



## COMPANY UPDATE/ESTIMATE CHANGE

### Key Metrics

NHI - NYSE - as of 2/16/17	\$73.98
Price Target	N/A
52-Week Range	\$57.32 - \$82.53
Shares Outstanding (mm)	40.0
Market Cap. (\$mm)	\$2,959.2
1-Mo. Average Daily Volume	186,757
Institutional Ownership	67.3%
Debt/Total Capital Dec-16	27.3%
Est 3-year FFO Growth Rate	6.5%
Est 3-year Dividend Growth Rate	5.0%
Dividend	\$ 3.80
Dividend Yield	5.14%
Est. Fixed Charge Coverage	5.9X

### Normalized FFO

	2015		2016		Prior 2017E	Current 2017E
1Q	\$1.13	--	\$1.16	\$1.27	\$1.26	
2Q	\$1.15	--	\$1.22	\$1.30	\$1.29	
3Q	\$1.21	--	\$1.23	\$1.32	\$1.32	
4Q *	\$1.17	--	\$1.27	\$1.33	\$1.33	
Year	\$4.67		\$4.87	\$5.22	\$5.20	
P/E	15.8x		15.2x		14.2x	

\* - FFO numbers not adjusted for accounting changes/ discontinued

### Revenue (\$mm)

	2015		2016		Prior 2017E	Current 2017E
1Q	\$55.8	--	\$59.0	\$67.8	\$66.4	
2Q	\$56.3	--	\$61.2	\$69.1	\$68.1	
3Q	\$58.3	--	\$63.3	\$71.2	\$70.2	
4Q	\$58.7	--	\$65.8	\$73.4	\$71.9	
Year	\$229.0		\$248.5	\$281.5	\$276.7	

**Company Description:** National Health Investors, Inc., headquartered in Murfreesboro, TN, is a real estate investment trust (REIT) with investments in more than 130 healthcare facilities located in 20 states.

## Healthcare Real Estate Investment Trusts

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## National Health Investors, Inc.

NHI -- NYSE – Neutral-2

### Q4 Earnings Update

### Investment Highlights

- NHI reported Q4 normalized FFO of \$1.27 a share, a penny above our estimate and two cents above the consensus and compared to \$1.17 a share in the year earlier period. Management initiated 2017 normalized earnings guidance at \$5.06 to \$5.12 a share, both below the \$5.16 a share consensus as well as our fine-tuned estimate of \$5.20 a share, which includes additional investments beyond that included in NHI's guidance. We are initiating a 2018 FFO estimate of \$5.40 a share.
- The healthcare REITs have sharply underperformed the market recently over worries that interest rates will be rising. We believe that the decline could be bringing the group more in line with fair value, although we believe they may very well continue to underperform in the near term on continued rate worries. We expect we may get an opportunity to raise our group rating in the near future if the price declines and there are no changes in fundamentals. NHI shares have also pulled back and trade in line with its peers. The strong work of management and good acquisition activity is a definite positive, although not enough for us to raise our rating. We are staying on the sidelines at this point.
- Our rating for NHI remains Neutral. Although the recent acquisition activity has, in our opinion, increased the overall value of the firm, we are still waiting for a more attractive entry point.

**Note Important Disclosures on Pages 8-9.**  
**Note Analyst Certification on Page 8.**

**Fourth Quarter Review**

Total revenue was \$65.0 million versus \$58.7 million, a 10.8% increase. Rental income of \$61.0 million was up 11.3% (please see income statement on page 3), from \$54.8 million, a function of the company's recent acquisition activity and ordinary rental escalators. Mortgage interest income was up 26.9% at \$3.6 million. Interest and other income was down at \$0.4 million versus \$1.0 million.

