-lease components are aligned with the revenue recognition principles prescribed by the new guidance. Therefore, the new standard did not ultimately change the amount or timing of our revenue recognition. As part of ASU No. 2014-09, the FASB issued consequential amendments to other sections, eliminating ASC 360-20, Real Estate Sales and adding ASU No. 2017-05 Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets, Subtopic 610-20, "Other Income". Real estate sales to noncustomers will follow new guidance from ASC 610-20, while sales to customers will follow the general revenue guidance in ASC 606. While the Company's property sales are not part of our ordinary customer activity and will fall under ASC 610-20, there is little economic difference in the accounting for real estate sales to customers versus noncustomers, with the exception of the presentation of comprehensive income (revenue and expense when sales to customers or gains and losses when sales to noncustomers). The Company adopted the new revenue recognition guidance using the modified retrospective approach, effective January 1, 2018. We evaluated the revenue recognition for our contracts under existing accounting standards and under the new revenue recognition ASU and determined that there were no differences in the amounts or timing of recognition. Therefore, the adoption of this ASU did not result in an adjustment to our retained earnings on January 1, 2018.

In February 2018, the FASB issued ASU No. 2018-03, Recognition and Measurement of Financial Assets and Financial Liabilities, which retained the current framework for accounting for financial instruments in GAAP but made targeted improvements to address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The guidance will be effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years beginning after June 15, 2018. The Company is currently assessing the impact of the guidance on our financial statements.

### Note 3. Cash, Cash Equivalents and Restricted Cash

We consider all demand deposits, cashier's checks, money market accounts and certificates of deposit with a maturity of three months or less to be cash equivalents. We maintain our cash and cash equivalents and escrow deposits at financial institutions. The combined account balances typically exceed the Federal Deposit Insurance Corporation ("FDIC") insurance coverage, and, as a result, there is a concentration of credit risk related to amounts on deposit. We believe that the risk is not significant.

Restricted cash primarily consists of funds held related to resident security deposits, cash reserves in accordance with certain loan agreements and funds held in the custody of our transfer agent for the payment of distributions. Funds held related to resident security deposits are restricted during the term of the related lease agreement, which is generally one year. Cash reserved in connection with lender requirements is restricted during the term of the related debt instrument.

The following table provides a reconciliation of cash, cash equivalents and restricted cash per the Company's and the Operating Partnership's condensed consolidated statements of cash flows to the corresponding financial statement line items in the condensed consolidated balance sheets as of March 31, 2018 and 2017:

|  | March 31, March 31, |           |
|--|---------------------|-----------|
|  | 2018                | 2017      |
| Balance Sheet:                             |                     |           |
| Cash and cash equivalents                  | \$203,883           | \$495,802 |
| Restricted cash                            | 156,272             | 135,057   |
| Statement of Cash Flows:                   |                     |           |
| Cash, cash equivalents and restricted cash | \$360,155           | \$630,859 |



## Note 4. Single-Family Properties

Single-family properties, net, consisted of the following as of March 31, 2018, and December 31, 2017 (in thousands, except property data):

|  | March 31, 2018       |                |
|--|----------------------|----------------|
|  | Number of properties | Net book value |
| Leased single-family properties                      | 47,677               | \$7,455,093    |
| Single-family properties being renovated             | 503                  | 124,233        |
| Single-family properties being prepared for re-lease | 289                  | 37,630         |
| Vacant single-family properties available for lease  | 1,479                | 262,429        |
| Single-family properties held for sale, net          | 1,318                | 201,693        |
| Single-family properties identified for future sale  | 574                  | 88,002         |
| Total  | 51,840               | \$8,169,080    |
|  | December 31, 2017    |                |
|  | Number of properties | Net book value |
| Leased single-family properties                      | 46,996               | \$7,284,708    |
| Single-family properties being renovated             | 980                  | 225,194        |
| Single-family properties being prepared for re-lease | 372                  | 47,994         |
| Vacant single-family properties available for lease  | 2,581                | 471,281        |
| Single-family properties held for sale, net          | 310                  | 35,803         |
| Total  | 51,239               | \$8,064,980    |

Single-family properties, net as of March 31, 2018, and December 31, 2017, included \$4.7 million and \$44.2 million, respectively, related to properties for which the recorded grant deed had not been received. For these properties, the trustee or seller has warranted that all legal rights of ownership have been transferred to us on the date of the sale, but there was a delay for the deeds to be recorded.

Depreciation expense related to single-family properties was \$75.4 million and \$68.7 million for the three months ended March 31, 2018 and 2017, respectively.

During the three months ended March 31, 2018, the Company sold 103 homes, which generated total net proceeds of \$11.5 million and resulted in a net gain on sale of \$2.1 million, and sold land, which generated total net proceeds of \$0.5 million and resulted in a net gain on sale of \$0.1 million. During the three months ended March 31, 2017, the Company sold 504 homes, which generated total net proceeds of \$24.0 million, which includes a \$7.0 million note receivable, before a \$1.5 million discount, and resulted in a net loss on sale of \$1.0 million.

## Note 5. Rent and Other Receivables, Net

Included in rent and other receivables, net is an allowance for doubtful accounts of \$10.8 million and \$10.4 million as of March 31, 2018, and December 31, 2017, respectively. Also included in rent and other receivables, net, is \$4.9 million of hurricane-related insurance claims receivable and \$0.2 million of non-tenant receivables as of March 31, 2018, compared to \$8.9 million of hurricane-related insurance claims receivable and \$1.2 million of non-tenant receivables as of December 31, 2017.



## Note 6. Escrow Deposits, Prepaid Expenses and Other Assets

The following table summarizes escrow deposits, prepaid expenses and other assets as of March 31, 2018, and December 31, 2017 (in thousands):

|  | March<br>31, 2018 | December<br>31, 2017 |
|--|-------------------|----------------------|
| Escrow deposits, prepaid expenses and other    | \$49,628          | \$33,964             |
| Investments in joint ventures                  | 41,425            | 42,341               |
| Commercial real estate, vehicles and FF&E, net | 45,168            | 43,608               |
| Land held for development                      | 70,023            | 39,079               |
| Homebuilding construction in progress          | 35,463            | 12,859               |
| Total  | \$241,707         | \$171,851            |

## Note 7. Deferred Costs and Other Intangibles, Net

Deferred costs and other intangibles, net, consisted of the following as of March 31, 2018, and December 31, 2017 (in thousands):

|  | March<br>31, 2018 | December<br>31, 2017 |
|--|-------------------|----------------------|
| Deferred leasing costs                   | \$9,753           | \$7,030              |
| Deferred financing costs                 | 11,244            | 11,244               |
| Intangible assets:                       |                   |                      |
| Value of in-place leases                 | 179               | 179                  |
| Trademark                                | —                 | 3,100                |
| Database                                 | 2,100             | 2,100                |
|  | 23,276            | 23,653               |
| Less: accumulated amortization (10,245 ) | (10,245 )         | (10,628 )            |
| Total                                    | \$13,031          | \$13,025             |

Amortization expense related to deferred leasing costs, the value of in-place leases, trademark and database was \$2.2 million and \$2.9 million for the three months ended March 31, 2018 and 2017, respectively, which has been included in depreciation and amortization within the condensed consolidated statements of operations. Deferred financing costs that relate to our revolving credit facility are included in deferred costs and other intangibles, net within the condensed consolidated balance sheets. Amortization of deferred financing costs that relate to our revolving credit facility was \$0.5 million and \$0.4 million for the three months ended March 31, 2018 and 2017, respectively, which has been included in gross interest, prior to interest capitalization (see Note 8).

The following table sets forth the estimated annual amortization expense related to deferred costs and other intangibles, net as of March 31, 2018, for future periods (in thousands):

| Year           | Deferred<br>Leasing<br>Costs | Deferred<br>Financing<br>Costs | Value of<br>In-place<br>Leases | Database |
|----------------|------------------------------|--------------------------------|--------------------------------|----------|
| Remaining 2018 | \$ 3,751                     | \$ 1,479                       | \$ 6                           | \$ 225   |
| 2019           | 272                          | 1,964                          | 2                              | 300      |
| 2020           | —                            | 1,969                          | —                              | 132      |
| 2021           | —                            | 1,964                          | —                              | —        |
| 2022           | —                            | 967                            | —                              | —        |
| Total          | \$ 4,023                     | \$ 8,343                       | \$ 8                           | \$ 657   |



## Note 8. Debt

All of the Company's indebtedness is debt of the Operating Partnership. AH4R is not directly obligated under any indebtedness, but guarantees some of the debt of the Operating Partnership. The following table presents the Company's debt as of March 31, 2018, and December 31, 2017 (in thousands):

|  | Interest Rate (1) | Maturity Date     | Outstanding Principal Balance |                   |
|--|-------------------|-------------------|-------------------------------|-------------------|
|  |                   |                   | March 31, 2018                | December 31, 2017 |
| AH4R 2014-SFR2 securitization                                    | 4.42%             | October 9, 2024   | \$ 495,043                    | \$ 496,326        |
| AH4R 2014-SFR3 securitization                                    | 4.40%             | December 9, 2024  | 510,721                       | 512,041           |
| AH4R 2015-SFR1 securitization (2)                                | 4.14%             | April 9, 2045     | 536,341                       | 537,723           |
| AH4R 2015-SFR2 securitization (3)                                | 4.36%             | October 9, 2045   | 465,940                       | 467,267           |
| Total asset-backed securitizations                               |                   |                   | 2,008,045                     | 2,013,357         |
| Unsecured senior notes (4)                                       | 4.08%             | February 15, 2028 | 500,000                       | —                 |
| Exchangeable senior notes  | 3.25%             | November 15, 2018 | 115,000                       | 115,000           |
| Secured note payable   | 4.06%             | July 1, 2019      | 48,604                        | 48,859            |
| Revolving credit facility (5)                                    | 3.08%             | June 30, 2022     | —                             | 140,000           |
| Term loan facility (6)   | 3.23%             | June 30, 2022     | 200,000                       | 200,000           |
| Total debt (7)   |                   |                   | 2,871,649                     | 2,517,216         |
| Unamortized discounts on unsecured and exchangeable senior notes |                   |                   | (3,412)                       | (895)             |
| Equity component of exchangeable senior notes                    |                   |                   | (1,746)                       | (2,408)           |
| Deferred financing costs, net (8)                                |                   |                   | (41,634)                      | (38,026)          |
| Total debt per balance sheet                                     |                   |                   | \$ 2,824,857                  | \$ 2,475,887      |

(1) Interest rates are as of March 31, 2018. Unless otherwise stated, interest rates are fixed percentages.

(2) The AH4R 2015-SFR1 securitization has a maturity date of April 9, 2045, with an anticipated repayment date of April 9, 2025.

(3) The AH4R 2015-SFR2 securitization has a maturity date of October 9, 2045, with an anticipated repayment date of October 9, 2025.

(4) The stated interest rate on the unsecured senior notes is 4.25%, which was effectively hedged to yield an interest rate of 4.08%.

The revolving credit facility provides for a borrowing capacity of up to \$800.0 million, with a fully extended maturity date of June 2022, and bears interest at a LIBOR rate plus a margin ranging from 0.825% to 1.55% or a (5) base rate (generally determined according to a prime rate or federal funds rate) plus a margin ranging from 0.00% to 0.55%. The interest rate stated represents the applicable spread for LIBOR based borrowings as of March 31, 2018, plus 1-month LIBOR.

The term loan facility provides for a borrowing capacity of up to \$200.0 million, with a maturity date of June 2022, and bears interest at a LIBOR rate plus a margin ranging from 0.90% to 1.75% or a base rate (generally determined (6) according to a prime rate or federal funds rate) plus a margin ranging from 0.00% to 0.75%. The interest rate stated represents the applicable spread for LIBOR based borrowings as of March 31, 2018, plus 1-month LIBOR.

The Company was in compliance with all debt covenants associated with its asset-backed securitizations, (7) unsecured senior notes, secured note payable, revolving credit facility and term loan facility as of March 31, 2018, and December 31, 2017.

Deferred financing costs relate to our asset-backed securitizations, term loan facility and unsecured senior notes.

(8) Amortization of deferred financing costs was \$1.4 million and \$2.2 million for the three months ended March 31, 2018 and 2017, respectively, which has been included in gross interest, prior to interest capitalization.



## Debt Maturities

The following table summarizes the contractual maturities of the Company's debt on a fully extended basis as of March 31, 2018 (in thousands):

|  |              |
|--|--------------|
| Remaining 2018   | \$ 131,290   |
| 2019   | 68,564       |
| 2020   | 20,714       |
| 2021   | 20,714       |
| 2022   | 220,714      |
| Thereafter   | 2,409,653    |
| Total debt   | 2,871,649    |
| Unamortized discounts and deferred financing costs (1) | (46,792 )    |
| Total debt per balance sheet                           | \$ 2,824,857 |

(1) Includes the unamortized discounts on the unsecured and exchangeable senior notes, the equity component of the exchangeable senior notes and deferred financing costs, net.

## Unsecured Senior Notes

In February 2018, the Operating Partnership issued \$500.0 million of 4.25% unsecured senior notes with a maturity date of February 15, 2028 (the "2028 Notes"). Interest on the 2028 Notes is payable semi-annually in arrears on February 15 and August 15 of each year, commencing on August 15, 2018. The Operating Partnership received net proceeds of \$494.0 million from this issuance, after underwriting fees of approximately \$3.2 million and a \$2.8 million discount, and before estimated offering costs of \$1.8 million. The Operating Partnership intends to use the net proceeds from this issuance for general corporate purposes, including, without limitation, acquisitions of additional properties, the repayment of outstanding indebtedness, capital expenditures, the expansion, redevelopment and/or improvement of our properties, working capital and other general purposes, including repurchases of securities. The 2028 Notes are the Operating Partnership's unsecured and unsubordinated obligation and rank equally in right of payment with all of the Operating Partnership's existing and future unsecured and unsubordinated indebtedness. The Operating Partnership may redeem the 2028 Notes at any time, in whole or in part, at the applicable redemption price specified in the Indenture with respect to the 2028 Notes. If the 2028 Notes are redeemed on or after November 15, 2027 (three months prior to the maturity date), the redemption price will be equal to 100% of the principal amount of the 2028 Notes being redeemed plus accrued and unpaid interest thereon to, but not including, the redemption date. The 2028 Notes have been initially guaranteed by American Residential Properties OP, L.P., (the "Guarantor Subsidiary"), a 100% owned subsidiary of the Operating Partnership, but such guarantee will be automatically released at the time that the Guarantor Subsidiary no longer guarantees our credit facility. Including the effect of a cash flow hedging instrument settled in February 2018 (see Note 13), the 2028 Notes yield an effective interest rate of 4.08%.

## Exchangeable Senior Notes, Net

The exchangeable senior notes, which were assumed in connection with the Company's merger (the "ARPI Merger") with American Residential Properties, Inc. ("ARPI") during 2016, contain an exchange settlement feature, which provides that the exchangeable senior notes may, under certain circumstances, be exchangeable for cash, our Class A common shares or a combination of cash and our Class A common shares, at the option of the Operating Partnership, based on an initial exchange rate of 46.9423 shares of ARPI's common stock per \$1,000 principal amount of the notes. Settlements for cash will be paid for by the Operating Partnership, while settlements for the Company's Class A common shares will be issued by AH4R with the Operating Partnership issuing an equivalent number of Class A units to AH4R. The adjusted initial exchange rate would be 53.2795 of our Class A common shares per \$1,000 principal amount of the notes, based on the 1.135 exchange ratio of ARPI shares to our shares resulting from the ARPI Merger. The current exchange rate as of March 31, 2018, was 55.4118 of the Company's Class A common shares per \$1,000 principal amount of the notes. The exchange rate is adjusted based on the Company's Class A common share price and

distributions to common shareholders.

## Interest Expense

The following table displays our total gross interest, which includes unused commitment and other fees on our credit facilities and amortization of deferred financing costs, the discounts on senior notes and the fair value of the exchange settlement feature of the exchangeable senior notes, and capitalized interest for the three months ended March 31, 2018 and 2017 (in thousands):

|                      | For the Three<br>Months Ended |                   |
|----------------------|-------------------------------|-------------------|
|                      | March<br>31, 2018             | March<br>31, 2017 |
| Gross interest       | \$31,737                      | \$32,492          |
| Capitalized interest | (2,436 )                      | (603 )            |
| Interest expense     | \$29,301                      | \$31,889          |

## Note 9. Accounts Payable and Accrued Expenses

The following table summarizes accounts payable and accrued expenses as of March 31, 2018, and December 31, 2017 (in thousands):

|  | March<br>31, 2018 | December<br>31, 2017 |
|--|-------------------|----------------------|
| Accounts payable                                 | \$272             | \$1,726              |
| Accrued property taxes                           | 67,190            | 47,765               |
| Other accrued liabilities                        | 37,023            | 31,788               |
| Accrued distribution payable                     | 27,006            | 26,982               |
| Accrued construction and maintenance liabilities | 29,173            | 17,928               |
| Resident security deposits                       | 80,156            | 75,951               |
| Prepaid rent                                     | 21,447            | 20,727               |
| Total  | \$262,267         | \$222,867            |

## Note 10. Shareholders' Equity / Partners' Capital

When the Company issues common or preferred shares, the Operating Partnership issues an equivalent number of units of partnership interest of a corresponding class to AH4R, with the Operating Partnership receiving the net proceeds from the share issuances.

