



REITs

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COMPANY UPDATE / ESTIMATE CHANGE/ RATING CHANGE

Key Metrics

CBL - NYSE (as of 11/2/2017)	\$7.99
Price Target	NA
52-Week Range	\$7.15 - \$12.35
Shares & Units Outstanding (mm)	199
Market Cap. (\$mm)	\$1,590
3-Mo. Average Daily Volume (000)	3,212
Institutional Ownership	105%
Debt/Total Market Capital (9/17)	67.4%
Dividend	\$0.80
Dividend Yield	10.0%
EBITDA to to Fixed Charges	2.5x

FFO Per Share FY 12/31

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$0.68		\$0.53 A	\$0.52	\$0.51
2Q	\$0.73		\$0.58 A	\$0.53	\$0.52
3Q	\$0.56		\$0.52 A	\$0.58	\$0.48
4Q	\$0.72	\$0.60	\$0.58	\$0.61	\$0.60
Year	\$2.69	\$2.28	\$2.21	\$2.23	\$2.10
P/FFO	3.0x		3.6x		3.8x

Revenue (\$mm)

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$263		\$238 A	\$239	\$236
2Q	\$255		\$225 A	\$233	\$230
3Q	\$252		\$221 A	\$251	\$225
4Q	\$258	\$252	\$251	\$258	\$254
Year	\$1,028	\$964	\$943	\$985	\$949

Revenue numbers include other revenue and management, development and leasing fees.
Quarterly numbers may not add up to full year numbers due to rounding.
Previous FFO and Revenue numbers have not been restated.

Company Description: CBL & Associates Properties, Inc., headquartered in Chattanooga, Tennessee, owns, holds interest in or manages 119 properties (including 76 regional malls/open-air centers) totaling 74.4 million square feet in 27 states.

CBL & Associates Properties, Inc.

CBL -- NYSE – Neutral -- 4

Lowering to Neutral. Dividend Cut.

- **Third quarter FFO was \$0.52 compared to \$0.56 per share in the year ago period. Adjusted FFO per share was \$0.50 versus \$0.57 in the year ago period.** Our FFO per share estimate was \$0.56 versus the consensus of \$0.54.
- **Portfolio occupancy was down year-over-year.** CBL's total occupancy was 93.1% versus 93.5%. CBL's mall portfolio occupancy declined 100 basis points to 91.6%. However, both total occupancy and mall portfolio occupancy increased from 2Q17.
- **Same-store sales for small shop tenants in the company's stabilized malls declined 1.8% for the twelve months ended September 30, 2017.**
- **The quarterly dividend was cut to \$0.20 per share from \$0.265 per share previously.**
- **Guidance changed.** Management decreased 2017 FFO per share guidance from its previous range of \$2.29 - \$2.35 to a range of \$2.21 - \$2.25. Adjusted FFO per share guidance for 2017 was reduced to \$2.08 - \$2.12 from its previous range of \$2.18 - \$2.24. Guidance assumes \$12.0 million - \$14.0 million of outparcel sales, 75 to 125 basis points lower total portfolio occupancy at year end, G&A of \$61 million to \$62 million, and same-center NOI growth of -3.0% to -2.0%. Guidance does not account for any future unannounced acquisitions or dispositions or capital market activity. Our revised 2017 FFO per share estimate is \$2.21.
- **We are lowering our rating to Neutral.** At this point we do not see a near-term catalyst for the stock.

**Note Important Disclosures on Pages 3 and 4.
Note Analyst Certification on Page 3.**

Valuation & Rating

At 3.8x our 2018 FFO estimate, CBL is trading at a significant discount on a Price/FFO basis compared to a peer group of retail mall REITs we track. We believe CBL should trade at a discount to its peer group given its higher leverage and lower productivity malls. At this point we do not see a near-term catalyst for the shares. Operating results in 3Q were below our expectations and we believe this may continue to persist. Combined with a lack of visibility in the retail environment and future earnings, as well as a lack of a near-term catalyst, we are lowering our rating to Neutral on the shares.

Regional Mall REITs	Symbol	Price	Current	Yield	Payout Ratio	FFO			2-Year	Price / FFO	
		11/2/2017	Dividend			2016	2017E	2018E	Average Growth	2017E	2018E
Simon Property Group, Inc.	SPG	\$159.36	\$7.40	4.6%	66.1%	\$10.49	\$11.20	\$12.22	16.5%	14.2x	13.0x
Macerich Company	MAC	\$55.65	\$2.96	5.3%	74.7%	\$5.08	\$3.96	\$4.11	-19.1%	14.1x	13.5x
Taubman Centers, Inc.	TCO	\$47.51	\$2.50	5.3%	67.2%	\$2.87	\$3.72	\$3.90	35.9%	12.8x	12.2x
GGP Inc.	GGP	\$19.67	\$0.88	4.5%	55.7%	\$1.57	\$1.58	\$1.61	2.5%	12.4x	12.2x
Pennsylvania Real Estate Investment Trust	PEI	\$10.61	\$0.84	7.9%	50.9%	\$1.90	\$1.65	\$1.73	-8.9%	6.4x	6.1x
Washington Prime Group	WPG	\$7.88	\$1.00	12.7%	55.2%	\$1.80	\$1.81	\$1.57	-12.8%	4.4x	5.0x
Peer Average		\$50.11	\$2.60	5.2%	65.1%	\$3.95	\$3.99	\$4.19	2.4%	12.6x	12.0x
S&P 500	.SPX	2,579.85	\$49.60	1.9%	37.9%	\$117.75	\$131.03	\$141.07	19.8%	19.7x	18.3x
CBL & Associates Properties	CBL	\$7.99	\$0.80	10.0%	36.2%	\$2.69	\$2.21	\$2.10	-21.9%	3.6x	3.8x

