



## COMPANY UPDATE/RATING, PRICE TARGET CHANGE

### Key Metrics

DOC-NYSE	11/2/17	\$17.52
Price Target		\$ 20.00
52-Week Range	\$17.12 -	\$21.85
Shares Outstanding (mm)*		183.3
Market Cap. (\$mm)		\$3,211.4
1-Mo. Average Daily Volume		3,505,680
Institutional Ownership		75.6%
Debt/Total Capital Sep-17		35.5%
Est 3-year FFO Growth Rate		6.0%
Est 3-year Dividend Growth Rate		1.0%
Book Value		\$ 10.23
Dividend		\$ 0.92
Dividend Yield		5.25%
Est. Fixed Charge Coverage		4.8X

### FFO

	2016	Prior 2017E	Current 2017E	Prior 2018E	Current 2018E
1Q	\$0.22	--	\$0.28	A \$0.27	\$0.28
2Q	\$0.22	--	\$0.24	A \$0.31	\$0.31
3Q	\$0.27	--	\$0.26	A \$0.32	\$0.31
4Q	\$0.27	\$0.30	\$0.30	\$0.34	\$0.35
Year	\$0.98	\$1.07	\$1.07	\$1.25	\$1.25
P/FFO	17.9x		16.4x		14.0x

Note that quarters may not add due to rounding

### Revenue (\$mm)

	2016	Prior 2017E	Current 2017E	Prior 2018E	Current 2018E
1Q	\$44.1	--	\$76.7	A \$103.9	\$101.3
2Q	\$53.2	--	\$76.6	A \$118.5	\$115.7
3Q	\$70.0	--	\$93.0	A \$125.4	\$124.2
4Q	\$73.7	\$104.3	\$100.7	\$132.6	\$133.3
Year	\$241.0	\$349.4	\$349.4	\$480.3	\$474.5

**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.*

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

## Real Estate Investment Trusts

John Roberts  
J.J.B. Hilliard, W.L. Lyons, LLC  
502.588.1165 / jmroberts@hilliard.com  
Institutional Sales Desk: George Moorin  
502.588.9141/GMoorin@hilliard.com  
November 3, 2017

## Physicians Realty Trust

DOC -- NYSE – Buy-3

### Q3 Earnings Highlights

#### Investment Highlights

- DOC reported normalized Q3 FFO of \$0.26 a share, equal to our estimate and a penny under the consensus of \$0.27. This was a function of the large equity offering undertaken earlier in the quarter which will be used to consummate all of the recently announced investments. We are retaining our 2017 FFO estimate at \$1.07 a share, as well as our 2018 estimate at \$1.25 a share with the expectation of more debt financing due to the current low equity price.
- DOC's current dividend is \$0.92 a year, resulting in a yield of 5.3%, above its direct peers. The company raised the dividend earlier in the year, something we had not anticipated. Management must feel comfortable that FFO will easily exceed the payment going forward in light of this increase. Our expectation for an increase was further into the future, likely next year at the earliest.
- With the recent decline in share price we are raising our rating on DOC to Buy. Our one year price target is \$20 a share based on a 15 target multiple on 2019 FFO, still well below the direct peer group multiple of 18.0. We believe the peer group remains too expensive to offer value, and we rate a number of its peers Underweight at this point, although given the large discount at which the company trades DOC shares seem attractively priced, in our opinion. With the recent pullback in the share price, and our new one-year price target, we estimate that investors could receive a total return of nearly 20% should DOC shares reach our price target.

**Third Quarter Review**

Total revenue was \$93.0 million versus \$70.0 million, a 32.8% increase due to the company's robust acquisition activity over the past year. Rental income of \$69.4 million was up 30.2% (please see income statement on page 3), which was mainly a function of recent property purchases. Expense recoveries rose 46.9% to \$21.1 million, a function of the types of properties purchased.