Operating (G&A) and other expenses rose 3.4% during the quarter to \$2.6 million, equal to our estimate for the quarter. Interest expense rose, as the company added more debt to finance recent acquisitions, with the debt level up 22.0% and interest expense rising to \$11.4 million for the quarter, compared to \$10.2 million in the year ago period as debt was taken on to finance investment activity. The other two major cash costs, legal expense and franchise and excise taxes were at \$0.2 million versus \$0.5 million in the year earlier period. Depreciation expense rose 16.4% to \$15.9 million versus \$13.7 million, a function of recent acquisitions. There was a \$6.2 million investment gain this year compared to a \$23.5 million gain last year. There was a small amount of minority interest expense last year and none this year. Fourth quarter net income available to common shareholders was \$41.2 million versus \$54.4 million, a 24.3% decline. EPS were \$1.03 versus \$1.44 on 6.0% more common shares outstanding, as the company sold more than \$100 million in stock during the year under its "at the market" stock sale program.

Normalized funds from operations (FFO), which exclude real estate gains and various other non-recurring income, were \$50.6 million compared to \$44.3 million in last year's fourth quarter, a 14.3% increase. Normalized FFO per diluted share were \$1.27 versus \$1.17. Under the NAREIT definition of FFO, NHI reported per share numbers of \$1.43 a share in the fourth quarter of 2016 and \$1.80 a share in the year earlier period, with gains on asset sales being the major difference here.

NHI increased the level of debt on the balance sheet over the year. NHI had \$1,116.0 million in debt at quarter end, up from \$914.4 million at the end of last year. At year end the company had approximately \$392 million in capacity remaining on the revolving portion of its credit facility. This offers significant buying capacity for the company. At quarter-end, NHI's debt to total market capitalization was 27.3%, remaining lower than its peers.

**Other 4th Quarter Activity**

**Investment Activity** – NHI invested \$74 million in a continuing care retirement community in Connecticut at a lease rate of 6.77% with a 4% initial escalator and 3% after that during Q3. In addition, NHI changed its operating partnership with Bickford Senior Living to a triple net lease structure. NHI is paying \$25.1 million for the minority interest in the real estate, while Bickford pays NHI \$8.1 million for its non-controlling position in the operating partnership. NHI will be receiving base rent of \$25.3 million on the 23 stabilized properties, which have a value of \$298 million. There will be 3% annual escalators on the rental rates. Total investment for the year was \$448 million. Subsequent to quarter end, NHI announced an expansion of its relationship with Senior Living Management, funding the remaining \$11.9 million in mortgage and mezzanine loan commitment at 8.25% and expanding the relationship to 15 properties.

**Financing Activity** – During the quarter NHI offered \$75 million in eight year private placement notes with a 3.93% coupon with the proceeds used to pay down the credit line.

**Dividend** – Management raised the dividend for the first quarter 2017 to \$0.95 a quarter or \$3.80 annually, a 5.5% increase. This was after raising it to \$0.90 a quarter (\$3.60 annually) in 2016, \$0.85 a quarter (\$3.40 annually) in 2015, to \$0.77 a quarter (\$3.08 annually) in 2014 and twice during 2013, in the first quarter, increasing it from \$0.67 a quarter (\$2.68 annually) to \$0.695 (\$2.78 annually) and again in the second quarter to \$0.735 (\$2.94 annually), paying a total of \$2.90 a share in 2013 not including a \$0.22 a share extra dividend paid early in 2013 for the 2012 tax year. Based on our 2017 FFO forecast, the estimated dividend payout ratio of 73.1% is a little above the mid-point of the peer group as the dividend has increased at a more rapid pace than many of its peers. We are anticipating that the increases going forward will be more along the line with earnings or slightly below, with annual increases at a level to keep the payout ratio

in the low 70% range. Management's large increases have exceeded our expectations here, although we believe they will need to throttle the recent large increases down in the future, as the company's leverage ratio increases to more typical levels.