## At-the-Market Common Share Offering Program

In November 2016, the Company established an at-the-market common share offering program under which we were able to issue Class A common shares from time to time through various sales agents up to an aggregate of \$400.0 million (the "Original At-the-Market Program"). The program was established in order to use the net proceeds from share issuances to repay borrowings against the Company's revolving credit and term loan facilities, to acquire and renovate single-family properties and for related activities in accordance with the Company's business strategy, and for working capital and general corporate purposes. The program may be suspended or terminated by the Company at any time. During the three months ended March 31, 2017, the Company issued and sold 0.6 million Class A common shares under the Original At-the-Market Program for gross proceeds of \$14.3 million, or \$22.72 per share, and net proceeds of \$14.1 million, after commissions and other expenses of approximately \$0.2 million. The Operating Partnership issued an equivalent number of corresponding Class A units to AH4R in exchange for the net proceeds from the share issuances. The Original At-the-Market Program was replaced in August 2017 with an at-the-market common share offering program with a \$500.0 million capacity with the same terms (the "At-the-Market Program"). As of March 31, 2018, no shares have been issued under the At-the-Market Program and \$500.0 million remained available for future share issuances.

## Share Repurchase Program

In February 2018, the Company's board of trustees re-authorized our existing share repurchase program, authorizing the repurchase of up to \$300.0 million of our outstanding Class A common shares and up to \$250.0 million of our outstanding preferred shares from time to time in the open market or in privately negotiated transactions. The program does not have an expiration date, but may be suspended or discontinued at any time without notice. All repurchased shares are constructively retired and returned to an authorized and unissued status. The Operating Partnership funds the repurchases and constructively retires an equivalent number of corresponding Class A units. During the three months ended March 31, 2018, the Company repurchased and retired 1.8 million of our Class A common shares on a settlement date basis, in accordance with the program, at a weighted-average price of \$19.36 per share and a total price of \$34.9 million. We did not repurchase and retire any of our shares during the three months ended March 31, 2017.

20

---



Edgar Filing: American Homes 4 Rent - Form 10-Q

As of March 31, 2018, we had a remaining repurchase authorization of up to \$265.1 million of our outstanding Class A common shares and up to \$250.0 million of our outstanding preferred shares under the program.

As of March 31, 2018, and December 31, 2017, the Company had the following series of preferred shares outstanding (in thousands, except share data):

| Series                                      | Issuance Date | Earliest Redemption Date | Dividend Rate | March 31, 2018     |                               | December 31, 2017  |                               |
|---|---------------|--------------------------|---------------|--------------------|-------------------------------|--------------------|-------------------------------|
|   |               |                          |               | Outstanding Shares | Current Liquidation Value (1) | Outstanding Shares | Current Liquidation Value (1) |
| Series C participating preferred shares (2) | 5/2/2014      | 3/31/2018                | 5.500 %       | 7,600,000          | \$ 219,238                    | 7,600,000          | \$ 218,236                    |
| Series D perpetual preferred shares         | 5/24/2016     | 5/24/2021                | 6.500 %       | 10,750,000         | 268,750                       | 10,750,000         | 268,750                       |
| Series E perpetual preferred shares         | 6/29/2016     | 6/29/2021                | 6.350 %       | 9,200,000          | 230,000                       | 9,200,000          | 230,000                       |
| Series F perpetual preferred shares         | 4/24/2017     | 4/24/2022                | 5.875 %       | 6,200,000          | 155,000                       | 6,200,000          | 155,000                       |
| Series G perpetual preferred shares         | 7/17/2017     | 7/17/2022                | 5.875 %       | 4,600,000          | 115,000                       | 4,600,000          | 115,000                       |
| Total preferred shares                      |               |                          |               | 38,350,000         | \$ 987,988                    | 38,350,000         | \$ 986,986                    |

Liquidation value for the Series C participating preferred shares reflects initial liquidation value of \$25.00 per (1) share, adjusted by an amount equal to 50% of the cumulative change in value of an index based on the purchase prices of single-family properties located in our top 20 markets

All of the outstanding Series C participating preferred shares were converted into 10,848,827 Class A common (2) shares on April 5, 2018, based on a conversion ratio of 1.4275 common shares per preferred share in accordance with the conversion terms in the Articles Supplementary.

#### Redemption of Series C Participating Preferred Shares

On April 5, 2018, the Company redeemed all 7,600,000 shares of the outstanding 5.5% Series C participating preferred shares through a conversion of those participating preferred shares into Class A common shares of beneficial interest, \$0.01 par value, in accordance with the conversion terms in the Articles Supplementary. This resulted in 10,848,827 Class A common shares issued from the conversion, based on a conversion ratio of 1.4275 Class A common shares issued per Series C participating preferred share. The Operating Partnership also redeemed its corresponding Series C participating preferred units through a conversion into Class A units on April 5, 2018. The conversion ratio was calculated by dividing (1) the initial liquidation preference on the Series C participating preferred shares, as adjusted by an amount equal to 50% of the cumulative change in value of an index based on the purchase prices of single-family properties located in our top 20 markets (adjusted for a maximum 9.0% internal rate of return), plus unaccrued dividends by (2) the one-day volume weighted-average price ("VWAP") of the Company's Class A common shares on March 29, 2018, the date the Company delivered the required notice of redemption. As a result of the redemption, the Company will record a \$32.2 million allocation of income to the Series C participating preferred shareholders in the second quarter of 2018, which represents the initial liquidation value of the Series C participating preferred shares in excess of the original equity carrying value of the Series C participating preferred shares as of the redemption date. The original equity carrying value of the Series C participating preferred shares was net of the initial bifurcated home price appreciation derivative liability and offering costs.

#### Distributions

During the quarter ended March 31, 2018, the Company's board of trustees declared distributions that totaled \$0.05 per share on the Company's Class A and Class B common shares, \$0.34 on the Company's 5.5% Series C participating

preferred shares, \$0.41 on the Company's 6.5% Series D perpetual preferred shares, \$0.40 on the Company's 6.35% Series E perpetual preferred shares, \$0.37 on the Company's 5.875% Series F perpetual preferred shares and \$0.37 on the Company's 5.875% Series G perpetual preferred shares. During the quarter ended March 31, 2017, the Company's board of trustees declared distributions that totaled \$0.05 per share on the Company's Class A and Class B common shares, \$0.31 on the Company's 5.0% Series A participating preferred shares, \$0.31 on the Company's 5.0% Series B participating preferred shares, \$0.34 on the Company's 5.5% Series C participating preferred shares, \$0.41 on the Company's 6.5% Series D perpetual preferred shares and \$0.40 on the Company's 6.35% Series E perpetual preferred shares. The Operating Partnership funds the payment of distributions, and an equivalent amount of distributions were declared on the corresponding Operating Partnership units.

#### Noncontrolling Interest

Noncontrolling interest as reflected in the Company's condensed consolidated balance sheets primarily consists of the interests held by former American Homes 4 Rent, LLC ("AH LLC") members in units in the Operating Partnership. Former AH LLC members owned 54,276,644, or approximately 16.0% and 15.9%, of the total 340,354,889 and 342,099,865 Class A units in the Operating Partnership as of March 31, 2018, and December 31, 2017, respectively. Noncontrolling interest also includes interests held

by non-affiliates in Class A units in the Operating Partnership. Non-affiliate Class A unitholders owned 1,073,509, or approximately 0.3% of the total 340,354,889 and 342,099,865 Class A units in the Operating Partnership as of March 31, 2018, and December 31, 2017, respectively. Also included in noncontrolling interest is the outside ownership interest in a consolidated subsidiary of the Operating Partnership.

The following table summarizes the income or loss allocated to noncontrolling interests as reflected in the Company's condensed consolidated statements of operations for the three months ended March 31, 2018 and 2017 (in thousands):

|   | For the Three<br>Months Ended |                      |
|---|-------------------------------|----------------------|
|   | March<br>31,<br>2018          | March<br>31,<br>2017 |
| Net income (loss) allocated to Class A units  | \$1,125                       | \$(339)              |
| Net (loss) income allocated to noncontrolling interest in a consolidated subsidiary | (11 )                         | 38                   |
|   | \$1,114                       | \$(301)              |

Noncontrolling interest as reflected in the Operating Partnership's condensed consolidated balance sheets consists solely of the outside ownership interest in a consolidated subsidiary of the Operating Partnership. Income and loss allocated to the Operating Partnership's noncontrolling interest is reflected in noncontrolling interest within the Operating Partnership's condensed consolidated statements of operations. The Operating Partnership units owned by former AH LLC members and non-affiliates that are reflected as noncontrolling interest in the Company's condensed consolidated balance sheets are reflected as limited partner capital in the Operating Partnership's condensed consolidated balance sheets.

#### 2012 Equity Incentive Plan

The Company's employees are compensated through the Operating Partnership, including share-based compensation. When the Company issues Class A common shares under the 2012 Equity Incentive Plan (the "Plan"), the Operating Partnership issues an equivalent number of Class A units to AH4R.

During the three months ended March 31, 2018 and 2017, the Company granted stock options for 140,000 and 385,200 Class A common shares, respectively, and 304,400 and 174,000 restricted stock units, respectively, to certain employees of the Company under the Plan. The options and restricted stock units granted during the three months ended March 31, 2018 and 2017, vest over four years, and the options expire 10 years from the date of grant.

The following table summarizes stock option activity under the Plan for the three months ended March 31, 2018 and 2017:

|  | Shares    | Weighted-<br>Average<br>Exercise Price | Weighted-<br>Average<br>Remaining<br>Contractual<br>Life (in years) | Aggregate<br>Intrinsic<br>Value (1)<br>(in thousands) |
|--|-----------|--|---|---|
| Options outstanding at January 1, 2017 | 2,826,500 | \$ 15.69                               | 7.6   | \$ 14,956   |
| Granted                                | 385,200   | 23.38                                  |   |   |
| Exercised                              | (16,000 ) | 16.07                                  |   | 117   |
| Forfeited                              | (5,000 )  | 16.48                                  |   |   |
| Options outstanding at March 31, 2017  | 3,190,700 | \$ 16.62                               | 7.7   | \$ 20,404   |
| Options exercisable at March 31, 2017  | 1,660,750 | \$ 15.84                               | 6.9   | \$ 11,824   |
| Options outstanding at January 1, 2018 | 3,052,450 | \$ 16.65                               | 6.9   | \$ 16,421   |

Edgar Filing: American Homes 4 Rent - Form 10-Q

|                                       |           |          |     |           |
|---------------------------------------|-----------|----------|-----|-----------|
| Granted                               | 140,000   | 19.40    |     |           |
| Exercised                             | (7,500 )  | 16.62    |     | 22        |
| Forfeited                             | (10,000 ) | 17.83    |     |           |
| Options outstanding at March 31, 2018 | 3,174,950 | \$ 16.76 | 6.7 | \$ 11,748 |
| Options exercisable at March 31, 2018 | 2,272,675 | \$ 16.16 | 6.1 | \$ 9,213  |

(1) Intrinsic value for activities other than exercises is defined as the difference between the grant price and the market value on the last trading day of the period for those stock options where the market value is greater than the exercise price. For exercises, intrinsic value is defined as the difference between the grant price and the market value on the date of exercise.

The following table summarizes the Black-Scholes Option Pricing Model inputs used for valuation of the stock options for Class A common shares granted during the three months ended March 31, 2018 and 2017:

|                             | 2018   | 2017   |
|-----------------------------|--------|--------|
| Weighted-average fair value | \$3.03 | \$3.82 |
| Expected term (years)       | 7.0    | 7.0    |
| Dividend yield              | 3.0 %  | 3.0 %  |
| Volatility                  | 18.9%  | 21.3%  |
| Risk-free interest rate     | 2.8 %  | 2.2 %  |

The following table summarizes the activity that relates to the Company's restricted stock units under the Plan for the three months ended March 31, 2018 and 2017:

|   | 2018      | 2017      |
|---|-----------|-----------|
| Restricted stock units at beginning of period | 243,875   | 130,150   |
| Units awarded                                 | 304,400   | 174,000   |
| Units vested                                  | (79,525 ) | (41,975 ) |
| Units forfeited                               | (5,625 )  | (1,750 )  |
| Restricted stock units at end of period       | 463,125   | 260,425   |

For the three months ended March 31, 2018 and 2017, total non-cash share-based compensation expense related to stock options and restricted stock units was \$1.0 million and \$0.9 million, respectively, of which \$0.6 million and \$0.5 million, respectively, related to corporate administrative employees and was included in general and administrative expense and \$0.4 million related to centralized and field property management employees and was included in property management expenses within the condensed consolidated statements of operations.

## Note 11. Earnings per Share / Unit

## American Homes 4 Rent

The following table reflects the Company's computation of net income or loss per common share on a basic and diluted basis for the three months ended March 31, 2018 and 2017 (in thousands, except share and per share data):

|  | For the Three Months<br>Ended<br>March 31, |             |
|--|--|-------------|
|  | 2018                                       | 2017        |
| Numerator:   |  |             |
| Net income   | \$21,525                                   | \$ 11,796   |
| Less:  |  |             |
| Noncontrolling interest  | 1,114                                      | (301 )      |
| Dividends on preferred shares                                  | 14,597                                     | 13,587      |
| Allocation to participating securities (1)                     | 23   | —           |
| Numerator for income (loss) per common share—basic and diluted | \$5,791                                    | \$ (1,490 ) |
| Denominator:   |  |             |
| Weighted-average common shares outstanding—basic               | 286,183,424                                | 284,391,368 |
| Effect of dilutive securities:                                 |  |             |
| Share-based compensation plan (2)                              | 544,434                                    | —           |
| Weighted-average common shares outstanding—diluted (3)         | 286,727,858                                | 284,391,368 |
| Net income (loss) per common share:                            |  |             |
| Basic  | \$0.02                                     | \$ (0.01 )  |
| Diluted  | \$0.02                                     | \$ (0.01 )  |

(1) Participating securities include unvested restricted stock units that have nonforfeitable rights to participate in dividends declared on common stock.

(2) Reflects the effect of potentially dilutive securities issuable upon the assumed vesting / exercise of restricted stock units and stock options.

The computation of diluted earnings per share for the three months ended March 31, 2018 and 2017, excludes an aggregate of 17,221,189 and 27,790,165 potentially dilutive securities, respectively, which include a combination of participating preferred shares, exchangeable senior notes, common shares issuable upon exercise of stock options and unvested restricted stock units, because their effect would have been antidilutive to the respective periods. The effect of the potential conversion of OP Units is not reflected in the computation of basic and diluted earnings per share, as they are exchangeable for Class A common shares on a one-for-one basis. The income allocable to the OP units is allocated on this same basis and reflected as noncontrolling interest in the accompanying consolidated financial statements. As such, the assumed conversion of the OP units would have no net impact on the determination of diluted earnings per share.

American Homes 4 Rent, L.P.

The following table reflects the Operating Partnership's computation of net income or loss per common unit on a basic and diluted basis for the three months ended March 31, 2018 and 2017 (in thousands, except unit and per unit data):

|   | For the Three Months<br>Ended<br>March 31, |             |
|---|--|-------------|
|   | 2018                                       | 2017        |
| Numerator:  |  |             |
| Net income  | \$21,525                                   | \$ 11,796   |
| Less:   |  |             |
| Noncontrolling interest                                       | (11 )                                      | 38          |
| Preferred distributions                                       | 14,597                                     | 13,587      |
| Allocation to participating securities (1)                    | 23   | —           |
| Numerator for income (loss) per common unit—basic and diluted | \$6,916                                    | \$ (1,829 ) |
| Denominator:  |  |             |
| Weighted-average common units outstanding—basic               | 341,533,582                                | 299,947,328 |
| Effect of dilutive securities:                                |  |             |
| Share-based compensation plan (2)                             | 544,434                                    | —           |
| Weighted-average common units outstanding—diluted (3)         | 342,078,016                                | 299,947,328 |
| Net income (loss) per common unit:                            |  |             |
| Basic   | \$0.02                                     | \$ (0.01 )  |
| Diluted   | \$0.02                                     | \$ (0.01 )  |

(1) Participating securities include unvested restricted stock units that have nonforfeitable rights to participate in dividends declared on common stock.

(2) Reflects the effect of potentially dilutive securities issuable upon the assumed vesting / exercise of restricted stock units and stock options.

