**Real Estate Investment Trusts**
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October 31, 2017

COMPANY UPDATE/RATING, PRICE TARGET, SUITABILITY AND ESTIMATE CHANGES

**Key Metrics**

| | | |
|---|---|---|
| OHI - NYSE - as of 10/30/17 | | $30.97 |
| 2-3 Year Price Target | | $ 38.00 |
| 52-Week Range | $28.11 - | $35.14 |
| Shares Outstanding (mm) | | 197.4 |
| Market Cap. ($mm) | | $6,113.5 |
| 1-Mo. Average Daily Volume | | 1,062,000 |
| Institutional Ownership | | 85.0% |
| Debt/Total Capital Sep-17 | | 41.2% |
| Est 3-year FFO Growth Rate | | 6.0% |
| Est 3-year Dividend Growth Rate | | 6.0% |
| Book Value | | $ 21.40 |
| Dividend | | $ 2.60 |
| Dividend Yield | | 8.40% |
| Est. Fixed Charge Coverage | | 4.3 X |

**FFO Per share**

| | 2016 | Prior 2017E | Current 2017E | | Prior 2018E | Current 2018E |
|---|---|---|---|---|---|---|
| 1Q | $0.83 | -- | $0.86 | A | $0.88 | $0.80 |
| 2Q | $0.87 | -- | $0.87 | A | $0.89 | $0.87 |
| 3Q | $0.83 | -- | $0.79 | A | $0.90 | $0.89 |
| 4Q | $0.88 | $0.89 | $0.78 | | $0.93 | $0.92 |
| Year | $3.41 | $3.47 | $3.30 | * | $3.61 | $3.47 |
| P/E | 9.1x | | 9.4x | | | 8.9x |

*-May not add up due to rounding, not restated.

**Revenue ($mm)**

| | 2016 | Prior 2017E | Current 2017E | | Prior 2018E | Current 2018E |
|---|---|---|---|---|---|---|
| 1Q | $212.9 | -- | $231.7 | A | $249.5 | $235.9 |
| 2Q | $228.8 | -- | $235.8 | A | $253.7 | $254.5 |
| 3Q | $224.6 | -- | $219.6 | A | $258.2 | $261.0 |
| 4Q | $234.5 | $247.5 | $229.6 | | $266.6 | $269.9 |
| Year | $902.8 | $956.2 | $916.7 | | $1,028.0 | $1,021.4 |

***Company Description:*** *Omega Healthcare Investors, headquartered in Hunt Valley, MD, is a real estate investment trust (REIT) that has investments in healthcare facilities, specifically long term care facilities, located throughout the country and in the UK, mainly skilled nursing facilities, although the company also owns a small number of assisted living facilities and specialty hospitals.*

# Omega Healthcare Investors, Inc.

OHI -- NYSE – Long-term Buy-3

## Q3 Conference Call Discussion

### Investment Highlights

- With the tenant issues OHI is currently encountering and the additional risk these issues cause, we believe that a move up in the risk rating to 3 is appropriate at this time. Also, as operators are seeing some near term labor price and occupancy pressures, we are taking a longer term time frame in our recommendation on OHI and going to a Long-term Buy rating. We wish to stress that we do not consider the change in rating to be a downgrade, but rather just a push out in when we anticipate that investors will recognize the value here, as the demographics that we expect will push demand for nursing home beds higher becomes more and more apparent over the next several years.
- We are adjusting our FFO estimate for 2017 to $3.30 a share for the loss of revenue discussed later in the report, as well as for a number of other issues. We are, however, slightly above company guidance due to expectations for new investment during Q4. We are reducing our 2018 estimate to $3.47 for some of the same issues.
- Given the decline in the share price on yesterday's earnings miss and the loss of rent that will negatively impact earnings in the near term, the shares look more attractive. However, these issues will likely keep investors away from the shares in the near term. While based on cash flow and management's commentary, the dividend is safe, and in fact may continue to be raised, worries may keep the share price in a lower trading range in the near term. Thus, we believe a longer term time horizon is more appropriate, especially due to the length of time until the demand side of the equation becomes more apparent. OHI is trading at 8.2 times our 2018 FFO estimate (for intra-day price), a nearly 40% discount to the peer group. Our 2-3 year price target is $38 a share, or 10.0 times our 2020 projection, which investors will be looking at 2-3 years out. The 10.0 multiple is below the mid-range historic norms, in spite of a continuing low interest rate environment and well below OHI's peer group.

