



COMPANY UPDATE / ESTIMATE CHANGES

Key Metrics

GGP - NYSE (as of 5/2/2017)	\$23.04
Price Target	N/A
52-Week Range	\$21.05 - \$32.10
Shares Outstanding (mm)	956
Market Cap. (\$mm)	\$22,026
3-Mo. Average Daily Volume (000)	6,837.9
Institutional Ownership	97%
Debt/Total Market Capital - Pro rata (3/17)	47%
Est 3 - Year FFO Growth Rate	NA
Est 3 - Year Dividend Growth Rate	2% - 5%
Dividend	\$0.88
Dividend Yield	3.8%

FFO Per Share FY 12/31

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$0.38		\$0.36 A		\$0.42
2Q	\$0.36	\$0.35	\$0.35		\$0.40
3Q	\$0.35	\$0.37	\$0.38		\$0.38
4Q	\$0.48	\$0.44	\$0.44		\$0.45
Year	\$1.57	\$1.53	\$1.53		\$1.65
P/FFO	14.7x		15.1x		14.0x

NOI (Net Operating Income) (\$mm)

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$422		\$399 A		\$445
2Q	\$410	\$396	\$397		\$432
3Q	\$395	\$415	\$415		\$418
4Q	\$442	\$466	\$467		\$474
Year	\$1,669	\$1,682	\$1,677		\$1,768

*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

First Quarter Results

- **GGP reported first quarter FFO of \$0.36 per share versus \$0.38 per share in the year ago period.** This was equal to ours and the consensus estimate.
- **The same store portfolio was 95.9% leased.** Initial rents for signed leases commenced in the trailing twelve months increased 10.5%.
- **Development Activity.** GGP has development, redevelopment, and expansion plans underway or in the pipeline at numerous properties. Total spend is expected to be \$1.3 billion.
- **Exploring Strategic Alternatives.** CEO Sandeep Mathrani mentioned on the company's earnings call that there is a wide discount between public and private market prices. The company is evaluating all strategic alternatives to create shareholder value.
- **Management lowered the upper end of 2017 FFO per share guidance by a penny to a range of \$1.53 to \$1.57.** Our FFO per share estimate remains at \$1.53.
- **We are maintaining our Neutral rating.** Our rating is based on valuation only, as we continue to like the fundamentals for GGP.

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

Additional Discussion

Total revenues for the first quarter were \$566.3 million, down 6.7% from the year ago period (please see page 3). Minimum (base) rent, which made up 61.6% of total revenue, was down 6.0%. Tenant recoveries, the next largest revenue item, were \$163.1 million versus \$172.4 million in 1Q16 and represented an estimated 110.6% versus 113.9% of total real estate expenses, including property operating expenses, real estate taxes, maintenance, advertising, and a credit loss provision.

The same store portfolio was 95.9% leased at quarter end. Initial rents for signed leases commenced in the past 12 months increased 10.5%. Comparable NOI (net operating income) increased 2.5% in the quarter.

Net income available to common shareholders was \$103.2 million compared to \$187.8 million in the year ago period. Funds from operations were \$0.36 per share versus \$0.38 per share in the year ago period.

Overview

Retail Environment - Total sales per square foot at GGP's malls were up 0.6% on a trailing twelve month basis. 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. To date the company has released nearly 80% of the space in its portfolio that has been impacted by store closings this year.

Development & Renovation Activity - GGP has redevelopment projects underway and in the pipeline at numerous properties. Total spend is expected to be \$1.3 billion.

Exploring Strategic Alternatives - CEO Sandeep Mathrani mentioned on the company's earnings call that there is a wide discount between public and private market prices. The company is evaluating all strategic alternatives to create shareholder value. Management believes the breakup value of the company is worth more than the current market capitalization. GGP expects to pick a path in the near term.

Share Repurchase - In 1Q17, GGP repurchased 2.57 million of its common shares at a weighted average price of \$23.16 per share.

Financials - The company has \$20.3 million of debt maturities in 2017. GGP has \$519.2 million of debt maturities in 2018. Approximately 79.3% of the company's debt is at fixed rates. At the end of 1Q, the weighted average interest rate on the company's debt was 4.07%. We believe the company's near term debt maturities are manageable.

Guidance and Estimates - Management lowered the upper end of 2017 FFO per share guidance by a penny to a range of \$1.53 to \$1.57. Our 2017 FFO per share estimate is \$1.53.

