HILLIARD LYONS

Healthcare Real Estate Investment Trusts
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COMPANY UPDATE/ESTIMATE CHANGE

Key Metrics

CCP - NYSE - as of 2/27/17		$25.87
2-3 Year Price Target		$ 32.00
52-Week Range	$22.70 -	$31.56
Shares Outstanding (mm)		83.8
Market Cap. ($mm)		$2,167.9
1-Mo. Average Daily Volume		1,535,570
Institutional Ownership		95.0%
Debt/Total Capital Dec-16		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		8.81%
Est. Fixed Charge Coverage		4.5 X

FFO Per share

	2015	2016	2016		Prior 2017E	Current 2017E
1Q	$0.72	--	$0.80		$0.73	$0.70
2Q	$0.87	--	$0.79		$0.77	$0.72
3Q	$0.84	--	$0.75		$0.79	$0.74
4Q	$0.85	--	$0.71		$0.82	$0.77
Year	$3.27		$3.04	*	$3.10	$2.93
P/E	7.9x		8.5x			8.8x

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

Revenue ($mm)

	2015	2016	2016	Prior 2017E	Current 2017E
1Q	$80.2	--	$84.5	$84.5	$83.0
2Q	$79.7	--	$85.7	$89.1	$83.1
3Q	$82.3	--	$87.3	$92.7	$85.3
4Q	$87.3	--	$83.8	$94.6	$87.6
Year	$329.6		$341.3	$360.9	$339.1

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.*

Care Capital Properties, Inc.

CCP -- NYSE – Long-term Buy-3

Q4 Earnings Update

Investment Highlights

- CCP reported Q4 normalized FFO of $0.71 a share, compared to $0.85 a share normalized in the year earlier period, and a penny below our estimate, but equal to the consensus.
- CCP shares have traded flat so far in 2017, and have trailed its larger REIT peers. As a result, the current share price remains at a discount and looks attractively priced with a major dividend premium to the group.
- CCP's results were a little below our expectations, and following discussions with management we are dropping our 2017 estimate pretty substantially to $2.93 a share to account for asset sales occurring earlier in the year than we had originally assumed, and a slightly higher level of overall interest expense as the company continues to take on longer term fixed rate debt. However, we remain above the guidance range, as we are assuming about $100 million in investment beyond what management is projecting.
- In light of the current interest rate environment, CCP's 8.8% yield looks very attractive sitting almost four percentage points above the peer group, a very compelling yield in the current environment. The valuation also remains very attractive. We also point out the strong demographics of the business. As such, all of these positives support our Long-term Buy rating, for those investors looking for growth and income. We are retaining our target multiple at a reasonable 9.4X (well below the industry group's 14.2 multiple) leading to our target of $32 a share within 2-3 years (based on our 2020 FFO per share estimate of $3.40), providing investors with a potential annual total return of nearly 20% assuming the shares reach our target and including the very high dividend payment.

Note Important Disclosures on Page 9-10.
Note Analyst Certification on Page 9.

Fourth Quarter Review

Total revenue was $90.4 million versus $87.3 million, a 3.5% increase, although this was mainly the result of a $7.3 million gain on a lease termination, without which the company would have seen a 4.8% decline as a result of property divestitures. Rental income of $79.4 million was off 6.3% (please see income statement on page 3). Income from direct financing leases was up 70.8% to $1.9 million.

General and administrative expense was up 10.2% to $8.5 million from $7.7 million. Interest expense stood at $15.0 million from $8.3 million, up 80.8% as the company took on debt as an independent company. Depreciation expense fell 18.8% to $25.2 million versus $31.1 million, due to asset sales. CCP also recognized non-recurring expenses during the quarter, mainly a $3.9 million impairment on real estate in 2016 and a $6.5 million one in 2015. The company also recognized $0.6 million in acquisition costs in the current quarter versus $1.6 million in 2015. Fourth quarter net income available to common shareholders was $36.8 million versus $31.8 million. The per share net income this quarter was $0.44 versus $0.38 on 0.2% more common shares outstanding in 2016's Q4.

