HILLIARD LYONS

Healthcare Real Estate Investment Trusts
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COMPANY UPDATE/ESTIMATE CHANGE

Key Metrics

HCN - NYSE - as of 7/27/17		$72.79
Price Target		NA
52-Week Range	$59.39 -	$80.19
Shares Outstanding (mm)		365.6
Market Cap. ($mm)		$26,612.0
1-Mo. Average Daily Volume		1,761,780
Institutional Ownership		85.0%
Debt/Total Capital	Jun-17	27.2%
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		4.78%
Est. Fixed Charge Coverage		3.4 X

FFO Per share

	2016	Prior 2017E	Current 2017E		Prior 2018E		Current 2018E
1Q	$1.13	--	$1.05	A	$1.12		$1.11
2Q	$1.15	--	$1.06	A	$1.12		$1.12
3Q	$1.16	$1.09	$1.07		$1.15		$1.13
4Q	$1.10	$1.12	$1.11		$1.17		$1.16
Year	$4.55	$4.34	$4.29		$4.55		$4.51
P/E	16.0x	*	17.0x			*	16.1x

Quarters may not add to annual figure due to rounding

Revenue ($mm)

	2016	Prior 2017E	Current 2017E		Prior 2018E	Current 2018E
1Q	$1,047.1	--	$1,062.3	A	$1,125.8	$1,118.5
2Q	$1,076.7	--	$1,058.6	A	$1,148.7	$1,140.1
3Q	$1,071.8	$1,090.1	$1,081.0		$1,173.0	$1,164.3
4Q	$1,073.0	$1,110.6	$1,100.6		$1,197.1	$1,189.6
Year	$4,275.8	$4,366.5	$4,302.5		$4,644.6	$4,612.4

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

Q2 Results down on Asset Sales

Investment Highlights

- HCN reported normalized Q2 FFO of $1.06 a share, two cents below our estimate and equal to the consensus. HCN retained its 2017 guidance at $4.15-$4.25 a share. We are fine-tuning our estimate for FFO to $4.29 a share, above the high end of guidance, as well as consensus of $4.23 a share. We note that the miss versus our estimate was largely a function of lower Q2 investment activity than we had anticipated and a slightly higher level of asset sale dilution.
- HCN shares have experienced a reasonably consistent move up throughout 2017, with short term declines around interest rate rises. This steady move-up was in spite of the substantial year over year decline in expectations for reported earnings. Potential higher interest rates also create a risk, as the company's high multiple creates more valuation risk on HCN shares should we see rates rise. HCN continues to make investments and re-position its portfolio into higher growth assets. However the company is likely to see some near term dilution due to a higher yield on assets being divested versus those being purchased.
- We are retaining our rating on HCN at Underperform. While we like the company, its product mix, long-term track record and management team and management is re-positioning its portfolio into higher growth/lower risk assets, valuation remains above our preferred buying range. Also, growth may slow and we are worried about current valuation. We see the current valuation as higher risk and would not be a buyer with current valuation metrics.

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

Second Quarter Review

Total revenue was $1058.6 million versus $1,076.7 million, a 1.7% decline due to the divestiture of the company's skilled nursing assets offset somewhat by recent acquisitions. Rental income of $355.6 million was off 15.9% (please see income statement on page 3), which we believe was a function of the recent divestitures. HCN's resident fee and service income rose due to the purchase of the owned and operated properties and increased 10.0% to $677.0 million.

Property operating expenses increased to $501.9 million compared to $458.8 million, up 9.4%, again due to the addition of properties in which the company was participating in the operations. Note that the increase in costs here was slightly lower than the increase in associated revenue. General and administrative expense fell to $32.6 million, from $39.9 million. Interest expense fell 12.2% with debt off 12.3% as a result of the divestitures, falling to $116.2 million from $132.3 million. Depreciation expense fell 0.8% to $224.8 million versus $226.6 million, a function of the divestitures. The company had no transaction costs this year versus $5.2 million in the year ago period. Finally, the company had a variety of non-recurring items this year including a $42.2 million gain on sale of assets and a $13.6 million write-down on assets, among others. After preferred dividends of $11.7 million this year and $16.4 million last year, second quarter net income available to common shareholders was a profit of $188.4 million versus $195.5 million. EPS were $0.51 a share versus $0.54 on 2.6% more common shares outstanding in this year's Q2.

