HILLIARD LYONS

Healthcare Real Estate Investment Trusts
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COMPANY UPDATE/ESTIMATE CHANGE

Key Metrics

DOC-NYSE	2/23/17	$19.78
Price Target		$ 23.00
52-Week Range	$17.10 -	$22.03
Shares Outstanding (mm)*		136.2
Market Cap. ($mm)		$2,694.0
1-Mo. Average Daily Volume		3,505,680
Institutional Ownership		75.6%
Debt/Total Capital	Dec-16	27.2%
Est 3-year FFO Growth Rate		8.0%
Est 3-year Dividend Growth Rate		0.0%
Book Value		$ 10.23
Dividend		$ 0.90
Dividend Yield		4.55%
Est. Fixed Charge Coverage		4.6X

FFO

	2015		2016	Prior 2017E	Current 2017E
1Q	$0.20	--	$0.22	$0.29	$0.30
2Q	$0.21	--	$0.25	$0.29	$0.31
3Q	$0.26	--	$0.27	$0.32	$0.31
4Q	$0.26	--	$0.27	$0.34	$0.33
Year	$0.92		$0.98	$1.25	$1.24
P/FFO	21.5x		20.2x		16.0x

Note that quarters may not add due to rounding

Revenue ($mm)

	2015		2016	Prior 2017E	Current 2017E
1Q	$24.5	--	$44.1	$82.8	$81.1
2Q	$29.7	--	$53.2	$88.7	$89.3
3Q	$34.9	--	$70.0	$94.2	$96.2
4Q	$40.4	--	$73.7	$99.7	$102.1
Year	$129.4		$241.0	$365.3	$368.6

Company Description: *Physician's Realty, headquartered in Milwaukee, WI, is a real estate investment trust (REIT) that is focused on investments in the medical facilities sector. Its current portfolio is heavy in the medical office building sector, with a geographic focus in the center of the country.*

Physicians Realty Trust

DOC -- NYSE – Long-term Buy-3

Q4 Earnings Highlights

Investment Highlights

- DOC reported normalized Q4 FFO of $0.27 a share four cents below our estimate and a penny below the consensus, mainly as a result of a charge that was included in operating expenses to write down a value of assets being sold that cost the company two and a half cents for the quarter. We are fine-tuning our 2017 FFO estimate to $1.24 a share based on the assumption of slightly higher interest expense.
- DOC's current dividend is $0.90 a year, resulting in a yield of 4.6%, above its direct peers. While management has not discussed potential dividend increases, we believe there could be one sometime in the next 2-3 years.
- We are retaining our rating on DOC at Long-term Buy. Our two-three year price target remains $23 a share based on a 15 target multiple, still well below the direct peer group multiple of 18.9. We believe the peer group remains too expensive to offer value, and a number of its peers remain Underperform at this point, although given the large discount at which the company trades, DOC shares seem reasonably priced. We do note, however, with DOC shares moving closer to our target price, we suggest investors pay close attention to the share price to secure an appropriate return on investment. We would use pullbacks to add to positions at this point.

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

Fourth Quarter Review

Total revenue was $73.7 million versus $40.4 million, up 82.3% due to the company's heavy acquisition activity. Rental income of $55.9 million was up 75.5% (please see income statement on page 3), which was mostly a function of recent property purchases. Expense recoveries were up 92.0% to $14.1 million, a function of the increased level of properties owned.

General and administrative expense rose 24.9%, with the increase much less than the rise in properties owned, showing economies of scale, and amounted to $4.4 million versus $3.5 million. Operating and other expenses were up 119.0% to $22.0 million due to the increase in the property portfolio, and was abnormally high due to a charge against some of the assets up for sale, which they placed in this line item and should be non-recurring. Interest expense rose 138.4% to $8.1 million as the company added debt to pay for all of the recent property purchases and largely held back on equity issuance in comparison to debt. Depreciation expense increased 86.1% to $26.8 million versus $14.4 million, showing the acquisitions the company has consummated over the past year. The company had $3.7 million in acquisition costs in the quarter versus $3.1 million in the year ago period. Fourth quarter net income available to common shareholders was a profit of $7.8 million versus $5.1 million in the year earlier period. The company had $0.4 million in preferred dividends and a small amount of minority interest charges in both years. Ongoing funds from operations (FFO) on a normalized basis, which exclude real estate gains as well as other non-recurring items, were $38.2 million compared to $22.7 million in last year's fourth quarter, a 68.2% increase. FFO per diluted share on a normalized basis were $0.27 versus $0.26.