Ongoing funds from operations (FFO) on a normalized basis, which exclude real estate gains as well as other non-recurring and non-cash items, were $59.3 million compared to $70.8 million in last year's fourth quarter, a 16.3% decline. FFO per diluted share were $0.71 versus $0.85.

Total debt stood at $1.41 billion (please see balance sheet on page 4) at quarter end, down from $1.52 billion at the end of 2015 as debt was retired with sales proceeds. CCP's debt to total capital ratio was 40.4% at year end. CCP has no debt coming due until a secured loan ($135 million in total) and the credit line ($24 million outstanding at year end) matures in 2019. We expect no liquidity issues for CCP, with an accordion feature on its debt that can increase its capacity by $500 million to $2.5 billion.

Other 4th Quarter Activity

Investment/Capital Markets Activity – CCP made $77 million in the purchase of new assets and loans receivable for the year, with about half of that occurring in Q4, at an average yield of 8.1%. Also, during the year CCP invested another $38 million in development and redevelopment projects at an average yield of 8.5%. The company sold 18 of its properties for gross proceeds of $124 million at an average cap rate of 8.1%. The company has entered into agreements to sell another 23 properties for an estimated $175 million, which is anticipated to be completed in the first half of 2017. Currently 30 properties are held for sale in total. The company has also purchased a property in Q1'17. During the year, the company refinanced $935 million in debt, including all of its near term debt maturities. Including the impact of swap agreements entered into during the year, the weighted average rate of debt for the company stood at 3.8%.

Dividend – CCP offers investors a quarterly dividend payment of $0.57 a share, or $2.28 a share on an annual basis. At this level, CCP has a payout ratio (based on our 2017 estimate) slightly above the industry average, at 77.8%. We anticipate management will likely endeavor to provide investors with consistent and ongoing dividend increases in the future, although with increases below the level of earnings increases to lower the payout ratio a bit.

Quarterly Income Statement

(in thousands)	4Q 2016	4Q 2015	% Change
Rental Income	$79,369	$84,685	-6.3%
Real estate service fee income	1,514	1,484	
Income from direct financing leases and loans	1,944	1,138	70.8%
Interest and Other Income	7,581	24	
Total Revenue	90,408	87,331	3.5%
Other	465	188	
Acquisition costs	570	1,608	-64.6%
General, adminstrative and professional fees	8,510	7,723	10.2%
EBITDA	80,863	77,812	3.9%
Interest Expense	14,958	8,272	80.8%
Depreciation Expense	25,237	31,064	-18.8%
Income (Loss) Before Discontinued Operations and Other Items	40,668	38,476	5.7%
Discontinued Operations (including gain on sale of assets)	(1)	(224)	
Income tax expense	27	86	
Minority Interest	(9)	(51)	
Impairment on real estate assets	(3,869)	(6,491)	
Other	0	0	
Net Income (Loss)	$36,816	$31,796	15.8%
Net EPS (diluted)	$0.44	$0.38	15.8%
Avg. Shares Outstanding (diluted)	83,755	83,612	0.2%

Funds From Operations	4Q 2016	4Q 2015	
Net Income	$36,816	$31,796	15.8%
Depreciation Expense	25,045	30,875	-18.9%
Other (adding/substracting one-time items)	(2,555)	8,176	
Normalized Funds From Operations	**$59,306**	**$70,847**	-16.3%
Normalized FFO Per Share (diluted)	**$0.71**	**$0.85**	-16.5%

Source: Company reports.

