



### COMPANY UPDATE/ESTIMATE CHANGE

#### Key Metrics

HCN - NYSE - as of 2/9/18	\$55.48
Price Target	NA
52-Week Range	\$53.00 - \$78.17
Shares Outstanding (mm)	369.4
Market Cap. (\$mm)	\$20,494.3
1-Mo. Average Daily Volume	1,761,780
Institutional Ownership	85.0%
Debt/Total Capital Sep-17	29.0%
Est 3-year FFO Growth Rate	4.0%
Est 3-year Dividend Growth Rate	3.5%
Book Value	\$ 38.29
Dividend	\$ 3.48
Dividend Yield	6.27%
Est. Fixed Charge Coverage	3.7 X

#### FFO Per share

	2016	2017		Prior 2018E	Current 2018E
1Q	\$1.13	--	\$1.05	A \$1.08	\$1.04
2Q	\$1.15	--	\$1.06	A \$1.10	\$1.05
3Q	\$1.16	--	\$1.08	A \$1.12	\$1.07
4Q	\$1.10	--	\$1.07	E \$1.14	\$1.09
Year	\$4.55	\$4.26	E	\$4.44	\$4.25
P/E	12.2x	13.0x		*	13.1x

Quarters may not add to annual figure due to rounding

#### Revenue (\$mm)

	2016	2017		Prior 2018E	Current 2018E
1Q	\$1,047.1	--	\$1,062.3	A \$1,116.0	\$1,101.4
2Q	\$1,076.7	--	\$1,058.6	A \$1,136.1	\$1,118.2
3Q	\$1,071.8	--	\$1,091.5	A \$1,158.9	\$1,138.6
4Q	\$1,073.0	--	\$1,097.3	E \$1,186.1	\$1,161.2
Year	\$4,275.8	\$4,309.7	E	\$4,597.1	\$4,519.3

**Company Description:** Welltower, headquartered in Toledo, OH, is a real estate investment trust (REIT) that has investments in healthcare facilities located throughout the country, including independent living facilities, assisted and skilled nursing facilities, hospitals, continuing care facilities and medical office buildings, among others.

### Welltower, Inc.

HCN -- NYSE – Underperform-2

#### Adjusting numbers for 2018 after management discussion.

#### Investment Highlights

- After taking a closer look at our model, we are adjusting our 2018 estimates down a bit for less future acquisition activity and lower expectations on returns. Our new estimate for 2018 is \$4.25, although we may adjust it again following the release of Q4 earnings next week. We expect to also adjust our 2019 number, but will wait until we get a better feel on forward acquisition and cap rate assumptions before we move our estimates there. HCN will report Q4 results on February 22<sup>nd</sup>.

**Note Important Disclosures on Pages 2-3.  
Note Analyst Certification on Page 2.**

**Suitability**

HCN has a suitability rating of 2 on our 1-4 scale. We find the company to have a very strong balance sheet, and its diversified portfolio and strong tenant group and relationships is another positive. 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 operational exposure through its taxable REIT subsidiary, which is higher risk and is subject to the potential for overbuilding and higher interest rates with a significant portion of the company's investment funded through debt. Also, a decline in the stock price could limit the company's ability to make new investments.

**Risks**

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 2017 dividend or distribution was treated as return of capital and not as "dividend income" as reflected on the IRS Form 1099-Div for the 2017 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.*

**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.

**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, generally 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

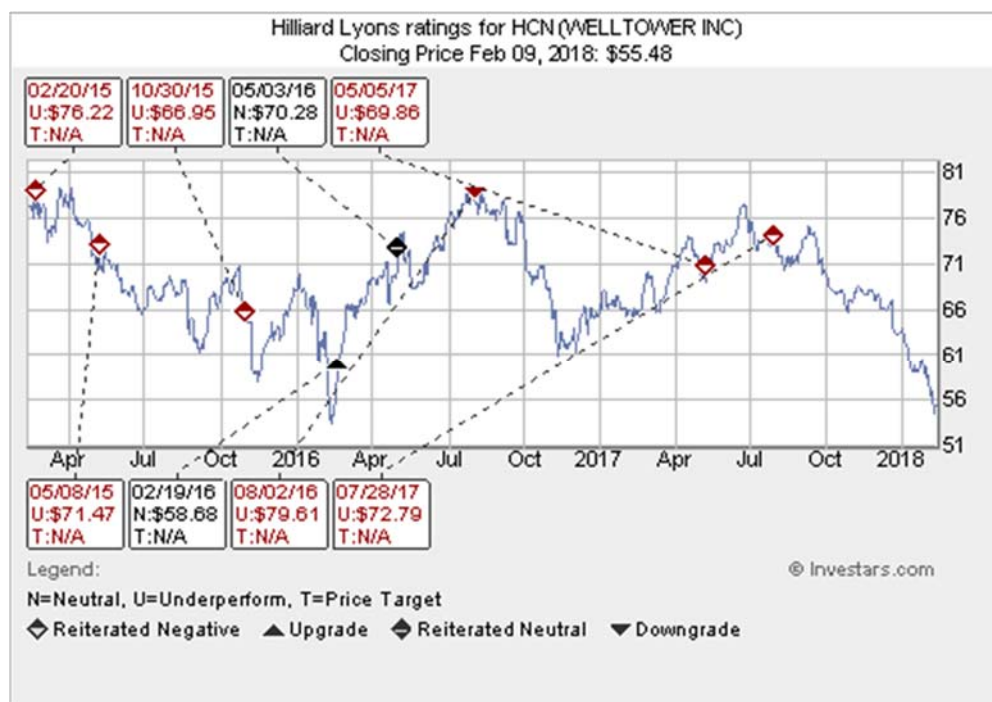
2 - A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks

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

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	74	66%	9%	91%
Sell	7	6%	0%	100%

As of 7 February 2018



### Other Disclosures

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