



COMPANY UPDATE / ESTIMATE CHANGES

Key Metrics

GGP - NYSE (as of 2/06/2018)	\$21.59
Price Target	N/A
52-Week Range	\$18.83 - \$25.72
Shares & Units Outstanding (mm)	971
Market Cap. (\$mm)	\$20,964
3-Mo. Average Daily Volume (000)	7,669
Institutional Ownership	100%
Net Debt/Total Market Capital - Pro rata (12/17)	44%
Est 3 -Year FFO Growth Rate	NA
Est 3 -Year Dividend Growth Rate	2% - 5%
Dividend	\$0.88
Dividend Yield	4.1%

FFO Per Share FY 12/31

	2016	2017	Prior 2018E	Curr. 2018E
1Q	\$0.38	\$0.36	\$0.41	\$0.36
2Q	\$0.36	\$0.40	\$0.36	\$0.34
3Q	\$0.35	\$0.37	\$0.38	\$0.38
4Q	\$0.48	\$0.47	\$0.45	\$0.46
Year	\$1.57	\$1.60	\$1.61	\$1.54
P/FFO	13.8x	13.5x		14.0x

NOI (Net Operating Income) (\$mm)

	2016	2017	Prior 2018E	Curr. 2018E
1Q	\$422	\$399	\$448	\$417
2Q	\$410	\$391	\$417	\$411
3Q	\$395	\$398	\$429	\$431
4Q	\$442	\$448	\$474	\$486
Year	\$1,669	\$1,628	\$1,768	\$1,746

*Previous FFO and NOI amounts have not been restated.

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

Company Description: GGP Inc., headquartered in Chicago, Illinois, is a retail focused REIT that owns and operates high quality retail properties (primarily malls) throughout the United States.

GGP Inc.

GGP - NYSE – Neutral - 2

Fourth Quarter Results

- **GGP reported fourth quarter FFO of \$0.47 per share versus \$0.48 per share in the year ago period.** This was above ours and the consensus estimate.
- **The same store portfolio was 96.7% leased at quarter end.** Initial NOI weighted rental rates for signed leases commenced in the trailing twelve months increased 13.0%.
- **Development Activity.** GGP has development, redevelopment, and expansion plans underway or in the pipeline at numerous properties. Total spend is expected to be \$1.5 billion.
- **Due to the unsolicited purchase proposal GPP received from Brookfield Property Partners (BPY - \$20.83) in November the company is not providing 2018 guidance at this time.** Our fiscal 2018 FFO per share estimate is lowered seven cents to \$1.54 due in part to a higher weighted average share count in 2018 as well as lower condo sales and interest income.
- **We are maintaining our Neutral rating.**

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

Additional Discussion

Total revenues for the fourth quarter were \$627.4 million, up 2.8% from the year ago period (please see page 3). Minimum (base) rent, which made up 62.6% of total revenue, was up 6.9%. Tenant recoveries, the next largest revenue item, were \$157.9 million versus \$163.8 million in 4Q16 and represented an estimated 103.7% versus 112.4% of total real estate expenses, including property operating expenses, real estate taxes, maintenance, advertising, and a credit loss provision.

The same store portfolio was 96.7% leased at quarter end. Initial NOI weighted rental rates for signed leases commenced in the past 12 months increased 13.0%. Comparable NOI (net operating income) increased 1.3% in the quarter.

Net income available to common shareholders was \$197.6 million compared to \$232.5 million in the year ago period. Funds from operations were \$0.47 per share versus \$0.48 per share in the year ago period.

Overview

Retail Environment - Total sales per square foot at GGP's malls were down 0.5% on a trailing twelve month basis. Excluding apparel that number would be an increase of 1.9%. Sales in November and December increased 0.5%. We believe many retailers with expansion plans would rather open up shop in quality class A malls like many of GGP's, instead of class B and C malls. GGP is seeing strong demand for space in its centers.