### Quarterly Income Statement

(in thousands)	4Q 2016	4Q 2015	% Change
Rental Income	\$61,019	\$54,824	11.3%
Investment Interest and other	\$418	\$1,050	-60.2%
Mortgage Interest Income	3,590	2,829	26.9%
<b>Total Revenue</b>	<b>65,027</b>	<b>58,703</b>	<b>10.8%</b>
General & Admin	2,554	2,469	3.4%
Legal expense	16	169	-90.5%
Franchise, excise and other taxes	183	327	
Loan and Realty losses (recoveries)	0	0	0.0%
Amortization of loan costs	0	0	0.0%
<b>EBITDA</b>	<b>62,274</b>	<b>55,738</b>	<b>11.7%</b>
Interest Expense	11,364	10,158	11.9%
Depreciation Expense	15,897	13,660	16.4%
<b>Income (Loss) Before Discontinued Operations and Other Items</b>	<b>35,013</b>	<b>31,920</b>	<b>9.7%</b>
Discontinued Operations (including gain on sale of assets)	0	0	
Income from equity investee	0	(1,002)	
Investment and other gains	6,175	23,869	
Minority interest	0	(390)	
<b>Net Income (Loss)</b>	<b>\$41,188</b>	<b>\$54,397</b>	<b>-24.3%</b>
Net EPS (diluted)	\$1.03	\$1.44	-28.5%
Avg. Shares Outstanding (diluted)	39,993	37,741	6.0%

<b>Funds From Operations</b>	4Q 2016	4Q 2015	
Net Income	\$41,188	\$54,397	-24.3%
Depreciation Expense	15,897	13,660	16.4%
Other (adding/subtracting one-time items)	(6,463)	(23,769)	
<b>Normalized Funds From Operations</b>	<b>\$50,622</b>	<b>\$44,288</b>	<b>14.3%</b>
<b>Normalized FFO Per Share (diluted)</b>	<b>\$1.27</b>	<b>\$1.17</b>	<b>8.5%</b>

Source: Company reports.

**Consolidated Balance Sheet**

(in thousands)	December 31, 2016	December 31, 2015
<b>Real Estate Assets</b>		
Land	\$172,003	\$137,532
Buildings and Improvements	\$2,285,122	\$1,945,323
Construction in Progress	\$15,729	\$13,011
Less: accumulated depreciation	\$ (313,080)	\$ (259,059)
<b>Total Net Real Estate Investments</b>	<b>2,159,774</b>	<b>1,836,807</b>
Cash and Cash Equivalents	4,832	13,286
Mortgage notes receivable	133,493	133,714
Investment in Unconsolidated and other	21,271	15,544
Preferred stock investment	0	0
Marketable securities	11,745	72,744
Real estate held for sale	0	1,346
Other assets	72,518	59,777
<b>Total Assets</b>	<b>\$2,403,633</b>	<b>\$2,133,218</b>
Bank Borrowings	\$1,115,981	\$914,443
Mortgage Loan payable	0	0
Earnest Money Deposit	0	0
Real Estate Purchase Liability	0	750
Lease Deposit Liabilities	21,275	21,275
Accounts payable and accrued expenses	20,053	19,397
Dividends payable	35,863	32,637
Deferred income	871	2,256
<b>Total Liabilities</b>	<b>\$1,194,043</b>	<b>\$990,758</b>
Preferred stock	-	-
Common Stock	398	384
Capital in Excess of Par Value	1,173,588	1,085,136
Cumulative Net Income in excess of Dividends	29,873	19,862
Cumulative Dividends	-	-
Other	5,731	27,910
<b>Total Shareholders' Equity</b>	<b>1,209,590</b>	<b>1,133,292</b>
Non-controlling interest	0	9,168
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$2,403,633</b>	<b>\$2,133,218</b>

<b>Balance Sheet Ratio Analysis</b>	December 31, 2016	December 31, 2015
Net R/E Investments / Total Debt	52.7%	50.9%
Debt to Equity	94.0%	82.6%
Debt as % of Total Assets	47.3%	43.9%
Shareholders' Equity as % of Total Assets	50.3%	53.1%

Source: Company reports.

