



COMPANY UPDATE

Key Metrics

LAND - NASDAQ - 8/8/17	\$12.80
Price Target	\$14.40
52-Week Range	\$9.51 - \$14.09
Shares Outstanding (mm)	12.9
Market Cap. (\$mm)	\$165.1
1-Mo. Average Daily Volume	59,340
Institutional Ownership	39.0%
Debt/Total Capital Jun-17	62.0%
Est 3-year FFO Growth Rate	12.0%
Est 3-year Dividend Growth Rate	2.0%
Book Value	\$ 7.73
Dividend	\$ 0.53
Dividend Yield	4.13%
Est. Fixed Charge Coverage	1.7X

FFO Core Normalized

		Prior	Current		Prior	Current
	2016	2017E	2017E	A	2018E	2018E
1Q	\$0.13	--	\$0.14	A	\$0.16	\$0.16
2Q	\$0.14	--	\$0.14	A	\$0.16	\$0.16
3Q	\$0.15	\$0.17	\$0.17		\$0.19	\$0.19
4Q	\$0.14	\$0.18	\$0.18		\$0.18	\$0.18
Year	\$0.56	\$0.63	\$0.63		\$0.70	\$0.70
P/FFO	0.0x		20.3x			18.3x

Note that quarters may not add due to rounding

Revenue (\$mm)

		Prior	Current		Prior	Current
	2016	2017E	2017E	A	2018E	2018E
1Q	\$3.8	--	\$5.9	A	\$7.6	\$7.6
2Q	\$4.2	--	\$6.0	A	\$8.1	\$8.1
3Q	\$4.5	\$6.7	\$6.7		\$8.4	\$8.4
4Q	\$4.9	\$7.1	\$7.1		\$8.8	\$8.8
Year	\$17.3	\$26.1	\$26.1		\$32.9 *	\$32.9

May not add due to rounding.

Company Description: Gladstone Land Corp., headquartered in McLean, VA, is a real estate investment trust (REIT) that is focused on investments in farmland, mainly in high value non-commodity crops. Its current farmland is mainly in California, Colorado and Florida, but the company is expanding its reach into other states.

Gladstone Land Corp.

LAND -- NASDAQ – Long-term Buy-4

Q2 Results Equals Our Estimate

Investment Highlights

- Last night after the close, LAND reported core Q2 FFO of \$0.14 a share, equal to our estimate and a penny below the consensus. The company continues on its growth trajectory with an ongoing stream of acquisitions and investments. In fact, since the end of the first quarter, the company has been very aggressive in its purchases, with more than \$40 million in investments. At this point, we are not changing our out-quarter estimates with our full year estimate remaining at \$0.63 a share. Our 2018 FFO estimate remains at \$0.70 a share. We could, however, adjust our numbers after we hear from management on the conference call this morning.
- LAND has been consistently purchasing additional properties and is slowly increasing the size of its property portfolio. While the company has not yet reached a size that we would consider “critical mass”, at its current rate of acquisition, it should be there soon.
- We are retaining our Long-term Buy rating on LAND shares at this point. LAND shares have moved up pretty significantly so far this year, and especially over the last couple of days with the shares spiking going into the earnings announcement. We are not sure if the spike was driven by speculation on the earnings numbers, or potentially on a large buyer attempting to establish a position. Despite the share price rise, asset value remains above the share price, although closing in our 2-3 year target price. Our price target remains at \$14.40 a share at this point, based on a discount to management’s estimate of the company’s underlying value, well above the historical norm for this measure. A report outlining any changes will be out later today following the company’s 8:30AM conference call.

Note Important Disclosures on Pages 6-7.

Note Analyst Certification on Page 6.

Second Quarter Review

Total operating revenues were \$6.00 million, compared to \$4.24 million in Q2 '16, up 41.3%. Purchases consummated since last year caused the increase of the top line.