Note: Simon Property Group is rated Buy and GGP Inc. is rated Neutral by Hilliard Lyons; the rest are Not Rated.

SPX figures are EPS, not FFO per share.

Source: NAREIT, HL Estimates, and Thomson Eikon.

Suitability

We assign shares of CBL & Associates Properties a suitability rating of 4 on our scale of 1 – 4 (1=most conservative, 4=most aggressive). Our rating is based on CBL's strategy of being the only game in town mall, offset by a more leveraged balance sheet than many of its peers and the negative narrative surrounding bricks and mortar retail.

Risks and Considerations

CBL and Associates Properties may not achieve our target price or within the timeframe specified due to external factors beyond the company's control or due to internal factors. We believe these risk factors include:

Interest Rate Risk - Like all REITs, CBL is interest rate sensitive. If short-term interest rates were to rise, the spread between the company's return yield and its cost of capital could shrink.

Consumer Spending & Preferences - The company's tenant base is very dependent upon consumers' spending habits. Should consumer spending decline or the economy enter a prolonged recession, its tenants could get into financial difficulties that would result in a decline in occupancy levels. An increase in consumer preference for online shopping could negatively impact CBL's centers.

Execution Risk - CBL could make an acquisition that would hurt the company's cash flow. We note, however, that historically CBL has done a reasonably good job at staying away from these types of transactions.

Capital Market Risk - CBL is dependent upon access to capital through the financial markets in order to continue growing. In a tough lending environment and/or increasing interest rate environment, CBL's ability to grow could be hampered.

Additional information is available upon request.

Analyst Certification

I, Carol L. Kemple, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Important Disclosures

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

Investment Ratings

Buy - We believe the stock has significant total return potential in the coming 12 months.

Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid total returns to be realized over a longer time frame than our Buy rated issues typically 2-3 years.

Neutral - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.

Underperform - We believe the stock is vulnerable to a price set back in the next 12 months.

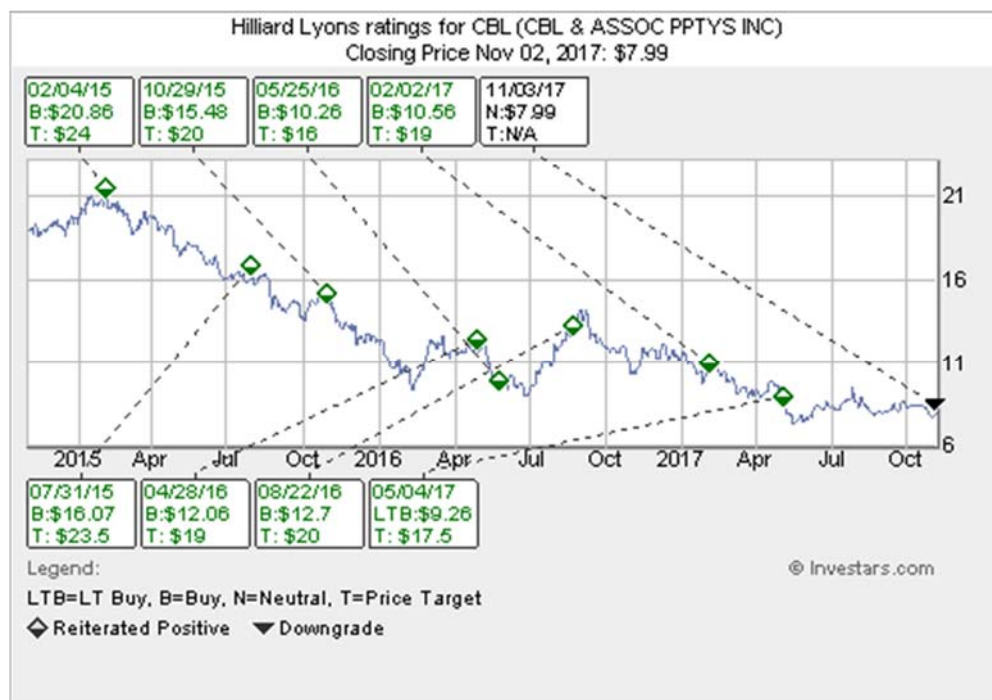
Suitability Ratings

1 - A large cap, core holding with a solid history

2 - A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks

3 - An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage

4 - Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base



Rating	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	39	32%	8%	92%
Hold/Neutral	74	60%	9%	91%
Sell	8	7%	0%	100%
Restriction	2	2%	100%	0%

As of 5 October 2017

Other Disclosures

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