(3) The computation of diluted earnings per unit for the three months ended March 31, 2018 and 2017, excludes an aggregate of 17,221,189 and 27,790,165 potentially dilutive securities, respectively, which include a combination of participating preferred units, exchangeable senior notes, common units issuable upon exercise of stock options and unvested restricted stock units, because their effect would have been antidilutive to the respective periods.

#### Note 12. Commitments and Contingencies

As of March 31, 2018, the Company had commitments to acquire 219 single-family properties for an aggregate purchase price of \$58.6 million, as well as \$42.4 million in land purchase commitments that relate to both third party developer agreements and our internal construction program. As of December 31, 2017, the Company had commitments to acquire 520 single-family properties for an aggregate purchase price of \$128.1 million, as well as \$24.0 million in land purchase commitments that relate to both third party developer agreements and our internal construction program.

As of March 31, 2018, and December 31, 2017, the Company had sales in escrow for approximately 36 and 69 of our single-family properties, respectively, for aggregate selling prices of \$5.1 million and \$7.0 million, respectively.

We are involved in various legal and administrative proceedings that are incidental to our business. We do not believe these matters will have a material adverse effect on our financial position or results of operations upon resolution.

Radian Group Inc. (“Radian”), the indirect parent company of Green River Capital LLC (“GRC”), which has been a service provider that provided certain broker price opinions (“BPO”) to us, disclosed in its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017, that GRC had received a letter in March 2017 from the staff of the SEC stating that it is conducting an investigation captioned “In the Matter of Certain Single Family Rental Securitizations” and requesting information from market participants. Radian disclosed that the letter asked GRC to provide information regarding BPOs that GRC provided on properties included in single family rental securitization transactions (“Securitizations”). On September 13, 2017, we received a letter from the staff of the SEC stating that it is conducting an investigation captioned “In the Matter of Certain Single Family Rental Securitizations.” The letter enclosed a subpoena that requests the production of certain documents and communications related to our Securitizations, including, without limitation, those related to BPOs provided by GRC on properties included in Securitizations. The letter does not allege any violation of law and we are cooperating with the SEC. We understand that other transaction parties in



Securitizations have received requests in this matter. We do not believe this matter will have a material adverse impact on our financial position or results of operations upon resolution.

On January 16, 2018, we received a letter from the staff of the SEC stating that it is conducting an investigation captioned “Trading in Silver Bay Realty Trust Corp.” The letter enclosed a subpoena that requests us to produce certain documents and communications, including those related to our communications and agreements with Silver Bay Realty Trust Corp. (“Silver Bay”), communications with Silver Bay’s financial advisor, and our purchases, sales and holdings of Silver Bay stock. We purchased Silver Bay stock in 2016 and 2017 and then sold all of our holdings in 2017 for a profit of approximately \$3.0 million. We intend to cooperate fully with the SEC in connection with this matter. We do not believe this matter will have a material adverse impact on our financial position or results of operations upon resolution.

### Note 13. Fair Value

The carrying amount of rents and other receivables, restricted cash, escrow deposits, prepaid expenses and other assets, and accounts payable and accrued expenses approximate fair value because of the short maturity of these amounts. The Company’s participating preferred shares derivative liability is the only financial instrument recorded at fair value on a recurring basis in the consolidated financial statements as of March 31, 2018.

Our revolving credit facility, term loan facility, asset-backed securitizations and secured note payable are also financial instruments, which are classified as Level 3 in the fair value hierarchy as they were estimated by using unobservable inputs. We estimated their fair values by modeling the contractual cash flows required under the instruments and discounting them back to their present values using estimates of current market rates. Our unsecured senior notes and exchangeable senior notes are also financial instruments, which are classified as Level 2 in the fair value hierarchy as their fair values are estimated using observable inputs, based on the market value of the last trade at the end of the period.

The following table displays the carrying values and fair values of our debt instruments as of March 31, 2018, and December 31, 2017 (in thousands):

|  | March 31, 2018 |             | December 31, 2017 |             |
|--|----------------|-------------|-------------------|-------------|
|  | Carrying Value | Fair Value  | Carrying Value    | Fair Value  |
| AH4R 2014-SFR2 securitization          | \$495,043      | \$500,863   | \$496,326         | \$504,730   |
| AH4R 2014-SFR3 securitization          | 510,721        | 518,292     | 512,041           | 521,252     |
| AH4R 2015-SFR1 securitization          | 536,341        | 541,689     | 537,723           | 544,592     |
| AH4R 2015-SFR2 securitization          | 465,940        | 472,594     | 467,267           | 475,832     |
| Total asset-backed securitizations (1) | 2,008,045      | 2,033,438   | 2,013,357         | 2,046,406   |
| Unsecured senior notes, net (1) (2)    | 497,245        | 491,395     | —                 | —           |
| Exchangeable senior notes, net (2)     | 112,597        | 131,968     | 111,697           | 147,462     |
| Secured note payable                   | 48,604         | 48,652      | 48,859            | 49,027      |
| Revolving credit facility (1) (3)      | —              | —           | 140,000           | 140,000     |
| Term loan facility (1) (4)             | 200,000        | 200,000     | 200,000           | 200,000     |
| Total debt                             | \$2,866,491    | \$2,905,453 | \$2,513,913       | \$2,582,895 |

(1) The carrying values of the asset-backed securitizations, unsecured senior notes, revolving credit facility and term loan facility exclude \$34.8 million, \$5.0 million, \$8.3 million and \$1.9 million, respectively, of unamortized deferred financing costs as of March 31, 2018, and exclude \$36.0 million, zero, \$8.8 million and \$2.0 million, respectively, of unamortized deferred financing costs as of December 31, 2017.

(2) The carrying values of the unsecured senior notes, net and exchangeable senior notes, net are presented net of unamortized discounts.

(3) As our revolving credit facility bears interest at a floating rate based on an index plus a spread, which is a LIBOR rate plus a margin ranging from 0.825% to 1.55% or a base rate (generally determined according to a prime rate or federal funds rate) plus a margin ranging from 0.00% to 0.55%, management believes that the carrying value of the revolving credit facility reasonably approximates fair value.

(4) As our term loan facility bears interest at a floating rate based on an index plus a spread, which is a LIBOR rate plus a margin ranging from 0.90% to 1.75% or a base rate (generally determined according to a prime rate or federal funds rate) plus a margin ranging from 0.00% to 0.75%, management believes that the carrying value of the term loan facility reasonably approximates fair value.

Valuation of the participating preferred shares derivative liability considers scenarios in which the participating preferred shares would be redeemed or converted into Class A common shares by the Company and the subsequent payoffs under those

scenarios. The valuation also considers certain variables such as the risk-free rate matching the assumed timing of either redemption or conversion, volatility of the underlying home price appreciation index, dividend payments, conversion rates, the assumed timing of either redemption or conversion and an assumed drift factor in home price appreciation across certain metropolitan statistical areas, or MSAs, as outlined in the agreement. The Series C participating preferred shares were redeemed through a conversion into Class A common shares on April 5, 2018, and the related participating preferred shares derivative liability was therefore remeasured based on the actual liquidation value at March 31, 2018 (see Note 10).

In October 2017, in anticipation of the issuance of the 2028 Notes and in order to hedge interest rate risk, the Operating Partnership entered into a treasury lock agreement on a notional amount of \$350.0 million, based on the 10-year treasury note rate at the time. The treasury lock was designated as a cash flow hedging instrument and had a fair value of \$0.1 million as of December 31, 2017, which was included in escrow deposits, prepaid expenses and other assets within the consolidated balance sheets, with a corresponding unrealized gain reflected in other comprehensive income. The treasury lock was settled upon the issuance of the 2028 Notes in February 2018 and resulted in a \$9.6 million gain that was recorded in other comprehensive income and will be reclassified into earnings as a reduction of interest expense over the term of the 2028 Notes. The treasury lock is classified as Level 2 within the fair value hierarchy as its fair value was estimated using observable inputs, based on the 10-year treasury note rate.

The following tables set forth the fair values of the participating preferred shares derivative liability and treasury lock as of March 31, 2018, and December 31, 2017 (in thousands):

| Description   | March 31, 2018   |                             |   | Total     |
|---|--|-----------------------------|---|-----------|
|   | Quoted Prices in Active Markets for Identical Assets (Level 1) | Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |           |
| <b>Liabilities:</b>                                 |  |                             |   |           |
| Participating preferred shares derivative liability | \$—  | \$—                         | \$ 28,258                                 | \$ 28,258 |
| <b>December 31, 2017</b>                            |  |                             |   |           |
| Description   | March 31, 2017   |                             |   | Total     |
|   | Quoted Prices in Active Markets for Identical Assets (Level 1) | Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |           |
| <b>Assets:</b>                                      |  |                             |   |           |
| Treasury lock                                       | \$—  | \$ 75                       | \$ —                                      | \$ 75     |
| <b>Liabilities:</b>                                 |  |                             |   |           |
| Participating preferred shares derivative liability | \$—  | \$ —                        | \$ 29,470                                 | \$ 29,470 |

The following tables present changes in the fair values of our Level 3 financial instruments that are measured on a recurring basis with changes in fair value recognized in remeasurement of participating preferred shares within the condensed consolidated statements of operations for the three months ended March 31, 2018 and 2017 (in thousands):

| Description   | January 1, 2018 | Remeasurement March 31, 2018 |                      |
|---|-----------------|------------------------------|----------------------|
|   |                 | included in earnings         | included in earnings |
| <b>Liabilities:</b>                                 |                 |                              |                      |
| Participating preferred shares derivative liability | \$29,470        | \$ (1,212)                   | \$ 28,258            |
| Description   | January 1, 2017 | Remeasurement March 31, 2017 |                      |
|   |                 | included in earnings         | included in earnings |

Edgar Filing: American Homes 4 Rent - Form 10-Q

|   | earnings          | 2017     |
|---|-------------------|----------|
| Liabilities:  |                   |          |
| Participating preferred shares derivative liability | \$69,810 \$ 5,410 | \$75,220 |

27

---

Note 14. Condensed Consolidating Financial Statements

American Homes 4 Rent, L.P.

The 2028 Notes issued by American Homes 4 Rent, L.P. (the “Parent Company”) have been initially guaranteed by American Residential Properties OP, L.P. (the “Guarantor Subsidiary”), a 100% owned subsidiary of the Parent Company, but such guarantee will be automatically released at the time that the Subsidiary Guarantor no longer guarantees our credit facility. The Parent Company’s other subsidiaries, including, but not limited to, the subsidiaries that own substantially all of our properties (collectively, the “Combined Non-Guarantor Subsidiaries”), have not provided a guarantee of the 2028 Notes. Pursuant to Rule 3-10 of Regulation S-X, the following condensed consolidating financial information is provided for the Operating Partnership, including the Parent Company, the Guarantor Subsidiary and the Combined Non-Guarantor Subsidiaries. This summarized financial information may not necessarily be indicative of the results of operations or financial position had the Parent Company, the Guarantor Subsidiary or the Combined Non-Guarantor Subsidiaries operated as independent entities. All intercompany balances and transactions between the Parent Company, the Guarantor Subsidiary and the Non-Guarantor Subsidiaries have been eliminated as shown in the “Consolidating Adjustments” column. All assets and liabilities have been allocated to the Parent Company, the Guarantor Subsidiary and the Combined Non-Guarantor Subsidiaries based on legal entity ownership.

Edgar Filing: American Homes 4 Rent - Form 10-Q

Condensed Consolidating Balance Sheets  
(Amounts in thousands)

|   | As of March 31, 2018                                     |  |   |                              |                       |
|---|--|--|---|------------------------------|-----------------------|
|   | American<br>Homes 4<br>Rent, L.P.<br>(Parent<br>Company) | American<br>Residential<br>Properties<br>OP, L.P.<br>(Guarantor<br>Subsidiary) | Combined<br>Non-Guarantor<br>Subsidiaries | Consolidating<br>Adjustments | Consolidated<br>Total |
| <b>Assets</b>   |  |  |   |                              |                       |
| Single-family properties, net   | \$—  | \$ 934   | \$ 8,168,146                              | \$—                          | \$ 8,169,080          |
| Cash and cash equivalents   | 174,161  | —  | 29,722                                    | —                            | 203,883               |
| Restricted cash   | 29,071   | 30   | 127,171                                   | —                            | 156,272               |
| Rent and other receivables, net   | 147  | 3  | 27,965                                    | —                            | 28,115                |
| Intercompany receivables  | 218,777  | —  | —   | (218,777 )                   | —                     |
| Escrow deposits, prepaid expenses and other assets, including due from affiliates | 58,483   | 163  | 208,727                                   | —                            | 267,373               |
| Investments in subsidiaries   | 5,979,193  | 116,533  | —   | (6,095,726 )                 | —                     |
| Deferred costs and other intangibles, net   | 9,001  | —  | 4,030                                     | —                            | 13,031                |
| Goodwill  | 120,279  | —  | —   | —                            | 120,279               |
| <b>Total assets</b>   | <b>\$6,589,112</b>                                       | <b>\$ 117,663</b>  | <b>\$ 8,565,761</b>                       | <b>\$(6,314,503 )</b>        | <b>\$ 8,958,033</b>   |
| <b>Liabilities</b>  |  |  |   |                              |                       |
| Revolving credit facility   | \$—  | \$—  | \$—                                       | \$—                          | \$—                   |
| Term loan facility, net   | 198,132  | —  | —   | —                            | 198,132               |
| Asset-backed securitizations, net   | —  | —  | 1,973,242                                 | —                            | 1,973,242             |
| Unsecured senior notes, net   | 492,282  | —  | —   | —                            | 492,282               |
| Exchangeable senior notes, net  | —  | 112,597  | —   | —                            | 112,597               |
| Secured note payable  | —  | —  | 48,604                                    | —                            | 48,604                |
| Accounts payable and accrued expenses   | 33,399   | 3,661  | 225,207                                   | —                            | 262,267               |
| Amounts payable to affiliates   | 2,001  | —  | —   | —                            | 2,001                 |
| Intercompany payables   | —  | 8,391  | 210,386                                   | (218,777 )                   | —                     |
| Participating preferred units derivative liability                                | 28,258   | —  | —   | —                            | 28,258                |
| <b>Total liabilities</b>  | <b>754,072</b>   | <b>124,649</b>   | <b>2,457,439</b>                          | <b>(218,777 )</b>            | <b>3,117,383</b>      |
| <b>Capital</b>  |  |  |   |                              |                       |
| <b>Partners' capital:</b>   |  |  |   |                              |                       |
| <b>General partner:</b>   |  |  |   |                              |                       |
| Common units  | 4,198,313  | (6,986 )   | 6,109,682                                 | (6,095,726 )                 | 4,205,283             |
| Preferred units   | 901,318  | —  | —   | —                            | 901,318               |
| <b>Limited partner:</b>   |  |  |   |                              |                       |
| Common units  | 725,901  | —  | —   | —                            | 725,901               |
| Accumulated other comprehensive income  | 9,508  | —  | —   | —                            | 9,508                 |
| <b>Total partners' capital:</b>   | <b>5,835,040</b>   | <b>(6,986 )</b>  | <b>6,109,682</b>                          | <b>(6,095,726 )</b>          | <b>5,842,010</b>      |
| Noncontrolling interest   | —  | —  | (1,360 )                                  | —                            | (1,360 )              |
| <b>Total capital</b>  | <b>5,835,040</b>   | <b>(6,986 )</b>  | <b>6,108,322</b>                          | <b>(6,095,726 )</b>          | <b>5,840,650</b>      |
| <b>Total liabilities and capital</b>  | <b>\$6,589,112</b>                                       | <b>\$ 117,663</b>  | <b>\$ 8,565,761</b>                       | <b>\$(6,314,503 )</b>        | <b>\$ 8,958,033</b>   |



Edgar Filing: American Homes 4 Rent - Form 10-Q

Condensed Consolidating Balance Sheets (continued)