Potential Company Sale - In November, Brookfield Property Partners made an offer to acquire GGP. At that time, Brookfield Property Partners and its affiliates owned about 34% of GGP common shares. Each GGP common shareholder would be entitled to elect to receive consideration per GGP common share of either \$23.00 in cash or 0.9656 of a limited partnership unit of BPY, subject in each case to a pro-ration based on a maximum cash component of 50% of the aggregate offer and a maximum stock component of 50% of the aggregate offer. GGP's board has formed a special committee to review and consider this proposal and pursue the action it believes is in best interest of the shareholders. Management did not comment on this on the earnings call.

Acquisitions & Dispositions - GGP bought two Sears (SHLD - \$2.28) boxes and the majority of its joint venture's interests in a street retail property in 4Q. The company sold one retail property in 4Q.

Development & Renovation Activity - GGP has redevelopment projects underway and in the pipeline at numerous properties. Total spend is expected to be \$1.5 billion.

Financials - GGP has \$519.2 million and \$2.2 billion of debt maturities in 2018 and 2019, respectively. Approximately 80.7% of the company's debt is at fixed rates. At the end of 4Q, the weighted average interest rate on the company's debt was 4.21%. We believe the company's near term debt maturities are manageable.

Guidance and Estimates - Due to the unsolicited proposal GGP received from Brookfield Property Partners in November the company is not providing 2018 guidance at this time. Our fiscal 2018 FFO per share estimate is \$1.54.

Consolidated Statements of Operations

<i>(In thousands, except per share)</i>	4Q17	4Q16	% Change
Revenues:			
Minimum rents	\$392,964	\$367,484	6.9%
Tenant recoveries	157,870	163,838	-3.6%
Overage rents	21,075	23,510	-10.4%
Management fees and other corporate revenues	27,347	22,728	20.3%
Other	28,119	32,775	-14.2%
Total revenues	627,375	610,335	2.8%
Expenses:			
Real estate taxes	59,146	55,985	5.6%
Property maintenance costs	13,804	14,013	-1.5%
Marketing	5,858	6,120	-4.3%
Other property operating costs	71,426	67,117	6.4%
Provision for doubtful accounts	1,931	2,353	-17.9%
(Recovery of) provision for loan loss		205	
Property management and other costs	29,917	31,815	-6.0%
General and administrative	13,550	14,432	-6.1%
Provision for impairment			
Depreciation and amortization	187,452	161,477	16.1%
Total expenses	383,084	353,517	8.4%
Operating income	244,291	256,818	-4.9%
Interest and dividend income	10,230	16,453	-37.8%
Interest expense	(139,433)	(133,862)	
Gain (loss) on foreign currency	(4,014)	(2,086)	
Gain on extinguishment of debt			
Gain from changes in control of investment properties and other	(269)	(10,512)	
Income before income taxes, equity in income of unconsolidated real estate affiliates, discontinued operations and allocation to noncontrolling interests	110,805	126,811	-12.6%
Benefit from (provision for) income taxes	26,243	(173)	
Equity in income of unconsolidated real estate affiliates	52,866	103,856	-49.1%
Unconsolidated real estate affiliates - gain on investment	12,000	10,790	11.2%
Income from continuing operations	201,914	241,284	-16.3%
Discontinued operations			
Net income	201,914	241,284	-16.3%
Allocation to noncontrolling interests	(316)	(4,824)	
Net income attributable to GGP	201,598	236,460	-14.7%
Preferred stock dividend	(3,984)	(3,984)	
Net income attributable to common stockholders	\$197,614	\$232,476	-15.0%
Diluted income per share	\$0.21	\$0.24	-12.5%

Funds From Operations	4Q17	4Q16	% Change
Net income attributable to GGP	\$201,598	\$236,460	-14.7%
Depreciation and amortization of capitalized real estate costs - consolidated properties	183,409	157,324	16.6%
Depreciation and amortization of capitalized real estate costs - unconsolidated properties	74,068	70,521	5.0%
Gain from changes in control of investment properties and other			
Gain on sale of investment properties			
Preferred stock dividends	(3,984)	(3,984)	
(Gain) Loss on sales of investment properties	312		
Loss (gains) from changes in control of investment properties and other	269	10,512	
Unconsolidated real estate affiliates - gain on investment		(10,790)	
Noncontrolling interests in depreciation of Consolidated Properties	(3,453)	(1,131)	
Provision for impairment excluded from FFO			
Redeemable noncontrolling interests	2,167	2,037	6.4%
Depreciation and amortization of discontinued operations			
FFO	\$454,386	\$460,949	-1.4%
FFO per share	\$0.47	\$0.48	-2.1%
Weighted average diluted common shares outstanding	965,110	956,902	0.9%