DOC has seen the debt on its balance sheet rise as it made new investments, and while it has issued equity as well, over the last year it has issued debt to a greater degree than equity. Debt more than doubled to $991.2 million from $489.6 million. Debt amounted to 27.2% of total market value at yearend. We continue to see additional equity issuance on the ATM program and don't expect another large underwritten offering unless a large deal materializes.

Other 4th Quarter Activity

Investment Activity – DOC completed $225 million in investments during Q4, which include 11 healthcare facilities totaling 656,458 square feet. The average unlevered cash yield on the purchases is in the high 6% range. Total investment for the year amounted to $1.28 billion, and the company is guiding to investment of $800 million to $1 billion in 2017. Also during the quarter, the company received payment on a mezzanine loan, generating nearly $10 million in proceeds including accrued interest and a payment on an in the money option. Subsequent to quarter end, the company completed another $111.8 million in new investment, purchasing four properties with nearly 240,000 leasable square feet and also making a small, $2.3 million loan. All of these properties have very high occupancy, and are leased under long-term leases. The cap rates for these properties is a little lower in the low-6% range. The company also noted that it had closed on 49 of the 53 properties under the Catholic Health Initiatives transaction and has placed nine non-core properties up for sale, with agreements on some already and significant interest in the others. The company expects to record gains on the sales.

Capital Markets Activity – During Q4 DOC did little on the capital markets front other than issuing a modest amount of stock under its "at the market" (ATM) stock share program, pulling down debt from the credit line. We note that the company has little debt due near term, with only $37 million due in 2017 and the credit facility not due until late in 2020.

Dividend – DOC management declared a partial quarter dividend of $0.18 a share for its initial quarter in 2013 and then declared its regular payment of $0.90 annually, or $0.225 a quarter with the first quarterly payment. The company should be in line to cover the payment for this year, and we believe that it has adequate cash and cash flow ability to be able to cover it going forward. Once the company reaches our expectation of the steady state FFO run-rate number of close to $1.30 (our estimate of initial, steady state FFO generation), the payout ratio will be in-line with the peer group. At that point we might see management consider an increase in the dividend, although we believe that is at least a couple of years away.

Quarterly Income Statement

(in thousands)	4Q 2016	4Q 2015	% Change
Rental Income	$55,923	$31,863	75.5%
Expense Recoveries	14,059	7,322	92.0%
Other Operating Income	3,692	1,219	
Total Revenue	73,674	40,404	82.3%
General & Admin	4,433	3,549	24.9%
Management Fees	0	0	
Acquisition Expense	3,747	3,129	19.8%
Loss on Sale of Property	0	0	
Operating and other	22,005	10,047	119.0%
EBITDA	43,489	23,679	83.7%
Interest Expense	8,088	3,392	138.4%
Depreciation & Amortization Expense	26,811	14,404	86.1%
Income (Loss) Before Discontinued Operations and Other Items	8,590	5,883	46.0%
Discontinued Operations (including gain on sale of assets)	0	0	
Charges	0	0	
Income taxes	0	0	
Equity in income of JVs	30	0	
Minority Interest	(359)	(339)	
Preferred dividends	(436)	(398)	
Change in value of derivatives	0	0	
Net Income (Loss)	$7,825	$5,146	52.1%
Net EPS (diluted)	$0.06	$0.06	
Avg. Shares Outstanding (diluted)	139,602	87,911	

Funds From Operations	4Q 2016	4Q 2015	
Net Income	$8,620	$5,909	
Depreciation Expense	26,787	14,255	
Other (adding/substracting one-time items)	2,812	2,559	
Funds From Operations	**$38,219**	**$22,723**	68.2%
Normalized FFO Per Share (diluted)	**$0.27**	**$0.26**	

Source: Company reports.