(Amounts in thousands)

|   | As of December 31, 2017                                  |  |   |                              |                       |
|---|--|--|---|------------------------------|-----------------------|
|   | American<br>Homes 4<br>Rent, L.P.<br>(Parent<br>Company) | American<br>Residential<br>Properties<br>OP, L.P.<br>(Guarantor<br>Subsidiary) | Combined<br>Non-Guarantor<br>Subsidiaries | Consolidating<br>Adjustments | Consolidated<br>Total |
| <b>Assets</b>   |  |  |   |                              |                       |
| Single-family properties, net   | \$—  | \$ 1,732   | \$ 8,063,248                              | \$—                          | \$ 8,064,980          |
| Cash and cash equivalents   | 22,157   | —  | 23,999                                    | —                            | 46,156                |
| Restricted cash   | 14,742   | 31   | 121,894                                   | —                            | 136,667               |
| Rent and other receivables, net   | 114  | 57   | 29,973                                    | —                            | 30,144                |
| Intercompany receivables  | 154,621  | —  | —   | (154,621 )                   | —                     |
| Escrow deposits, prepaid expenses and other assets, including due from affiliates | 59,271   | 164  | 138,082                                   | —                            | 197,517               |
| Investments in subsidiaries   | 5,889,146  | 115,303  | —   | (6,004,449 )                 | —                     |
| Deferred costs and other intangibles, net   | 9,652  | —  | 3,373                                     | —                            | 13,025                |
| Goodwill  | 120,279  | —  | —   | —                            | 120,279               |
| <b>Total assets</b>   | <b>\$6,269,982</b>                                       | <b>\$ 117,287</b>  | <b>\$ 8,380,569</b>                       | <b>\$(6,159,070 )</b>        | <b>\$ 8,608,768</b>   |
| <b>Liabilities</b>  |  |  |   |                              |                       |
| Revolving credit facility   | \$ 140,000   | \$—  | \$—                                       | \$—                          | \$ 140,000            |
| Term loan facility, net   | 198,023  | —  | —   | —                            | 198,023               |
| Asset-backed securitizations, net   | —  | —  | 1,977,308                                 | —                            | 1,977,308             |
| Exchangeable senior notes, net  | —  | 111,697  | —   | —                            | 111,697               |
| Secured note payable  | —  | —  | 48,859                                    | —                            | 48,859                |
| Accounts payable and accrued expenses   | 27,566   | 2,757  | 192,544                                   | —                            | 222,867               |
| Amounts payable to affiliates   | 4,720  | —  | —   | —                            | 4,720                 |
| Intercompany payables   | —  | 8,428  | 146,193                                   | (154,621 )                   | —                     |
| Participating preferred units derivative liability                                | 29,470   | —  | —   | —                            | 29,470                |
| <b>Total liabilities</b>  | <b>399,779</b>   | <b>122,882</b>   | <b>2,364,904</b>                          | <b>(154,621 )</b>            | <b>2,732,944</b>      |
| <b>Capital</b>  |  |  |   |                              |                       |
| <b>Partners' capital:</b>   |  |  |   |                              |                       |
| <b>General partner:</b>   |  |  |   |                              |                       |
| Common units  | 4,241,266  | (5,595 )   | 6,017,014                                 | (6,004,449 )                 | 4,248,236             |
| Preferred units   | 901,318  | —  | —   | —                            | 901,318               |
| <b>Limited partner:</b>   |  |  |   |                              |                       |
| Common units  | 727,544  | —  | —   | —                            | 727,544               |
| Accumulated other comprehensive income  | 75   | —  | —   | —                            | 75                    |
| <b>Total partners' capital:</b>   | <b>5,870,203</b>   | <b>(5,595 )</b>  | <b>6,017,014</b>                          | <b>(6,004,449 )</b>          | <b>5,877,173</b>      |
| Noncontrolling interest   | —  | —  | (1,349 )                                  | —                            | (1,349 )              |
| <b>Total capital</b>  | <b>5,870,203</b>   | <b>(5,595 )</b>  | <b>6,015,665</b>                          | <b>(6,004,449 )</b>          | <b>5,875,824</b>      |
| <b>Total liabilities and capital</b>  | <b>\$6,269,982</b>                                       | <b>\$ 117,287</b>  | <b>\$ 8,380,569</b>                       | <b>\$(6,159,070 )</b>        | <b>\$ 8,608,768</b>   |





Condensed Consolidating Statements of Operations  
(Amounts in thousands)

|   | For the Three Months Ended March 31, 2018                   |  |   |                              |                       |   |
|---|---|--|---|------------------------------|-----------------------|---|
|   | American<br>Homes<br>4 Rent,<br>L.P.<br>(Parent<br>Company) | American<br>Residential<br>Properties<br>OP, L.P.<br>(Guarantor<br>Subsidiary) | Combined<br>Non-Guarantor<br>Subsidiaries | Consolidating<br>Adjustments | Consolidated<br>Total |   |
| <b>Revenues:</b>  |   |  |   |                              |                       |   |
| Rents from single-family properties                     | \$—   | \$ 22  | \$ 218,001                                | \$ —                         | \$ 218,023            |   |
| Fees from single-family properties                      | —   | —  | 2,833                                     | —                            | 2,833                 |   |
| Tenant charge-backs                                     | —   | 3  | 35,804                                    | —                            | 35,807                |   |
| Other   | 334   | —  | 1,007                                     | —                            | 1,341                 |   |
| Total revenues  | 334   | 25   | 257,645                                   | —                            | 258,004               |   |
| <b>Expenses:</b>  |   |  |   |                              |                       |   |
| Property operating expenses                             | —   | 3  | 100,984                                   | —                            | 100,987               |   |
| Property management expenses                            | —   | 3  | 18,984                                    | —                            | 18,987                |   |
| General and administrative expense                      | 5,937   | 1  | 3,293                                     | —                            | 9,231                 |   |
| Interest expense  | 6,257   | 1,835  | 21,209                                    | —                            | 29,301                |   |
| Acquisition fees and costs expensed                     | —   | —  | 1,311                                     | —                            | 1,311                 |   |
| Depreciation and amortization                           | 297   | —  | 79,006                                    | —                            | 79,303                |   |
| Hurricane-related charges, net                          | —   | —  | —   | —                            | —                     |   |
| Other expense   | 95  | 9  | 723                                       | —                            | 827                   |   |
| Total expenses  | 12,586  | 1,851  | 225,510                                   | —                            | 239,947               |   |
| Intercompany income                                     | 451   | —  | 57  | (508                         | ) —                   |   |
| Intercompany expenses                                   | (57   | ) —  | (451                                      | ) 508                        | —                     |   |
| Gain on sale of single-family properties and other, net | —   | 435  | 1,821                                     | —                            | 2,256                 |   |
| Remeasurement of participating preferred units          | 1,212   | —  | —   | —                            | 1,212                 |   |
| Equity in income of subsidiaries                        | 32,182  | 10,232   | —   | (42,414                      | ) —                   |   |
| Net income  | 21,536  | 8,841  | 33,562                                    | (42,414                      | ) 21,525              |   |
| Noncontrolling interest                                 | —   | —  | (11                                       | ) —                          | (11                   | ) |
| Preferred distributions                                 | 14,597  | —  | —   | —                            | 14,597                |   |
| Redemption of participating preferred units             | —   | —  | —   | —                            | —                     |   |
| Net income attributable to common unitholders           | \$6,939   | \$ 8,841   | \$ 33,573                                 | \$ (42,414                   | ) \$ 6,939            |   |

## Condensed Consolidating Statements of Operations (continued)

(Amounts in thousands)

|   | For the Three Months Ended March 31, 2017                   |  |   |                              |                       |   |
|---|---|--|---|------------------------------|-----------------------|---|
|   | American<br>Homes 4<br>Rent,<br>L.P.<br>(Parent<br>Company) | American<br>Residential<br>Properties<br>OP, L.P.<br>(Guarantor<br>Subsidiary) | Combined<br>Non-Guarantor<br>Subsidiaries | Consolidating<br>Adjustments | Consolidated<br>Total |   |
| <b>Revenues:</b>  |   |  |   |                              |                       |   |
| Rents from single-family properties                     | \$—   | \$ 102   | \$ 201,005                                | \$ —                         | \$ 201,107            |   |
| Fees from single-family properties                      | —   | 1  | 2,603                                     | —                            | 2,604                 |   |
| Tenant charge-backs                                     | —   | 7  | 28,366                                    | —                            | 28,373                |   |
| Other   | 386   | —  | 1,284                                     | —                            | 1,670                 |   |
| Total revenues  | 386   | 110  | 233,258                                   | —                            | 233,754               |   |
| <b>Expenses:</b>  |   |  |   |                              |                       |   |
| Property operating expenses                             | —   | 48   | 83,257                                    | —                            | 83,305                |   |
| Property management expenses                            | —   | 6  | 17,472                                    | —                            | 17,478                |   |
| General and administrative expense                      | 4,994   | 2  | 4,299                                     | —                            | 9,295                 |   |
| Interest expense  | 3,328   | 1,774  | 26,787                                    | —                            | 31,889                |   |
| Acquisition fees and costs expensed                     | 355   | —  | 741                                       | —                            | 1,096                 |   |
| Depreciation and amortization                           | 409   | 2  | 73,542                                    | —                            | 73,953                |   |
| Other   | 99  | 1  | 1,458                                     | —                            | 1,558                 |   |
| Total expenses  | 9,185   | 1,833  | 207,556                                   | —                            | 218,574               |   |
| Intercompany income                                     | 76  | —  | 148                                       | (224                         | ) —                   |   |
| Intercompany expenses                                   | (148  | ) —  | (76                                       | ) 224                        | —                     |   |
| Gain on sale of single-family properties and other, net | 3,031   | (1,460   | ) 455                                     | —                            | 2,026                 |   |
| Remeasurement of participating preferred units          | (5,410  | ) —  | —   | —                            | (5,410                | ) |
| Equity in income of subsidiaries                        | 23,008  | 9,237  | —   | (32,245                      | ) —                   |   |
| Net income (loss)                                       | 11,758  | 6,054  | 26,229                                    | (32,245                      | ) 11,796              |   |
| Noncontrolling interest                                 | —   | —  | 38  | —                            | 38                    |   |
| Preferred distributions                                 | 13,587  | —  | —   | —                            | 13,587                |   |
| Net (loss) income attributable to common unitholders    | \$(1,829)   | \$ 6,054   | \$ 26,191                                 | \$ (32,245                   | ) \$(1,829            | ) |

Edgar Filing: American Homes 4 Rent - Form 10-Q

Condensed Consolidating Statements of Comprehensive Income (Loss)

(Amounts in thousands)

|   | For the Three Months Ended March 31, 2018    |   |                                     |                           |                    |
|---|--|---|-------------------------------------|---------------------------|--------------------|
|   | American Homes 4 Rent, L.P. (Parent Company) | American Residential Properties OP, L.P. (Guarantor Subsidiary) | Combined Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated Total |
| Net income  | \$21,536                                     | \$ 8,841  | \$ 33,562                           | \$ (42,414 )              | \$ 21,525          |
| Other comprehensive income:   |  |   |                                     |                           |                    |
| Gain on cash flow hedging instrument:   |  |   |                                     |                           |                    |
| Gain on settlement of cash flow hedging instrument                                      | 9,553  | —   | —                                   | —                         | 9,553              |
| Reclassification adjustment for amortization of interest expense included in net income | (120 )                                       | —   | —                                   | —                         | (120 )             |
| Other comprehensive income  | 9,433  | —   | —                                   | —                         | 9,433              |
| Comprehensive income  | 30,969                                       | 8,841   | 33,562                              | (42,414 )                 | 30,958             |
| Comprehensive loss attributable to noncontrolling interests                             | —  | —   | (11 )                               | —                         | (11 )              |
| Preferred distributions   | 14,597                                       | —   | —                                   | —                         | 14,597             |
| Comprehensive income attributable to common unitholders                                 | \$16,372                                     | \$ 8,841  | \$ 33,573                           | \$ (42,414 )              | \$ 16,372          |

|   | For the Three Months Ended March 31, 2017    |   |                                     |                           |                    |
|---|--|---|-------------------------------------|---------------------------|--------------------|
|   | American Homes 4 Rent, L.P. (Parent Company) | American Residential Properties OP, L.P. (Guarantor Subsidiary) | Combined Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated Total |
| Net income  | \$11,758                                     | \$ 6,054  | \$ 26,229                           | \$ (32,245 )              | \$ 11,796          |
| Other comprehensive loss:   |  |   |                                     |                           |                    |
| Gain on cash flow hedging instrument:   |  |   |                                     |                           |                    |
| Reclassification adjustment for amortization of interest expense included in net income | —  | —   | (28 )                               | —                         | (28 )              |
| Unrealized gain on investment in equity securities:                                     |  |   |                                     |                           |                    |
| Reclassification adjustment for realized gain included in net income                    | (67 )  | —   | —                                   | —                         | (67 )              |
| Other comprehensive loss  | (67 )  | —   | (28 )                               | —                         | (95 )              |
| Comprehensive income  | 11,691                                       | 6,054   | 26,201                              | (32,245 )                 | 11,701             |
| Comprehensive income attributable to noncontrolling interests                           | —  | —   | 38                                  | —                         | 38                 |
| Preferred distributions   | 13,587                                       | —   | —                                   | —                         | 13,587             |
| Comprehensive (loss) income attributable to common unitholders                          | \$(1,896 )                                   | \$ 6,054  | \$ 26,163                           | \$ (32,245 )              | \$(1,924 )         |

Edgar Filing: American Homes 4 Rent - Form 10-Q

Condensed Consolidating Statements of Cash Flows  
(Amounts in thousands)

For the Three Months Ended March 31, 2018

|  | American<br>Homes 4<br>Rent, L.P.<br>(Parent<br>Company) | American<br>Residential<br>Properties<br>OP, L.P.<br>(Guarantor<br>Subsidiary) | Combined<br>Non-Guarantor<br>Subsidiaries | Consolidating<br>Adjustments | Consolidated<br>Total |
|--|--|--|---|------------------------------|-----------------------|
| <b>Operating activities</b>  |  |  |   |                              |                       |
| Net cash (used for) provided by operating activities                   | \$(68,398 )  | \$ 12  | \$ 180,877                                | \$ —                         | \$ 112,491            |
| <b>Investing activities</b>  |  |  |   |                              |                       |
| Cash paid for single-family properties                                 | —  | —  | (149,674 )                                | —                            | (149,674 )            |
| Change in escrow deposits for purchase of single-family properties     | —  | —  | (4,115 )                                  | —                            | (4,115 )              |
| Net proceeds received from sales of single-family properties and other | —  | 1,422  | 10,545                                    | —                            | 11,967                |
| Proceeds received from hurricane-related insurance claims              | —  | —  | 4,000                                     | —                            | 4,000                 |
| Distributions from joint ventures                                      | 180  | —  | 1,050                                     | —                            | 1,230                 |
| (Investment in) return of investment in subsidiaries                   | (57,488 )  | 9,002  | —   | 48,486                       | —                     |
| Initial renovations to single-family properties                        | —  | —  | (20,400 )                                 | —                            | (20,400 )             |
| Recurring and other capital expenditures for single-family properties  | —  | (205 )   | (10,962 )                                 | —                            | (11,167 )             |
| Other purchases of productive assets                                   | —  | —  | (53,472 )                                 | —                            | (53,472 )             |
| Net cash (used for) provided by investing activities                   | (57,308 )  | 10,219   | (223,028 )                                | 48,486                       | (221,631 )            |
| <b>Financing activities</b>  |  |  |   |                              |                       |
| Repurchase of Class A units  | (34,969 )  | —  | —   | —                            | (34,969 )             |
| Share-based compensation payments, net                                 | (414 )   | —  | —   | —                            | (414 )                |
| Payments on asset-backed securitizations                               | —  | —  | (5,312 )                                  | —                            | (5,312 )              |
| Proceeds from revolving credit facility                                | 100,000  | —  | —   | —                            | 100,000               |
| Payments on revolving credit facility                                  | (240,000 )   | —  | —   | —                            | (240,000 )            |
| Payments on secured note payable                                       | —  | —  | (255 )                                    | —                            | (255 )                |
| Proceeds from unsecured senior notes, net of discount                  | 497,210  | —  | —   | —                            | 497,210               |
| Settlement of cash flow hedging instrument                             | 9,628  | —  | —   | —                            | 9,628                 |
| Intercompany financing and distributions to parent                     | —  | (10,232 )  | 58,718                                    | (48,486 )                    | —                     |
| Distributions to common unitholders                                    | (19,794 )  | —  | —   | —                            | (19,794 )             |
| Distributions to preferred unitholders                                 | (14,597 )  | —  | —   | —                            | (14,597 )             |
| Deferred financing costs paid  | (5,025 )   | —  | —   | —                            | (5,025 )              |
| Net cash provided by (used for) financing activities                   | 292,039  | (10,232 )  | 53,151                                    | (48,486 )                    | 286,472               |
| Net increase (decrease) in cash, cash equivalents and restricted cash  | 166,333  | (1 )   | 11,000                                    | —                            | 177,332               |
| Cash, cash equivalents and restricted cash, beginning of period        | 36,899   | 31   | 145,893                                   | —                            | 182,823               |
| Cash, cash equivalents and restricted cash, end of period              | \$203,232  | \$ 30  | \$ 156,893                                | \$ —                         | \$ 360,155            |

Supplemental cash flow information

Edgar Filing: American Homes 4 Rent - Form 10-Q

Cash payments for interest, net of amounts capitalized    \$(2,708 ) \$ —        \$ (19,982 ) \$ —    \$(22,690 )

Supplemental schedule of noncash investing and financing activities

|  |            |          |          |      |            |
|--|------------|----------|----------|------|------------|
| Accounts payable and accrued expenses related to property acquisitions, renovations and construction | \$—        | \$ (12 ) | \$ 9,387 | \$ — | \$ 9,375   |
| Transfers of completed homebuilding deliveries to properties   | \$—        | \$ —     | \$ 8,693 | \$ — | \$ 8,693   |
| Accrued distributions to affiliates  | \$(2,719 ) | \$ —     | \$ —     | \$ — | \$(2,719 ) |
| Accrued distributions to non-affiliates  | \$25       | \$ —     | \$ —     | \$ — | \$ 25      |