**Conference Call Discussion**

Management discussed several issues of interest during the company's conference call. First, management discussed its continued sale of marketable securities that the company holds, mainly the LTC Properties (LTC-\$46.59) common shares it held and with the sales made during the year, the company only held 250,000 shares of LTC at year end. Management pointed out that the gains secured on these sales was sheltered by current year depreciation. NHI sold nearly 1 million shares of LTC during 2016 with 209,000 shares sold in Q4, using the proceeds for investment purposes.

From a balance sheet perspective, management discussed NHI's continued financial strength, with a 5.9x fixed charge coverage ratio and leverage ratio below the peer group. NHI's current cost of debt is 3.62%, down from 3.77% at the end of 2015. The company also raised over \$100 million through the sale of shares through its "at the market" stock sale program during the year.

On the investment front, management noted that of its nearly \$450 million in investments during 2016, more than \$310 million of the investments were with existing tenants. It discussed the continued rollout of its Timber Ridge development, with phase two of the development opening during the quarter, and \$63.2 million having been paid back in Q4 and another \$7.3 million in repayments already in Q1. This capital was utilized to pay down the credit line. Management noted that they would continue to strategically invest in mortgage loans during the year, and has \$127 million in commitments at year end, including development and re-development deals. In looking forward at the acquisition environment, management said that its pipeline remains active, with several larger transactions that the company is evaluating, as well as a number of smaller transactions, although there is certainly competition for the deals. These potential acquisitions include opportunities in both the senior housing and skilled nursing areas.

In looking at the operating fundamentals of NHI's properties, the coverage ratios of its portfolio remains very strong and generally better than its peers at 1.83X. The coverage of its skilled nursing properties are especially strong at 2.78 times, driven by its major tenant National Healthcare (NHC-\$73.71), which has continued to hold a very strong coverage level. The coverage rate on its senior housing portfolio is closer to its peers at 1.23 times.

Management's guidance range of \$5.06-\$5.12 does not include the impact of any acquisition activity other than that already announced and that management has strong belief that will occur under existing agreements. We have built into our estimates an additional \$200 million in investment, the reason for our number being above guidance.

**1Q and 2017 Outlook**

Following our analysis of the company's Q4 results and considering the company's guidance for the year, we are pushing down our 2017 FFO estimate by two cents to \$5.20 per diluted share. As noted earlier, we are a little above the consensus, as well as the guidance range due to our assumption on acquisitions. We are assuming total investments, including developments at \$270 million. We are not assuming large transactions, but rather higher cap rate development and smaller transactions in the senior housing, as well as potentially skilled nursing areas, which should command double digit pricing or close to it. We are initiating a 2018 FFO projection of \$5.40 per share, anticipating a continued slowing of investment activity that year.

**Valuation**

Using our \$5.20 a share estimate for 2017, NHI shares are trading at 14.2 times FFO. This is a little above where the peer group is currently trading, which is 14.0 times. NHI is a strong operator within the group, with a solid balance sheet and an FFO growth rate that will likely exceed that of its healthcare REIT peers over the next several years, in our view. However, with the shares trading in line with the peers and likely some pressure around the potential for higher rates we are not yet willing to put a more positive rating on the company. As such, we believe our Neutral rating is appropriate until at least the middle of the year, when we see the potential for investors to begin to recognize that rates will be increased at a slower rate than investors are currently anticipating. Having said that, we do like NHI as a company, as well as its

asset mix and will be keeping a close eye on the company in light of the relative underperformance in the group as a whole for a potential upgrade.