Consolidated Statements of Operations

<i>(In thousands, except per share)</i>	1Q17	1Q16	% Change
Revenues:			
Minimum rents	\$349,013	\$371,132	-6.0%
Tenant recoveries	163,055	172,448	-5.4%
Overage rents	5,937	8,145	-27.1%
Management fees and other corporate revenues	28,143	33,741	-16.6%
Other	20,184	21,566	-6.4%
Total revenues	566,332	607,032	-6.7%
Expenses:			
Real estate taxes	57,494	58,103	-1.0%
Property maintenance costs	14,975	17,483	-14.3%
Marketing	2,145	2,054	4.4%
Other property operating costs	69,303	70,394	-1.5%
Provision for doubtful accounts	3,451	3,401	1.5%
(Recovery of) provision for loan loss		36,069	
Property management and other costs	41,114	30,745	33.7%
General and administrative	14,683	13,427	9.4%
Provision for impairment		40,705	
Depreciation and amortization	170,298	160,671	6.0%
Total expenses	373,463	433,052	-13.8%
Operating income	192,869	173,980	10.9%
Interest and dividend income	17,936	16,058	11.7%
Interest expense	(132,323)	(147,677)	
Gain (loss) on foreign currency	3,183	8,936	
Gain from changes in control of investment properties and other		74,555	
Income before income taxes, equity in income of unconsolidated real estate affiliates, discontinued operations and allocation to noncontrolling interests	81,665	125,852	
Benefit from (provision for) income taxes	(4,510)	(2,920)	
Equity in income of unconsolidated real estate affiliates	33,214	57,491	-42.2%
Unconsolidated real estate affiliates - gain on investment		14,914	
Income from continuing operations	110,369	195,337	-43.5%
Discontinued operations			
Net income	110,369	195,337	-43.5%
Allocation to noncontrolling interests	(3,209)	(3,557)	
Net income attributable to GGP	107,160	191,780	-44.1%
Preferred stock dividend	(3,984)	(3,984)	
Net income attributable to common stockholders	\$103,176	\$187,796	-45.1%
Diluted income per share	\$0.11	\$0.20	-45.0%

Funds From Operations	1Q17	1Q16	% Change
Net income attributable to GGP	\$107,160	\$191,780	-44.1%
Depreciation and amortization of capitalized real estate costs - consolidated properties	165,979	157,561	5.3%
Depreciation and amortization of capitalized real estate costs - unconsolidated properties	73,993	67,308	9.9%
Gain from changes in control of investment properties and other		(74,555)	
Gain on sale of investment properties	(1,212)		
Preferred stock dividends	(3,984)	(3,984)	
Loss on sales of investment properties			
Loss (gains) from changes in control of investment properties and other			
Unconsolidated real estate affiliates - gain on investment		(14,914)	
Noncontrolling interests in depreciation of Consolidated Properties	(2,776)	(2,115)	
Provision for impairment excluded from FFO		40,705	
Redeemable noncontrolling interests	830	1,525	
Depreciation and amortization of discontinued operations			
FFO	\$339,990	\$363,311	-6.4%
FFO per share	\$0.36	\$0.38	-5.3%
Weighted average diluted common shares outstanding	956,158	956,664	-0.1%

Source: Company report

Consolidated Balance Sheets

(In thousands)	12/31/2015	12/31/2016	3/31/2017
Investments in real estate:			
Land	\$3,596,354	\$3,066,019	\$3,057,183
Buildings and equipment	16,379,789	16,091,582	16,108,953
Less accumulated depreciation	(2,452,127)	(2,737,286)	(2,827,336)
Construction in progress	308,903	251,616	260,025
Net property and equipment	17,832,919	16,671,931	16,598,825
Investment in and loans to/from unconsolidated real estate affiliates	3,466,040	3,868,993	3,871,240
Net investment in real estate	\$21,298,959	\$20,540,924	\$20,470,065
Cash and cash equivalents	356,895	474,757	252,718
Accounts and notes receivable, net	949,556	1,000,692	1,010,050
Deferred expenses, net	214,578	209,582	248,624
Prepaid expenses and other assets	1,037,334	506,521	485,997
Assets held for disposition	216,233		
Total assets	\$24,073,555	\$22,732,476	\$22,467,454
Liabilities:			
Mortgages, notes and loans payable	\$14,216,160	\$12,430,418	\$12,567,659
Investment in and loans to/from unconsolidated real estate affiliates	38,488	39,506	45,733
Accounts payable and accrued expenses	784,493	655,362	611,119
Dividend payable	172,070	433,961	202,007
Deferred tax liabilities	1,289	3,843	3,719
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	\$13,636,437
Redeemable noncontrolling interests:			
Preferred	157,903	144,060	137,410
Common	129,724	118,667	110,116
Total redeemable noncontrolling interests	287,627	262,727	247,526
Equity:			
Preferred stock	242,042	242,042	242,042
Shareholder's equity	8,028,001	8,393,722	8,271,847
Noncontrolling interests in consolidated real estate affiliates	24,712	33,583	32,381
Noncontrolling interests related to long-term incentive plan common units	13,539	31,382	37,221
Total equity	\$8,308,294	\$8,700,729	\$8,583,491
Total liabilities, redeemable noncontrolling interests and equity	\$24,073,555	\$22,732,746	\$22,467,454