General and administrative expense rose 19.2% to \$5.9 million versus \$4.9 million, a solid result in light of all of the additional business the company has undertaken since the year ago period. Operating and other expenses rose 43.4% to \$27.5 million. Interest expense rose 64.4% to \$12.0 million due to the debt added to fund new purchases. Depreciation expense increased 37.6% to \$33.0 million versus \$24.0 million, due to the acquisitions the company has consummated over the past year. The company had \$2.2 million in acquisition costs in the quarter versus \$4.4 million in the year ago period. Third quarter net income available to common shareholders was \$12.0 million versus \$9.4 million in the year earlier period. The company produced net income per share of \$0.07 this year versus \$0.07 in the previous year on a 32% increase in the share count. Ongoing funds from operations (FFO) on a normalized basis, which exclude real estate gains as well as other non-recurring items, were \$47.4 million compared to \$37.0 million in last year's third quarter. FFO per diluted share on a normalized basis were \$0.26 versus \$0.27.

DOC has added significant debt on its balance sheet to fund purchases, which has been somewhat offset by equity issuance. The company has increased its level of debt since year end with debt standing at \$1,172.2 million in total (please see balance sheet on page 4) at the end of the third quarter compared to \$991.2 million at the end of the year. The company's debt to total assets was 35.5% at the end of the quarter compared to 40.2% at year end.

**Other 3rd Quarter Activity**

**Investment Activity** – DOC announced a number of investments during the third quarter, as well as announcing a number of pending and completed acquisitions that have/will close in the current quarter. DOC closed on \$159 million in acquisition activity during Q3, encompassing over 480,000 square feet of property, with most of the properties being fully leased. The purchases include the second tranche of the Catholic Health Initiatives purchase. Initial unlevered cash yields on the purchases range from the low 5% area to nearly 7%. Total investment for the quarter, which includes some loans was just over \$190 million. Subsequent to quarter end the company added another \$28.7 million in acquisitions and investments, at an estimated unlevered cash yield of approximately 6.3%. DOC management increased its investment guidance for 2017 to \$1.2 to \$1.4 billion.

**Capital Markets Activity** – The company completed a large equity offering during Q3, issuing 23 million shares of common stock raising \$391.7 million after offering expenses. This should provide most of the capital need for the company's recently announced investments, with additional capital likely coming off the credit line. We also anticipate that the company will draw some equity off of its ATM (at the market stock sale) program as needed when the share price strengthens, although no shares were issued during Q3.

**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 then, with the most recent payment surprised us by raising the dividend by half a penny a quarter to \$0.92 annually, or \$0.23 a quarter. With our expectations for 2017 FFO, the dividend should be easily covered, although the payout ratio remains above the peer group.

**Quarterly Income Statement**

(in thousands)	3Q 2017	3Q 2016	% Change
Rental Income	\$69,408	\$53,327	30.2%
Expense Recoveries	21,102	14,361	46.9%
Other Operating Income	2,489	2,322	7.2%
<b>Total Revenue</b>	<b>92,999</b>	<b>70,010</b>	<b>32.8%</b>
General & Admin	5,860	4,917	19.2%
Impairment Loss	0	0	
Acquisition Expense	2,184	4,398	-50.3%
Loss on Sale of Property	0	0	
Operating and other	27,471	19,159	43.4%
<b>EBITDA</b>	<b>57,484</b>	<b>41,536</b>	<b>38.4%</b>
Interest Expense	11,998	7,300	64.4%
Depreciation & Amortization Expense	32,975	23,969	37.6%
<b>Income (Loss) Before Discontinued Operations and Other Items</b>	<b>12,511</b>	<b>10,267</b>	<b>21.9%</b>
Discontinued Operations (including gain on sale of assets)	0	0	
Charges	0	0	
Income taxes	0	0	
Equity in income of JVs	28	27	
Minority Interest	(415)	(431)	
Preferred Stock Dividends	(106)	(436)	
<b>Net Income (Loss)</b>	<b>\$12,018</b>	<b>\$9,427</b>	<b>27.5%</b>
Net EPS (diluted)	\$0.07	\$0.07	
Avg. Shares Outstanding (diluted)	183,298	138,881	32.0%

<b>Funds From Operations</b>	3Q 2017	3Q 2016	
Net Income	\$12,539	\$10,294	
Depreciation Expense	32,921	23,779	
Other (adding/subtracting one-time items)	1,961	2,946	
<b>Funds From Operations</b>	<b>\$47,421</b>	<b>\$37,019</b>	28.1%
<b>Normalized FFO Per Share (diluted)</b>	<b>\$0.26</b>	<b>\$0.27</b>	

Source: Company reports.