Ongoing funds from operations (FFO) on a normalized basis, which exclude real estate gains as well as other non-recurring items, were $391.0 million compared to $414.4 million in last year's second quarter, a 5.7% decline. FFO per diluted share on a normalized basis were $1.06 versus $1.15.

HCN's debt level has come down a bit since yearend with the asset divestitures. The level of debt stood at approximately $11.31 billion in total (please see balance sheet on page 4) at the end of the second quarter down from $12.90 billion at the end of 2016. The company's debt to capital ratio was 27.2% at the end of the quarter. HCN has $154 million in debt maturing in the remainder of 2017, none of which should pose a problem, in our opinion and we expect no liquidity issues for HCN. HCN's liquidity and balance sheet remains strong and in a great position to continue growing its portfolio, in our view.

Other 2nd Quarter Activity

Investment Activity – Investment activity during the quarter was relatively light totaling $292 million, including $110 million in acquisitions/joint ventures, $162 million in development funding and $20 million in mortgages, mostly with existing partners. The average yield of these projects was around 7%. Loan pay-offs and divestitures during the quarter amounted to $160 million at a blended yield of around 9%, resulting in some dilution.

Capital Markets Activity – During the quarter, HCN announced the retirement of $182 million of debt. The company also raised $192 million under its at the market stock issuance program during the quarter.

Quarterly Income Statement

(in thousands)	2Q 2017	2Q 2016	% Change
Rental Income	$355,599	$422,628	-15.9%
Resident Fees and Services	$677,040	$615,220	10.0%
Interest Income	20,901	24,007	-12.9%
Interest and Other Income	5,062	14,802	-65.8%
Total Revenue	1,058,602	1,076,657	-1.7%
Property Operating Expense	501,855	458,832	9.4%
Transaction Costs	0	5,157	-100.0%
General and Administrative Expenses	32,632	39,914	-18.2%
EBITDA	524,115	572,754	-8.5%
Interest Expense	116,231	132,326	-12.2%
Income Tax	(8,448)	(513)	1546.8%
Depreciation Expense	224,847	226,569	-0.8%
Income (Loss) Before Discontinued Operations and Other Items	191,485	214,372	-10.7%
Discontinued Operations (including gain on sale of assets)	42,155	1,530	
Realized loss on assets	0	0	
Income from JVs	(3,978)	(1,959)	
Loss/Gain on extinquishment of debt	(5,515)	(33)	
Other	(20,706)	(3,161)	
Minority Interest	(3,332)	1,077	
Preferred Stock Dividends	(11,680)	(16,352)	
Net Income (Loss)	$188,429	$195,474	
Net EPS (diluted)	$0.51	$0.54	
Avg. Shares Outstanding (diluted)	368,149	358,891	2.6%

Funds From Operations	2Q 2017	2Q 2016	
Net Income	$188,429	$195,474	
Depreciation Expense	224,847	226,569	-0.8%
Other (adding/substracting one-time items)	(22,301)	(7,608)	
Normalized Funds From Operations	**$390,975**	**$414,435**	-5.7%
Normalized FFO Per Share (diluted)	**$1.06**	**$1.15**	-8.0%

Source: Company reports.