Consolidated Balance Sheet

(in thousands)	December 31, 2016	December 31, 2015
Real Estate Assets		
Land	$262,064	$287,193
Buildings and Improvements (net of Depreciation)	$2,082,357	$2,280,047
Construction in progress	$45,892	$33,646
Acquired lease intangibles	92,431	101,869
Total Net Real Estate Investments	2,482,744	2,702,755
Cash and Cash Equivalents	15,813	16,995
Net investment in direct financing leases	22,531	22,075
Interest Receivable	0	0
Goodwill	123,884	145,374
Prepaid and other	0	0
Loans receivable	62,264	29,727
Other	105,132	38,043
Total Assets	**$2,812,368**	**$2,954,969**
Bank Borrowings	$0	$0
Tenant deposits	42,574	57,974
Term loans and other debt	1,414,534	1,524,863
Accounts payable and other liabilities	37,177	24,048
Lease intangible liabilities	103,182	130,348
Deferred income taxes	1,852	1,889
Dividends payable	47,861	0
Total Liabilities	**$1,647,180**	**$1,739,122**
Minority Interest	$0	$0
Preferred stock	-	-
Common Stock	840	838
Capital in Excess of Par Value	1,272,642	1,264,650
Dividends in excess of earnings	(119,750)	(51,056)
Non-controlling	1,310	1,415
Other	10,146	0
Total Shareholders' Equity	**1,165,188**	**1,215,847**
Total Liabilities and Shareholders' Equity	**$2,812,368**	**$2,954,969**

Balance Sheet Ratio Analysis	December 31, 2016	December 31, 2015
Net R/E Investments / Total Debt	57.0%	56.4%
Debt to Equity	125.1%	130.2%
Debt as % of Total Assets	51.8%	53.6%
Shareholders' Equity as % of Total Assets	41.4%	41.1%

Source: Company reports.

Conference Call and Additional Discussion

Management noted that its current portfolio sits at 345 properties in 36 states. No single tenant accounts for more than 18% of total rent and the weighted average lease term remaining on the portfolio is nine years. Quarter end occupancy was 78% and the full portfolio had an average coverage ratio of 1.7 times before management fees. Same store NOI growth for the quarter was 1.6%, although that number would have been 2.2% excluding transition properties. Management anticipates continued weakening here until better demographics kick in towards the end of the decade.

From a financing perspective, the company has seen its overall cost of debt move up to 3.8% as it has refinanced some of its shorter term debt and lengthened the overall maturity of the debt portfolio. As part of management's discussion of guidance CCP reported that it expects full year debt costs will move up solidly as the company recognizes a full year of interest expense.

In looking at the company's Q4 numbers and management's forward guidance, management noted that it was anticipating the sale of the $175 million in assets in the first half of the year at an average sales yield of 9.5%, while it was assuming the reinvestment of the proceeds in the second half of the year at a 9.0% yield. Most of the ten cent range in guidance is a function of the timing of the sales and reinvestment of the proceeds. Management is also assuming some additional investment in development and redevelopment projects already in place in this guidance. On the call, management noted that the current investment pipeline is the largest it has ever been. And while management indicated that there are other potential divestitures that could occur during 2017, in light of the size of the pipeline and discussion around the current investment environment, we are assuming that there will be investments well beyond guidance. Management also noted that it was looking at other new potential areas for investment outside of its core skilled nursing operations, and we believe that this could offer additional investment opportunities, although we are not assuming any investments here in 2017.

Management also reinforced some of the issues we have heard from other REITs in regards to the impact of increased costs on operators, which could result in continued deterioration of coverage ratios in the near term. Operators are continuing to see wage pressures and labor shortages, forcing the use of agency labor. This is increasing the cost base of the operators. On the positive side, management noted a 2.4% increase in fee for service under Medicare, and an average 2.0% increase for Medicaid, with some states in which the company operates offering even higher increases. Overall, however, these trends indicate continued deterioration of coverage ratios for operators, in our opinion, at least until reimbursement rates catch up with the labor increases. Having said that, we continue to believe that the REITs should see limited impact in light of the long-term leases and generally strong coverage ratios prior to these issues.

