



COMPANY UPDATE

Key Metrics

LAND - NASDAQ - 11/7/17	\$13.92
Price Target	\$14.40
52-Week Range	\$9.70 - \$14.29
Shares Outstanding (mm)	13.7
Market Cap. (\$mm)	\$190.7
1-Mo. Average Daily Volume	59,340
Institutional Ownership	39.0%
Debt/Total Capital Sep-17	64.7%
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	3.79%
Est. Fixed Charge Coverage	1.7X

FFO Core Normalized

	2016	Prior 2017E	Current 2017E	Prior 2018E	Current 2018E
1Q	\$0.13	--	\$0.14 A	\$0.15	\$0.15
2Q	\$0.14	--	\$0.14 A	\$0.17	\$0.17
3Q	\$0.15	--	\$0.14 A	\$0.18	\$0.18
4Q	\$0.14	\$0.17	\$0.17	\$0.18	\$0.18
Year	\$0.56	\$0.61	\$0.59	\$0.69	\$0.69
P/FFO	0.0x		23.6x		20.2x

Note that quarters may not add due to rounding

Revenue (\$mm)

	2016	Prior 2017E	Current 2017E	Prior 2018E	Current 2018E
1Q	\$3.8	--	\$5.9 A	\$7.4	\$7.4
2Q	\$4.2	--	\$6.0 A	\$7.8	\$7.8
3Q	\$4.5	--	\$6.6 A	\$8.2	\$8.2
4Q	\$4.9	\$6.9	\$6.9	\$8.7	\$8.7
Year	\$17.3	\$25.3	\$25.3	\$32.1 *	\$32.1

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

Q3 Results below our Estimate.

Investment Highlights

- Last night after the close, LAND reported Q3 core FFO of \$0.14 a share, below our estimate of \$0.16 and the consensus number of \$0.15. The downside was mainly a function of a little higher level of advisor and interest expense than we expected. Given the miss we may adjust our full year estimate after the conference call this morning.
- LAND had a very active Q3, making four acquisitions during the quarter. LAND management continues to increase the size of its property portfolio. The Q3 purchases amounted to nearly \$40 million. It has managed to increase the size of its pipeline on a consistent basis, indicating that investments will continue in the near term. It closed on another small farm subsequent to quarter end.
- A report 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

Third Quarter Review

Total operating revenues were \$6.56 million, compared to \$4.47 million in Q3 '16, up 46.9%. Acquisitions over the past year continue to add to the top line. Operating expenses were up less than revenue at 33.8%, although that was a function of a sharp drop in acquisition expense, as the incentive fee to management was up more than 10-fold. Management did waive \$0.054 million in fees during the quarter. Core funds from operations were up over the year earlier period at \$1.95 million versus \$1.64 million. Core FFO per share was \$0.142 versus \$0.151, on 26.2% more shares outstanding.

Other Third Quarter Activity

Investment Activity – LAND had an active quarter, making four acquisitions of seven farms in Florida, Washington State and California. The farms consist of a total of 3,864 acres of farmland and cost a total of approximately \$38.2 million and at a weighted average cap rate of 4.9%, plus various annual increases or percentage rent. The properties are used for a variety of crops including, berries, nuts and fresh vegetables, among others. The company assumed or entered into long-term leases on all of the farms, ranging from 6-years to 10-years, all with extension options and most with annual escalators or revenue sharing components. We note that subsequent to quarter end the company acquired a 1,280 acre farm in Colorado adjacent to one of its existing farms for \$0.9 million and entered into a four year lease at a 5.8% capitalization rate. The company also completed a development project on a California property for a cost of \$8.4 million on which the company anticipates receiving additional rent of \$5.2 million during the life of the lease.

Capital/Financing Activity – During the quarter, the company undertook the issuance of common stock, issuing 1.15 million shares generating \$13.3 million after all underwriting expenses. Also, the company obtained debt amounting to \$55.6 million in borrowings with an average maturity of 8.9 years at an average rate of 3.72% to finance the remainder of the capital used to pay for recent investments. Also subsequent to quarter end the company obtained a small amount of additional debt (\$0.5 million) and sold \$0.4 million in common stock (31,038 shares)

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, once again for Q3 raising it to \$0.044 a month to \$0.528 annually and another slight bump to \$0.441 a month for Q4 or \$0.5292 annually. The payout ratio on our expected FFO estimate for 2017 is just over 80%.

Quarterly Income Statement

	3rd Q 17	3rd Q 16	% Change
Rental Revenue	\$6,561,000	\$4,467,217	46.9%
Tenant Recpver Income	3,000	1,957	
Interest Income from Mortgage Note Receivable	4,000	2,354	69.9%
Total Operating Revenues	6,568,000	4,471,528	46.9%
Property Operating Expenses	257,000	160,913	59.7%
Base Management Fee	523,000	385,576	35.6%
Administration Fee	211,000	183,605	14.9%
Incentive Fee	261,000	22,046	
Professional Fees	0	0	
Due Diligence Expense	22,000	122,841	-82.1%
General and Administrative Expenses	374,000	356,513	4.9%
Total Operating Expenses	1,648,000	1,231,494	33.8%
Credit to Incentive Fee	54,000	0	
EBITDA	4,974,000	3,240,034	53.5%
Interest Expense	2,634,000	1,554,668	69.4%
Depreciation and Amortization Expenses	2,051,000	1,431,846	43.2%
Other Income (expense)	0	0	
Minority interest	(26,000)	2,718	
Discontinued Operations (loss)	(78,000)	0	0.0%
Net Income	\$237,000	\$250,802	-5.5%
Preferred Dividends	\$458,000	\$218,919	
Net Income Available to Common Shareholders	(\$221,000)	\$31,883	-793.2%
Net EPS (diluted)	(\$0.02)	\$0.00	-649.4%
Avg. Shares Outstanding (diluted)	13,716,360	10,872,447	26.2%
Funds From Operations			
	3rd Q 17	3rd Q 16	
Net Income Available to Common Shareholders	(\$247,000)	\$34,601	-813.9%
Depreciation and Amortization (incl. discontinued op	2,051,000	1,431,846	43.2%
Less Gain on Sale of Real Estate (net of taxes)	147,000	173,341	
Total Funds From Operations	\$1,951,000	\$1,639,788	19.0%
FFO Per Share	\$0.142	\$0.151	-5.7%

Source: Company reports.