Consolidated Balance Sheet

(in thousands)	30-Jun-17	31-Dec-16
Real Estate Assets		
Land	$2,746,483	$2,591,071
Buildings and Improvements (net of Depreciation)	$20,830,770	$20,402,659
Properties held for sale	$141,319	$1,044,859
Acquired Lease Intangibles	$1,436,041	$1,402,884
Construction in Progress	$321,655	$506,091
Mortgage Loans Receivable, net	514,668	616,065
Total Net Real Estate Investments	25,990,936	26,563,629
Cash and Cash Equivalents	442,284	419,378
Deferred Loan expense	0	0
Goodwill	68,321	68,321
Equity Investments	425,489	457,138
Restricted Cash	45,357	187,842
Receivables and other	1,003,399	1,168,876
Total Assets	**$27,975,786**	**$28,865,184**
Bank Borrowings	$385,000	$645,000
Senior unsecured notes	8,250,940	8,161,619
Secured debt	2,670,914	3,477,699
Capital Lease Obligations	73,092	73,927
Accrued expenses and other liabilities	893,441	827,034
Total Liabilities	**$12,273,387**	**$13,185,279**
Minority Interest	$873,567	$873,512
Preferred stock	718,750	1,006,250
Common Stock	369,525	363,071
Capital in Excess of Par Value	17,439,977	16,999,691
Cumulative net income	5,330,702	4,803,575
Treasury stock	(62,335)	(54,741)
Accumulated Other income	(163,624)	(169,531)
Other equity	1,173	3,059
Cumulative Distributions	(8,805,336)	(8,144,981)
Total Shareholders' Equity	**15,702,399**	**15,679,905**
Total Liabilities and Shareholders' Equity	**$27,975,786**	**$28,865,184**

Balance Sheet Ratio Analysis	30-Jun-17	31-Dec-16
Net R/E Investments / Total Debt	43.5%	46.2%
Debt to Equity	72.0%	78.3%
Debt as % of Total Assets	40.4%	42.6%
Shareholders' Equity as % of Total Assets	56.1%	54.3%

Source: Company reports.

Conference Call Discussion

HCN management spent a lot of time discussing the strength of its portfolio so far during 2017, and slightly raised the bottom end of its guidance resulting in management's new guidance range for same store NOI at 2.25-3.0% for the year. On the property level fundamentals driving this improvement, management noted that while the occupancy at its senior housing operating portfolio was lower than expected, rents were up 3.9%, while operating costs were only up 1.6%, resulting in the strength. Leasing was also stronger at the triple net portfolio. The company's UK operations also produced strong results.

Management also discussed its recent divestiture activity, over the past year-plus the company had divested a total of $3.7 billion in assets while adding $2.8 billion in growth investments. We note that while these transactions may be good for the longer term, given the higher yield on those assets sold versus those being purchased, we will see some near term dilution. That was evident in the decline in Q2 results. We expect to see some more divestitures, as evidenced by the impairment charges taken during Q2 to write down assets to what management is anticipating it will receive from those assets.

Management retained its normalized FFO guidance for 2017 at $4.15 to $4.25 a share, which includes the acquisitions announced to date, as well as anticipated divestitures and development and development conversions already underway, but no new investments beyond those already announced. Management also pushed down its expectations for G&A expense to $130-$132 million for the year following the drop in this expense during Q2, which is included in the static guidance.

Property Fundamentals

Property fundamentals were above management guidance. Every property category showed same store NOI growth during the quarter. Same store net operating income (NOI) for the portfolio as a whole was up 3.0% for the quarter, and management's full year NOI guidance is 2.25-3.00%. Occupancy remains solid, with the company's senior housing operating portfolio occupancy at 87.9%, which is down a bit as noted earlier. Occupancy at the company's medical office property portfolio was a strong 94.5%. The retention rate here was also high at 85.9%. The senior housing operating portfolio saw NOI growth of 3.5%, while the triple net portfolio experienced 3.0% improvement and the skilled nursing portfolio improved 3.1%, and the medical office building portfolio had 1.6% growth. The operating portfolio performance continued to be a driver of strong performance for the company.