**Consolidated Balance Sheet**

(in thousands)	September 30, 2017	December 31, 2016
<b>Real Estate Assets</b>		
Land	\$204,305	\$189,759
Buildings and Improvements (net of Depreciation)	\$2,992,403	\$2,220,858
Tenant improvements	\$20,786	\$14,133
Construction in progress	\$0	\$0
Investment in Unconsolidated	\$2,232	\$2,258
Mortgage Loans Receivable	78,944	39,154
<b>Total Net Real Estate Investments</b>	<b>3,298,670</b>	<b>2,466,162</b>
Cash and Cash Equivalents	4,924	15,491
Tenant Receivables	8,389	9,790
Deferred Costs	0	0
Restricted cash	0	0
Intangibles	402,608	301,462
Real estate held for sale	0	0
Other assets	123,909	95,187
<b>Total Assets</b>	<b>\$3,838,500</b>	<b>\$2,888,092</b>
Credit Facility	\$382,960	\$643,742
Mortgage Loan payable	789,257	347,413
Accounts Payable	6,590	4,423
Dividends Payable	43,452	32,179
Acquired Lease Intangibles	15,680	9,253
Other Liabilities	51,421	42,287
Minority interest in JVs	0	0
Derivative Liabilities	0	0
<b>Total Liabilities</b>	<b>\$1,289,360</b>	<b>\$1,079,297</b>
Non-controlling interest	85,234	70,344
Common Stock	1,792	1,362
Capital in Excess of Par Value	2,732,121	1,920,642
Other	12,012	13,708
Cumulative Net Income for Shareholders	(282,019)	(197,261)
Predecessor Equity	0	0
<b>Total Shareholders' Equity</b>	<b>2,549,140</b>	<b>1,808,795</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$3,838,500</b>	<b>\$2,888,092</b>

<b>Balance Sheet Ratio Analysis</b>	September 30, 2017	December 31, 2016
Net R/E Investments / Total Debt	35.5%	40.2%
Debt to Equity	46.2%	55.0%
Debt as % of Total Assets	30.7%	34.5%
Shareholders' Equity as % of Total Assets	66.4%	62.6%

Source: Company reports.

**Conference Call Discussion**

On DOC's conference call management discussed the strength of the company's portfolio, with much of the group being investment grade rated. As an example of the strength and potential of the company's properties, they gave an example of the Catholic Health Initiatives portfolio, which was acquired last year at a 6.2% cash yield. Management noted that they have already boosted that yield to 6.4% through a variety of initiatives and that it was performing above the initial underwriting. They noted that over \$30 million had already been closed in Q4 and that they anticipate closing more before year end. They continue to believe that they can close on \$200-\$250 million a quarter and under questioning from us they continue to believe that this number is reasonable in the coming year assuming the capital markets are available and noted a continued strong pipeline for both Q4 and 2018. We note, however, that the company may rely more on debt (something we have assumed in our models) given the high cost of equity with the drop in price. They continue to focus on on-campus properties for DOC's medical office building (MOB) acquisitions, although they will look at adjacent and off-campus properties with strong fundamentals.

On the occupancy front, management noted that the company anticipates occupancy staying above the 96% area, and that is consistent with expected acquisition properties going forward. They note that there is very little roll-over activity in the near term, and that there has been strong continuing demand for space which is expiring. No more than 6% of leases are rolling over in any single year over the coming seven years. The company re-leased 130,000 square feet of property during the quarter, with a solid re-leasing spread of 6.5%. This high re-leasing spread was driven by higher occupancy. They noted that operating metrics on the company's portfolio continue to be solid, with same store cash NOI up 2.3% in the quarter. Management remains comfortable with its target of 2-3% same store NOI growth. Management also noted that the 72% retention rate was a little low due to a specific larger tenant leaving its property.

On the acquisition front, management noted that cap rates are in the 5.5-6% area. The properties acquired during Q3 would have added \$1.8 million to the quarter's revenue had they been paying rent since the start of the quarter, something we have worked into our model. In discussing G&A, management noted that it would come in below guidance of \$22-\$24 million for the year. The company is looking at longer term debt, anticipating closing on some early next year.