Balance Sheet Ratio Analysis	12/31/2015	12/31/2016	3/31/2017
Net R/E Investments / Total Debt	149.8%	165.2%	162.9%
Debt to Equity	171.1%	142.9%	146.4%
Debt to Total Market Capitalization (including prorata JV debt)	44.1%	45.2%	47.3%
Debt as % of Total Assets	59.1%	54.7%	55.9%
Fixed-rate Debt as % of Total Debt (Prorata Share)	81.0%	80.6%	79.3%
Shareholders' Equity as % of Total Assets	33.3%	36.9%	36.8%

Source: Company reports and Hillard Lyons' calculations

Valuation

Currently at 14.0x our 2018 FFO per share estimate of \$1.65, 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 at a discount to the peer group. **At the current price we believe the shares are fairly valued, and we are maintaining our Neutral rating.**

Regional Mall REITs	Symbol	Price	Current	Yield	Payout Ratio	FFO Per Share			2-Year Exp.	18/17E	Price/FFO	
		5/2/2017	Dividend			2016	2017E	2018	Avg. Growth	Growth	FY 2017E	FY 2018E
Simon Property Group	SPG	\$168.79	\$7.00	4.1%	60.7%	\$10.49	\$11.53	\$12.17	8.0%	5.6%	14.6x	13.9x
Macerich Company	MAC	\$64.94	\$2.84	4.4%	71.7%	\$5.08	\$3.96	\$4.15	-9.2%	4.8%	16.4x	15.6x
Taubman Centers, Inc.	TCO	\$63.84	\$2.50	3.9%	66.5%	\$2.87	\$3.76	\$4.09	21.3%	8.8%	17.0x	15.6x
CBL & Associates Properties	CBL	\$9.64	\$1.06	11.0%	46.1%	\$2.69	\$2.30	\$2.32	-6.9%	0.9%	4.2x	4.2x
Peer Average		\$76.80	\$3.35	5.9%	61.3%	\$5.28	\$5.39	\$5.68	3.3%	5.0%	13.1x	12.3x
S&P 500	SPX	2,391.17	\$48.08	2.0%	36.8%	\$117.75	\$130.61	\$140.05	9.5%	7.2%	18.3x	17.1x
GGP Inc.	GGP	\$23.04	\$0.88	3.8%	57.5%	\$1.57	\$1.53	\$1.65	2.5%	7.3%	15.1x	14.0x

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

Source: NAREIT, Baseline, company reports, and Hilliard Lyons' estimates

Suitability

We assign shares of General Growth Properties 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.

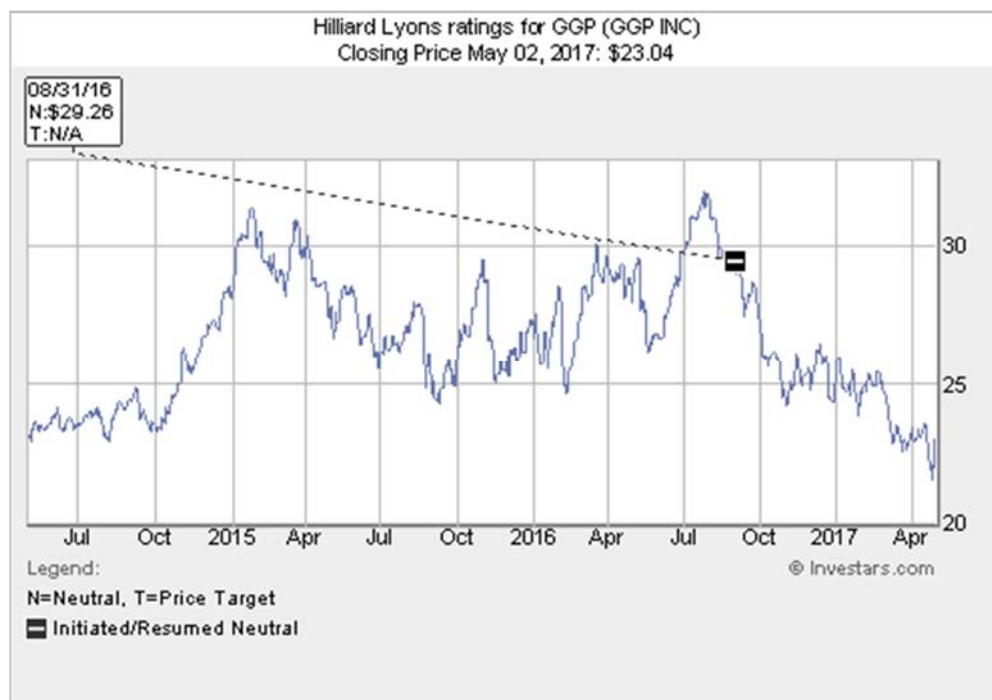
Suitability Ratings

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



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

As of 5 April 2017

Other Disclosures

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