Q3 and 2017 Outlook

Following the call and discussions with management and in light of the two cent miss in the quarter versus our estimate, we are reducing our 2017 FFO per share estimate to $4.29 a share, which compares to the consensus number of $4.23 a share and is a 5.7% decline from 2016. We are anticipating an additional $0.9 billion in acquisitions and investments for the remainder of 2017, which are somewhat offset by the likely divestitures discussed earlier, thus the lower year over year numbers. This additional investment activity we are assuming is the reason for our estimate of FFO being above guidance, as management does not include future acquisitions in its estimates. Our Q3 estimate is $1.07 a share. We are anticipating that FFO growth will begin again in 2018, although it will be slow going in the near term. We are fine-tuning our 2018 estimate to $4.51, up 5.1% from our 2017 estimate and which compares to the consensus number of $4.41 and includes just over $1.0 billion in net new investments.

Valuation

Using our $4.29 a share estimate for 2017, HCN shares are trading at 17.0 times current year FFO. This is an elevated valuation, in our opinion, and at a premium to the peer group, which currently is trading at 16.1 times (please see the table below). HCN is trading at the top end of the large cap health care REITs. While the shares are expensive on a price basis, in our opinion, HCN remains a favorite company in the group on a fundamental basis, were there just not the issue with valuation. The strong relationships that HCN has developed with its operator partners should support acquisition activity and provide for modest FFO growth even in a difficult environment and could argue for a premium valuation. However, the shares remain above our preferred buying range, and we would lean more towards being a seller of shares rather than a buyer in spite of the strong operating momentum that the company is currently generating. Due to its long tenure in the business and the relationships that it has engendered, the company tends to have the best and most diversified acquisition pipeline in the group. We also note the growth rate of the company, which is well below the multiple and which we anticipate will trend down going forward. We note that it is purely valuation that is an issue for us at this point, and we would upgrade these shares should they drop back into what we consider a more attractive valuation with no change in fundamentals.

Health Care REITs	**Symbol**	**Closing Price 7/27/2017**	**Current Dividend**	**Yield**	**2018E Payout Ratio**	**2017E**	**2018E**	**2-Year Average Growth Rate**	**Price / FFO 2017E**	**Price / FFO 2018E**
National Health Investors	NHI	$76.72	$3.80	5.0%	70.4%	$5.20	$5.40	5.3%	14.8x	14.2x
LTC Properties	LTC	$51.33	$2.28	4.4%	69.3%	$3.13	$3.29	3.7%	16.4x	15.6x
Healthcare Realty	HR	$33.38	$1.20	3.6%	68.6%	$1.64	$1.75	3.6%	20.4x	19.1x
HCP, Inc.	HCP	$31.91	$1.48	4.6%	72.2%	$1.96	$2.05	-13.5%	16.3x	15.6x
Ventas, Inc.	VTR	$67.41	$3.10	4.6%	69.8%	$4.24	$4.44	3.7%	15.9x	15.2x
Health Care Sector Average		**$52.15**	**$2.37**	**4.5%**	**70.1%**	**$3.23**	**$3.39**	**1.5%**	**16.1x**	**15.4x**
Welltower, Inc.	HCN	$72.79	$3.48	4.8%	77.2%	$4.29	$4.51	-0.4%	17.0x	16.1x

Note: LTC, VTR and NHI are rated Neutral, HR is rated Underperform by Hilliard Lyons.

Source: NAREIT, Baseline and Hilliard Lyons' estimates.

Dividend – HCN increased its Q4 2015 dividend (paid in Q1 '16), raising it by three and a half cents a quarter, to a yearly rate of $3.44, or an increase of 4.2%. Management has noted in the past that it would like to reduce its payout ratio, although the increase is coming closer to our expectation to forward FFO growth. As such, the dividend increases in the future may come down slightly on a percentage basis, although the payout ratio on the new dividend is coming in near management's target in the low 70% range, which is slightly above the peer group payout level. In conjunction with the Q3 '16 press release, management noted that it would bump its Q1'17 dividend by a penny to $3.48 annually, a much lower increase than usual, and likely a function of the dilution from the asset sales lowering cash flow. We expect the payout ratio could potentially increase in the near term, and following the asset sales it is now above the industry average.