Consolidated Balance Sheet

(in thousands)	December 31, 2016	December 31, 2015
Real Estate Assets		
Land	$189,759	$130,788
Buildings and Improvements (net of Depreciation)	$2,220,858	$1,193,613
Tenant improvements	$14,133	$9,243
Construction in progress	$0	$0
Investment in Unconsolidated	$2,258	$1,322
Mortgage Loans Receivable	39,154	39,349
Total Net Real Estate Investments	2,466,162	1,374,315
Cash and Cash Equivalents	15,491	3,143
Tenant Receivables	9,790	2,977
Deferred Costs	0	7,037
Restricted cash	0	0
Intangibles	301,462	205,168
Real estate held for sale	0	0
Other assets	95,187	52,231
Total Assets	**$2,888,092**	**$1,644,871**
Credit Facility	$643,742	$395,000
Mortgage Loan payable	347,413	94,600
Accounts Payable	4,423	644
Dividends Payable	32,179	20,783
Acquired Lease Intangibles	9,253	5,950
Other Liabilities	42,287	24,473
Minority interest in JVs	0	0
Derivative Liabilities	0	0
Total Liabilities	**$1,079,297**	**$541,450**
Non-controlling interest	70,344	82,289
Common Stock	1,362	872
Capital in Excess of Par Value	1,920,642	1,129,284
Other	13,708	0
Cumulative Net Income for Shareholders	(197,261)	(109,024)
Predecessor Equity	0	0
Total Shareholders' Equity	**1,808,795**	**1,103,421**
Total Liabilities and Shareholders' Equity	**$2,888,092**	**$1,644,871**

Balance Sheet Ratio Analysis	December 31, 2016	December 31, 2015
Net R/E Investments / Total Debt	40.2%	35.6%
Debt to Equity	55.0%	44.4%
Debt as % of Total Assets	34.5%	29.8%
Shareholders' Equity as % of Total Assets	62.6%	67.1%

Source: Company reports.

Conference Call Discussion

On DOC's conference call, management discussed its investment activity, noting that it made nearly $1.3 billion in investments during the year, including the $226.5 million made in Q4. This was over a 50% increase from the investment activity last year. Management offered some additional color around the investments already made in 2017, noting an average cash return of just over 6% on those properties. They indicated that we can anticipate a lower return on much of the acquisitions made going forward, as future acquisitions move up the quality scale in regards to the properties being are purchasing. While they will continue to target some of the one-off type properties that have been purchased in the past with high 6 to low 7% returns, they will also look at some higher quality properties with cap rates in the low 6's as seen in the investments made in Q1. They also discussed the issues around the problems that resulted in the charge taken against the value of properties being sold with a single tenant. With the sale of these properties, there will no longer be any exposure to this tenant. These dispositions will be made in the range of 7-8%, so they will be slightly dilutive, part of the reason for us fine-tuning our estimate down by a penny.

In looking at the acquisition environment, management noted that they were seeing little competition from the "Big three" healthcare REITs, with most of the competition for the properties coming from private equity, pension funds and non-public REITs. Management believes that the Big three have somewhat abandoned the group due to their increased cost of capital and the drop in cap rates on the group recently.

Management discussed a number of portfolio metrics, including that the portfolio stood at 96%-plus leased at year end, up 20 basis points. Management also noted a relative lack of near term lease expirations, with 4% of its leases coming due in 2017. DOC saw a 74% retention rate in 2016. The company had year over year same property cash NOI growth of 2.6%, and anticipate 2-3% growth in this metric in 2017. The company has seen solid 5.1% leasing spreads so far in 2017, and is estimating a very conservative 2% number for this measure for the full year.

On the financial front, management anticipates G&A expense to continue to come down as a percentage of gross assets, within a range of $21-$23 million. Our expectations for 2017 is at the higher end of that range. They did not discuss any potential equity issuance during 2017, although the company sold $2.6 million in shares under the ATM in Q4'16. Our assumption is that the company will continue to let its leverage rise above recent levels, using the ATM to issue equity on an ongoing basis. They also noted that they would term out some of the debt on the credit line at higher rates. While management did offer guidance for investments during 2017, it did not offer any FFO guidance. We are assuming a level of investments at the lower end of management guidance, however.