Edgar Filing: American Homes 4 Rent - Form 10-Q

Condensed Consolidating Statements of Cash Flows (continued)  
(Amounts in thousands)

|  | For the Three Months Ended March 31, 2017                |  |   |                              |                       |
|--|--|--|---|------------------------------|-----------------------|
|  | American<br>Homes 4<br>Rent, L.P.<br>(Parent<br>Company) | American<br>Residential<br>Properties<br>OP, L.P.<br>(Guarantor<br>Subsidiary) | Combined<br>Non-Guarantor<br>Subsidiaries | Consolidating<br>Adjustments | Consolidated<br>Total |
| <b>Operating activities</b>  |  |  |   |                              |                       |
| Net cash (used for) provided by operating activities                   | \$ (7,999 )  | \$ (4,271 )  | \$ 122,307                                | \$ —                         | \$ 110,037            |
| <b>Investing activities</b>  |  |  |   |                              |                       |
| Cash paid for single-family properties                                 | —  | —  | (73,622 )                                 | —                            | (73,622 )             |
| Change in escrow deposits for purchase of single-family properties     | —  | —  | (1,072 )                                  | —                            | (1,072 )              |
| Net proceeds received from sales of single-family properties and other | 14,265   | 199  | 16,842                                    | —                            | 31,306                |
| Collections from mortgage financing receivables                        | —  | —  | 70  | —                            | 70                    |
| Distributions from unconsolidated joint ventures                       | 280  | —  | 912                                       | —                            | 1,192                 |
| Collections from intercompany notes                                    | 2,857  | —  | —   | (2,857)                      | —                     |
| Return of investment in subsidiaries                                   | 32,162   | 15,757   | —   | (47,919)                     | —                     |
| Initial renovations to single-family properties                        | —  | (1,549 )   | (6,128 )                                  | —                            | (7,677 )              |
| Recurring and other capital expenditures for single-family properties  | —  | —  | (6,484 )                                  | —                            | (6,484 )              |
| Other purchases of productive assets                                   | (6,657 )   | —  | (7,053 )                                  | —                            | (13,710 )             |
| Net cash provided by (used for) investing activities                   | 42,907   | 14,407   | (76,535 )                                 | (50,776)                     | (69,997 )             |
| <b>Financing activities</b>  |  |  |   |                              |                       |
| Proceeds from issuance of Class A units                                | 350,612  | —  | —   | —                            | 350,612               |
| Payments of Class A unit issuance costs                                | (236 )   | —  | —   | —                            | (236 )                |
| Proceeds from exercise of stock options, net of tax withholding        | 258  | —  | —   | —                            | 258                   |
| Payments on asset-backed securitizations                               | —  | —  | (6,231 )                                  | —                            | (6,231 )              |
| Proceeds from term loan facility                                       | 25,000   | —  | —   | —                            | 25,000                |
| Payments on secured note payable                                       | —  | —  | (245 )                                    | —                            | (245 )                |
| Payments on intercompany notes borrowed                                | —  | —  | (2,857 )                                  | 2,857                        | —                     |
| Intercompany financing and distributions to parent                     | —  | (9,237 )   | (38,682 )                                 | 47,919                       | —                     |
| Distributions to common unitholders                                    | (14,993 )  | —  | —   | —                            | (14,993 )             |
| Distributions to preferred unitholders                                 | (13,587 )  | —  | —   | —                            | (13,587 )             |
| Net cash provided by (used for) financing activities                   | 347,054  | (9,237 )   | (48,015 )                                 | 50,776                       | 340,578               |
| Net increase (decrease) in cash, cash equivalents and restricted cash  | 381,962  | 899  | (2,243 )                                  | —                            | 380,618               |
| Cash, cash equivalents and restricted cash, beginning of period        | 76,913   | 62   | 173,266                                   | —                            | 250,241               |
| Cash, cash equivalents and restricted cash, end of period              | \$ 458,875   | \$ 961   | \$ 171,023                                | \$ —                         | \$ 630,859            |

Supplemental cash flow information

Edgar Filing: American Homes 4 Rent - Form 10-Q

|  |            |           |              |      |              |
|--|------------|-----------|--------------|------|--------------|
| Cash payments for interest, net of amounts capitalized                                 | \$(2,749 ) | \$ (934 ) | \$ (24,804 ) | \$ — | \$ (28,487 ) |
| Supplemental schedule of noncash investing and financing activities                    |            |           |              |      |              |
| Accounts payable and accrued expenses related to property acquisitions and renovations | \$—        | \$ 26     | \$ (977 )    | \$ — | \$ (951 )    |
| Note receivable related to a bulk sale of properties, net of discount                  | \$5,483    | \$ —      | \$ —         | \$ — | \$ 5,483     |

Note 15. Subsequent Events

Subsequent Acquisitions

From April 1, 2018, through April 30, 2018, the Company acquired 52 properties for an aggregate purchase price of approximately \$12.4 million, which included 16 homes developed through our internal construction program.

Redemption of Series C Participating Preferred Shares

On April 5, 2018, the Company redeemed all 7,600,000 shares of the outstanding 5.5% Series C participating preferred shares through a conversion of those participating preferred shares into Class A common shares of beneficial interest, \$0.01 par value, in accordance with the conversion terms in the Articles Supplementary. This resulted in 10,848,827 Class A common shares issued from the conversion, based on a conversion ratio of 1.4275 Class A common shares issued per Series C participating preferred share. The Operating Partnership also redeemed its corresponding Series C participating preferred units through a conversion into Class A units on April 5, 2018 (see Note 10).



#### Declaration of Dividends

On May 3, 2018, the Company's board of trustees declared quarterly dividends of \$0.05 per share on the Company's Class A and Class B common shares, \$0.41 per share on the Company's 6.5% Series D perpetual preferred shares, \$0.40 per share on the Company's 6.35% Series E perpetual preferred shares, \$0.37 per share on the Company's 5.875% Series F perpetual preferred shares, and \$0.37 per share on the Company's 5.875% Series G perpetual preferred shares. The quarterly dividends are payable on July 2, 2018, to shareholders of record on June 15, 2018. The Operating Partnership funds the payment of distributions, and an equivalent amount of distributions were declared on the corresponding Operating Partnership units.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion of our financial condition and results of operations should be read in conjunction with the financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q.

## Overview

We are a Maryland REIT focused on acquiring, renovating, leasing and operating single-family homes as rental properties. The Operating Partnership is the entity through which we conduct substantially all of our business and own, directly or through subsidiaries, substantially all of our assets. We commenced operations in November 2012 to continue the investment activities of AH LLC, which was founded by our chairman, B. Wayne Hughes, in 2011 to take advantage of the dislocation in the single-family home market. Effective August 31, 2016, AH LLC was liquidated and its ownership interests in the Operating Partnership were distributed to its members.

As of March 31, 2018, we owned 51,840 single-family properties, in selected sub-markets of MSAs in 22 states, including 1,892 properties to be disposed, compared to 51,239 single-family properties in 22 states, including 310 properties to be disposed, as of December 31, 2017, and 48,336 single-family properties in 22 states, including 704 properties to be disposed, as of March 31, 2017. As of March 31, 2018, we had commitments to acquire an additional 219 single-family properties for an aggregate purchase price of \$58.6 million. As of March 31, 2018, 47,677, or 95.5%, of our total properties (excluding properties to be disposed) were leased, compared to 46,996, or 92.3%, of our total properties (excluding properties to be disposed) as of December 31, 2017, and 45,285, or 95.1%, of our total properties (excluding properties to be disposed) as of March 31, 2017. Our portfolio of single-family properties is internally managed through our proprietary property management platform.

## Our Properties and Key Operating Metrics

The following table provides a summary of our single-family properties as of March 31, 2018:

| Market                | Number of Single-Family Properties (1) | % of Total Single-Family Properties | Avg.                              |           | Avg. Property Age (years) | Avg. Year Purchased |      |
|-----------------------|--|-------------------------------------|-----------------------------------|-----------|---------------------------|---------------------|------|
|                       |  |                                     | Gross Book Value per Ft. Property | Sq. Avg.  |                           |                     |      |
| Atlanta, GA           | 4,631                                  | 9.3                                 | %                                 | \$170,752 | 2,144                     | 16.4                | 2015 |
| Dallas-Fort Worth, TX | 4,307                                  | 8.6                                 | %                                 | 162,597   | 2,118                     | 14.3                | 2014 |
| Charlotte, NC         | 3,476                                  | 7.0                                 | %                                 | 186,644   | 2,079                     | 14.5                | 2015 |
| Houston, TX           | 3,122                                  | 6.3                                 | %                                 | 160,639   | 2,106                     | 12.3                | 2014 |
| Phoenix, AZ           | 2,920                                  | 5.8                                 | %                                 | 166,487   | 1,824                     | 15.1                | 2014 |
| Indianapolis, IN      | 2,892                                  | 5.8                                 | %                                 | 151,607   | 1,933                     | 15.5                | 2013 |
| Nashville, TN         | 2,613                                  | 5.2                                 | %                                 | 205,287   | 2,115                     | 13.8                | 2014 |
| Jacksonville, FL      | 2,047                                  | 4.1                                 | %                                 | 166,555   | 1,936                     | 13.6                | 2014 |
| Tampa, FL             | 2,047                                  | 4.1                                 | %                                 | 191,628   | 1,945                     | 14.1                | 2014 |
| Raleigh, NC           | 2,018                                  | 4.0                                 | %                                 | 182,427   | 1,880                     | 13.3                | 2014 |
| All Other (2)         | 19,875                                 | 39.8                                | %                                 | 183,768   | 1,904                     | 14.9                | 2014 |
| Total / Average       | 49,948                                 | 100.0                               | %                                 | \$177,304 | 1,980                     | 14.7                | 2014 |

(1) Excludes 1,892 single-family properties identified as part of the Company's disposition program, including 1,318 properties classified as held for sale and 574 properties identified for future sale, as of March 31, 2018.

(2) Represents 28 markets in 21 states.



## Edgar Filing: American Homes 4 Rent - Form 10-Q

The following table summarizes certain key leasing metrics as of March 31, 2018:

| Market                | Total Single-Family Properties (1) |                                   |   | Avg. Monthly Realized Rent per property (4) | Avg. Original Lease Term (months) (2) | Avg. Remaining Lease Term (months) (2) | Avg. Blended Change in Rent (5) |
|-----------------------|------------------------------------|-----------------------------------|---|---|---------------------------------------|--|---------------------------------|
|                       | Leased Percentage (2)              | Avg. Occupied Days Percentage (3) |   |   |                                       |  |                                 |
| Atlanta, GA           | 94.3%                              | 90.7%                             | % | \$ 1,488                                    | 11.9                                  | 6.4                                    | 5.1 %                           |
| Dallas-Fort Worth, TX | 96.9%                              | 93.6%                             | % | 1,677                                       | 11.8                                  | 6.3                                    | 3.8 %                           |
| Charlotte, NC         | 95.1%                              | 87.9%                             | % | 1,527                                       | 12.5                                  | 7.1                                    | 2.2 %                           |
| Houston, TX           | 92.5%                              | 90.2%                             | % | 1,586                                       | 11.7                                  | 6.4                                    | 2.6 %                           |
| Phoenix, AZ           | 97.1%                              | 93.5%                             | % | 1,283                                       | 12.0                                  | 6.8                                    | 6.4 %                           |
| Indianapolis, IN      | 96.8%                              | 94.5%                             | % | 1,359                                       | 12.3                                  | 6.1                                    | 3.4 %                           |
| Nashville, TN         | 95.4%                              | 91.6%                             | % | 1,679                                       | 12.3                                  | 6.7                                    | 2.6 %                           |
| Jacksonville, FL      | 96.7%                              | 91.5%                             | % | 1,487                                       | 12.9                                  | 8.0                                    | 4.6 %                           |
| Tampa, FL             | 96.7%                              | 92.6%                             | % | 1,650                                       | 12.0                                  | 6.7                                    | 2.9 %                           |
| Raleigh, NC           | 95.0%                              | 89.9%                             | % | 1,474                                       | 11.9                                  | 6.3                                    | 3.0 %                           |
| All Other (6)         | 95.3%                              | 91.2%                             | % | 1,578                                       | 12.0                                  | 6.6                                    | 3.9 %                           |
| Total / Average       | 95.5%                              | 91.4%                             | % | \$ 1,545                                    | 12.1                                  | 6.6                                    | 3.7 %                           |

Leasing information excludes 1,892 single-family properties identified as part of the Company's disposition (1) program, including 1,318 properties classified as held for sale and 574 properties identified for future sale, as of March 31, 2018.

(2) Leased percentage, average original lease term and average remaining lease term are reflected as of period end.

(3) Represents the number of days a property is occupied in the period divided by the total number of days the property is owned during the same period.

For the three months ended March 31, 2018, Average Monthly Realized Rent is calculated as rents from single-family properties divided by the product of (a) number of properties and (b) Average Occupied Days (4) Percentage, divided by the number of months. For properties partially owned during the period, this is adjusted to reflect the number of days of ownership.

Represents the percentage change in rent on all non-month-to-month lease renewals and re-leases during the three (5) months ended March 31, 2018, compared to the annual rent of the previously expired non-month-to-month lease for each property.

(6) Represents 28 markets in 21 states.

### Factors That Affect Our Results of Operations and Financial Condition

Our results of operations and financial condition are affected by numerous factors, many of which are beyond our control. Key factors that impact our results of operations and financial condition include our ability to identify and acquire properties; our pace of property acquisitions; the time and cost required to gain access to the properties and then to renovate and lease a newly acquired property at acceptable rental rates; occupancy levels; rates of tenant turnover; the length of vacancy in properties between tenant leases; our expense ratios; our ability to raise capital; and our capital structure.

### Property Acquisitions and Dispositions

Since our formation, we have rapidly but systematically grown our portfolio of single-family homes. Our ability to identify and acquire single-family homes that meet our investment criteria is impacted by home prices in our target

markets, the inventory of properties available-for-sale through our acquisition channels, competition for our target assets and our available capital. Additionally, opportunities from new construction acquisition channels are impacted by the availability of undeveloped land assets and inventory of homes currently under construction or newly developed. Our level of acquisition activity has fluctuated based on the number of suitable investments and the level of capital available to invest. During the quarter ended March 31, 2018, our total portfolio increased by 601 homes, including 505 homes acquired through broker acquisitions, 118 homes acquired through new construction acquisitions, of which 37 homes were developed through our internal construction program, and 81 homes acquired through trustee acquisitions, offset by 103 homes sold or rescinded. Rescinded properties represent properties for which the sale has been unwound, as in certain jurisdictions, our purchases of single-family properties at foreclosure and judicial auctions are subject to the right of rescission, which is generally caused by the borrower filing for bankruptcy.

As of March 31, 2018, we had 1,892 properties to be disposed, including 1,318 properties classified as held for sale and 574 properties identified for future sale, compared to 310 properties to be disposed as of December 31, 2017, which were all classified as held for sale. In the beginning of 2018, we expanded our disposition program, which identified approximately 1,200 properties to be disposed from five of our smaller markets that we are fully exiting based on market analysis. Our remaining properties to be disposed were identified based on sub-market analysis, as well as individual property-level operational review. We will continue to evaluate our properties for potential disposition going forward as a normal course of business.

## Property Operations

The acquisition of properties involves expenditures in addition to payment of the purchase price, including property inspections, closing costs, liens, title insurance, transfer taxes, recording fees, broker commissions, property taxes and homeowner association (“HOA”) fees, when applicable. In addition, we typically incur costs between \$10,000 and \$25,000 to renovate a home to prepare it for rental. Renovation work varies, but may include paint, flooring, carpeting, cabinetry, appliances, plumbing hardware and other items required to prepare the home for rental. The time and cost involved in initially accessing our homes to prepare them for rental can impact our financial performance and varies among properties based on several factors, including the source of acquisition channel, whether the property is located in a judicial or non-judicial foreclosure state, if applicable, and whether or not the home is occupied at the time of acquisition. This process of finalizing the acquisition and gaining initial access to the home can range from immediate access to multiple months and, on average, takes approximately 20 to 30 days. Additionally, after gaining access to the home, the time to renovate a property can vary significantly among properties and is most impacted by the age and condition of the property. On average, it takes approximately 50 to 70 days to complete the renovation process after gaining initial access to the home. Our operating results are also impacted by the amount of time it takes to market and lease a property, which can vary greatly among properties, and is impacted by local demand, our marketing techniques and the size of our available inventory. On average, it takes approximately 20 to 40 days to lease a property after completing the renovation process. Lastly, our operating results are impacted by the length of stay of our tenants and the amount of time it takes to prepare and re-lease a property after a tenant vacates. This process, which we refer to as “turnover,” is impacted by numerous factors, including the condition of the home upon move-out of the previous tenant, and by local demand, our marketing techniques and the size of our available inventory at the time of the turnover. On average, it takes approximately 50 to 60 days to complete the turnover process.

