



COMPANY UPDATE / ESTIMATE CHANGES

Key Metrics

DDR - NYSE (as of 4/25/2017)	\$12.39
Price Target	N/A
52-Week Range	\$12.01 - \$19.92
Shares & Units Outstanding (mm) (as of 3/2017)	367
Market Cap. (\$mm)	\$4,547
3-Mo. Average Daily Volume (000)	4,594.3
Institutional Ownership	85%
Debt/Total Market Capital (3/17)	49.9%
Est 3- Year Dividend Growth Rate	0% - 5%
Dividend	\$0.76
Dividend Yield	6.1%
Est. Fixed Charge Coverage	2.7x

FFO Per Share & Unit FY 12/31

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$0.31		\$0.06	A	\$0.22
2Q	\$0.33	\$0.29	\$0.25		\$0.23
3Q	\$0.33	\$0.27	\$0.25		\$0.23
4Q	\$0.30	\$0.25	\$0.24		\$0.24
Year	\$1.27	\$1.08	\$0.80		\$0.92
P/FFO	9.8x		15.5x		13.5x

Quarterly results may not add to full year amounts due to rounding.

Revenue (\$mm)

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$246		\$231	A	\$190
2Q	\$246	\$220	\$217		\$191
3Q	\$245	\$211	\$207		\$196
4Q	\$232	\$197	\$196		\$202
Year	\$970	\$856	\$851		\$779

*Revenue for the entire year may be less than the four quarters combined due to some properties being sold during the year, and earlier revenue from these properties may be accounted for as discontinued operations in full year results and not revenue.

Quarterly results may not add to full year amounts due to rounding. Previous results have not been restated.

Company Description: *DDR Corp., headquartered in Cleveland, Ohio, owns and manages 309 properties in 35 states and Puerto Rico totaling 103 million square feet.*

REITs

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DDR Corp.

DDR -- NYSE -- Neutral -- 3

First Quarter Results

- **DDR reported first quarter FFO per diluted share of \$0.06 versus \$0.31 a year ago.** Our FFO estimate was \$0.27 per share, a penny below the consensus. Operating FFO was \$0.30 per share.
- **The portfolio was 94.3% leased at the end of the quarter, down 70 basis points from December 31, 2016.**
- **DDR executed 285 leases during the quarter totaling 1.8 million square feet.** There were 207 comparable renewal leases and 39 comparable new leases signed. On a pro rata basis, leasing spreads on new leases were up 2.8% and renewals were up 6.3%.
- **Due to the uncertainty of transaction timing and sizing, management is no longer providing FFO per share guidance.** We are lowering our 2017 FFO per share estimate by \$0.28 to \$0.80, in large part due to the first quarter miss.
- **We are maintaining our Neutral rating on DDR.** We believe the shares are fairly valued at this time.

**Note Important Disclosures on Pages 6-7.
Note Analyst Certification on Page 6.**

Additional Discussion

Total 1Q17 revenue declined 6.2% to \$231.0 million from \$246.2 million in last year's first quarter (please see income statement on page 3). Minimum (base) rent of \$167.2 million was down 5.7% from \$177.4 million. The portfolio was 94.3% leased at the end of the quarter, down 70 basis points from 2016 year end. During the first quarter, the company completed 39 comparable new leases and 207 comparable renewals. On a pro rata basis, comparable leasing spreads on new leases were up 2.8% and renewals were up 6.3%. Funds from operations (FFO) were \$22.2 million versus \$114.5 million in the year ago period. FFO per share were \$0.06 versus \$0.31 in the year ago period. Operating FFO per share were \$0.30 versus \$0.31 in the year ago period.

Retail Environment - Same store NOI growth on a pro rata basis was down 0.1% in the quarter. Occupancy in the quarter was negatively impacted by tenant bankruptcies. Management noted on the call that some of their best tenants are still wanting to open more stores.

Acquisitions & Dispositions - The company purchased one shopping center and one land parcel in 1Q for \$87.3 million. DDR sold 10 operating assets and two land parcels for an aggregate \$118.5 million at the company's share in 1Q.