Q1 and 2017 Outlook

Following our analysis of CCP's Q4 results and discussion with management we are pulling back our 2017 FFO estimate to $2.93 a share to account for the asset sales falling early in the year and the company's purchases not occurring until the second half of the year. We had originally assumed that the sales and purchases would occur more closely together. We still believe this could be the case, especially when looking at the size of the company's pipeline. However, when looking at the higher interest expense around the company's newly fixed debt, and these timing factors, we see Q1 and Q2 numbers pulling back more sharply than we had anticipated prior to a push up in the second half of the year. Our acquisition/investment assumption now only calls for about $100 million in net positive investment for the year above what management guided. We are assuming no additional underwritten equity raise with the stock price as low as it is, although we are anticipating a very small amount of incremental issuance from the DRP. We are also initiating a 2018 FFO estimate at $3.18 a share with continued investment and acquisition activity over the period. Our Q1 estimate is now down to $0.70 a share, a penny below the Q4 number.

Valuation and Rating

Using our $2.93 a share estimate for 2017, CCP shares are trading at 8.8 times this year's estimated FFO. This is a discount to the peer group, as shown in the following table. Further, its yield is also above that of the peer group. With the underperformance versus the peer group, CCP's price seems to be sitting at an attractive price of below $26 a share with a yield of nearly 9%. With the year over year decline in expected FFO, and the negative comparisons early in the year potentially pressuring the stock, the attractive share price and high yield should allow investors to weather these issues while collecting the high yield, which of itself is enough to justify purchase of CCP shares, in our view. What we also expect to hold the shares back in the near term is the likely continued deterioration of CCP's tenants' coverage ratios. While all of these negative issues could lead one to wish to stay away from the shares, we see an opportunity for the long-term investor willing to hold through the ups and downs while collecting the very high dividend yield. While the shares may not move much higher over the coming year or so, the return could be in the double digits anyway in light of the dividend. The property class remains attractive, in our view, with strong demographic trends, while the asset mix is fairly well diversified, and we do not see any specific problem areas among its tenants or geographic spread. Also as management stated on the conference call, and as we have heard from others in the group, the demographic wave that should hit later in the decade should provide a solid tailwind for the company.

Health Care REITs		Closing Price	Current		2017E			2-Year Average	Price / FFO	
	Symbol	2/27/2017	Dividend	Yield	Payout Ratio	2016	2017E	Growth Rate	2016	2017E
HCP, Inc.	HCP	$32.73	$1.48	4.5%	74.4%	$2.74	$1.99	-20.6%	11.9x	16.4x
Welltower	HCN	$70.04	$3.44	4.9%	79.3%	$4.55	$4.34	-0.5%	15.4x	16.1x
National Health Investors	NHI	$75.00	$3.60	4.8%	69.2%	$4.87	$5.20	5.5%	15.4x	14.4x
Omega Healthcare Investors	OHI	$32.84	$2.44	7.4%	69.3%	$3.41	$3.52	6.9%	9.6x	9.3x
LTC Properties, Inc.	LTC	$48.15	$2.28	4.7%	72.8%	$3.06	$3.13	5.7%	15.7x	15.4x
Health Care Sector Average		**$51.75**	**$2.65**	**5.1%**	**72.8%**	**$3.73**	**$3.64**	**0.2%**	**13.9x**	**14.2x**
Care Capital Properties	CCP	$25.87	$2.28	8.8%	77.8%	$3.04	$2.93	N/A	8.5x	8.8x

Note: OHI is rated Buy, HCP and NHI Neutral, and HCN and LTC Underperform by Hilliard Lyons. Source: NAREIT, Baseline and Hilliard Lyons' estimates.