Source: Company report

Consolidated Balance Sheets

(In thousands)	12/31/2015	12/31/2016	12/31/2017
Investments in real estate:			
Land	\$3,596,354	\$3,066,019	\$4,013,874
Buildings and equipment	16,379,789	16,091,582	16,957,720
Less accumulated depreciation	(2,452,127)	(2,737,286)	(3,188,481)
Construction in progress	308,903	251,616	473,118
Net property and equipment	17,832,919	16,671,931	18,256,231
Investment in and loans to/from unconsolidated real estate affiliates	3,466,040	3,868,993	3,377,112
Net investment in real estate	\$21,298,959	\$20,540,924	\$21,633,343
Cash and cash equivalents	356,895	474,757	164,604
Accounts and notes receivable, net	949,556	1,000,692	751,639
Deferred expenses, net	214,578	209,582	284,512
Prepaid expenses and other assets	1,037,334	506,521	515,856
Assets held for disposition	216,233		
Total assets	\$24,073,555	\$22,732,476	\$23,349,954
Liabilities:			
Mortgages, notes and loans payable	\$14,216,160	\$12,430,418	\$12,832,459
Investment in and loans to/from unconsolidated real estate affiliates	38,488	39,506	21,393
Accounts payable and accrued expenses	784,493	655,362	919,432
Dividend payable	172,070	433,961	219,508
Deferred tax liabilities	1,289	3,843	2,428
Tax indemnification liability			
Junior subordinated notes	206,200	206,200	206,200
Warrant liability			
Liabilities held for disposition	58,934		
Total liabilities	\$15,477,634	\$13,769,290	\$14,201,420
Redeemable noncontrolling interests:			
Preferred	157,903	144,060	52,256
Common	129,724	118,667	195,870
Total redeemable noncontrolling interests	287,627	262,727	248,126
Equity:			
Preferred stock	242,042	242,042	242,042
Shareholder's equity	8,028,001	8,393,722	8,553,618
Noncontrolling interests in consolidated real estate affiliates	24,712	33,583	55,379
Noncontrolling interests related to long-term incentive plan common units	13,539	31,382	49,369
Total equity	\$8,308,294	\$8,700,729	\$8,900,408
Total liabilities, redeemable noncontrolling interests and equity	\$24,073,555	\$22,732,746	\$23,349,954

Balance Sheet Ratio Analysis	12/31/2015	12/31/2016	12/31/2017
Net R/E Investments / Total Debt	149.8%	165.2%	168.6%
Debt to Equity	171.1%	142.9%	144.2%
Debt to Total Market Capitalization (including prorata JV debt)	44.1%	45.2%	44.2%
Debt as % of Total Assets	59.1%	54.7%	55.0%
Fixed-rate Debt as % of Total Debt (Prorata Share)	81.0%	80.6%	80.7%
Shareholders' Equity as % of Total Assets	33.3%	36.9%	36.6%

Source: Company reports and Hillard Lyons' calculations

Valuation

Currently at 14.0x our 2018 FFO per share estimate of \$1.54, GGP is trading at a premium to its peer group (see table below). Excluding CBL from the peer group, due to its lower productivity malls, GGP would be trading near the peer group. We believe that the negative retail narrative may impact GGP's valuation in the near-term. **At the current price we believe the shares are fairly valued, and we are maintaining our Neutral rating.**