Health Care REITs		Closing Price	Current		2016	FFO	2-Year Average	Price / FFO				
Ranked By	Market Cap.	Symbol	2/16/2017	Dividend	Yield	Payout Ratio	2016	2017E	Growth Rate	2016	2017E	
		Welltower, Inc.	HCN	\$66.08	\$3.44	5.2%	80.0%	\$4.57	\$4.30	-0.9%	14.5x	15.4x
		Healthcare Realty	HR	\$30.94	\$1.20	3.9%	70.6%	\$1.62	\$1.70	3.1%	19.1x	18.2x
		Omega Healthcare Investors	OHI	\$31.71	\$2.48	7.8%	68.5%	\$3.39	\$3.62	8.4%	9.4x	8.8x
		Ventas, Inc.	VTR	\$62.57	\$2.92	4.7%	66.7%	\$4.16	\$4.38	-1.0%	15.0x	14.3x
		HCP, Inc.	HCP	\$30.98	\$1.48	4.8%	74.4%	\$2.74	\$1.99	-20.6%	11.3x	15.6x
		LTC Properties, Inc.	LTC	\$46.59	\$2.28	4.9%	71.3%	\$3.06	\$3.20	6.9%	15.2x	14.6x
<b>Health Care Sector Average</b>				<b>\$44.81</b>	<b>\$2.30</b>	<b>5.1%</b>	<b>71.9%</b>	<b>\$3.26</b>	<b>\$3.20</b>	<b>-0.8%</b>	<b>13.8x</b>	<b>14.0x</b>
		National Health Investors	NHI	\$73.98	\$3.80	5.1%	73.1%	\$4.87	\$5.20	5.5%	15.2x	14.2x

Note: OHI is rated Buy, HCP and VTR are rated Neutral, LTC, HCN and HR are rated Underperform by Hilliard Lyons

Source: NAREIT, Baseline and Hilliard Lyons' estimates.

2016 FFO numbers for HCN and LTC are estimates.

### Suitability

NHI has a suitability rating of 2 on our 1-4 scale. We find the company to have a very strong balance sheet in relation to its peers, and the triple net structure of most of its leases limit its property risk. Its real estate ownership is also a positive factor, as is the company's geographic and operator diversification. We also like company's management and acquisition strategy. On the other hand, the company is exposed to the skilled nursing sector, with much of the operator revenue from this area paid by Medicare and Medicaid add risk due to potential political issues.