**Note Important Disclosures on Pages 6-7**
**Note Analyst Certification on Page 6**

**Conference Call Discussion, Continued**

On the company's conference call, management obviously spent most of its time discussing concerns around the issues with tenants. Three tenants are currently having issues, with one (Orianna) being of immediate issue, as they are currently not paying rent, one other likely subject to a restructuring (Signature) and a third being a near term issue that management anticipates being cured by the beginning of next year. Management anticipates replacing Orianna with a new tenant(s) over the coming six months with an eventual loss of rental income of around $10 million (about 1% of gross rent). In the meantime, no rent will be received on the properties, although Orianna essentially continues to be running the properties. The company has fully reserved for these non-paid rents. We have worked these expectations into our earnings model and adjusted our estimates accordingly. Management had hoped to work with Orianna to restructure this lease, but came to the conclusion that this was the best course of action for these properties. Management noted that they expect a coverage ratio range of 1.2-1.5 times on the new rental rates once the new leases are in place. This compares with the current ratio of under 1.0 times.

As far as Signature goes, they are about a month behind in rent, although they continue to pay a portion of the contractual rent due ($11 million of the $14.5 million contractual amount). OHI has a letter of credit on this lease that covers all of the past due rent. We anticipate a restructuring of this lease, with OHI forgiving some near term rent but receiving higher rental bumps or some other similar advantages. We have worked this assumption into our model as well. As far as the other tenant goes, we are not assuming any loss here beyond the current year (adjusted) due to this being a liquidity issue, rather than an operating issue. While OHI placed the lease on a cash basis, they expect the coverage ratio on the lease to approach a very solid 1.5 times by the start of 2018, which should allow for the tenant to begin paying the contractual rent at that point. There may be some near term reduction of cash flow paid to the company in Q4, however. We anticipate that this amount will be made up to OHI at a later date.

In discussing the issues regarding Orianna, we questioned management on whether the issues that led to the tenant's nonpayment of rent were specific to that tenant or an industry-wide concern. While there are two other tenants currently having issues, all three of these instances are believed to be tenant-specific events, in a challenging industry environment. Management pointed to the occupancy decline between 2014 and the present from 92% to 89% in the Orianna portfolio as a major catalyst behind Orianna's issues. Orianna generated 2% revenue growth over this period while expenses increased at a 6% pace. OHI management does not believe it is appropriate at this time to adjust their underwriting requirements and believes 1.4x coverage remains conservative. Management also feels that their strength is in investing in regional portfolios and partnering with regional operators, while Orianna had a wide geographic dispersion of properties. Moving forward, they expect to stick with separating portfolios by region amongst their operators in an attempt to avoid situations like this in the future. On the cap rate front, management expects to make acquisitions in the 9% to 9.5% range, which will help to offset lost rent from dispositions.

On the operator front, the overall portfolio improved, although that is more a function of the Orianna portfolio moving out of the group due to the lease going to cash accrual. Portfolio coverage in the most recent trailing twelve months was 1.71 times on a gross cash flow basis compared to the previous number of 1.69 times. That number would be around 1.68 were the Orianna portfolio included, so there was a very slight deterioration. We believe that most of the deterioration was a function of labor costs. Management noted that operating costs were up 6% for Orianna, and that most of these costs are likely labor. We would expect other operators to see pressure on this front as well, although higher coverage ratios should allow them to better absorb these costs.

Management also noted that it continued to fine-tune its portfolio, selling several underperforming properties during the quarter (at slight profits), while writing down five other properties (for a total of $18 million. We would expect these properties to be sold over the coming quarters. Management noted that it was expanding its senior housing/memory care portfolio, with the $250 million NY City property once again being highlighted.

Management adjusted its FFO guidance for 2017 to $3.27-$3.28 a share, to account for the cash accrual issues on the problem leases. Our estimate moves to $3.30, a little above the high end of guidance, as we are assuming some additional investment and believe that management is being somewhat conservative in its assumptions.

Management noted that the dividend was raised once again to $0.65 a quarter, the 21st consecutive increase. They pointed out that even with the loss of the Orianna rent the coverage ratio on a cash available basis was still above 90%. Once they re-lease those properties to new tenants, this coverage level should approach the former levels. While the penny a quarter increase string may be at risk after the next increase or so, the fact that they continued that increase in the face of this issue (which management was aware of when the increase was made) gives us comfort that the dividend is safe, although increases may be curtailed. Management in the past has said that its strategy is to pay out between 80% and 85% of FFO in dividends, and we are still below that even with the lower estimate. With next year's FFO likely to be in the $3.47 a share range, management could still justify continuing those penny a quarter increases, even though we are no longer suggesting that to be the case.

