



COMPANY UPDATE / ESTIMATE CHANGES

Key Metrics

GGP - NYSE (as of 10/30/2017)	\$19.95
Price Target	N/A
52-Week Range	\$19.80 - \$26.82
Shares Outstanding (mm)	950
Market Cap. (\$mm)	\$18,953
3-Mo. Average Daily Volume (000)	5,805
Institutional Ownership	99%
Net Debt/Total Market Capital - Pro rata (9/17)	51%
Est 3-Year FFO Growth Rate	NA
Est 3-Year Dividend Growth Rate	2% - 5%
Dividend	\$0.88
Dividend Yield	4.4%

FFO Per Share FY 12/31

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$0.38		\$0.36 A	\$0.43	\$0.41
2Q	\$0.36		\$0.40 A	\$0.37	\$0.36
3Q	\$0.35		\$0.37 A	\$0.38	\$0.38
4Q	\$0.48	\$0.46	\$0.45	\$0.47	\$0.45
Year	\$1.57	\$1.59	\$1.58	\$1.66	\$1.61
P/FFO	12.7x		12.6x		12.4x

NOI (Net Operating Income) (\$mm)

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$422		\$399 A	\$448	\$448
2Q	\$410		\$391 A	\$416	\$417
3Q	\$395		\$398 A	\$420	\$429
4Q	\$442	\$470	\$471	\$474	\$474
Year	\$1,669	\$1,671	\$1,659	\$1,757	\$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

Third Quarter Results

- **GGP reported third quarter FFO of \$0.37 per share versus \$0.35 per share in the year ago period.** This was equal to ours and the consensus estimate.
- **The same store portfolio was 96.5% leased.** Initial NOI weighted rental rates for signed leases commenced in the trailing twelve months increased 14.9%.
- **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.
- **Management provided 4Q17 FFO per share guidance of \$0.45 to \$0.47.** Our 4Q17 and fiscal 2017 FFO per share estimates are \$0.45 and \$1.58, respectively.
- **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 third quarter were \$578.4 million, up 4.3% from the year ago period (please see page 3). Minimum (base) rent, which made up 62.9% of total revenue, was up 4.7%. Tenant recoveries, the next largest revenue item, were \$160.8 million versus \$162.0 million in 3Q16 and represented an estimated 106.1% versus 116.2% of total real estate expenses, including property operating expenses, real estate taxes, maintenance, advertising, and a credit loss provision.

The same store portfolio was 96.5% leased at quarter end. Initial NOI weighted rental rates for signed leases commenced in the past 12 months increased 14.9%. Comparable NOI (net operating income) increased 2.0% in the quarter.

Net income available to common shareholders was \$218.8 million compared to \$670.2 million in the year ago period. Funds from operations were \$0.37 per share versus \$0.35 per share in the year ago period.

Overview

Retail Environment - Total sales per square foot at GGP's malls were up 0.1% on a trailing twelve month basis. Excluding apparel that number would be 2.5%. 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. To date the company has 50% of its 2018 leasing completed.

Acquisitions & Dispositions - In July GGP completed two transactions with Seritage Growth Properties (SRG - \$42.13) for total consideration of \$247.6 million. GGP purchased SRG's 50% interest in eight of the 12 assets in the existing joint venture between the two companies for \$190.1 million. In addition, GGP purchased a 50% interest in five other assets for \$57.5 million.

During the third quarter, GGP entered into a transaction to increase its ownership interest in three street retail properties. Subsequent to the end of the quarter, GGP purchased a 100% interest in two anchor boxes.

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

Share Repurchase - GGP repurchased 9.3 million of its common shares in the quarter at a \$21.19 per share weighted average price for total consideration of \$196.8 million.

Financials - The company has no remaining debt maturities in 2017. GGP has \$519.2 million of debt maturities in 2018. Approximately 77.5% of the company's debt is at fixed rates. At the end of 3Q, the weighted average interest rate on the company's debt was 4.13%. We believe the company's near term debt maturities are manageable.