Condensed Balance Sheet

	September 30, 2017	December 31, 2016
Real Estate (Net of Depreciation)	\$444,390,000	\$326,310,621
Mortgage Note Receivable	0	0
Lease Intangibles (net)	5,796,000	1,999,773
Short term Investments	0	0
Cash and Cash Equivalents	3,758,000	2,438,021
Restricted Cash	0	0
Deferred Offering Costs	0	0
Deferred Financing Cost	209,000	239,135
Prepaid Expenses	0	0
Deposits on Real Estate	0	0
Other Assets	2,407,000	2,997,469
Total Assets	\$456,560,000	\$333,985,019
Mortgage Note Payable	\$290,234,000	\$190,797,012
Borrowings under Line of Credit	\$5,100,000	\$16,550,000
Deferred Rent Liability	0	0
Asset Retirement Obligation Liability	0	0
Accounts Payable and Accrued Expenses	4,382,000	2,801,194
Due to Related	984,000	750,796
Deferred Tax Liability	0	0
Rent Received / Security Deposits / Other	9,043,000	7,653,582
Total Liabilities	309,743,000	218,552,584
Preferred Stock	27,831,000	27,655,273
Common Stock	13,000	10,025
Additional Paid in Capital	126,848,000	90,081,837
Retained Earnings	(17,801,000)	(13,401,529)
Non-controlling	9,926,000	11,086,829
Total Shareholders' Equity	\$146,817,000	\$115,432,435
Total Liabilities and Shareholders' Equity	\$456,560,000	\$333,985,019

Balance Sheet Ratio Analysis	September 30, 2017	December 31, 2016
Investments (net) as % of Assets	97.3%	97.7%
Cash & Equiv. and Restricted Cash as % of Assets	0.8%	0.7%
Debt to Equity	201.2%	179.6%
Total Liabilities as % of Assets	67.8%	65.4%
Shareholders' Equity as % of Assets	32.2%	34.6%

Source: Company reports.

First Take

LAND's reported results were under what we anticipated, although in light of the company's strong level of acquisition activity it is not surprising, with the weakness driven by the expense side of the income statement, particularly higher interest expense. This high level of acquisition activity should lead to positive financial performance down the line as management integrates these new investments into the company's operations, improving economies of scale. The one negative we saw was on the re-leasing front. LAND renewed the two leases remaining to be done for 2017 at a lease rate that totaled 12.5% **below** the level of the previous leases. These leases (2) were each signed for three years. At this point we are not sure if that is a unique situation for those two leases, and while they only account for a little more than 4% of revenue, this would not be a good trend, and this will be something we will be discussing with management on today's conference call.

With the large level of investment and recent increase in the stock price we anticipate that the company is likely to undertake another equity offering of some type in the near future. Management has been very consistent in making acquisitions, although we do wonder whether the hurricanes and California fires might slow that pace, something else we will be asking about on the conference call.

We continue to note that our price target and rating is based on a discount to the company's underlying NAV. We note that with the stock offering completed during the quarter the company's NAV number dropped \$0.31 a share to \$14.15 at the end of September. We are using a discount to the underlying asset value we are projecting in two-to-three years. We believe this is conservative, as most other REITs trade at solid premiums to their current underlying asset value. With the expected increase in rates and the decline in REIT valuations we are now using a 15% discount as being appropriate and conservative enough to protect investors even if there is some softness in the farmland markets.

However, in looking out 2-3 years, we have assumed 3% annual increases in underlying farmland prices (about equal to the long term investment performance of the asset class) and adjusting that for a 50% debt position (with all the upside going to the equity holders). Thus our 2-3 year price target on LAND of \$14.40 based on the previous quarter's NAV. We will need to hear from management on the 8:30 conference call before we can update that number. We will have a full report updating our price target and estimates following the call.

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 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.

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

Hilliard Lyons has received investment banking compensation from Gladstone Land in the past 12-months.

Gladstone Capital (GLAD-\$9.77), Gladstone Commercial Corp. (GOOD-\$22.39), Gladstone Investment Corp. (GAIN-\$10.81) 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.

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	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

Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation or needs of individual investors. Employees of J.J.B. Hilliard, W.L. Lyons, LLC or its affiliates may, at times, release written or oral commentary, technical analysis or trading strategies that differ from the opinions expressed here.

J.J.B. Hilliard, W.L. Lyons, LLC is a multi-disciplined financial services firm that regularly seeks investment banking assignments and compensation from issuers for services including, but not limited to, acting as an underwriter in an offering or financial advisor in a merger or acquisition, or serving as placement agent in private transactions.

The information herein has been obtained from sources we believe to be reliable but is not guaranteed and does not purport to be a complete statement of all material factors. This is for informational purposes and is not a solicitation of orders to purchase or sell securities. Reproduction is forbidden unless authorized. All rights reserved.