Q1 and 2017 Outlook

Following the call and discussions with management and taking into account the amount of acquisitions closed since the last quarter, we are fine-tuning our estimate for full year FFO to $1.24 a share for 2017. This is a function of a level of $850 million in estimated total investments for 2017 including the already closed purchases and those announced but not yet completed combined with the recent common equity offering. This is towards the lower end of guidance. We are assuming no underwritten equity offering during 2017, with a consistent level of equity being offered throughout the year using the ATM program, with the remainder of capital needed financed with debt. We are also assuming a solid uptick in interest expense as 2017 proceeds, as the company terms out its debt into more expensive long-term debt and off of the less expensive credit line to limit interest rate risk. Our Q1 FFO estimate is $0.30. We are initiating a 2018 FFO estimate of $1.35 a share, and assuming an equity issuance early that year.

Valuation and Rating

In looking at the current valuation for DOC the multiple is becoming more meaningful, as the company's on-going cash flow is getting closer to what we consider a steady state basis, and the dilution from equity issuance should be less of an issue going forward. The valuation on an expected steady state run rate for the company will look even better once it reaches that level.

What we would consider the specific peer group to compare DOC to is reasonably small, so we include other smaller cap healthcare REITs that are more focused on senior living, skilled nursing, etc., as well as some of the larger healthcare REITs with significant MOB exposure. However, as those companies are more exposed to MOB and related properties tend to command higher valuations, we take that into account as we evaluate DOC. As the table below shows, DOC is currently trading in line with its peer group on our current year earnings estimate. Looking at valuation more critically, we expect the 2017 number will be close to DOC's run rate on our estimate, and we are more comfortable using that number, even though there may still be some upside to the eventual steady state run rate. Our new 2017 number is $1.24. With DOC continuing to become more seasoned, we are using a multiple of 15 times, compared to the peer group trading at 16.1 times. We believe that this is a more appropriate comparison, and one that reflects DOC's forward earnings power. We believe that our number could also be considered even more conservative with its chief direct peers (HR and HTA) trading at 18.9 times the current year number (although we believe that is above where they should be trading). Looking out 2-3 years, we estimate the company will be generating FFO of $1.55 a share, equating to a value of $23 a share. Combine this with the company's $0.90 a share annual dividend and we believe that investors can achieve a potential annual total return just over 10% should the share price reach our target.

Health Care REITs		Closing Price	Current		2017E			2-Year Average	Price / FFO	
	Symbol	2/23/2017	Dividend	Yield	Payout Ratio	2017E	2016E	Growth Rate	2016	2017E
Welltower, Inc.	HCN	$68.85	$3.44	5.0%	79.3%	$4.57	$4.34	-0.5%	15.1x	15.9x
National Health Investors	NHI	$74.70	$3.60	4.8%	69.2%	$4.87	$5.20	5.5%	15.3x	14.4x
Healthcare Realty	HR	$31.86	$1.20	3.8%	70.6%	$1.63	$1.70	3.1%	19.5x	18.7x
Healthcare Trust of America	HTA	$31.39	$1.18	3.8%	72.0%	$1.61	$1.64	5.3%	19.5x	19.1x
LTC Properties, Inc.	LTC	$47.17	$2.16	4.6%	69.0%	$3.06	$3.13	5.7%	15.4x	15.1x
Health Care Sector Average		**$51.70**	**$2.32**	**4.5%**	**72.0%**	**$3.15**	**$3.20**		**16.4x**	**16.1x**
Physicians Realty Trust	DOC	$19.91	$0.90	4.5%	72.6%	$1.03	$1.24	N/A	19.3x	16.1x

Note: NHI is rated Neutral, HCN, HR and LTC Underperform by Hilliard Lyons. HTA is not rated. Source: NAREIT, Baseline and Hilliard Lyons' estimates.

With all of that in mind, we are retaining our rating on DOC at Long-term Buy. This rating is based on our belief that the stock is relatively attractively priced versus the peer group and offers a solid dividend yield.