As such, while the near term price appreciation potential might be limited, we are unwilling to make a call on when investors will recognize the value and long-term upside of the group. The move is likely to be pronounced when the time does come, and attempting to find the exact time of that call seems unwise when the investor is collecting a nearly 9% dividend while waiting. As such, we are retaining CCP at Long-term Buy, and maintaining our 2-3 year price target of $32 despite the drop in our 2017 estimate, as we are pushing out our target year to 2020. Our target multiple remains at 9.4X on our 2020 FFO projection of $3.40, which investors will be looking at 2-3 years out.

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. Labor issues could negatively impact its tenants, which in turn could hurt the value of the company's properties.

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.

Table 1. Consolidated Income Statement
In Thousands

	2014			2015					2016					2017E		
	Pro-Forma	Pro-Forma Q1	Actual Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Revenues:																
Rental Income	$326,269	$79,347	$78,805	$80,595	$84,685	$323,432	$81,351	$82,316	$82,428	$79,369	$325,464	$79,244	$78,809	$80,235	$82,451	$320,739
Mortgage interest income	$3,400	$872	$853	$955	$1,138	$3,818	$1,182	$1,455	$1,893	$1,944	$6,474	$1,940	$2,014	$2,094	$2,162	$8,210
Real estate service fee income	$2	$1	$62	$763	$1,484	$2,310	$1,705	$1,478	$1,897	$1,514	$6,594	$1,539	$1,502	$1,915	$1,587	$6,543
Miscellaneous	$0	$0	$0	$4	$24	$28	$305	$413	$1,073	$7,581	$9,372	$310	$750	$1,105	$1,425	$3,590
	$329,671	$80,220	$79,720	$82,317	$87,331	$329,588	$84,543	$85,662	$87,291	$90,408	$347,904	$83,033	$83,074	$85,349	$87,625	$339,082
Expenses																
General & Administrative	$27,000	$6,750	$5,883	$9,216	$7,723	$29,572	$8,001	$8,839	$9,477	$8,510	$34,827	$8,428	$8,532	$9,175	$8,167	$34,301
Interest & Amort of deferred financing	49,685	12,427	-	4,090	8,272	24,789	10,067	10,872	14,271	14,958	50,168	14,740	14,221	14,159	14,796	57,916
Acquisition Costs	1,547	3,248	507	991	1,608	6,354	1,160	866	490	570	3,086	1,500	1,500	1,500	1,500	6,000
Impairments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bad Debt Expense, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock-based comp.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	13,183	415	690	158	188	1,451	851	125	3,700	465	5,141	350	250	150	150	900
Depreciation & Amortization	116,914	32,191	34,593	31,502	31,064	129,350	28,641	28,189	25,494	25,237	107,561	26,226	25,856	26,103	26,929	105,114
Total Expenses	$208,329	$55,031	$41,673	$45,957	$48,855	$191,516	$48,720	$48,891	$53,432	$49,740	$200,783	$51,245	$50,358	$51,087	$51,542	$204,232
Income from Operations	$121,342	$25,189	$38,047	$36,360	$38,476	$138,072	$35,823	$36,771	$33,859	$40,668	$147,121	$31,789	$32,716	$34,262	$36,084	$134,850
Minority interests	($185)	($48)	($64)	($26)	($51)	($189)	($17)	$11	($7)	($9)	($22)	($20)	($20)	($20)	($20)	($80)
Equity income from unconsolidated JVs	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Oper. Income from discontinued opers.	$0	$0	$0	$0	($224)	($224)	($5,619)	$872	$0	($1)	($4,748)	$0	$0	$0	$0	$0
Other, net	$0	$0	$0	$0	$0	$0	$0	$0	($16,756)	($3,869)	($20,625)	$0	$0	$0	$0	$0
Income taxes	$0	$0	$0	($1,024)	$86	($938)	($421)	($129)	($229)	$27	($752)	($400)	($100)	($25)	$0	($525)
(Loss)/Gain on sale of assets	($61)	$0	$0	$856	($6,491)	($5,635)	$0	($374)	$2,143	$0	$1,769	$0	$0	$0	$0	$0
Income Bef. Preferred div	$121,096	$25,141	$37,983	$36,166	$31,796	$131,086	$29,766	$37,151	$19,010	$36,816	$122,743	$31,369	$32,596	$34,217	$36,064	$134,245
Preferred dividends	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net Income for common	$121,096	$25,141	$37,983	$36,166	$31,796	$131,086	$29,766	$37,151	$19,010	$36,816	$122,743	$31,369	$32,596	$34,217	$36,064	$134,245
Per share bef. Extra	$1.44	$0.30	$0.45	$0.43	$0.38	$1.56	$0.36	$0.44	$0.23	$0.44	$1.47	$0.37	$0.39	$0.41	$0.43	$1.60
Extraordinary item	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Net (loss) income per share	$1.44	$0.30	$0.45	$0.43	$0.38	$1.56	$0.36	$0.44	$0.23	$0.44	$1.47	$0.37	$0.39	$0.41	$0.43	$1.60
Quarterly dividend rate	$0.00	$0.00	$0.00	$0.57	$0.57	$1.14	$0.57	$0.57	$0.57	$0.57	$2.28	$0.58	$0.58	$0.58	$0.58	$2.32
Shs Outstanding (diluted)	83,961,000	83,961,000	83,961,000	83,558,000	83,612,000	83,773,000	83,620,000	83,672,000	83,752,000	83,755,000	83,699,750	83,812,692	83,816,396	83,819,967	83,823,416	83,818,118