**Q4 and 2018 Outlook**

Following the call and discussions with management, we are retaining our estimate for full year FFO at \$1.07 a share for 2017. This is a function of a level of \$180 million in estimated investments for the current quarter including the already closed and announced purchases (nearly \$40 million). With the company having undertaken a common equity offering in the previous quarter, we are pushing our expectations for the next offering to mid-2018 and assuming that the company does some ongoing sales through its ATM program. Our Q4 estimate is now \$0.30. Looking forward to 2018, we are assuming a slightly lower level of investment (\$1.0 billion), which we believe is conservative in light of the likely number in excess of \$1.3 billion for all of 2017, and management's contention that they can do at least \$250 million in investments a quarter. We expect the acquisition environment to be a little more difficult as 2018 progresses, although our FFO estimate is remaining the same at \$1.25 a share, assuming that the company issues about 25 million shares during 2018, although if it issues more, our estimate is likely to be high.

**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 should 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 that 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 2018 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 2018 number is \$1.25. With DOC continuing to become more seasoned, we are using a multiple of 15 times, compared to the peer group trading at 15.5 times. We believe that this is a more appropriate comparison, however, 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 times the 2018 number (although we believe that is above where they should be trading). Looking out 12 months, we estimate DOC will be generating FFO of \$1.33 a share for full year 2019, equating to a value of \$20 a share. Combine this with the company's \$0.92 a share annual dividend and we believe that investors can achieve a potential annual total return of nearly 20% should the share price reach our target.

Health Care REITs	Symbol	Closing Price	Current	2018E			2-Year Average		Price / FFO	
		11/2/2017	Dividend	Yield	Payout Ratio	2017E	2018E	Growth Rate	2017E	2018E
Welltower, Inc.	HCN	\$67.72	\$3.48	5.1%	77.2%	\$4.29	\$4.51	-0.7%	15.8x	15.0x
National Health Investors	NHI	\$77.52	\$3.80	4.9%	70.4%	\$5.19	\$5.40	5.3%	14.9x	14.4x
Healthcare Realty	HR	\$32.36	\$1.20	3.7%	71.0%	\$1.56	\$1.69	1.8%	20.7x	19.1x
Healthcare Trust of America	HTA	\$29.87	\$1.18	4.0%	67.0%	\$1.63	\$1.76	4.6%	18.3x	17.0x
LTC Properties, Inc.	LTC	\$46.31	\$2.28	4.9%	68.3%	\$3.16	\$3.34	4.5%	14.7x	13.9x
<b>Health Care Sector Average</b>		<b>\$51.87</b>	<b>\$2.39</b>	<b>4.6%</b>	<b>70.8%</b>	<b>\$3.17</b>	<b>\$3.34</b>	<b>3.0%</b>	<b>16.4x</b>	<b>15.5x</b>
Physicians Realty Trust	DOC	\$17.52	\$0.92	5.3%	73.6%	\$1.07	\$1.25	10.2%	16.4x	14.0x

Note: NHI and LTC are rated Neutral, HCN and HR Underperform by Hilliard Lyons. HTA is not rated.

Source: NAREIT, Baseline and Hilliard Lyons' estimates.

With all of that in mind, we are bumping our rating on DOC to 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.