Rating – Our rating on HCN remains Underperform. With the share price having moved up since the February lows as the low interest rate environment has pushed income-oriented securities higher and the Fed likely to push rates higher in 2018 there could be pressure on the higher multiple income-oriented securities over the longer term. As such, we would stay away at this point despite the company's solid management team and the fine-tuning of its property portfolio. We generally like the company and its property mix and portfolio, and we will be paying close attention to any potential weakness in the share price for a possible upgrade.

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 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
In Thousands

	2014	2015	2016					2017E					2018E				
	Year	Year	Q1	Q2	Q3	Q4	Year	Q1A	Q2A	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Revenues:																	
Rental income	$1,405,766	$1,598,949	$415,663	$422,628	$421,152	$389,372	$1,648,815	$367,141	$355,599	$370,482	$380,602	$1,473,823	$388,144	$397,022	$406,646	$417,669	$1,609,481
Interest Income	$37,667	$84,141	$25,188	$24,007	$25,080	$23,688	$97,963	$20,748	$20,901	$20,474	$20,474	$82,597	$17,969	$17,890	$17,810	$17,731	$71,400
Resident fees and Services	$1,892,237	$2,158,031	$602,149	$615,220	$630,017	$657,345	$2,504,731	$670,337	$677,040	$685,198	$695,134	$2,727,709	$708,949	$723,040	$736,926	$751,259	$2,920,174
Other	$7,875	$18,706	4,050	14,802	2,884	7,916	$29,652	4,072	5,062	4,824	4,387	$18,345	3,413	2,151	2,871	2,958	$11,393
	$3,343,545	$3,859,827	$1,047,050	$1,076,657	$1,079,133	$1,078,321	$4,281,161	$1,062,298	$1,058,602	$1,080,978	$1,100,596	$4,302,474	$1,118,476	$1,140,103	$1,164,253	$1,189,617	$4,612,449
Expenses																	
Interest Expense	$481,040	$492,168	$132,960	$132,326	$129,699	$126,360	$521,345	$118,597	$116,231	$114,364	$116,104	$465,296	$118,645	$120,518	$124,201	$128,473	$491,837
Depreciation & Amort.	844,130	826,239	228,696	226,569	218,061	227,916	901,242	228,276	224,847	235,328	238,870	927,322	241,630	243,838	246,736	250,324	982,530
Property operating expense	1,403,358	1,622,256	449,636	458,832	473,680	494,835	1,876,983	510,169	501,855	517,325	521,350	2,050,699	535,257	542,135	554,537	564,947	2,196,876
Other								11,675	12,258			23,933					
Loss/Gain on debt extinguishment			-			17,204		31,356	5,515			36,871	-				
Loss on derivatives	(1,544)	-	-	-	-	8,906	8,906	1,224	-	-	-	1,224	-	-	-	-	-
Transaction costs	69,537	110,925	8,208	5,157	19,842	9,704	42,911	-	-	5,000	10,000	15,000	12,000	8,000	15,000	12,000	47,000