Suitability

DOC has a suitability rating of 3 on our 1-4 scale. We find the company to have a very strong balance sheet in relation to its peers. Its real estate ownership is also a positive factor, as is the company's geographic and operator diversification. On the other hand, the company has significant dependence upon acquisitions, has been making many large purchases that could cause risk and has a reasonably short history.

Risks

There are a number of risks to owning DOC shares and REITs as an investment group. REITs in general need access to debt capital to grow, if such debt and equity capital is unavailable, the company may have difficulty in growing. The company's initial dividend is very attractive to shareholders and DOC, as well as REITs in general, had seen their prices rise with the decline in overall interest rates. Rising rates could hurt DOC's share price, something that has already occurred to DOC's healthcare REIT peers. Further, as noted above we believe there is more risk to DOC's dividend than its peer group due to its higher payout rate. Should management not live up to expectations or need to reduce the dividend some time in the future, the stock would be hurt. Because of their thirst for debt, changes in interest rates can also impact a REIT's cash flow and ability to make accretive acquisitions. DOC's concentration upon the healthcare facility real estate sector could be a risk due to various legislative issues. Unintended consequences from the recent

Obamacare legislation could lead to outcomes that could hurt the value of DOC's portfolio. DOC's initial concentrated geographic exposure to the middle of the country could be an issue if that area has a problem. We also note that much of DOC's dividend is likely to be a return of capital based on our calculation of taxable income, which will result in additional record-keeping for tax purposes, as investors will need to reduce their cost basis by the amount of return of capital.

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.

Table 1. Consolidated Income Statement

In Thousands

	2013	2014	2015					2016					2017E				
	Year	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Rental Revenue	$13,565	$46,397	$20,341	$23,625	$28,145	$31,863	$103,974	$34,855	$42,196	$53,327	$55,923	$186,301	$61,402	$67,880	$73,364	$78,013	$280,659
Expense Recoveries	$3,234	$5,871	$3,536	$4,908	$5,821	$7,322	$21,587	$7,903	$9,552	$14,361	$14,059	$45,875	$15,903	$17,581	$19,001	$20,205	$72,691
Other/interest	$1	$1,025	$607	$1,150	$904	$1,219	$3,880	$1,376	$1,468	$2,322	$3,692	$8,858	$3,750	$3,800	$3,850	$3,900	$15,300
	$16,799	$53,293	$24,484	$29,683	$34,870	$40,404	$129,441	$44,134	$53,216	$70,010	$73,674	$241,034	$81,055	$89,261	$96,215	$102,119	$368,650
Expenses																	
General & Administrative	$4,413	$11,440	$3,352	$3,989	$4,018	$3,549	$14,908	$4,121	$4,926	$4,917	$4,433	$18,397	$5,439	$5,347	$5,696	$5,974	$22,455
Property operating expense	4,726	10,154	5,709	7,304	7,966	10,047	31,026	11,037	13,798	19,159	22,005	65,999	19,526	22,061	26,191	25,744	93,522
Management Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition Expense	1,938	10,897	5,932	2,575	3,257	3,129	14,893	3,377	3,256	4,398	3,747	14,778	3,500	3,500	3,500	2,500	13,000
Interest Expense, net	3,258	6,907	1,710	2,193	3,341	3,392	10,636	4,197	4,279	7,300	8,088	23,864	10,462	12,210	13,509	14,302	50,483
Other	(244)	250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation & Amortization	5,144	16,731	8,240	10,351	12,476	14,404	45,471	16,010	19,799	23,969	26,811	86,589	29,321	32,076	34,541	36,716	132,653
Total Expenses	$19,235	$56,379	$24,943	$26,412	$31,058	$34,521	$116,934	$38,742	$46,058	$59,743	$65,084	$209,627	$68,247	$75,194	$83,437	$85,236	$312,113
Income from Operations	($2,436)	($3,086)	($459)	$3,271	$3,812	$5,883	$12,507	$5,392	$7,158	$10,267	$8,590	$31,407	$12,808	$14,067	$12,779	$16,883	$56,537
Minority interests	$261	$448	($8)	($275)	($253)	($339)	($875)	($490)	($235)	($404)	($359)	($1,488)	($512)	($563)	($511)	($675)	($2,261)
Equity income from unconsolidated JVs	$0	$0	$26	$0	$0	$0	$26	$0	$0	$0	$30	$30	$0	$0	$0	$0	$0
Oper. Income from discontinued opers.	$0	$60	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other	$0	$41	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Impairments	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
(Loss)/Gain on sale of assets	$0	$0	($15)	$0	$145	$0	$130	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Income Bef. Preferred div	($2,175)	($2,537)	($456)	$2,996	$3,704	$5,544	$11,788	$4,902	$6,923	$9,863	$8,261	$29,949	$12,296	$13,504	$12,268	$16,207	$54,275
Preferred dividends	$0	$0	$66	$425	$300	$398	$1,189	$548	$437	$436	$436	$1,857	$450	$450	$450	$450	$1,800
Net Income for common	($2,175)	($2,537)	($522)	$2,571	$3,404	$5,146	$10,599	$4,354	$6,486	$9,427	$7,825	$28,092	$11,846	$13,054	$11,818	$15,757	$52,475
Per share bef. Extra	($0.15)	($0.08)	($0.01)	$0.04	$0.05	$0.06	$0.14	$0.04	$0.05	$0.07	$0.06	$0.22	$0.08	$0.08	$0.08	$0.10	$0.34
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	$0.00
Net (loss) income per share	($0.15)	($0.08)	($0.01)	$0.04	$0.05	$0.06	$0.14	$0.04	$0.05	$0.07	$0.06	$0.22	$0.08	$0.08	$0.08	$0.10	$0.34
Quarterly dividend rate	$0.44	$0.90	$0.23	$0.23	$0.23	$0.23	$0.90	$0.23	$0.23	$0.23	$0.23	$0.90	$0.23	$0.23	$0.23	$0.23	$0.90
Shs Outstanding	14,506,463	33,023,000	65,649,478	70,376,959	75,105,000	87,911,000	74,760,609	107,148,000	135,945,000	138,881,000	139,602,000	130,394,000	147,112,000	154,524,407	156,968,432	164,212,347	155,704,297