Guidance and Estimates - Management provided 4Q17 FFO per share guidance of \$0.45 to \$0.47. Our 4Q17 and fiscal 2017 FFO per share estimates are \$0.45 and \$1.58, respectively.

Consolidated Statements of Operations

<i>(In thousands, except per share)</i>	3Q17	3Q16	% Change
Revenues:			
Minimum rents	\$363,857	\$347,676	4.7%
Tenant recoveries	160,755	162,031	-0.8%
Overage rents	4,582	6,505	-29.6%
Management fees and other corporate revenues	28,806	20,428	41.0%
Other	20,357	17,853	14.0%
Total revenues	578,357	554,493	4.3%
Expenses:			
Real estate taxes	61,516	58,239	5.6%
Property maintenance costs	10,281	11,576	-11.2%
Marketing	1,744	2,244	-22.3%
Other property operating costs	75,848	73,479	3.2%
Provision for doubtful accounts	2,152	574	274.9%
(Recovery of) provision for loan loss		(6,659)	
Property management and other costs	35,195	37,760	-6.8%
General and administrative	12,037	13,237	-9.1%
Provision for impairment		28,276	
Depreciation and amortization	161,278	182,350	-11.6%
Total expenses	360,051	401,076	-10.2%
Operating income	218,306	153,417	42.3%
Interest and dividend income	15,948	14,114	13.0%
Interest expense	(135,980)	(141,296)	
Gain (loss) on foreign currency	3,889	(657)	
Gain on extinguishment of debt			
Gain from changes in control of investment properties and other	95,165	620,309	
Income before income taxes, equity in income of unconsolidated real estate affiliates, discontinued operations and allocation to noncontrolling interests	197,328	645,887	
Benefit from (provision for) income taxes	(6,993)	(49)	
Equity in income of unconsolidated real estate affiliates	35,937	35,651	0.8%
Unconsolidated real estate affiliates - gain on investment		259	
Income from continuing operations	226,272	681,748	-66.8%
Discontinued operations			
Net income	226,272	681,748	-66.8%
Allocation to noncontrolling interests	(3,492)	(7,570)	
Net income attributable to GGP	222,780	674,178	-67.0%
Preferred stock dividend	(3,984)	(3,984)	
Net income attributable to common stockholders	\$218,796	\$670,194	-67.4%
Diluted income per share	\$0.23	\$0.70	-67.1%

Funds From Operations	3Q17	3Q16	% Change
Net income attributable to GGP	\$222,780	\$674,178	-67.0%
Depreciation and amortization of capitalized real estate costs - consolidated properties	157,038	178,105	-11.8%
Depreciation and amortization of capitalized real estate costs - unconsolidated properties	75,477	73,891	2.1%
Gain from changes in control of investment properties and other	(95,165)	(620,309)	
Gain on sale of investment properties			
Preferred stock dividends	(3,984)	(3,984)	
(Gain) Loss on sales of investment properties	(1,394)	1,017	
Loss (gains) from changes in control of investment properties and other			
Unconsolidated real estate affiliates - gain on investment		(259)	
Noncontrolling interests in depreciation of Consolidated Properties	(2,029)	(1,592)	
Provision for impairment excluded from FFO		28,276	
Redeemable noncontrolling interests	2,361	5,051	
Depreciation and amortization of discontinued operations			
FFO	\$355,084	\$334,374	6.2%
FFO per share	\$0.37	\$0.35	5.7%
Weighted average diluted common shares outstanding	950,363	962,399	-1.3%