Provision for loan loss	-	-	-	-	-	10,215	10,215	-	-	-	-	-	-	-	-	-	-
General & Administrative	142,944	147,416	45,691	39,914	36,828	32,807	155,240	31,101	32,632	35,132	32,468	131,332	32,659	35,343	36,674	35,213	139,889
Total Expenses	$2,946,480	$3,199,393	$865,191	$862,798	$878,110	$927,947	$3,534,046	$932,398	$893,338	$907,148	$918,792	$3,651,677	$940,192	$949,835	$977,149	$990,957	$3,858,132
Income from Operations	$397,065	$660,434	$181,859	$213,859	$201,023	$150,374	$747,115	$129,900	$165,264	$173,829	$181,804	$650,797	$178,284	$190,268	$187,105	$198,660	$754,317
Minority interests	($148)	($4,800)	($153)	$1,077	($1,749)	($1,714)	($2,539)	($823)	($3,332)	($1,578)	($1,653)	($7,386)	($1,810)	($1,542)	($1,624)	($1,701)	($6,677)
Equity income from unconsolidated JVs	($27,425)	($21,504)	($3,820)	($1,959)	($3,479)	($2,829)	($12,087)	($23,106)	($3,978)	($3,268)	($3,418)	($33,770)	($2,759)	($3,107)	($3,501)	($3,298)	($12,665)
Oper. Income from discontinued opers.	$30,328	$190,111	$0			$200,165		$0					$0				
Income taxes	$1,268	($6,451)	$1,725	$513	$305	$16,585	$19,128	($2,245)	$0	$0	$0	($2,245)	$0	$0	$0	$0	$0
Other		($20,046)	$24	($3,194)	($7,189)	($13,187)		($20,800)				($20,800)					
(Loss)/Gain on sale of assets	$113,755	$86,010	($14,314)	$1,530	$162,351	$0	$149,567	$244,092	$42,155	$0	$0	$286,247	$0	$0	$0	$0	$0
Income Bef. Preferred div	$514,843	$883,754	$165,321	$211,826	$351,262	$349,394	$901,184	$327,018	$200,109	$168,983	$176,733	$872,844	$173,715	$185,619	$181,980	$193,661	$734,975
Preferred dividends	$65,409	$65,408	$16,352	$16,352	$16,352	$16,352	$65,408	$14,379	$11,680	$11,677	$11,677	$49,413	$11,677	$11,677	$11,677	$11,677	$46,708
Net Income for common	$449,434	$818,346	$148,969	$195,474	$334,910	$333,042	$835,776	$312,639	$188,429	$157,306	$165,056	$823,431	$162,038	$173,942	$170,303	$181,984	$688,267
Per share bef. Extra	$1.46	$2.34	$0.42	$0.54	$0.93	$0.91	$2.32	$0.86	$0.51	$0.42	$0.44	$2.22	$0.43	$0.46	$0.44	$0.47	$1.80
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	$0.00	$0.00
Net (loss) income per share	$1.46	$2.34	$0.42	$0.54	$0.93	$0.91	$2.32	$0.86	$0.51	$0.42	$0.44	$2.22	$0.43	$0.46	$0.44	$0.47	$1.80
Quarterly dividend rate	$3.18	$3.30	$0.86	$0.86	$0.86	$0.86	$3.44	$0.87	$0.87	$0.87	$0.87	$3.48	$0.79	$0.79	$0.79	$0.79	$3.16
Shs Outstanding (diluted)	307,713,500	349,314,250	356,051,000	358,891,000	361,237,000	364,369,000	360,137,000	364,652,000	368,149,000	372,199,000	376,249,000	370,312,250	378,949,000	381,896,500	384,011,500	386,126,500	382,745,875