## Revenue

Our revenue is derived primarily from rents collected under lease agreements with tenants for our single-family properties. These include short-term leases that we enter into directly with our tenants, which typically have a term of one year. Our rental rates and occupancy levels are affected by macroeconomic factors and local and property-level factors, including market conditions, seasonality and tenant defaults, and the amount of time it takes to renovate and re-lease properties when tenants vacate. Additionally, our ability to collect revenues and related operating results are impacted by the credit worthiness and quality of our tenants. On average, our tenants have household incomes ranging from \$60,000 to \$120,000 and primarily consist of families with approximately two adults and one or more children.

In addition to rental revenues, we receive fees and other reimbursements, referred to as “tenant charge-backs”, from our tenants, which are primarily designed to recover costs for certain items, such as utilities, damages and maintenance. In accordance with GAAP, these fees and tenant charge-backs are presented gross in the condensed consolidated statements of operations.

Our ability to maintain and grow revenues from our existing portfolio of homes will be dependent on our ability to retain tenants and increase rental rates. We believe that our platform will allow us to achieve strong tenant retention and rental rate increases. Based on our Same-Home population of properties, the increase in average monthly realized rent per property was 3.9% for the three months ended March 31, 2018, and we experienced turnover rates of 8.5% and 8.9% for the three months ended March 31, 2018 and 2017, respectively.

## Expenses

We monitor the following categories of expenses that we believe most significantly affect our results of operations.

### Property Operating Expenses

Once a property is available for lease, which we refer to as “rent-ready,” we incur ongoing property-related expenses, primarily HOA fees (when applicable); property taxes; insurance; marketing expenses; repairs and maintenance; and turnover costs, which may not be subject to our control.

#### Property Management Expenses

As we internally manage our portfolio of single-family properties through our proprietary property management platform, we incur costs such as salary expenses for property management personnel, lease expenses and operating costs for property management offices and technology expenses for maintaining our property management platform. As part of developing our property management platform, we have made significant investments in our infrastructure, systems and technology. We believe that these investments will enable our property management platform to become more efficient over time, especially as our portfolio grows in size. Also included in property management expenses is noncash share-based compensation expense related to centralized and field property management employees.

## Seasonality

We believe that our business and related operating results will be impacted by seasonal factors throughout the year. In particular, we have experienced higher levels of tenant move-outs and move-ins during the late spring and summer months, which impacts both our rental revenues and related turnover costs. Further, our property operating costs are seasonally impacted in certain markets for expenses such as HVAC repairs, turn costs and landscaping expenses during the summer season.

## General and Administrative Expense

General and administrative expense primarily consists of corporate payroll and personnel costs, state taxes, trustees' and officers' insurance expenses, audit and tax fees, trustee fees and other expenses associated with our corporate and administrative functions. Also included in general and administrative expense is noncash share-based compensation expense related to corporate administrative employees.

## Results of Operations

Net income totaled \$21.5 million for the three months ended March 31, 2018, compared to net income of \$11.8 million for the three months ended March 31, 2017. This improvement was primarily attributable to higher revenues resulting from a larger number of leased properties and higher rental rates.

As we continue to grow our portfolio with a portion of our homes still recently acquired and/or renovated, we distinguish our portfolio of homes between Same-Home properties and Non-Same-Home and Other properties in evaluating our operating performance. We classify a property as Same-Home if it has been stabilized longer than 90 days prior to the beginning of the earliest period presented under comparison and if it has not been classified as held for sale, identified for future sale or taken out of service as a result of a casualty loss, which allows the performance of these properties to be compared between periods. Single-family properties that we acquire individually (i.e., not through a bulk purchase) are classified as either stabilized or non-stabilized. A property is classified as stabilized once it has been renovated or newly constructed and then initially leased or available for rent for a period greater than 90 days. Properties acquired through a bulk purchase are first considered non-stabilized, as an entire group, until (1) we have owned them for an adequate period of time to allow for complete on-boarding to our operating platform, and (2) a substantial portion of the properties have experienced tenant turnover at least once under our ownership, providing the opportunity for renovations and improvements to meet our property standards. After such time has passed, properties acquired through a bulk purchase are then evaluated on an individual property basis under our standard stabilization criteria. All other properties, including those classified as held for sale or identified for future sale, are classified as Non-Same-Home and Other.

One of the primary financial measures we use in evaluating the operating performance of our single-family properties is Core Net Operating Income ("Core NOI"), which we also present separately for our Same-Home portfolio. Core NOI is a supplemental non-GAAP financial measure that we define as core revenues, which is calculated as rents and fees from single-family properties, net of bad debt expense, less core property operating expenses, which is calculated as property operating and property management expenses, excluding noncash share-based compensation expense, expenses reimbursed by tenant charge-backs and bad debt expense.

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, (5) gain or loss on sales of single-family properties and other, (6) depreciation and amortization, (7) acquisition fees and costs expensed incurred with business combinations and the acquisition of individual 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).

Comparison of the Three Months Ended March 31, 2018, to the Three Months Ended March 31, 2017

The following table presents a summary of Core NOI for our Same-Home properties, Non-Same-Home and Other properties, and total properties for the three months ended March 31, 2018 and 2017 (in thousands):

| For the Three Months Ended March 31, 2018 |                             |                         |  |                         |                     |                         |  |
|---|-----------------------------|-------------------------|--|-------------------------|---------------------|-------------------------|--|
|   | Same-Home<br>Properties (1) | % of<br>Core<br>Revenue | Non-Same-<br>Home and<br>Other<br>Properties | % of<br>Core<br>Revenue | Total<br>Properties | % of<br>Core<br>Revenue |  |
| Rents from single-family properties       | \$ 171,312                  |                         | \$ 46,711                                    |                         | \$ 218,023          |                         |  |
| Fees from single-family properties        | 1,990                       |                         | 843  |                         | 2,833               |                         |  |
| Bad debt expense                          | (1,538 )                    |                         | (462 )                                       |                         | (2,000 )            |                         |  |
| Core revenues                             | 171,764                     |                         | 47,092                                       |                         | 218,856             |                         |  |
| Property tax expense                      | 29,989                      | 17.4 %                  | 9,101  | 19.4 %                  | 39,090              | 17.9 %                  |  |
| HOA fees, net (2)                         | 3,378                       | 2.0 %                   | 1,099  | 2.3 %                   | 4,477               | 2.0 %                   |  |
| R&M and turnover costs, net (2)           | 13,645                      | 7.9 %                   | 5,094  | 10.8 %                  | 18,739              | 8.6 %                   |  |
| Insurance                                 | 1,531                       | 0.9 %                   | 516  | 1.1 %                   | 2,047               | 0.9 %                   |  |
| Property management expenses, net (3)     | 13,373                      | 7.8 %                   | 4,064  | 8.6 %                   | 17,437              | 8.0 %                   |  |
| Core property operating expenses          | 61,916                      | 36.0 %                  | 19,874                                       | 42.2 %                  | 81,790              | 37.4 %                  |  |
| Core NOI                                  | \$ 109,848                  | 64.0 %                  | \$ 27,218                                    | 57.8 %                  | \$ 137,066          | 62.6 %                  |  |
| For the Three Months Ended March 31, 2017 |                             |                         |  |                         |                     |                         |  |
|   | Same-Home<br>Properties (1) | % of<br>Core<br>Revenue | Non-Same-<br>Home and<br>Other<br>Properties | % of<br>Core<br>Revenue | Total<br>Properties | % of<br>Core<br>Revenue |  |
| Rents from single-family properties       | \$ 165,728                  |                         | \$ 35,379                                    |                         | \$ 201,107          |                         |  |
| Fees from single-family properties        | 1,992                       |                         | 612  |                         | 2,604               |                         |  |
| Bad debt expense                          | (1,197 )                    |                         | (313 )                                       |                         | (1,510 )            |                         |  |
| Core revenues                             | 166,523                     |                         | 35,678                                       |                         | 202,201             |                         |  |
| Property tax expense                      | 29,621                      | 17.7 %                  | 7,141  | 19.9 %                  | 36,762              | 18.2 %                  |  |
| HOA fees, net (2)                         | 3,127                       | 1.9 %                   | 759  | 2.1 %                   | 3,886               | 1.9 %                   |  |
| R&M and turnover costs, net (2)           | 9,600                       | 5.8 %                   | 2,695  | 7.6 %                   | 12,295              | 6.1 %                   |  |
| Insurance                                 | 1,633                       | 1.0 %                   | 307  | 0.9 %                   | 1,940               | 1.0 %                   |  |
| Property management expenses, net (3)     | 12,651                      | 7.6 %                   | 2,949  | 8.3 %                   | 15,600              | 7.7 %                   |  |
| Core property operating expenses          | 56,632                      | 34.0 %                  | 13,851                                       | 38.8 %                  | 70,483              | 34.9 %                  |  |
| Core NOI                                  | \$ 109,891                  | 66.0 %                  | \$ 21,827                                    | 61.2 %                  | \$ 131,718          | 65.1 %                  |  |

(1) Includes 38,828 properties that have been stabilized longer than 90 days prior to January 1, 2017.

(2) Presented net of tenant charge-backs.

(3) Presented net of tenant charge-backs and excludes noncash share-based compensation expense related to centralized and field property management employees.

Edgar Filing: American Homes 4 Rent - Form 10-Q

The following are reconciliations of core revenues, 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 months ended March 31, 2018 and 2017 (amounts in thousands):

|  | For the Three Months |             |
|--|----------------------|-------------|
|  | Ended                |             |
|  | March 31,            |             |
|  | 2018                 | 2017        |
|  | (Unaudited)          | (Unaudited) |
| Core revenues  |                      |             |
| Total revenues   | \$258,004            | \$233,754   |
| Tenant charge-backs  | (35,807 )            | (28,373 )   |
| Bad debt expense   | (2,000 )             | (1,510 )    |
| Other revenues   | (1,341 )             | (1,670 )    |
| Core revenues  | \$218,856            | \$202,201   |
| Core property operating expenses   |                      |             |
| Property operating expenses  | \$100,987            | \$83,305    |
| Property management expenses   | 18,987               | 17,478      |
| Noncash share-based compensation - property management                         | (377 )               | (417 )      |
| Expenses reimbursed by tenant charge-backs                                     | (35,807 )            | (28,373 )   |
| Bad debt expense   | (2,000 )             | (1,510 )    |
| Core property operating expenses   | \$81,790             | \$70,483    |
| Core NOI, Same-Home Core NOI and Same-Home Core NOI After Capital Expenditures |                      |             |
| Net income   | \$21,525             | \$11,796    |
| Remeasurement of participating preferred shares                                | (1,212 )             | 5,410       |
| Gain on sale of single-family properties and other, net                        | (2,256 )             | (2,026 )    |
| Depreciation and amortization  | 79,303               | 73,953      |
| Acquisition fees and costs expensed  | 1,311                | 1,096       |
| Noncash share-based compensation - property management                         | 377                  | 417         |
| Interest expense   | 29,301               | 31,889      |
| General and administrative expense   | 9,231                | 9,295       |
| Other expenses   | 827                  | 1,558       |
| Other revenues   | (1,341 )             | (1,670 )    |
| Tenant charge-backs  | 35,807               | 28,373      |
| Expenses reimbursed by tenant charge-backs                                     | (35,807 )            | (28,373 )   |
| Bad debt expense excluded from operating expenses                              | 2,000                | 1,510       |
| Bad debt expense included in revenues  | (2,000 )             | (1,510 )    |
| Core NOI   | 137,066              | 131,718     |
| Less: Non-Same-Home Core NOI   | 27,218               | 21,827      |
| Same-Home Core NOI   | 109,848              | 109,891     |
| Less: Same-Home recurring capital expenditures                                 | 6,054                | 5,336       |
| Same-Home Core NOI After Capital Expenditures                                  | \$103,794            | \$104,555   |

Core Revenues from Same-Home Properties

Core revenues from Same-Home properties for the three months ended March 31, 2018, increased \$5.3 million, or 3.1%, to \$171.8 million from \$166.5 million for the three months ended March 31, 2017. This increase was primarily attributable to higher average monthly realized rental rates, which increased to \$1,553 per month for the three months ended March 31, 2018, compared to \$1,494 per month for the three months ended March 31, 2017.

Core Property Operating Expenses from Same-Home Properties

Core property operating expenses consist of direct property operating expenses, net of tenant charge-backs, and property management costs, net of tenant charge-backs and excluding noncash share-based compensation expense. Core property operating expenses from Same-Home properties for the three months ended March 31, 2018, increased \$5.3 million, or 9.3%, to \$61.9 million from \$56.6 million for the three months ended March 31, 2017. Same-Home core property operating expenses as a percentage of total

Same-Home core revenues increased to 36.0% for the three months ended March 31, 2018, from 34.0% for the three months ended March 31, 2017. This increase was partially attributable to one-time costs due to winter freeze damages in certain markets and elevated carrying costs on above average levels of vacant inventory incurred during the three months ended March 31, 2018. The remainder of this increase was primarily attributable to temporarily elevated turnover costs and property management expenses incurred as part of the Company's strategic initiative to improve occupancy back to stabilized levels during the first quarter of 2018.

#### General and Administrative Expense

For the three months ended March 31, 2018 and 2017, respectively, general and administrative expense, which primarily consists of corporate payroll and personnel costs, state taxes, trustees' and officers' insurance expense, audit and tax fees, trustee fees and other expenses associated with our corporate and administrative functions, was \$9.2 million and \$9.3 million, respectively, which included \$0.6 million and \$0.5 million, respectively, of noncash share-based compensation expense related to corporate administrative employees. General and administrative expense was primarily impacted by nonrecurring rating agency fees incurred during 2017 associated with the Company receiving inaugural investment grade corporate ratings, partially offset by higher legal costs.

#### Interest Expense

Interest expense was \$29.3 million and \$31.9 million for the three months ended March 31, 2018 and 2017, respectively. This decrease was primarily due to the payoff of the AH4R 2014-SFR1 asset-backed securitization in April 2017 and increased capitalized interest, partially offset by interest expense on the unsecured senior notes issued in February 2018.

#### Acquisition Fees and Costs Expensed

All costs of our internal acquisition function are expensed in accordance with GAAP. For the three months ended March 31, 2018, acquisition fees and costs expensed totaled \$1.3 million, which was related to costs associated with purchases of single-family properties. For the three months ended March 31, 2017, acquisition fees and costs expensed totaled \$1.1 million, including \$0.7 million of costs associated with purchases of single-family properties and \$0.4 million of other acquisition fees and costs expensed.

#### Depreciation and Amortization

Depreciation and amortization expense consists primarily of depreciation of buildings and improvements. Depreciation of our assets is calculated over their useful lives on a straight-line basis over 3 to 30 years. Our intangible assets are amortized on a straight-line basis over the asset's estimated economic useful life. Depreciation and amortization expense was \$79.3 million and \$74.0 million for the three months ended March 31, 2018 and 2017, respectively. This increase was primarily attributable to growth in our average number of depreciable properties.

#### Other Revenues

Other revenues totaled \$1.3 million for the three months ended March 31, 2018, which included \$0.4 million of interest income on short-term investments, \$0.3 million of equity in earnings from unconsolidated joint ventures, \$0.2 million of management fee income related to joint ventures and \$0.4 million of other income. Other revenues totaled \$1.7 million for the three months ended March 31, 2017, which included \$0.6 million of management fee income related to joint ventures, \$0.3 million of equity in earnings from unconsolidated joint ventures and \$0.8 million of other income.

#### Other Expenses

Other expenses totaled \$0.8 million for the three months ended March 31, 2018, which included \$0.7 million related to impairments on properties held for sale and \$0.1 million of other expenses. Other expenses totaled \$1.6 million for the three months ended March 31, 2017, which included \$0.9 million related to impairments on properties held for sale, \$0.5 million of expenses related to a joint venture and \$0.2 million of other expenses.

#### Critical Accounting Policies and Estimates

Our critical accounting policies are included in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of our Annual Report on Form 10-K for the year ended December 31, 2017. There have been no significant changes to our policies during the three months ended March 31, 2018. For a discussion of recent accounting pronouncements, see Note 2.

## Income Taxes

The Company has elected to be taxed as a REIT under Sections 856 to 860 of the Internal Revenue Code of 1986, as amended (the "Code"), which commenced with our taxable year ended December 31, 2012. We believe that we have operated, and continue to operate, in such a manner as to satisfy the requirements for qualification as a REIT. Accordingly, we will not be subject to federal income tax, provided that we qualify as a REIT and our distributions to our shareholders equal or exceed our REIT taxable income.