**Table 1. Consolidated Income Statement**

	2014		2015		2016		2017		2018E		Year				
	Year	Year	Q1	Q2	Q3	Q4	Q1A	Q2A	Q3A	Q4		Q1	Q2	Q3	Q4
Rental Revenue	\$46,397	\$103,974	\$34,855	\$42,196	\$53,327	\$55,923	\$59,092	\$68,015	\$69,408	\$75,748	\$262,263	\$87,421	\$93,752	\$100,342	\$568,322
Expense Recoveries	\$6,871	\$21,687	\$7,903	\$9,652	\$14,361	\$16,669	\$16,354	\$16,108	\$21,102	\$22,346	\$75,910	\$22,658	\$25,789	\$29,601	\$105,705
Other Interest	\$1,025	\$3,880	\$1,376	\$1,468	\$2,322	\$3,692	\$1,220	\$2,176	\$2,489	\$2,600	\$8,766	\$1,800	\$2,500	\$3,400	\$10,500
	\$53,293	\$129,441	\$44,134	\$53,216	\$70,010	\$73,674	\$76,666	\$76,699	\$92,999	\$100,694	\$346,956	\$101,265	\$115,711	\$124,239	\$474,527
Expenses															
General & Administrative	\$11,440	\$14,908	\$4,121	\$4,926	\$4,917	\$4,433	\$4,736	\$6,249	\$5,860	\$5,891	\$22,736	\$5,894	\$6,678	\$7,453	\$29,625
Property operating expense	10,154	31,026	11,037	13,798	19,159	22,065	22,089	20,519	27,471	24,997	95,076	28,342	30,510	36,095	127,959
Management Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition Expense	10,897	14,893	3,377	3,256	4,398	3,747	5,405	5,242	2,184	2,500	15,331	3,500	3,500	3,500	14,000
Interest Expense, net	6,907	10,636	4,197	4,279	7,300	8,088	9,815	11,472	11,998	11,039	44,324	11,428	12,323	13,369	51,486
Other	250	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation & Amortization	16,731	45,471	16,010	19,799	23,969	26,811	27,933	28,123	32,975	34,437	123,468	36,626	39,201	41,776	161,953
Total Expenses	\$56,379	\$116,934	\$38,742	\$46,058	\$59,743	\$65,084	\$69,978	\$71,605	\$80,488	\$76,864	\$300,935	\$85,790	\$94,212	\$102,192	\$385,023
Income from Operations	(\$3,086)	\$12,507	\$5,392	\$7,158	\$10,267	\$8,590	\$6,688	\$4,994	\$12,511	\$21,831	\$46,024	\$15,475	\$21,499	\$22,017	\$89,504
Minority Interests	\$448	(\$875)	(\$490)	(\$235)	(\$404)	(\$359)	(\$286)	(\$473)	(\$415)	(\$764)	(\$1,938)	(\$542)	(\$752)	(\$771)	(\$1,068)
Equity income from unconsolidated JVs	\$0	\$26	\$0	\$0	\$0	\$30	\$0	\$29	\$0	\$0	\$29	\$0	\$0	\$0	\$0
Oper. Income from discontinued ops.	\$60	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	\$41	\$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
(Loss)/Gain on sale of assets	\$0	\$130	\$0	\$0	\$0	\$0	\$0	\$5,308	\$0	\$0	\$5,308	\$0	\$0	\$0	\$0
Income Bef. Preferred Div	(\$2,537)	\$11,788	\$4,902	\$6,923	\$9,863	\$8,261	\$6,402	\$9,858	\$12,096	\$21,067	\$49,423	\$14,934	\$20,746	\$21,247	\$86,371
Preferred dividends	\$0	\$1,189	\$548	\$437	\$436	\$436	\$211	\$188	\$106	\$106	\$611	\$106	\$106	\$106	\$424
Net income for common	(\$2,537)	\$10,599	\$4,354	\$6,486	\$9,427	\$7,825	\$6,191	\$9,670	\$11,990	\$20,961	\$48,812	\$14,828	\$20,640	\$21,141	\$85,947
Per share bef. Extra	(\$0.08)	\$0.14	\$0.04	\$0.05	\$0.07	\$0.06	\$0.04	\$0.06	\$0.07	\$0.11	\$0.28	\$0.07	\$0.10	\$0.10	\$0.13
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
Net (loss) income per share	(\$0.08)	\$0.14	\$0.04	\$0.05	\$0.07	\$0.06	\$0.04	\$0.06	\$0.07	\$0.11	\$0.29	\$0.07	\$0.10	\$0.10	\$0.13
Quarterly dividend rate	\$0.90	\$0.90	\$0.23	\$0.23	\$0.23	\$0.23	\$0.23	\$0.23	\$0.23	\$0.23	\$0.91	\$0.23	\$0.23	\$0.23	\$0.92
Shares Outstanding	33,023,000	74,760,609	107,148,000	135,945,000	138,881,000	139,602,000	142,605,930	161,012,000	183,298,000	191,884,429	169,700,090	198,838,873	205,600,630	212,184,577	208,908,478