Regional Mall REITs	Symbol	Price	Current	2017		FFO Per Share			2-Year Exp.	18/17E	Price/FFO	
		2/6/2018	Dividend	Yield	Payout Ratio	2016	2017E/A	2018	Avg. Growth	Growth	FY 2017E/A	FY 2018E
Simon Property Group	SPG	\$155.98	\$7.80	5.0%	69.6%	\$10.49	\$11.20	\$12.00	7.2%	7.1%	13.9x	13.0x
Macerich Company	MAC	\$59.65	\$2.96	5.0%	77.3%	\$5.08	\$3.83	\$4.05	-10.1%	5.7%	15.6x	14.7x
Taubman Centers, Inc.	TCO	\$56.13	\$2.50	4.5%	67.8%	\$2.87	\$3.69	\$3.79	16.0%	2.7%	15.2x	14.8x
CBL & Associates Properties	CBL	\$5.28	\$0.80	15.2%	36.2%	\$2.69	\$2.21	\$2.03	-12.3%	-8.1%	2.4x	2.6x
Peer Average		\$69.26	\$3.52	7.4%	62.7%	\$5.28	\$5.23	\$5.47	0.2%	1.9%	11.8x	11.3x
S&P 500	.SPX	2,695.14	\$50.08	1.9%	38.2%	\$117.75	\$131.00	\$145.29	11.7%	10.9%	20.6x	18.6x
GGP Inc.	GGP	\$21.59	\$0.88	4.1%	55.0%	\$1.57	\$1.60	\$1.54	-1.0%	-3.9%	13.5x	14.0x

Note: SPG and CBL are rated Buy and Neutral, respectively, by Hilliard Lyons, and the rest are not rated. SPX figures are EPS, not FFO per share.

Source: NAREIT, HL Estimates, and Thomson Eikon.

Suitability

We assign shares of GGP Inc. a suitability rating of 2 on our scale of 1 - 4 (1=most conservative, 4=most aggressive). Our rating is based on the company's large market cap and what we view as strong balance sheet.

Risks and Considerations

GGP Inc.'s FFO may be impacted by external factors beyond the company's control or by 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, an inability to finance acquisitions or developments, development risk, higher construction or supply cost, bankruptcy of tenant(s), and others.

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.

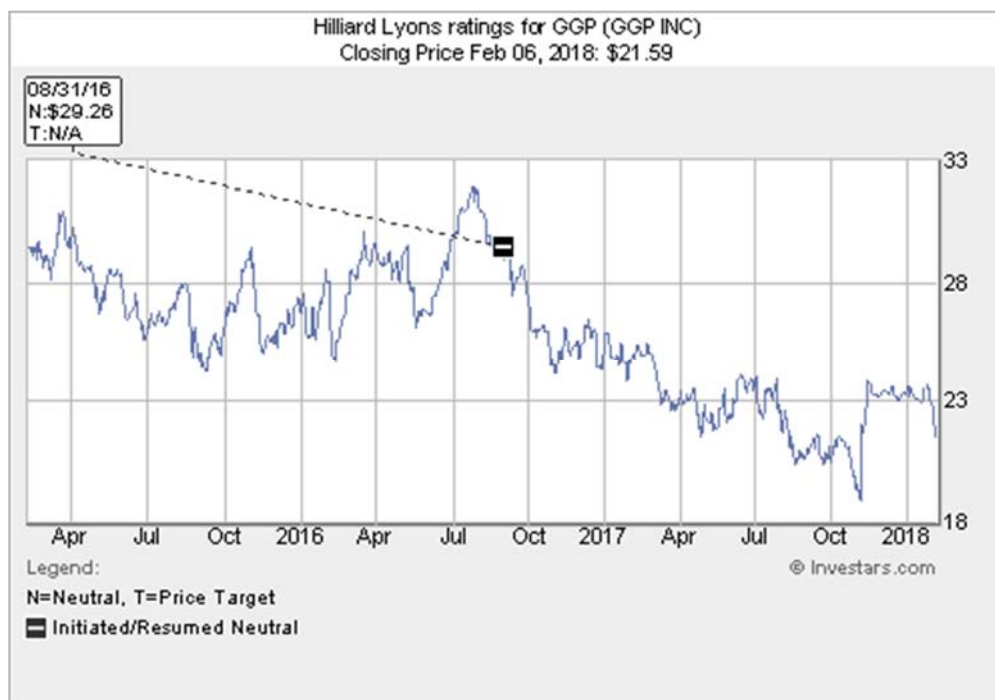
Suitability Ratings

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.	
Rating	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	31	28%	10%	90%
Hold/Neutral	75	67%	9%	91%
Sell	6	5%	0%	100%

As of 8 January 2018

Other Disclosures

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