Total operating expenses were up 13.3% to \$1.49 million from \$1.32 million. Due to the low revenue numbers, even a low delta to the number can create a large bottom line impact. Expenses are higher as a percent of revenue for LAND than at a more established REIT. Interest expense was \$2.65 million, up 78.3% from \$1.49 million, while depreciation rose 19.8% to \$1.60 million on all of the recent investments. Net income was \$0.22 million compared to \$0.11 million year over year. Obviously, at this point earnings are somewhat irrelevant for LAND as it is in startup mode. Core funds from operations (which exclude acquisition-related costs) were \$1.92 million compared to \$1.49 million sequentially. FFO per share was \$0.144 versus \$0.139, on a 10.4% increase in shares outstanding.

LAND has increased its leverage a little since the end of the year with debt used to assist in funding the recent investments. Based on recent discussions with management, the company is sitting near the high end of its target leverage. At the current time the company's debt-to-equity stands at 2.1 to 1 on a book basis. The company's debt level stood at \$272.0 million at quarter-end in comparison to \$207.3 million at year end. On a market basis, debt as a percent of total capitalization stood at approximately 62% at quarter-end.

Other 2nd Quarter Activity

Investment Activity – During the second quarter LAND made two investments, the \$27.5 million purchase of four farms in southwestern Arizona encompassing a total of 3,253 gross acres of farmland (3,032 acres irrigated) and \$2.2 million for two farms encompassing 310 organic acres in North Carolina. The farms are leased under various terms from two to ten years. While management did not offer projected yield guidance on the purchases, we believe they are consistent with previous purchases. Subsequent to quarter-end the company acquired pistachio and almond farms in California for \$13.6 million. The four farms purchased in this transaction encompass a total of 847 gross acres with 327 acres used to grow pistachio trees and 318 acres for almond trees. Management signed a 10-year triple net lease on the farms following the purchase. Management also noted that it has extended or renewed leases on seven different farms during the quarter for between one and five years for total annualized rent of \$1.1 million.

Capital/Financing Activity – During the quarter LAND obtained \$16.6 million in new long-term debt with an expected weighted average interest rate of 3.8%. Subsequent to quarter end the company secured another \$13.6 million in new long-term borrowings at a weighted average interest rate of 3.64% fixed for the next six years.

Dividend – LAND established a very high initial dividend, paying \$1.44 annually, to satisfy requirements related to its change to REIT structure. Following this first year, the company established a dividend more appropriate to its cash flow, paying \$0.36 a share, or \$0.03 a month. As the company's cash flow moved up, LAND increased its dividend twice in 2015, once in Q1 to \$0.42 (3.5 cents a month) and another in Q2 to \$0.48 (4 cents a month). Then in 2016 it again raised it twice to \$0.495 (\$0.04125 a month) and then to \$0.51 a share (\$0.0425 a month). For the previous quarter, the company raised it again, up 1.2% to \$0.043 a month or \$0.516 annually and the company again raised the dividend for the second quarter, increasing it to a monthly payment of \$0.0435 or \$0.522 annually and once again for Q3 raising it to \$0.044 a month to \$0.528 annually. The payout ratio on our expected FFO estimate for 2017 is just over 80%.

Quarterly Income Statement

	2nd Q 17	2nd Q 16	% Change
Rental Revenue	\$5,994,000	\$4,241,612	41.3%
Tenant Recovery Income	2,000	2,829	
Total Operating Revenues	5,996,000	4,244,441	41.3%
Property Operating Expenses	242,000	158,578	52.6%
Base Management Fee	530,000	385,586	37.5%
Administration Fee	219,000	179,377	22.1%
Incentive Fee	76,000	158,877	
Professional Fees	0	0	
Due Diligence Expense	37,000	24,648	50.1%
General and Administrative Expenses	387,000	408,365	-5.2%
Total Operating Expenses	1,491,000	1,315,431	13.3%
Credit to Incentive Fee	0	0	
EBITDA	4,505,000	2,929,010	53.8%
Interest Expense	2,651,000	1,486,820	78.3%
Depreciation and Amortization Expenses	1,599,000	1,334,973	19.8%
Other Income (expense)	0	8,643	
Discontinued Operations (loss)	0	0	0.0%
Net Income	\$255,000	\$115,860	120.1%
Non-Controlling interest	\$28,000	\$8,047	
Net Income Available to Common Shareholders	\$227,000	\$107,813	110.5%
Net EPS (diluted)	\$0.02	\$0.01	90.8%
Avg. Shares Outstanding (diluted)	11,850,624	10,738,820	10.4%
Funds From Operations			
	2nd Q 17	2nd Q 16	
Net Income Available to Common Shareholders	\$255,000	\$115,860	120.1%
Depreciation and Amortization (incl. discontinued op	1,599,000	1,334,973	19.8%
Normalizing factors	62,000	37,548	
Total Funds From Operations	\$1,916,000	\$1,488,381	28.7%
FFO Per Share	\$0.144	\$0.139	3.9%