Management & Organizational Changes - In March, DDR announced several new hires. David Lukes was named President, CEO, and board member, Michael Makinsen was appointed as Executive Vice President and CCO, and Matthew Ostrower was appointed as Executive Vice President, CFO, and Treasurer. Mr. Lukes, Mr. Makinsen, and Mr. Ostrower all previously worked at Equity One (which was acquired by Regency Centers Corp. (REG - \$65.16) earlier this year).

On the earnings call Mr. Lukes mentioned that new management team wants to make tough decisions in a timely and thoughtful manner. Management would like to lower leverage and manage the company's liquidity and maturity schedule well. The focus of management is a little different than that of management teams in the past, as they are fine with owning properties in smaller, non-coastal markets, as long as they are good properties with durable cash flow. Focus will be placed on properties with redevelopment potential, possibly the de-boxing of an anchor space and redeveloping it into several small shops. Management believes there is an opportunity to focus more on the needs of consumers in a 3 mile ring around their centers, rather than just the larger 5 to 7 mile trade area. Each property will be evaluated on a case by case basis to determine if it is an asset management wants to hold or possibly sell. We continue to believe dispositions will be a big part of the story for DDR in 2017.

Balance Sheet and Debt Maturities - As of March 31, DDR had \$445.4 million of consolidated debt coming due in 2017 and \$705.2 million in 2018. All three of the major credit rating agencies (Moody's, Fitch, & S&P) rate DDR's outlook stable.

Management's Assumptions & Our Estimate - Due to the uncertainty inherent in transactions, management has withdrawn annual EPS and FFO per share guidance. However management has provided some other operating assumptions for 2017 including same store NOI growth of -1.5% to 0.0%, yearend leased rate of 93.0% to 93.5%, expected g&a spend of \$72 million to \$75 million, expected fee income of \$30 million to \$33 million, expected interest income of \$26 million to \$29 million, and expected redevelopment activity placed in service of \$80 million weighted towards the second half of the year at high single digit yields. Our 2017 FFO per share estimate is \$0.80.

Quarterly Income Statement

(in thousands, except per share data)	1Q17	1Q16	% Change
Minimum Rent	\$167,229	\$177,367	-5.7%
Percentage Rent	1,699	1,936	-12.2%
Recoveries from Tenants	57,476	61,599	-6.7%
Other Property Revenue	4,577	5,343	-14.3%
Total Revenue	230,981	246,245	-6.2%
Operating and Maintenance Expenses	32,991	37,258	-11.5%
Real Estate Taxes	34,329	35,784	-4.1%
Operating Income	163,661	173,203	-5.5%
Other Income (Expenses)	(4)	1,773	
Fee Income	9,440	8,178	15.4%
Impairment Charges	21,973		
General and Administrative Expenses	31,072	17,876	73.8%
EBITDA	120,052	165,278	
Interest Income	8,392	9,050	-7.3%
Interest Expense	51,827	57,897	-10.5%
Depreciation and Amortization Expense	90,884	96,902	-6.2%
Gain on Debt Retirement			
Gain (Loss) on Equity Derivative Investments			
Income Before Equity Inc., Minority Int., Gains and Other	(14,267)	19,529	
Equity in Net Income of JV	(1,665)	14,421	
Reserve of Preferred Equity Interests	(76,000)		
Impairment of Joint Venture Investments			
Gain (Loss) on Change in Control of Interests			
Gain on Redemption of Joint Venture Interests	(223)	(458)	
Income Tax Benefit of Taxable REIT Subsidiary and Other			
Discontinued Operations			
Loss (Income) Attributed to Non-controlling Interest	(213)	(300)	
Gain (Loss) on Sales of Real Estate and R/E Investments	38,127	12,381	
Net Income	(54,241)	45,573	
Write-off of Preferred Share Original Issuance Costs			
Preferred Dividends Cost	5,594	5,594	
Net (Loss) Applicable to Common Shareholders	(\$59,835)	\$39,979	
Net EPS (diluted)	(\$0.16)	\$0.11	

Funds From Operations	1Q17	1Q16	% Change
Net (Loss) Applicable to Common Shareholders	(\$59,835)	\$39,979	
Depreciation and Amortization Expense	88,649	94,854	-6.5%
Equity in Net Income of JV	1,665	(14,421)	
Impairment of Depreciable Joint Venture Investments			
Joint Ventures' FFO	6,582	6,150	7.0%
Impairment of Depreciable Real Estate, Net of Non-controlling Interests	21,973		
(Gain) Loss on Sale of Real Estate	(36,898)	(12,096)	
Other Adjustments	76	76	
Total Funds From Operations	\$22,212	\$114,542	-80.6%
FFO Per Share	\$0.06	\$0.31	-80.6%
Avg. Shares and Units Outstanding (diluted)	367,065	366,048	0.3%

