



## COMPANY UPDATE/DROP COVERAGE

### Key Metrics

CCP - NYSE - as of 8/16/17	\$24.21
2-3 Year Price Target	N/A
52-Week Range	\$22.70 - \$31.56
Shares Outstanding (mm)	83.8
Market Cap. (\$mm)	\$2,028.8
1-Mo. Average Daily Volume	1,535,570
Institutional Ownership	95.0%
Debt/Total Capital Mar-17	40.4%
Est 3-year FFO Growth Rate	5.0%
Est 3-year Dividend Growth Rate	1.0%
Book Value	\$ 14.71
Dividend	\$ 2.28
Dividend Yield	9.42%
Est. Fixed Charge Coverage	4.5 X

### FFO Per share

	2016	Prior 2017E	Current 2017E	Prior 2018E	Current 2018E
1Q	\$0.80	--	\$0.68	A --	N/A
2Q	\$0.79	--	\$0.75	A --	N/A
3Q	\$0.75	--	N/A	--	N/A
4Q	\$0.71	--	N/A	--	N/A
Year	\$3.04		N/A	*	N/A
P/E	9.3x				

\*-May not add up due to rounding, not restated.

### Revenue (\$mm)

	2016	Prior 2017E	Current 2017E	Prior 2018E	Current 2018E
1Q	\$84.5	--	\$81.7	A --	N/A
2Q	\$85.7	--	\$111.4	A --	N/A
3Q	\$87.3	--	N/A	--	N/A
4Q	\$83.8	--	N/A	--	N/A
Year	\$341.3		N/A		N/A

**Company Description:** Care Capital Properties, Inc., headquartered in Chicago, IL, is a real estate investment trust (REIT) that has investments in healthcare facilities, specifically skilled nursing facilities, located throughout the country, leasing them to operator tenants through triple net leases. Currently, the company owns 345 properties with nearly 40,000 beds.

## Healthcare Real Estate Investment Trusts

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## Care Capital Properties, Inc.

CCP -- NYSE – Not Rated

**Purchase by Sabra Healthcare Consummated**

### Investment Highlights

- The merger between CCP and Sabra Healthcare (SBRA-\$21.50) was closed as of yesterday, with shareholders of CCP receiving 1.123 shares of Sabra for each share of CCP owned and a pro-rated dividend. Shareholders of CCP will see their income go down as a result of the transaction, with 1.123 share of Sabra paying \$1.89 in dividends. Note that CCP's dividend is \$2.28 a share, meaning that CCP investors will see their dividend yield decline by 17.1%.
- In the most recent quarter, CCP reported per share income of \$1.45 a share, versus \$0.44 a share in the year earlier period and FFO of \$0.75 a share versus \$0.79 a share in the year earlier period. We note that the company sold a number of properties during Q2 resulting in a large gain and boosting net income. Such gains are excluded from the FFO calculation. The FFO number was three cents above our estimate for the quarter.
- With CCP shares no longer being publicly traded and now being part of non-rated SBRA, we are dropping coverage of CCP at this point. Our previous rating, which was Neutral, as well as our estimates should no longer be relied upon at this point.

**Note Important Disclosures on Page 2-3.  
 Note Analyst Certification on Page 2.**

**Suitability**

CCP had a suitability rating of 3 on our 1-4 scale. We find the company to have a reasonably strong balance sheet in relation to its peers, and the triple net structure of most of its leases limit its property risk. Its real estate ownership is also a positive factor. On the other hand, the company is excessively exposed to the skilled nursing sector, with the bulk of its operator revenue paid by Medicare and Medicaid adding risk due to potential political issues and it is a reasonably new company having recently been spun-off from Ventas (VTR-\$66.59, rated Neutral).