Source: Company reports.

Condensed Balance Sheet

	June 30, 2017	December 31, 2016
Real Estate (Net of Depreciation)	\$405,222,000	\$326,310,621
Mortgage Note Receivable	0	0
Lease Intangibles (net)	5,905,000	1,999,773
Short term Investments	0	0
Cash and Cash Equivalents	2,766,000	2,438,021
Restricted Cash	0	0
Deferred Offering Costs	0	0
Deferred Financing Cost	217,000	239,135
Prepaid Expenses	0	0
Deposits on Real Estate	0	0
Other Assets	2,910,000	2,997,469
Total Assets	\$417,020,000	\$333,985,019
Mortgage Note Payable	\$236,941,000	\$190,797,012
Borrowings under Line of Credit	\$35,050,000	\$16,550,000
Deferred Rent Liability	0	0
Asset Retirement Obligation Liability	0	0
Accounts Payable and Accrued Expenses	4,684,000	2,801,194
Due to Related	836,000	750,796
Deferred Tax Liability	0	0
Rent Received / Security Deposits / Other	7,260,000	7,653,582
Total Liabilities	284,771,000	218,552,584
Preferred Stock	27,773,000	27,655,273
Common Stock	12,000	10,025
Additional Paid in Capital	109,020,000	90,081,837
Retained Earnings	(15,941,000)	(13,401,529)
Non-controlling	11,385,000	11,086,829
Total Shareholders' Equity	\$132,249,000	\$115,432,435
Total Liabilities and Shareholders' Equity	\$417,020,000	\$333,985,019

Balance Sheet Ratio Analysis	June 30, 2017	December 31, 2016
Investments (net) as % of Assets	97.2%	97.7%
Cash & Equiv. and Restricted Cash as % of Assets	0.7%	0.7%
Debt to Equity	205.7%	179.6%
Total Liabilities as % of Assets	68.3%	65.4%
Shareholders' Equity as % of Assets	31.7%	34.6%

Source: Company reports.

First Take

LAND's Q2 results were largely in line with our expectations, with the revenue line a little light but offset by lower expenses. Acquisitions have been somewhat above our overall expectations and we may need to push our full year estimate higher as a result. The recent rise in the share price should enable management to issue equity and continue to make acquisitions going forward, even though the share price remains under where the initial public offering was completed. With the company's growth dependent upon investment activity, we expect management to continue issuing a small amount of equity in conjunction with property purchases. We believe after the call this morning we will have a better feel on this front of exactly what management is looking for from a capital perspective. We continue to see consistent purchases, with some of the larger variety we have not seen in the past. Management seems to be ramping up the acquisition activity in light of the recent share price strengthening. The stock continues to be an asset value play, with a steady growing dividend with a value that is slowly being recognized. Despite the move up in the share price, we still see value here.

Suitability

LAND has a suitability rating of 4 on our 1-4 scale. While the company's share price is backed by its hard asset base (farms and farmland), the company at this point has a less diversified portfolio of properties than other large, more established REITs. Further, the company has a short operating history, with its IPO occurring in 2013. The company's balance sheet is also somewhat levered and its access to capital is also constrained due to its stock price remaining sharply below the IPO price. Also, farmland has inherent volatility that could be magnified due to leverage and stock market activity.