### 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.

*Additional information is available upon request.*

**Table 1. Consolidated Income Statement**

In thousands, except per share amounts

	2013		2014		2015		2016		2017		Year	
	Year	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Revenues:	\$7,633	\$7,013	\$2,121	\$2,521	\$2,507	\$2,829	\$9,978	\$3,092	\$3,232	\$3,591	\$3,580	\$13,505
Mortgage interest income	\$4,207	\$4,216	\$1,135	\$1,122	\$1,316	\$1,050	\$4,623	\$852	\$944	\$388	\$418	\$2,602
Interest income & other	\$108,863	\$166,279	\$52,495	\$52,670	\$54,459	\$54,824	\$214,448	\$55,074	\$57,028	\$59,272	\$61,019	\$232,393
Facility operating income	\$120,703	\$177,508	\$55,751	\$56,313	\$58,282	\$58,703	\$229,049	\$59,018	\$61,204	\$63,251	\$65,027	\$248,500
Expenses:	\$9,229	\$26,373	\$8,412	\$9,287	\$9,772	\$10,158	\$37,629	\$10,282	\$10,666	\$10,816	\$11,364	\$43,108
Interest expense	20,602	38,078	13,014	13,004	13,485	13,660	53,163	13,733	14,695	15,240	15,897	59,565
Depreciation of real estate	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of loan costs	783	209	104	75	117	169	465	126	124	156	16	422
Legal expense	616	620	134	104	114	327	679	283	273	271	183	1,010
Franchise & excise taxes	9,255	9,108	3,945	2,514	1,691	2,469	10,519	2,929	2,120	2,169	2,554	9,772
General & administrative	-	-	-	(491)	-	-	-	-	14,726	1,131	-	-
Investment loss & impairment expense	-	-	-	-	-	-	-	-	-	-	-	-
Facility operating expense	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	\$42,461	\$74,388	\$25,509	\$24,493	\$25,179	\$26,783	\$101,964	\$27,333	\$42,604	\$29,783	\$30,014	\$129,734
Income from Operations	\$78,242	\$103,120	\$30,242	\$31,820	\$33,103	\$31,920	\$127,085	\$31,685	\$18,600	\$33,468	\$35,013	\$118,766
Noncontrolling, unconsolidated	(\$675)	(\$1,513)	(\$559)	(\$638)	(\$629)	(\$1,392)	(\$3,218)	(\$786)	(\$443)	(\$1,160)	\$0	(\$2,389)
Gain on sale of assets	\$22,636	\$0	\$0	\$0	\$1,126	\$23,869	\$24,995	\$1,665	\$26,415	\$1,657	\$6,175	\$36,912
Discontinued/other	\$5,990	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$23	(\$933)	\$0	(\$910)
Income Bef. Preferred div	\$106,183	\$101,607	\$29,683	\$31,182	\$33,600	\$54,397	\$148,862	\$32,564	\$44,595	\$33,032	\$41,188	\$151,379
Preferred dividends	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net income for common before extra	\$106,183	\$101,607	\$29,683	\$31,182	\$33,600	\$54,397	\$148,862	\$32,564	\$44,595	\$33,032	\$41,188	\$151,379
Extraordinary item	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$161)	\$0	\$0	\$0	(\$161)
Net income for common	\$106,183	\$101,607	\$29,683	\$31,182	\$33,600	\$54,397	\$148,862	\$32,725	\$44,595	\$33,032	\$41,188	\$151,540
Per share bef. Discontinued	\$3.74	\$3.04	\$0.79	\$0.83	\$0.89	\$1.44	\$3.95	\$0.85	\$1.16	\$0.83	\$1.03	\$3.87
Discontinued items	\$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	\$3.74	\$3.04	\$0.79	\$0.83	\$0.89	\$1.44	\$3.95	\$0.85	\$1.16	\$0.83	\$1.03	\$3.87
Common dividend per share	\$3.14	\$3.14	\$0.85	\$0.85	\$0.85	\$0.85	\$3.40	\$0.90	\$0.90	\$0.90	\$0.90	\$3.60
Shs Outstanding (diluted)	28,414,409	33,401,247	37,645,265	37,607,117	37,566,000	37,741,000	37,639,846	38,415,000	38,561,000	39,651,900	39,983,000	39,155,225

**Table 5. Funds From Operations Calculation**

Net income for common shareholders	\$106,183	\$101,607	\$29,683	\$31,182	\$33,600	\$54,397	\$148,862	\$32,725	\$44,595	\$33,032	\$41,188	\$151,540
Add Back:	\$17,881	\$37,584	\$12,736	\$13,004	\$13,485	\$13,660	\$52,895	\$13,426	\$14,695	15,240	15,897	\$59,258
Less:	(\$23,129)	(\$1,004)	\$0	(\$769)	(\$1,480)	(\$23,769)	(\$26,018)	(\$1,654)	(\$12,300)	\$354	(\$6,463)	(\$20,063)
Asset sales and other	\$100,935	\$140,195	\$42,419	\$43,417	\$45,605	\$44,288	\$175,729	\$44,497	\$46,990	\$48,626	\$50,622	\$190,735
FFO Available for common	\$100,935	\$140,195	\$42,419	\$43,417	\$45,605	\$44,288	\$175,729	\$44,497	\$46,990	\$48,626	\$50,622	\$190,735
Diluted FFO available for common	\$3.56	\$4.20	\$1.13	\$1.16	\$1.21	\$1.17	\$4.67	\$1.18	\$1.23	\$1.24	\$1.28	\$4.83
Basic FFO per share	\$3.55	\$4.20	\$1.13	\$1.15	\$1.21	\$1.17	\$4.67	\$1.16	\$1.22	\$1.23	\$1.27	\$4.87
Diluted FFO per share	\$3.55	\$4.20	\$1.13	\$1.15	\$1.21	\$1.17	\$4.67	\$1.16	\$1.22	\$1.23	\$1.27	\$4.87
Shares, basic	28,371,634	33,378,863	37,500,000	37,566,221	37,643,144	37,727,868	37,609,308	37,841,504	38,104,662	39,283,919	39,550,586	38,695,168
Shares, diluted	28,407,015	33,416,592	37,560,000	37,607,117	37,684,040	37,741,162	37,648,080	38,415,000	38,561,000	39,651,900	39,918,567	39,136,617