Table 5. Funds From Operations Calculation
In Thousands

	Pro-Forma			2015E					2016					2014E		
	Year	Q1A	Q2A	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Net income for common shareholders	$121,096	$25,141	$37,983	$36,166	$31,796	$131,086	$29,766	$37,151	$19,010	$36,816	$122,743	$31,369	$32,596	$34,217	$36,064	$134,245
Add Back:																
Depreciation	116,501	32,099	34,499	31,367	30,875	128,840	28,419	27,962	25,270	25,045	106,696	26,226	25,856	26,103	26,929	105,114
JV Adjustment	(427)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	1,547	$3,181	440	3,348	1,685	8,654	8,425	877	20,530	(2,555)	27,277	1,480	1,480	1,480	1,480	5,920
Non-recurring																
Deduct:																
Gain/loss on sales of real estate	$61	$0	$0	($856)	$6,491	$5,635	$0	$265	($2,143)	$0	($1,878)	$0	$0	$0	$0	$0
FFO Available for common	$238,778	$60,421	$72,922	$70,025	$70,847	$274,215	$66,610	$66,255	$62,667	$59,306	$254,838	$59,075	$59,932	$61,800	$64,473	$245,279
Diluted FFO available for common	$238,778	$60,421	$72,922	$70,025	$70,847	$274,215	$66,610	$66,255	$62,667	$59,306	$254,838	$59,075	$59,932	$61,800	$64,473	$245,279
Basic FFO per share	$2.84	$0.72	$0.87	$0.84	$0.85	$3.29	$0.80	$0.80	$0.75	$0.71	$3.06	$0.71	$0.72	$0.74	$0.77	$2.94
Diluted FFO per share	$2.84	$0.72	$0.87	$0.84	$0.85	$3.27	$0.80	$0.79	$0.75	$0.71	$3.04	$0.70	$0.72	$0.74	$0.77	$2.93
Shares, basic	83,961,000	83,611,000	83,611,000	83,208,000	83,262,000	83,423,000	83,270,000	83,322,000	83,402,000	83,405,000	83,349,750	83,462,692	83,466,396	83,469,967	83,473,416	83,468,118
Shares, diluted	83,961,000	83,961,000	83,961,000	83,558,000	83,612,000	83,773,000	83,620,000	83,672,000	83,752,000	83,755,000	83,699,750	83,812,692	83,816,396	83,819,967	83,823,416	83,818,118