Source: Company report

Consolidated Balance Sheets

(In thousands)	12/31/2015	12/31/2016	9/30/2017
Investments in real estate:			
Land	\$3,596,354	\$3,066,019	\$3,320,747
Buildings and equipment	16,379,789	16,091,582	17,345,596
Less accumulated depreciation	(2,452,127)	(2,737,286)	(3,056,259)
Construction in progress	308,903	251,616	422,218
Net property and equipment	17,832,919	16,671,931	18,032,302
Investment in and loans to/from unconsolidated real estate affiliates	3,466,040	3,868,993	3,479,811
Net investment in real estate	\$21,298,959	\$20,540,924	\$21,512,113
Cash and cash equivalents	356,895	474,757	311,107
Accounts and notes receivable, net	949,556	1,000,692	740,078
Deferred expenses, net	214,578	209,582	267,478
Prepaid expenses and other assets	1,037,334	506,521	495,240
Assets held for disposition	216,233		
Total assets	\$24,073,555	\$22,732,476	\$23,326,016
Liabilities:			
Mortgages, notes and loans payable	\$14,216,160	\$12,430,418	\$13,493,872
Investment in and loans to/from unconsolidated real estate affiliates	38,488	39,506	27,610
Accounts payable and accrued expenses	784,493	655,362	778,613
Dividend payable	172,070	433,961	199,315
Deferred tax liabilities	1,289	3,843	4,890
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	\$14,710,500
Redeemable noncontrolling interests:			
Preferred	157,903	144,060	52,256
Common	129,724	118,667	173,930
Total redeemable noncontrolling interests	287,627	262,727	226,186
Equity:			
Preferred stock	242,042	242,042	242,042
Shareholder's equity	8,028,001	8,393,722	8,047,520
Noncontrolling interests in consolidated real estate affiliates	24,712	33,583	54,110
Noncontrolling interests related to long-term incentive plan common units	13,539	31,382	45,658
Total equity	\$8,308,294	\$8,700,729	\$8,389,330
Total liabilities, redeemable noncontrolling interests and equity	\$24,073,555	\$22,732,746	\$23,326,016

Balance Sheet Ratio Analysis	12/31/2015	12/31/2016	9/30/2017
Net R/E Investments / Total Debt	149.8%	165.2%	159.4%
Debt to Equity	171.1%	142.9%	160.8%
Debt to Total Market Capitalization (including prorata JV debt)	44.1%	45.2%	50.9%
Debt as % of Total Assets	59.1%	54.7%	57.8%
Fixed-rate Debt as % of Total Debt (Prorata Share)	81.0%	80.6%	77.5%
Shareholders' Equity as % of Total Assets	33.3%	36.9%	34.5%

Source: Company reports and Hillard Lyons' calculations

Valuation

Currently at 12.4x our 2018 FFO per share estimate of \$1.61, 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 slight discount to 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	Yield	Payout Ratio	FFO Per Share			2-Year Exp.	18/17E	Price/FFO	
		10/30/2017	Dividend			2016	2017E	2018	Avg. Growth	Growth	FY 2017E	FY 2018E
Simon Property Group	SPG	\$157.74	\$7.40	4.7%	66.1%	\$10.49	\$11.20	\$12.22	8.2%	9.1%	14.1x	12.9x
Macerich Company	MAC	\$55.70	\$2.96	5.3%	74.7%	\$5.08	\$3.96	\$4.11	-9.5%	3.8%	14.1x	13.6x
Taubman Centers, Inc.	TCO	\$47.83	\$2.50	5.2%	67.2%	\$2.87	\$3.72	\$3.90	17.9%	4.8%	12.9x	12.3x
CBL & Associates Properties	CBL	\$7.87	\$1.06	13.5%	46.5%	\$2.69	\$2.28	\$2.23	-8.6%	-2.2%	3.5x	3.5x
Peer Average		\$67.29	\$3.48	7.2%	63.6%	\$5.28	\$5.29	\$5.62	2.0%	3.9%	11.1x	10.6x
S&P 500	.SPX	2,572.83	\$49.50	1.9%	37.8%	\$117.75	\$131.03	\$141.07	9.9%	7.7%	19.6x	18.2x
GGP Inc.	GGP	\$19.95	\$0.88	4.4%	55.7%	\$1.57	\$1.58	\$1.61	1.3%	1.9%	12.6x	12.4x

Note: SPG and CBL are rated Buy and Long-term Buy, 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



Rating	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	39	32%	8%	92%
Hold/Neutral	74	60%	9%	91%
Sell	8	7%	0%	100%
Restriction	2	2%	100%	0%

As of 5 October 2017

Other Disclosures

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