**Table 6. Funds Avail For Distribution**

Net income for common	\$100,935	\$140,195	\$42,419	\$43,417	\$45,605	\$44,288	\$175,729	\$44,497	\$46,990	\$48,626	\$50,622	\$190,735
Recurring Cap-X	(\$1,086)	(\$1,086)	(\$205)	(\$255)	(\$307)	(\$319)	(\$1,086)	(\$205)	(\$255)	(\$307)	(\$319)	(\$1,086)
Other	\$99,749	\$139,009	\$42,114	\$43,062	\$45,198	\$43,869	\$174,543	\$44,192	\$46,635	\$48,219	\$50,203	\$189,549
Funds Available for Distribution	\$99,749	\$139,009	\$42,114	\$43,062	\$45,198	\$43,869	\$174,543	\$44,192	\$46,635	\$48,219	\$50,203	\$189,549

**Source: Company reports and Hilliard Lyons**

Share estimates

**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**

The author of this report or members of his household have a long position in the common stock of National Health Investors, but may not engage in buying or selling contrary to the recommendation.

As of February 16, 2017 Hilliard Lyons customers owned at least 5% of the outstanding common stock of National Health Investors.

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, 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**

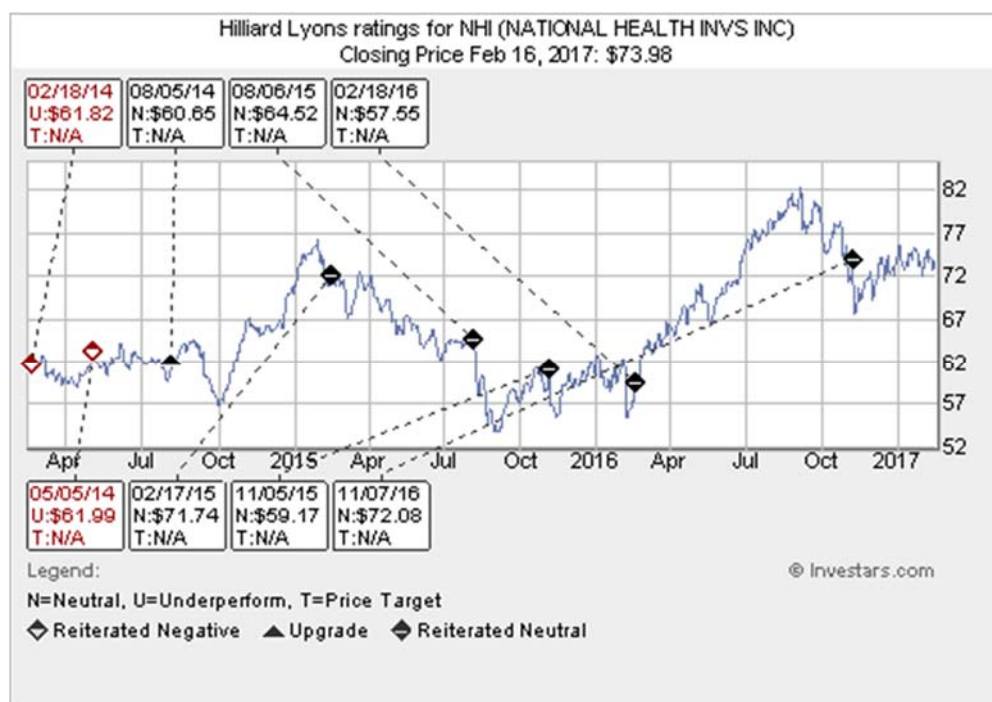
1 - A large cap, core holding with a solid history

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





Rating	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	36	30%	17%	83%
Hold/Neutral	76	62%	7%	93%
Sell	10	8%	0%	100%

As of 6 February 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.

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