Risks

There are a number of risks to owning LAND shares and REITs as an investment group. REITs in general need access to debt capital to grow; if such debt and equity capital is unavailable, the company may have difficulty in growing. The company's dividend is attractive to shareholders and LAND, as well as REITs in general, have seen their prices rise with the decline in overall interest rates. Should rates rise, that could hurt LAND's share price. Because of a REIT's thirst for debt, changes in interest rates can also impact a REIT's cash flow and ability to make accretive acquisitions. LAND's concentration upon the farmland real estate sector could be a risk given the recent high level of price appreciation. Should institutional investors reduce exposure to the group that could lower the value of the company's current portfolio, although it would offer up additional opportunities in the market if prices fall. LAND's concentrated geographic exposure to a small number of states could be an issue if any one state has a problem, or if farm commodities see declines in pricing, among others. One also must worry about management time, since they manage multiple companies, and also the dependence upon David Gladstone's expertise.

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.

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.

Gladstone Capital (GLAD-\$9.90), Gladstone Commercial Corp. (GOOD-\$20.88), Gladstone Investment Corp. (GAIN-\$9.72) and Gladstone Land share the same board and management.

The author of this report or members of his family own a long portion in the common shares of Gladstone Investment Corp. and Gladstone Commercial Corp. but cannot trade contrary to his opinion.

Hilliard Lyons acted as a manager or co-manager of an offering of securities of Gladstone Land Corporation in the past 12 months.

Hilliard Lyons has received investment banking compensation from Gladstone Land Corporation in the past twelve months.

Hilliard Lyons has participated in a selling group for an offering of securities of Gladstone Land in the past 12 months.

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, 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.

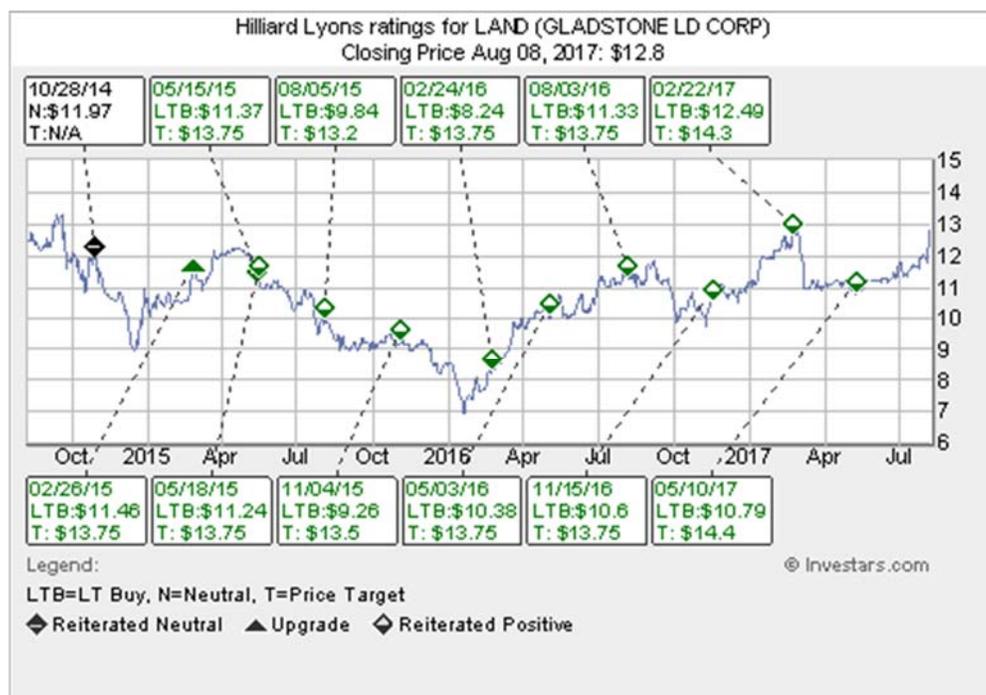
Suitability Ratings

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

As of 7 July 2017

Other Disclosures

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