Source: Company reports

Condensed Balance Sheet

(in thousands)	31-Dec-15	31-Dec-16	31-Mar-17
Real Estate and Rental Property			
Land	\$2,184,145	\$1,990,406	\$1,987,849
Buildings	6,965,632	6,412,532	6,338,139
Fixtures and Tenant Improvements	743,037	735,685	738,741
Depreciation	(2,062,899)	(1,996,176)	(2,004,413)
	\$7,829,915	\$7,142,447	\$7,060,316
Land Held for Development & Construction in Progress	235,385	105,435	120,808
Assets Held for Sale			
Net Investment in Real Estate	\$8,065,300	\$7,247,882	\$7,181,124
Preferred Equity Investment	395,156	393,338	319,315
Cash and Cash Equivalents	22,416	30,430	19,715
Restricted Cash	10,104	8,795	46,587
Investment in and Advances to Joint Ventures	72,576	60,793	76,047
Notes Receivable	42,534	49,503	49,895
Receivables, including Straight-line Rent	129,089	121,367	117,559
Other Assets	359,913	285,410	282,724
Total Assets	\$9,097,088	\$8,197,518	\$8,092,966
Revolving Credit Facilities	210,000	0	90,000
Variable Rate Unsecured Term Debt			
Unsecured Debt	3,149,188	2,913,217	2,914,186
Unsecured Term Loan	397,934	398,399	398,516
Mortgage and Other Secured Debt	1,382,415	1,182,352	1,118,224
Total Debt	\$5,139,537	\$4,493,968	\$4,520,926
Dividends Payable	68,604	75,245	75,402
Other Liabilities	425,478	382,293	369,391
Total Liabilities	5,633,619	4,951,506	4,965,719
Total Equity	\$3,463,469	\$3,246,012	\$3,127,247
Total Liabilities and Equity	\$9,097,088	\$8,197,518	\$8,092,966

Balance Sheet Ratio Analysis	31-Dec-15	31-Dec-15	31-Mar-17
Net R/E Investments / Total Debt	152.3%	158.9%	156.2%
Debt to Equity	148.4%	138.4%	144.6%
Debt to Total Market Capitalization	44.2%	43.1%	49.9%
Debt as % of Total Assets	56.5%	54.8%	55.9%
Equity as % Total Assets	38.1%	39.6%	38.6%

Previous numbers have not been reinstated.

Source: Company reports

Valuation

Based on our 2018 FFO per share estimate of \$0.92, DDR is trading below its median five-year historic forward P/FFO multiple of 14.1x and at a discount to its peers. While we do not view the stock as expensive at this level, we would like to see a near-term catalyst before becoming aggressive on the name. We believe FFO growth could continue to be negative in 2018 due to the high level of dispositions that could occur in 2017. We believe at the current level the stock is fairly valued.

Shopping Center REITs Ranked by Market Cap.		Price 4/25/2017	Current Dividend	Yield	Payout Ratio	FFO Per Share			2 -Year Exp. Avg. Growth	18/17E Growth Rate	Price/FFO	
	Symbol					2016	2017E	2018E			2017E	2018E
Kimco Realty Corporation	KIM	\$21.71	\$1.08	5.0%	70.6%	\$1.31	\$1.53	\$1.64	12.6%	7.2%	14.2x	13.2x
Federal Realty Investments	FRT	\$134.61	\$3.92	2.9%	66.7%	\$5.01	\$5.88	\$6.25	12.4%	6.3%	22.9x	21.5x
Regency Centers Corp.	REG	\$65.16	\$2.04	3.1%	58.5%	\$2.96	\$3.49	\$3.73	13.0%	6.9%	18.7x	17.5x
Weingarten Realty Investors	WRI	\$33.86	\$1.54	4.5%	65.3%	\$2.28	\$2.36	\$2.50	4.8%	5.9%	14.3x	13.5x
Peer Average		\$63.84	\$2.15	3.9%	65.2%	\$2.89	\$3.32	\$3.53	10.7%	6.6%	17.5x	16.4x
S&P 500	SPX	2,388.61	\$48.08	2.0%	37.3%	\$117.75	\$128.78	\$137.05	8.2%	6.4%	18.5x	17.4x
DDR Corp.	DDR	\$12.39	\$0.76	6.1%	95.0%	\$1.27	\$0.80	\$0.92	-13.8%	15.0%	15.5x	13.5x

Note: Weingarten is rated Neutral by Hilliard Lyons; the rest are not rated.
SPX figures are EPS not FFO per share.