**Table 5. Funds From Operations Calculation**

	2014		2015		2016		2017		2018E		Year				
	Year	Year	Q1	Q2	Q3	Q4	Q1A	Q2A	Q3A	Q4		Q1	Q2	Q3	Q4
Net income for common shareholders	(\$2,537)	\$11,950	\$5,424	\$7,184	\$10,294	\$7,925	\$6,716	\$10,331	\$12,539	\$20,961	\$50,547	\$14,828	\$20,640	\$21,141	\$85,947
Add Back:															
Depreciation	16,731	45,310	15,989	19,778	23,779	26,811	27,911	28,098	32,921	34,437	123,367	36,626	39,201	41,776	161,953
JV Adjustment															
Other	\$14,432	\$14,169	2,277	2,575	2,946	3,847	4,970	(538)	1,961	2,500	\$8,893	3,500	3,500	3,500	\$14,000
Non-recurring															
Deduct:															
Gain/loss on sales of real estate	\$0	(\$52)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
FFO Available for common	\$28,626	\$71,337	\$23,690	\$29,537	\$37,019	\$38,483	\$39,597	\$37,891	\$47,421	\$57,898	\$182,807	\$54,954	\$63,341	\$66,416	\$261,900
Diluted FFO available for common	\$26,745	\$67,137	\$23,690	\$29,537	\$37,019	\$38,483	\$39,597	\$37,891	\$47,421	\$57,898	\$182,807	\$54,954	\$63,341	\$66,416	\$261,900
Basic FFO per share	\$0.77	\$0.95	\$0.23	\$0.22	\$0.28	\$0.28	\$0.28	\$0.24	\$0.26	\$0.30	\$1.07	\$0.28	\$0.31	\$0.31	\$1.25
Diluted FFO per share	\$0.72	\$0.92	\$0.22	\$0.22	\$0.27	\$0.27	\$0.28	\$0.24	\$0.26	\$0.30	\$1.07	\$0.28	\$0.31	\$0.31	\$1.25
Shares, basic	33,023,000	74,760,609	102,704,008	131,645,000	134,581,000	139,602,000	142,605,930	161,012,000	183,298,000	191,884,429	169,700,090	198,838,873	205,600,630	212,184,577	208,908,478
Shares, diluted	37,049,757	76,693,468	107,148,380	135,945,000	138,881,000	143,502,000	142,605,930	161,012,000	183,298,000	191,884,429	169,700,090	198,838,873	205,600,630	212,184,577	208,908,478

**Table 6. Funds Available for Distribution Calculation**

	2014		2015		2016		2017		2018E		Year				
	Year	Year	Q1	Q2	Q3	Q4	Q1A	Q2A	Q3A	Q4		Q1	Q2	Q3	Q4
FFO Available for common	\$28,626	\$71,337	\$23,690	\$29,537	\$37,019	\$38,483	\$39,597	\$37,891	\$47,421	\$57,898	\$182,807	\$54,954	\$63,341	\$66,416	\$261,900
Less:															
Recurring real estate CAPX	(\$4,744)	(\$10,504)	(\$3,632)	(\$5,200)	(\$5,200)	(\$6,007)	(\$6,445)	(\$7,793)	(\$8,140)	(\$8,577)	(\$30,955)	(\$9,202)	(\$9,627)	(\$10,452)	(\$40,569)
Debt adjustments	\$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
Funds available for distribution	\$23,882	\$60,833	\$20,058	\$24,337	\$31,819	\$32,476	\$33,152	\$30,098	\$39,281	\$49,320	\$151,851	\$45,751	\$53,514	\$55,964	\$221,341
Per share	\$0.72	\$0.81	\$0.20	\$0.18	\$0.24	\$0.23	\$0.23	\$0.19	\$0.21	\$0.26	\$0.89	\$0.23	\$0.26	\$0.26	\$0.89

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.

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.

<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>	39	32%	8%	92%
<b>Hold/Neutral</b>	74	60%	9%	91%
<b>Sell</b>	8	7%	0%	100%
<b>Restriction</b>	2	2%	100%	0%

*As of 5 October 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.

J.J.B. Hilliard, W.L. Lyons, LLC is a multi-disciplined financial services firm that regularly seeks investment banking assignments and compensation from issuers for services including, but not limited to, acting as an underwriter in an offering or financial advisor in a merger or acquisition, or serving as placement agent in private transactions.

The information herein has been obtained from sources we believe to be reliable but is not guaranteed and does not purport to be a complete statement of all material factors. This is for informational purposes and is not a solicitation of orders to purchase or sell securities. Reproduction is forbidden unless authorized. All rights reserved.