Table 5. Funds From Operations Calculation

		2015	2016					2017E					2018E				
In Thousands	Year	Year	Q1	Q2	Q3	Q4	Year	Q1A	Q2A	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Net income for common shareholders	$449,434	$818,346	$148,969	$195,474	$334,910	$333,042	$835,776	$312,639	$188,429	$157,306	$165,056	$823,431	$162,038	$173,942	$170,303	$181,984	$688,267
Add Back:																	
Depreciation	844,130	826,239	228,696	226,569	218,061	227,916	901,242	228,276	224,847	235,328	238,870	927,322	241,630	243,838	246,736	250,324	982,530
JV Adjustment	37,454	44,509	7,951	(3,539)	11,251	5,091	20,754	6,891	7,310	1,895	1,958	18,054	3,518	1,951	1,945	2,015	9,429
Other	56,563	(113,665)	8,208	(2,539)	18,901	35,660	60,230	79,480	12,544	5,000	10,000	107,024	12,000	8,000	15,000	12,000	47,000
Non-recurring																	
Deduct:																	
Gain/loss on sales of real estate	($115,027)	($43,241)	$7,172	($1,530)	($162,351)	($200,165)	($149,567)	($244,092)	($42,155)	$0	$0	($286,247)	$0	$0	$0	$0	$0
FFO Available for common	$1,272,554	$1,532,188	$400,996	$414,435	$420,772	$401,544	$1,668,435	$383,194	$390,975	$399,530	$415,884	$1,589,583	$419,186	$427,731	$433,984	$446,324	$1,727,226
Diluted FFO available for common	$1,269,862	$1,532,188	$400,996	$414,435	$420,772	$401,544	$1,637,747	$383,194	$390,975	$399,530	$415,884	$1,589,583	$419,186	$427,731	$433,984	$446,324	$1,727,226
Basic FFO per share	$4.15	$4.40	$1.13	$1.16	$1.17	$1.11	$4.65	$1.06	$1.07	$1.08	$1.11	$4.31	$1.11	$1.12	$1.13	$1.16	$4.53
Diluted FFO per share	$4.13	$4.38	$1.13	$1.15	$1.16	$1.10	$4.55	$1.05	$1.06	$1.07	$1.11	$4.29	$1.11	$1.12	$1.13	$1.16	$4.51
Shares, basic	306,363,500	347,964,250	354,501,000	356,646,000	359,887,000	363,019,000	358,513,250	363,102,000	366,599,000	370,649,000	374,699,000	368,762,250	377,599,000	380,546,500	382,661,500	384,776,500	381,395,875
Shares, diluted	307,713,500	349,314,250	355,851,000	358,891,000	361,237,000	364,369,000	360,087,000	364,452,000	367,949,000	371,999,000	376,049,000	370,112,250	378,949,000	381,896,500	384,011,500	386,126,500	382,745,875

Table 6. Funds Available for Distribution Calculation

FFO Available for common	$1,272,554	$1,532,188	$400,996	$414,435	$420,772	$401,544	$1,668,435	$383,194	$390,975	$399,530	$415,884	$1,589,583	$419,186	$427,731	$433,984	$446,324	$1,727,226
Less:																	
Recurring real estate CAPX	($126,000)	($63,000)	($12,000)	($12,000)	($12,000)	($12,000)	($48,000)	($12,000)	($12,000)	($12,000)	($12,000)	($48,000)	($12,000)	($12,000)	($12,000)	($12,000)	($48,000)
Debt adjustments	$4,800	$4,800	$1,200	$1,200	$1,200	$1,200	$4,800	$1,200	$1,200	$1,200	$1,200	$4,800	$1,200	$1,200	$1,200	$1,200	$4,800
Other	($60,000)	($60,000)	($15,000)	($15,000)	($15,000)	($15,000)	($60,000)	($15,000)	($15,000)	($15,000)	($15,000)	($60,000)	($15,000)	($15,000)	($15,000)	($15,000)	($60,000)
Funds available for distribution	$1,091,354	$1,413,988	$375,196	$388,635	$394,972	$375,744	$1,565,235	$357,394	$365,175	$373,730	$390,084	$1,486,383	$393,386	$401,931	$408,184	$420,524	$1,624,026
Per share	$3.56	$4.06	$1.06	$1.09	$1.10	$1.04	$4.37	$0.98	$1.00	$1.01	$1.04	$4.03	$1.04	$1.06	$1.07	$1.09	$4.26

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

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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.
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.
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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	36	29%	14%	86%
Hold/Neutral	79	63%	5%	95%
Sell	10	8%	0%	100%

As of 7 July 2017

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