**Risks**

There are a number of risks in owning CCP shares and REITs as an investment group. REITs in general need access to debt capital to grow, if such debt capital is unavailable, the company may have difficulty in growing. The company's dividend is attractive to shareholders, and REITs in general have seen their prices rise with the decline in overall interest rates. Should rates rise, that could hurt CCP's share price. Because of their thirst for debt, changes in interest rates can also impact a REIT's cash flow and ability to make accretive acquisitions. CCP's dependence upon the long-term care sector of the health care real estate group could create issues due to government payments being the de-facto source for much of its tenants' rents. With changes for reimbursements on a year to year basis from the Center for Medicare and Medicaid Services, there will be a negative impact on its tenant base if rates are reduced or not increased as much as expected or needed, which in turn could have a negative impact on CCP. It is always possible that the company could make a poor acquisition in the future or not realize synergies from prior acquisitions. The company is a newly public company and if management does not live up to expectations and falters in the public company setting that would obviously hurt the share price. Texas represents a significant amount of CCP's revenue at nearly 23% and with the decline in oil prices and the Texas economy having significant business in the area, this could create some risk, although with much of the revenue covered by government payers we see it as limited. In addition, patients may see home health as a more affordable alternative to SNFs which could eventually negatively impact SNFs. Note that the shares should now trade in tandem with Sabra Healthcare REIT's shares due to the stock swap nature of the deal. Should the deal fail to materialize, the premium on the shares would likely evaporate.

Annual yield is calculated by dividing the distribution amount by the current market price of the security. For US income tax purposes, the Company may classify all or a portion of its distributions as dividends or other non-dividend distributions. Note that for some investors, for US income tax purposes all or a portion of the Company's 2016 dividend or distribution was treated as return of capital and not as "dividend income" as reflected on the IRS Form 1099-Div for the 2016 tax year. The Company generally makes a final determination regarding the proper tax treatment of distributions after calendar year end. We urge each shareholder to consult with his or her own tax advisor to determine the tax consequences of the distributions received, including any state, local or foreign tax considerations.

*Additional information is available upon request.*

**Analyst Certification**

I, John M. Roberts, 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 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

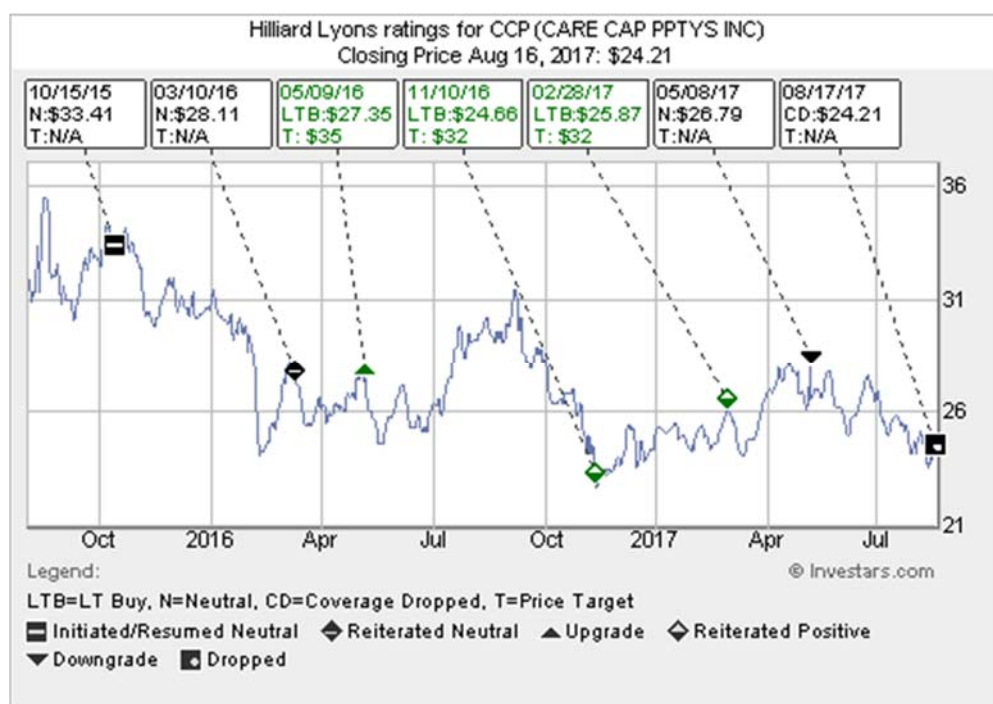
2 - A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks

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.

<b>Rating</b>	<b>Hilliard Lyons Recommended Issues</b>		<b>Investment Banking Provided in Past 12 Mo.</b>	
	<b># of Stocks Covered</b>	<b>% of Stocks Covered</b>	<b>Banking</b>	<b>No Banking</b>
<b>Buy</b>	38	30%	11%	89%
<b>Hold/Neutral</b>	77	61%	8%	92%
<b>Sell</b>	11	9%	0%	100%

*As of 9 August 2017*



**Other Disclosures**

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