Table 5. Funds From Operations Calculation

In Thousands

			2015					2016					2017E				
	Year	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Net income for common shareholders	($2,175)	($2,537)	($514)	$2,872	$3,683	$5,909	$11,950	$5,424	$7,184	$10,294	$7,825	$28,092	$11,846	$13,054	$11,818	$15,757	$52,475
Add Back:																	
Depreciation	5,144	16,731	8,240	10,351	12,464	14,255	45,310	15,989	19,778	23,779	26,811	86,357	29,321	32,076	34,541	36,716	132,653
JV Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	2,004	$14,432	5,919	2,434	3,257	2,559	$14,169	2,277	2,575	2,946	3,847	$11,645	3,500	3,500	3,500	2,500	$13,000
Non-recurring																	
Deduct:																	
Gain/loss on sales of real estate	$0	$0	$15	$0	($107)	$0	($92)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
FFO Available for common	$4,973	$28,626	$13,660	$15,657	$19,297	$22,723	$71,337	$23,690	$29,537	$37,019	$38,483	$126,094	$44,666	$48,630	$49,858	$54,973	$198,128
Diluted FFO available for common	$4,973	$26,745	$13,660	$15,657	$19,297	$22,723	$71,337	$23,690	$29,537	$37,019	$38,483	$128,729	$44,666	$48,630	$49,858	$54,973	$198,128
Basic FFO per share	$0.41	$0.77	$0.21	$0.22	$0.26	$0.26	$0.95	$0.23	$0.22	$0.28	$0.28	$1.01	$0.30	$0.31	$0.32	$0.33	$1.27
Diluted FFO per share	$0.28	$0.72	$0.20	$0.21	$0.26	$0.26	$0.92	$0.22	$0.22	$0.27	$0.27	$0.98	$0.30	$0.31	$0.31	$0.33	$1.24
Shares, basic	12,079,503	33,023,000	65,649,478	70,376,959	75,105,000	87,911,000	74,760,609	102,704,008	131,645,000	134,581,000	139,602,000	127,133,002	147,112,000	154,524,407	156,968,432	164,212,347	155,704,297
Shares, diluted	15,493,682	37,049,757	69,490,587	74,267,284	75,105,000	87,911,000	76,693,468	107,148,380	135,945,000	138,881,000	143,502,000	131,369,095	151,060,877	158,473,284	160,917,309	168,161,224	159,653,174