Source: NAREIT, HL Estimates, Baseline, and Thomson One.

Dividend - In January 2016, DDR announced a quarterly dividend of \$0.19 per share, up 10% from the \$0.1725 per share rate paid in each of the four quarters of 2015.

Suitability

We assign shares of DDR Corp. a suitability rating of 3 on our scale of 1 - 4 (1=most conservative, 4=most aggressive). Our rating is based on the company's lack of property type diversification offset by what we view as a good balance sheet.

Risks and Considerations

DDR's FFO could be impacted by external factors beyond the company's control or due to internal factors. We believe these risk factors include, but are not limited to: interest rate risk, a decline in consumer spending, change in consumer spending patterns/trends, general economic risk, currency risk, an inability to finance acquisitions or developments, development risk, higher construction or supply cost, bankruptcy of tenant(s), etc.

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, 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.

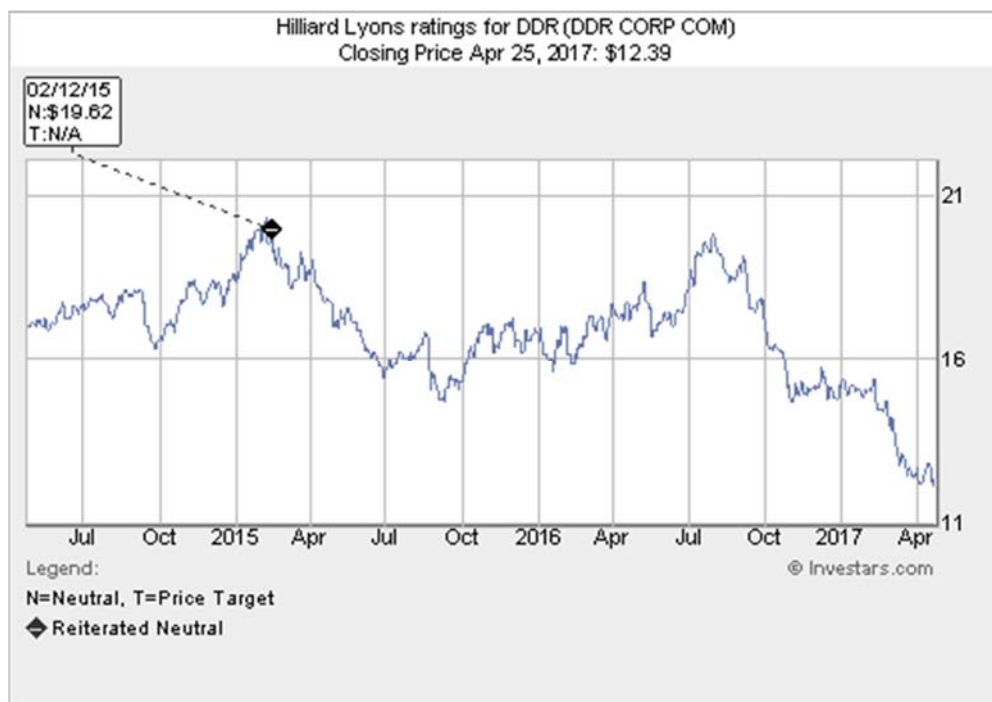
Suitability Ratings

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



	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Rating				
Buy	36	30%	14%	86%
Hold/Neutral	71	58%	6%	94%
Sell	15	12%	7%	93%

As of 5 April 2017

Other Disclosures

Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation or needs of individual investors. Employees of J.J.B. Hilliard, W.L. Lyons, LLC or its affiliates may, at times, release written or oral commentary, technical analysis or trading strategies that differ from the opinions expressed here.

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