However, qualification and taxation as a REIT depends upon our ability to meet the various qualification tests imposed under the Code, including tests related to the percentage of income that we earn from specified sources and the percentage of our earnings that we distribute to our shareholders. Accordingly, no assurance can be given that we will continue to be organized or be able to operate in a manner so as to remain qualified as a REIT. If we fail to qualify as a REIT in any taxable year and do not qualify for certain statutory relief provisions, our income would be subject to U.S. federal income tax and state income tax (including any applicable alternative minimum tax for taxable years beginning before December 31, 2017) on our taxable income at regular corporate tax rates, and we would likely be precluded from qualifying for treatment as a REIT until the fifth calendar year following the year in which we fail to qualify. Even if we qualify as a REIT, we may be subject to certain state or local income and capital taxes and U.S. federal income and excise taxes on our undistributed taxable income, if any. Our taxable REIT subsidiaries (our "TRSs") will be subject to federal, state and local taxes on their income at regular corporate rates. The tax years from 2013 through 2017 generally remain open to examination by the taxing jurisdictions to which the Company is subject.

We believe that our Operating Partnership is properly treated as a partnership for federal income tax purposes. As a partnership, the Operating Partnership is not subject to federal income tax on our income. Instead, each of our partners, including AH4R, is allocated, and may be required to pay tax with respect to, its share of the Operating Partnership's income. As such, no provision for federal income taxes has been included for the Operating Partnership.

ASC 740-10, Income Taxes, requires recognition of deferred tax assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. We recognize tax benefits of uncertain tax positions only if it is more likely than not that the tax position will be sustained, based solely on its technical merits, with the taxing authority having full knowledge of all relevant information. The measurement of a tax benefit for an uncertain tax position that meets the more likely than not threshold is based on a cumulative probability model under which the largest amount of tax benefit recognized is the amount with a greater than 50% likelihood of being realized upon ultimate settlement with the taxing authority having full knowledge of all the relevant information. As of March 31, 2018, there were no deferred tax assets and liabilities or unrecognized tax benefits recorded by the Company. We do not anticipate a significant change in unrecognized tax benefits within the next 12 months.

## Liquidity and Capital Resources

Our liquidity and capital resources as of March 31, 2018, included cash and cash equivalents of \$203.9 million. Additionally, as of March 31, 2018, we had no outstanding borrowings under our revolving credit facility, which provides for maximum borrowings of \$800.0 million, and \$200.0 million of outstanding borrowings under our term loan facility, which provides for maximum borrowings of \$200.0 million.

Liquidity is a measure of our ability to meet potential cash requirements, maintain our assets, fund our operations, make distributions to our shareholders and OP unitholders, including AH4R, and meet other general requirements of our business. Our liquidity, to a certain extent, is subject to general economic, financial, competitive and other factors beyond our control. Our liquidity requirements consist primarily of funds necessary to pay for the acquisition,

renovation, maintenance and development of our properties, HOA fees (as applicable), real estate taxes, non-recurring capital expenditures, interest and principal payments on our indebtedness, general and administrative expenses, payment of quarterly dividends on our preferred shares and units, and payment of distributions to our common shareholders and unitholders.

We seek to satisfy our liquidity needs through cash provided by operations, long-term secured and unsecured borrowings, issuances of debt and equity securities (including OP units), asset-backed securitizations, property dispositions and joint venture transactions. We have financed our operations and acquisitions to date through the issuance of equity securities, borrowings under our credit facilities, asset-backed securitizations and unsecured senior notes. Going forward, we expect to meet our operating liquidity requirements generally through cash on hand and cash provided by operations. We believe our rental income, net of operating expenses and recurring capital expenditures, will generally provide cash flow sufficient to fund our operations and dividend distributions. However, our real estate assets are illiquid in nature. A timely liquidation of assets might not be a viable source of short-term liquidity should a cash flow shortfall arise, and we may need to source liquidity from other financing alternatives.



To qualify as a REIT, the Company is required to distribute annually to our shareholders at least 90% of our REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and to pay tax at regular corporate rates to the extent that we annually distribute less than 100% of our net taxable income. The Operating Partnership funds the payment of distributions. The Company intends to pay quarterly distributions to our shareholders and to the Operating Partnership's unitholders, including AH4R, which in the aggregate are approximately equal to or exceed the Company's net taxable income in the relevant year.

## Cash Flows

The following table summarizes the Company's cash flows for the three months ended March 31, 2018 and 2017 (in thousands):

|  | For the Three Months<br>Ended<br>March 31, |           |
|--|--|-----------|
|  | 2018                                       | 2017      |
| Net cash provided by operating activities                  | \$112,491                                  | \$110,037 |
| Net cash used for investing activities                     | (221,631 )                                 | (69,997 ) |
| Net cash provided by financing activities                  | 286,472                                    | 340,578   |
| Net increase in cash, cash equivalents and restricted cash | \$177,332                                  | \$380,618 |

Our cash flows provided by operating activities depend on numerous factors, including the occupancy level of our properties, the rental rates achieved on our leases, the collection of rent from our tenants and the level of property operating expenses, property management expenses and general and administrative expenses.

During the three months ended March 31, 2018, net cash provided by operating activities was \$112.5 million, which included cash from operations of \$103.4 million and \$9.1 million from other changes in operating assets and liabilities. Net cash used for investing activities was \$221.6 million, which primarily consisted of cash outflows of \$153.8 million related to the acquisition of properties, \$53.5 million related to purchases of productive assets and \$20.4 million of initial renovation costs to prepare our properties for rental, partially offset by cash inflows of \$12.0 million in net proceeds received from the sales of single-family properties and other assets. Renovation costs typically include paint, flooring, appliances, landscaping and other improvements. Net cash provided by financing activities was \$286.5 million, which primarily consisted of cash inflows of \$497.2 million in proceeds from the issuance of unsecured senior notes, net of a discount, partially offset by cash outflows including \$140.0 million of net payments on our revolving credit facility, \$35.0 million for Class A common share repurchases and \$34.4 million for distributions. The net increase in cash, cash equivalents and restricted cash during the three months ended March 31, 2018, was \$177.3 million.

During the three months ended March 31, 2017, net cash provided by operating activities was \$110.0 million, which included cash from operations of \$95.6 million and \$14.4 million from other changes in operating assets and liabilities. Net cash used for investing activities was \$70.0 million, which primarily consisted of cash outflows of \$74.7 million related to the acquisition of properties, \$13.7 million related to purchases of productive assets and \$7.7 million of initial renovation costs to prepare our properties for rental, partially offset by cash inflows of \$31.3 million in net proceeds received from the sales of single-family properties and other assets. Net cash provided by financing activities was \$340.6 million, which primarily consisted of cash inflows including \$350.4 million of net proceeds from issuances of Class A common shares and \$25.0 million of borrowings against our term loan facility, partially offset by cash outflows of \$28.6 million for distributions. The net increase in cash, cash equivalents and restricted cash during the three months ended March 31, 2017, was \$380.6 million.

## Unsecured Senior Notes

In February 2018, the Operating Partnership issued \$500.0 million of 4.25% unsecured senior notes with a maturity date of February 15, 2028 (the "2028 Notes"). Interest on the 2028 Notes is payable semi-annually in arrears on February 15 and August 15 of each year, commencing on August 15, 2018. The Operating Partnership received net proceeds of \$494.0 million from this issuance, after underwriting fees of approximately \$3.2 million and a \$2.8 million discount, and before estimated offering costs of \$1.8 million. The Operating Partnership intends to use the net proceeds from this issuance for general corporate purposes, including, without limitation, acquisitions of additional properties, the repayment of outstanding indebtedness, capital expenditures, the expansion, redevelopment and/or improvement of our properties, working capital and other general purposes, including repurchases of securities. The 2028 Notes are the Operating Partnership's unsecured and unsubordinated obligation and rank equally in right of payment with all of the Operating Partnership's existing and future unsecured and unsubordinated indebtedness. The Operating Partnership may redeem the 2028 Notes at any time, in whole or in part, at the applicable redemption price specified in the Indenture with respect to the 2028 Notes. If the 2028 Notes are redeemed on or after November 15, 2027 (three months prior to the maturity date), the redemption price will be equal to 100% of the principal amount of the 2028 Notes being redeemed plus accrued and unpaid interest thereon to, but not including, the redemption date. The 2028 Notes have been initially guaranteed by American Residential Properties OP, L.P., (the "Guarantor Subsidiary"), a 100% owned subsidiary of the Operating Partnership, but such guarantee will be automatically released at

the time that the Guarantor Subsidiary no longer guarantees our credit facility. Including the effect of a cash flow hedging instrument settled in February 2018 (see Note 13), the 2028 Notes yield an effective interest rate of 4.08%.

#### Exchangeable Senior Notes, Net

The exchangeable senior notes, which were assumed in connection with the ARPI Merger during 2016, contain an exchange settlement feature, which provides that the exchangeable senior notes may, under certain circumstances, be exchangeable for cash, our Class A common shares or a combination of cash and our Class A common shares, at the option of the Operating Partnership, based on an initial exchange rate of 46.9423 shares of ARPI's common stock per \$1,000 principal amount of the notes. Settlements for cash will be paid for by the Operating Partnership, while settlements for the Company's Class A common shares will be issued by AH4R with the Operating Partnership issuing an equivalent number of Class A units to AH4R. The adjusted initial exchange rate would be 53.2795 of our Class A common shares per \$1,000 principal amount of the notes, based on the 1.135 exchange ratio of ARPI shares to our shares resulting from the ARPI Merger. The current exchange rate as of March 31, 2018, was 55.4118 of the Company's Class A common shares per \$1,000 principal amount of the notes. The exchange rate is adjusted based on the Company's Class A common share price and distributions to common shareholders.

#### At-the-Market Common Share Offering Program

In November 2016, the Company established the Original At-the-Market Program under which we were able to issue Class A common shares from time to time through various sales agents up to an aggregate of \$400.0 million. The program was established in order to use the net proceeds from share issuances to repay borrowings against the Company's revolving credit and term loan facilities, to acquire and renovate single-family properties and for related activities in accordance with the Company's business strategy, and for working capital and general corporate purposes. The program may be suspended or terminated by the Company at any time. During the three months ended March 31, 2017, the Company issued and sold 0.6 million Class A common shares under the Original At-the-Market Program for gross proceeds of \$14.3 million, or \$22.72 per share, and net proceeds of \$14.1 million, after commissions and other expenses of approximately \$0.2 million. The Operating Partnership issued an equivalent number of corresponding Class A units to AH4R in exchange for the net proceeds from the share issuances. The Original At-the-Market Program was replaced in August 2017 with the At-the-Market Program with a \$500.0 million capacity and the same terms as the previous program. As of March 31, 2018, no shares have been issued under the At-the-Market Program and \$500.0 million remained available for future share issuances.

#### Share Repurchase Program

In February 2018, the Company's board of trustees re-authorized our existing share repurchase program, authorizing the repurchase of up to \$300.0 million of our outstanding Class A common shares and up to \$250.0 million of our outstanding preferred shares from time to time in the open market or in privately negotiated transactions. The program does not have an expiration date, but may be suspended or discontinued at any time without notice. All repurchased shares are constructively retired and returned to an authorized and unissued status. The Operating Partnership funds the repurchases and constructively retires an equivalent number of corresponding Class A units. During the three months ended March 31, 2018, the Company repurchased and retired 1.8 million of our Class A common shares on a settlement date basis, in accordance with the program, at a weighted-average price of \$19.36 per share and a total price of \$34.9 million. We did not repurchase and retire any of our shares during the three months ended March 31, 2017. As of March 31, 2018, we had a remaining repurchase authorization of up to \$265.1 million of our outstanding Class A common shares and up to \$250.0 million of our outstanding preferred shares under the program.

#### Redemption of Series C Participating Preferred Shares

On April 5, 2018, the Company redeemed all 7,600,000 shares of the outstanding 5.5% Series C participating preferred shares through a conversion of those participating preferred shares into Class A common shares of beneficial interest, \$0.01 par value, in accordance with the conversion terms in the Articles Supplementary. This resulted in 10,848,827 Class A common shares issued from the conversion, based on a conversion ratio of 1.4275 Class A common shares issued per Series C participating preferred share. The Operating Partnership also redeemed its corresponding Series C participating preferred units through a conversion into Class A units on April 5, 2018. As a result of the redemption, the Company will record a \$32.2 million allocation of income to the Series C participating preferred shareholders in the second quarter of 2018, which represents the initial liquidation value of the Series C participating preferred shares in excess of the original equity carrying value of the Series C participating preferred shares as of the redemption date. The original equity carrying value of the Series C participating preferred shares was net of the initial bifurcated home price appreciation derivative liability and offering costs. (see Note 10).

#### Off-Balance Sheet Arrangements

We have no obligations, assets or liabilities that would be considered off-balance sheet arrangements.

## Additional Non-GAAP Measures

### Funds from Operations ("FFO") / Core FFO / Adjusted FFO attributable to common share and unit holders

FFO attributable to common share and unit holders is a non-GAAP financial measure that we calculate in accordance with the White Paper on FFO approved by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"), which defines FFO as net income or loss calculated in accordance with GAAP, excluding extraordinary items, as defined by GAAP, 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 adjustment for unconsolidated partnerships and joint ventures.

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 fees and costs expensed incurred with business combinations and the acquisition of individual properties, (2) noncash share-based compensation expense, (3) noncash interest expense related to acquired debt, (4) hurricane-related charges, net, (5) gain or loss on early extinguishment of debt, (6) noncash gain or loss on redemption or conversion of shares or units and (7) noncash fair value adjustments associated with remeasuring our participating preferred shares derivative liability to fair value.

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) actual leasing costs incurred during the period. As a portion of our homes are recently 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 non-stabilized properties, properties identified for future sale as part of the Company's disposition program and properties classified as held for sale.

We present FFO attributable to common share and unit holders 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 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, Core FFO and Adjusted FFO attributable to common share and unit holders are not a substitute for net cash flow provided by operating activities, 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.

Edgar Filing: American Homes 4 Rent - Form 10-Q

The following is a reconciliation of the Company's net income or loss attributable to common shareholders, determined in accordance with GAAP, 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 months ended March 31, 2018 and 2017 (in thousands):

|   | For the Three Months<br>Ended<br>March 31, |             |
|---|--|-------------|
|   | 2018                                       | 2017        |
|   | (Unaudited)                                | (Unaudited) |
| Net income (loss) attributable to common shareholders                 | \$5,814                                    | \$ (1,490 ) |
| Adjustments:  |  |             |
| Noncontrolling interests in the Operating Partnership                 | 1,125                                      | (339 )      |
| Net (gain) on sale / impairment of single-family properties and other | (1,556 )                                   | (1,097 )    |
| Depreciation and amortization   | 79,303                                     | 73,953      |
| Less: depreciation and amortization of non-real estate assets         | (1,830 )                                   | (2,549 )    |
| FFO attributable to common share and unit holders                     | \$82,856                                   | \$ 68,478   |
| Adjustments:  |  |             |
| Acquisition fees and costs expensed                                   | 1,311                                      | 1,096       |
| Noncash share-based compensation - general and administrative         | 598  | 521         |
| Noncash share-based compensation - property management                | 377  | 417         |
| Noncash interest expense related to acquired debt                     | 900  | 840         |
| Remeasurement of participating preferred shares                       | (1,212 )                                   | 5,410       |
| Core FFO attributable to common share and unit holders                | \$84,830                                   | \$ 76,762   |
| Recurring capital expenditures (1)                                    | (7,386 )                                   | (6,397 )    |
| Leasing costs   | (2,723 )                                   | (1,482 )    |
| Adjusted FFO attributable to common share and unit holders            | \$74,721                                   | \$ 68,883   |

(1) As a portion of our homes are recently 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 non-stabilized properties, properties identified for future sale as part of the Company's disposition program and properties classified as held for sale.

EBITDA / Adjusted EBITDA / Adjusted EBITDA after Capex and Leasing Costs

EBITDA is defined as earnings before interest, taxes, depreciation and amortization. EBITDA is a non-GAAP financial measure and is used by us and others as a supplemental measure of performance. Adjusted EBITDA is a supplemental non-GAAP financial measure calculated by adjusting EBITDA for (1) acquisition fees and costs expensed incurred with business combinations and the acquisition of individual properties, (2) net gain or loss on sales / impairment of single-family properties and other, (3) noncash share-based compensation expense, (4) hurricane-related charges, net, (5) gain or loss on early extinguishment of debt, (6) gain or loss on conversion of shares and units and (7) noncash fair value adjustments associated with remeasuring our participating preferred shares derivative liability to fair value. Adjusted EBITDA after Capex and Leasing Costs is a supplemental non-GAAP financial measure calculated by adjusting Adjusted EBITDA for (1) recurring capital expenditures and (2) leasing costs. We believe these metrics provide useful information to investors because they exclude the impact of various income and expense items that are not indicative of operating performance.