Table 6. Funds Available for Distribution Calculation

FFO Available for common	$238,778	$60,421	$72,922	$70,025	$70,847	$274,215	$66,610	$66,255	$62,667	$59,306	$254,838	$59,075	$59,932	$61,800	$64,473	$245,279
Less:																
Recurring real estate CAPX	($17,185)	($3,357)	($3,347)	($3,537)	($3,507)	($13,748)	($3,373)	($3,390)	($3,240)	($3,273)	($13,275)	($3,215)	($3,181)	($3,276)	($3,385)	($13,057)
Other adjustments	($5,043)	($1,289)	($1,301)	($1,312)	($1,324)	($5,227)	($1,336)	($1,348)	($1,360)	($1,373)	($5,417)	($1,385)	($1,397)	($1,410)	($1,423)	($5,615)
Other	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Funds available for distribution	$216,550	$55,775	$68,274	$65,176	$66,016	$255,241	$61,901	$61,517	$58,067	$54,661	$236,146	$54,475	$55,353	$57,114	$59,665	$226,607
Per share	$2.58	$0.67	$0.82	$0.78	$0.79	$3.06	$0.74	$0.74	$0.70	$0.66	$2.83	$0.65	$0.66	$0.68	$0.71	$2.71

Source: Company reports and Hilliard Lyons estimates

Additional information is available upon request.

Analyst Certification

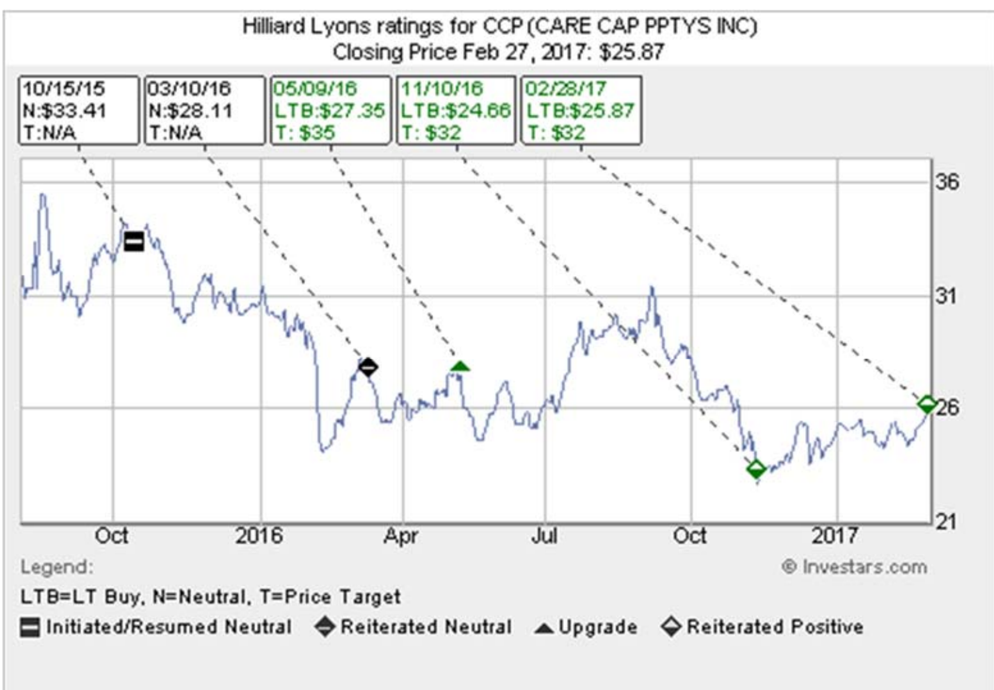
I, John M. Roberts, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing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



	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
Rating	**# of Stocks Covered**	**% of Stocks Covered**	**Banking**	**No Banking**
Buy	36	30%	17%	83%
Hold/Neutral	76	62%	7%	93%
Sell	10	8%	0%	100%

As of 6 February 2017

Other Disclosures

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