Table 6. Funds Available for Distribution Calculation

FFO Available for common	$4,973	$28,626	$13,660	$15,657	$19,297	$22,723	$71,337	$23,690	$29,537	$37,019	$38,483	$126,094	$44,666	$48,630	$49,858	$54,973	$198,128
Less:																	
Recurring real estate CAPX	($1,384)	($4,744)	($2,044)	($2,329)	($2,919)	($3,212)	($10,504)	($3,632)	($5,200)	($5,200)	($6,007)	($20,040)	($6,632)	($7,194)	($7,694)	($8,132)	($29,651)
Debt adjustments	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Funds available for distribution	$3,589	$23,882	$11,616	$13,328	$16,378	$19,511	$60,833	$20,058	$24,337	$31,819	$32,476	$106,054	$38,035	$41,436	$42,164	$46,842	$168,477
Per share	$0.30	$0.72	$0.18	$0.19	$0.22	$0.22	$0.81	$0.20	$0.18	$0.24	$0.23	$0.83	$0.26	$0.27	$0.27	$0.29	$1.08

Source: Company reports and Hilliard Lyons estimates

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.

Hilliard Lyons acted as a manager or co-manager of an offering of securities of Physicians Realty Trust in the past 12 months.

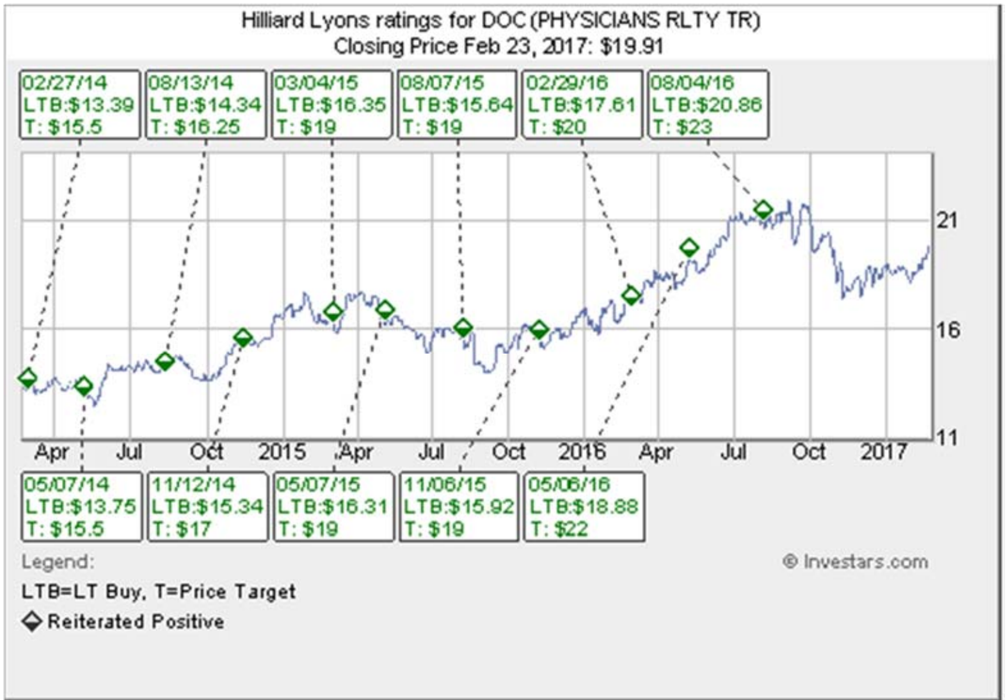
Hilliard Lyons has received investment banking compensation from Physician Realty Trust in the past 12 months.

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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