Edgar Filing: American Homes 4 Rent - Form 10-Q

The following is a reconciliation of net income or loss, determined in accordance with GAAP, to EBITDA, Adjusted EBITDA and Adjusted EBITDA after Capex and Leasing Costs for the three months ended March 31, 2018 and 2017 (in thousands):

|   | For the Three Months<br>Ended<br>March 31, |             |
|---|--|-------------|
|   | 2018                                       | 2017        |
|   | (Unaudited)                                | (Unaudited) |
| Net income  | \$21,525                                   | \$ 11,796   |
| Interest expense  | 29,301                                     | 31,889      |
| Depreciation and amortization   | 79,303                                     | 73,953      |
| EBITDA  | \$130,129                                  | \$ 117,638  |
| Noncash share-based compensation - general and administrative         | 598  | 521         |
| Noncash share-based compensation - property management                | 377  | 417         |
| Acquisition fees and costs expensed                                   | 1,311                                      | 1,096       |
| Net (gain) on sale / impairment of single-family properties and other | (1,556 )                                   | (1,097 )    |
| Remeasurement of participating preferred shares                       | (1,212 )                                   | 5,410       |
| Adjusted EBITDA   | \$129,647                                  | \$ 123,985  |
| Recurring capital expenditures (1)                                    | (7,386 )                                   | (6,397 )    |
| Leasing costs   | (2,723 )                                   | (1,482 )    |
| Adjusted EBITDA after Capex and Leasing Costs                         | \$119,538                                  | \$ 116,106  |

(1) As a portion of our homes are recently 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 non-stabilized properties, properties identified for future sale as part of the Company's disposition program and properties classified as held for sale.

## ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

## Interest Rate Risk

The primary market risk to which we believe we are exposed is interest rate risk, which may result from many factors, including government monetary and tax policies, domestic and international economic and political considerations, and other factors that are beyond our control. We may incur additional variable rate debt in the future, including additional amounts that we may borrow under our revolving credit and term loan facilities. In addition, decreases in interest rates may lead to additional competition for the acquisition of single-family homes, which may lead to future acquisitions being costlier and resulting in lower yields on single-family homes targeted for acquisition. Significant increases in interest rates may also have an adverse impact on our earnings if we are unable to acquire single-family homes with rental rates high enough to offset the increase in interest rates on our borrowings.

The Company's variable-rate debt was comprised of borrowings on our term loan facility of \$200.0 million as of March 31, 2018, and comprised of borrowings on our revolving credit facility and term loan facility of \$140.0 million and \$200.0 million, respectively, as of December 31, 2017. All borrowings under our revolving credit facility bear interest at a LIBOR rate plus a margin ranging from 0.825% to 1.55% or a base rate (generally determined according to a prime rate or federal funds rate) plus a margin ranging from 0.00% to 0.55% until the fully extended maturity date of June 2022. All borrowings under our term loan facility bear interest at a LIBOR rate plus a margin ranging from 0.90% to 1.75% or a base rate (generally determined according to a prime rate or federal funds rate) plus a margin ranging from 0.00% to 0.75% until the maturity date of June 2022. Assuming no change in the outstanding balance of our existing variable-rate debt, the following table illustrates the effect of a 100 basis point increase or decrease in the LIBOR rate on our projected annual interest expense as of March 31, 2018, and December 31, 2017 (in thousands):

|   | March 31, December |             |
|---|--------------------|-------------|
|   | 2018               | 31, 2017    |
| Impact to future earnings due to variable rate debt, before the effect of capitalization: |                    |             |
| Rate increase of 1%   | \$ 2,000           | \$ 3,400    |
| Rate decrease of 1% (1)   | \$ (2,000 )        | \$ (3,400 ) |

(1) Calculation of projected decrease in annual interest expense as a result of a 100 basis point decrease is reflective of any LIBOR floors or minimum interest rates stated in the agreements of respective borrowings.

This analysis does not consider the effects of the reduced level of overall economic activity that could exist in such an environment. Further, in the event of a change of such magnitude, we would consider taking actions to further mitigate our exposure to the change. However, because of the uncertainty of the specific actions that would be taken and their possible effects, the sensitivity analysis assumes no changes in our capital structure.

## ITEM 4. Controls and Procedures

## American Homes 4 Rent

## Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in reports we file and submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in accordance with SEC guidelines and that such information is communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure based on the definition of "disclosure controls and procedures" in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well



designed and operated, can provide only reasonable assurance of achieving the desired control objectives and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures in reaching that level of reasonable assurance.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures, as required by Exchange Act Rule 13a-15(b), as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective, at a reasonable assurance level.

#### Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the quarter ended March 31, 2018, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

American Homes 4 Rent, L.P.

#### Disclosure Controls and Procedures

The Operating Partnership maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in reports we file and submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in accordance with SEC guidelines and that such information is communicated to the Operating Partnership's management, including the Operating Partnership's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure based on the definition of "disclosure controls and procedures" in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. In designing and evaluating the disclosure controls and procedures, the Operating Partnership's management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures in reaching that level of reasonable assurance.

Under the supervision and with the participation of the Operating Partnership's management, including its Chief Executive Officer and Chief Financial Officer, the Operating Partnership evaluated the effectiveness of its disclosure controls and procedures, as required by Exchange Act Rule 13a-15(b), as of the end of the period covered by this report. Based on that evaluation, the Operating Partnership's Chief Executive Officer and Chief Financial Officer concluded that the Operating Partnership's disclosure controls and procedures were effective, at a reasonable assurance level.

#### Internal Control over Financial Reporting

There were no changes in the Operating Partnership's internal control over financial reporting during the quarter ended March 31, 2018, that have materially affected, or are reasonably likely to materially affect, the Operating Partnership's internal control over financial reporting.

## PART II OTHER INFORMATION

### Item 1. Legal Proceedings

For a description of the Company's legal proceedings, see Note 12.

### Item 1A. Risk Factors

In addition to the other information in this Quarterly Report on Form 10-Q, you should carefully consider the risks described in our Annual Report on Form 10-K filed for the year ended December 31, 2017, in Part I, Item 1A, Risk Factors and in our other filings with the SEC. These factors may materially affect our business, financial condition and operating results and could cause our actual results to differ materially from expectations.

There have been no material changes to our risk factors from those disclosed in the section entitled "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2017.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table summarizes the Company's repurchases of our outstanding Class A common shares during the three months ended March 31, 2018 (in thousands, except share and per share data):

Edgar Filing: American Homes 4 Rent - Form 10-Q

| Period                                | Total<br>Number of<br>Class A<br>Common<br>Shares<br>Purchased | Average<br>Price<br>Paid per<br>Class A<br>Common<br>Share | Total<br>Number of<br>Class A<br>Common<br>Shares<br>Purchased<br>as Part of<br>Publicly<br>Announced<br>Plans or<br>Programs | Approximate<br>Dollar Value<br>of Class A<br>Common<br>Shares that<br>May Yet Be<br>Purchased<br>Under the<br>Plans or<br>Programs |
|---------------------------------------|--|--|---|--|
| January 1, 2018 to January 31, 2018   | —  | \$ —   | —   | \$ 146,746   |
| February 1, 2018 to February 28, 2018 | —  | —  | —   | 300,000  |
| March 1, 2018 to March 31, 2018       | 1,804,163  | 19.36  | 1,804,163   | 265,067  |
| Total                                 | 1,804,163  | \$ 19.36   | 1,804,163   | \$ 265,067   |

51

---

On February 22, 2018, the Company's board of trustees re-authorized our existing share repurchase program, authorizing the repurchase of up to \$300.0 million of our outstanding Class A common shares and up to \$250.0 million of our outstanding preferred shares from time to time in the open market or in privately negotiated transactions. The program does not have an expiration date, but may be suspended or discontinued at any time without notice. All repurchased shares are constructively retired and returned to an authorized and unissued status. The Operating Partnership funds the repurchases and constructively retires an equivalent number of corresponding Class A units. During the three months ended March 31, 2018, the Company repurchased and retired 1.8 million of our Class A common shares on a settlement date basis, in accordance with the program, at a weighted-average price of \$19.36 per share and a total price of \$34.9 million. As of March 31, 2018, we had a remaining repurchase authorization of up to \$265.1 million of our outstanding Class A common shares and up to \$250.0 million of our outstanding preferred shares under the program.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The exhibits listed below are filed herewith or incorporated herein by reference.

Exhibit Index

Exhibit  
Number Exhibit Document

2.1‡ Amended and Restated Contribution Agreement, dated December 28, 2012, by and among American Homes 4 Rent, American Homes 4 Rent, L.P., American Homes 4 Rent Properties One, LLC and American Homes 4 Rent, LLC (Incorporated by reference to Exhibit 2.1 to Amendment No. 1 to the Company's Registration Statement on Form S-11 (Registration Number 333-189103) filed June 25, 2013.)

2.2‡ First Amendment to Amended and Restated Contribution Agreement, dated January 30, 2013, by and among American Homes 4 Rent, American Homes 4 Rent, L.P., American Homes 4 Rent Properties One, LLC and American Homes 4 Rent, LLC (Incorporated by reference to Exhibit 2.2 to Amendment No. 1 to the Company's Registration Statement on Form S-11 (Registration Number 333-189103) filed June 25, 2013.)

2.3‡ Second Amendment to Amended and Restated Contribution Agreement, dated March 18, 2013, by and among American Homes 4 Rent, American Homes 4 Rent, L.P., American Homes 4 Rent Properties One, LLC and American Homes 4 Rent, LLC (Incorporated by reference to Exhibit 2.3 to Amendment No. 1 to the Company's Registration Statement on Form S-11 (Registration Number 333-189103) filed June 25, 2013.)

2.4‡ Contribution Agreement, dated February 25, 2013, by and among American Homes 4 Rent, LLC, American Homes 4 Rent, American Homes 4 Rent, L.P. and AH4R Properties Holdings, LLC (Incorporated by reference to Exhibit 2.4 to Amendment No. 1 to the Company's Registration Statement on Form S-11 (Registration Number 333-189103) filed June 25, 2013.)

2.5‡ Contribution Agreement, dated May 28, 2013, by and among American Homes 4 Rent, LLC, American Homes 4 Rent and American Homes 4 Rent, L.P. (Incorporated by reference to Exhibit 2.5 to Amendment No. 1 to the Company's Registration Statement on Form S-11 (Registration Number 333-189103) filed June 25, 2013.)

2.6‡ Contribution Agreement, dated June 11, 2013, by and among American Homes 4 Rent, American Homes 4 Rent, LLC, Alaska Permanent Fund Corporation, American Homes 4 Rent, L.P., American Homes 4 Rent I, LLC and American Homes 4 Rent TRS, LLC (Incorporated by reference to Exhibit 2.6 to Amendment No. 1 to the Company's Registration Statement on Form S-11 (Registration Number 333-189103) filed June 25, 2013.)

2.7‡ Agreement and Plan of Merger by and among American Homes 4 Rent, Sunrise Merger Sub, LLC, American Homes 4 Rent, L.P., OP Merger Sub, LLC, American Residential Properties, Inc., American Residential Properties, O.P., L.P. and American Residential GP, LLC, dated December 3, 2015 (Incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed December 4, 2015)

2.8‡ Agreement and Plan of Merger by and among American Homes 4 Rent, Sunrise Merger Sub, LLC, American Homes Rent, L.P., OP Merger Sub, LLC, American Residential Properties, Inc., American Residential Properties OP, L.P. and American Residential GP, LLC, dated December 3, 2015 (Incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed December 4, 2015.)

2.9‡ Contribution Agreement dated as of December 12, 2014 (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed December 18, 2014.)

- 3.1 Articles of Amendment and Restatement of Declaration of Trust of American Homes 4 Rent (Incorporated by reference to Exhibit 3.1 to Amendment No. 1 to the Company's Registration Statement on Form S-11 (Registration Number 333-189103) filed June 25, 2013.)
- 3.2 First Articles of Amendment to Articles of Amendment and Restatement of Declaration of Trust of American Homes 4 Rent (Incorporated by reference to Exhibit 3.2 to Amendment No. 2 to the Company's Registration Statement on Form S-11 (Registration Number 333-189103) filed July 19, 2013.)
- 3.3 Articles Supplementary for American Homes 4 Rent 5.500% Series C Participating Preferred Shares (Incorporated by reference to Exhibit 3.5 to Post-Effective Amendment No. 1 to the Company's Registration Statement on Form S-11 (Registration Number 333-195575) filed April 24, 2014.)
- 3.4 Articles Supplementary for American Homes 4 Rent 6.500% Series D Cumulative Redeemable Perpetual Preferred Shares (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on May 17, 2016.)
- 3.5 Articles Supplementary for American Homes 4 Rent 6.350% Series E Cumulative Redeemable Perpetual Preferred Shares (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on June 22, 2016.)
- 3.6 Articles Supplementary for American Homes 4 Rent 5.875% Series F Cumulative Redeemable Perpetual Preferred Shares (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on April 21, 2017.)
- 3.7 Articles Supplementary for American Homes 4 Rent 5.875% Series G Cumulative Redeemable Perpetual Preferred Shares (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on July 12, 2017.)

Edgar Filing: American Homes 4 Rent - Form 10-Q

| Exhibit Number | Exhibit Document   |
|----------------|--|
| 3.8            | <u>Amended and Restated Bylaws of American Homes 4 Rent (Incorporated by reference to Exhibit 3.8 to the Company's Annual Report on Form 10-K for the year ended December 31, 2016 filed February 24, 2017.)</u>   |
| 4.1            | <u>Indenture, dated November 27, 2013, among American Residential OP, L.P., as issuer, American Residential Properties, Inc., as guarantor, and U.S. Bank National Association, as trustee (Incorporated by reference to Exhibit 4.1 to American Residential Properties, Inc.'s Current Report on Form 8-K filed November 27, 2013.)</u> |
| 4.2            | <u>First Supplemental Indenture, dated February 29, 2016, among American Homes 4 Rent, ARPI REIT, LLC, American Residential Properties OP, L.P. and U.S. Bank National Association, as trustee (Incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed March 4, 2016.)</u>                           |
| 4.3            | <u>Form of Global Note representing American Residential Properties OP, L.P.'s 3.25% Exchangeable Senior Notes due 2018 (Incorporated by reference to Exhibit 4.1 to American Residential Properties, Inc.'s Current Report on Form 8-K filed November 27, 2013.)</u>  |
| 4.4            | <u>Form of Indenture (Incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-3 (Registration Number 333-221878) filed December 1, 2017.)</u>   |
| 4.5            | <u>Indenture, dated as of February 7, 2018, between American Homes 4 Rent, L.P. and U.S. Bank National Association, as trustee (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed February 7, 2018.)</u>  |
| 4.6            | <u>First Supplemental Indenture, dated as of February 7, 2018, among American Homes 4 Rent, L.P., American Residential Properties OP, L.P. and U.S. Bank National Association, as trustee (Incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed February 7, 2018.)</u>                             |
| 4.7            | <u>Form of Global Note representing the Notes (Incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed February 7, 2018.)</u>   |
| 12.1           | <u>Ratios of Earnings to Fixed Charges and Earnings to Combined Fixed Charges and Preferred Distributions of American Homes 4 Rent. Filed herewith.</u>  |
| 12.2           | <u>Ratios of Earnings to Fixed Charges and Earnings to Combined Fixed Charges and Preferred Distributions of American Homes 4 Rent, L.P. Filed herewith.</u>   |
| 31.1           | <u>Certification of Chief Executive Officer of American Homes 4 Rent pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934. Filed herewith.</u>  |
| 31.2           | <u>Certification of Chief Financial Officer of American Homes 4 Rent pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934. Filed herewith.</u>  |
| 31.3           | <u>Certification of Chief Executive Officer of American Homes 4 Rent, L.P. pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934. Filed herewith.</u>  |
| 31.4           |  |

Edgar Filing: American Homes 4 Rent - Form 10-Q

Certification of Chief Financial Officer of American Homes 4 Rent, L.P. pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934. Filed herewith.

32.1 Certification of Chief Executive Officer and Chief Financial Officer of American Homes 4 Rent pursuant to 18 U.S.C. 1350. Filed herewith.

32.2 Certification of Chief Executive Officer and Chief Financial Officer of American Homes 4 Rent, L.P. pursuant to 18 U.S.C. 1350. Filed herewith.

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Taxonomy Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

The schedules and exhibits to this agreement have been omitted from this filing. The Company will furnish  
supplementally a copy of any such omitted schedules or exhibits to the SEC upon request.



SIGNATURES

Pursuant to the requirement of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMERICAN HOMES 4 RENT

/s/ Diana M. Laing

Diana M. Laing  
Chief Financial Officer  
(Principal Financial Officer and duly authorized signatory of registrant)  
Date: May 4, 2018  
AMERICAN HOMES 4 RENT, L.P.

/s/ Diana M. Laing

Diana M. Laing  
Chief Financial Officer  
(Principal Financial Officer and duly authorized signatory of registrant)  
Date: May 4, 2018