**Q4 and 2018 Outlook**

Following our analysis of OHI's Q3 results and management's discussion of business conditions and the negative impact of problem tenants, we are reducing our 2017 FFO estimate to $3.30 a share, which is just above the high end of guidance. Our Q4 estimate is now $0.78 a share. We are assuming no additional underwritten equity raise, other than incremental amounts from the DRP and ATM program and a small amount of additional investment, resulting in our marginally higher estimate versus guidance. We are adjusting our 2018 estimate for the same issues to $3.47 a share, with the assumption of a loss of about $0.13 from new and restructured leases as well as a lower expectation for investments, as we are assuming that management will be focused on all of the restructuring issues.

**Valuation and Rating**

Using our $3.47 a share estimate for 2018, OHI shares trade at 8.9 times FFO (8.2 times intra-day). This is a large discount to the peer group, as shown in the table on the following page. Further, its yield is well above that of the peer group. The company is also providing very consistent dividend increases on a quarterly basis. And although we are less optimistic that those quarterly dividend increases will continue beyond the next quarter or so, we believe that the dividend itself is relatively safe. Add to that the demographic attributes of the group and it is a very attractive class of healthcare real estate at the right price, in our view. Typical historical multiples on current year FFO for the group has been in a range of 8 to 14 with the exclusion of the market dislocation in 2008-09 and peaks in 2006-07. The company's current multiple sits at the bottom of that range. We note, however, that the current group multiple, as shown below, sits at 13.5 times. With the increased risk around the tenant issues and labor costs we are dropping our target multiple to 10 times—below the middle of the historic range and well below the peer group. However, due to the change in rating and longer time horizon we are now utilizing our projection for 2020 FFO, which we expect will be in the area or $3.80 per share. As such our rating is Long-term Buy and our 2-3 year price target is $38 a share.

| Health Care REITs | | Closing Price | Current | | 2018E | FFO | | 2-Year Average | Price / FFO | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Symbol | 10/30/2017 | Dividend | Yield | Payout Ratio | 2017E | 2018E | Growth Rate | 2017E | 2018E |
| Welltower, Inc. | HCN | $67.21 | $3.48 | 5.2% | 77.2% | $4.29 | $4.51 | -0.4% | 15.7x | 14.9x |
| Sabra Healthcare | SBRA | $20.48 | $1.44 | 7.0% | 57.8% | $2.37 | $2.49 | -9.5% | 8.6x | 8.2x |
| National Health Investors | NHI | $76.39 | $3.80 | 5.0% | 69.3% | $5.28 | $5.48 | 6.1% | 14.5x | 13.9x |
| Ventas, Inc. | VTR | $63.25 | $3.10 | 4.9% | 71.1% | $4.17 | $4.36 | 2.7% | 15.2x | 14.5x |
| HCP, Inc. | HCP | $25.60 | $1.48 | 5.8% | 72.2% | $1.96 | $2.05 | -13.5% | 13.1x | 12.5x |
| LTC Properties, Inc. | LTC | $46.53 | $2.28 | 4.9% | 69.7% | $3.07 | $3.27 | 3.4% | 15.2x | 14.2x |
| **Health Care Sector Average** | | **$49.91** | **$2.60** | **5.2%** | **70.3%** | **$3.52** | **$3.69** | **-0.5%** | **14.2x** | **13.5x** |
| Omega Healthcare Investors | OHI | $30.97 | $2.60 | 8.4% | 74.9% | $3.30 | $3.47 | 0.9% | 9.4x | 8.9x |

Note: HCP, LTC, VTR and NHI are rated Neutral, HCN is rated Underperform by Hilliard Lyons, SBRA is not covered

Source: NAREIT, Baseline and Hilliard Lyons' estimates.

Including the company's premium dividend yield, which currently sits at over 8.0% the potential total return stands at over 30% should the company's shares reach our price target.

## Suitability

OHI has a suitability rating of 3 on our 1-4 scale. We find the company to have a strong balance sheet, while 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, with the largest portfolio of skilled nursing properties in the industry. On the other hand, the company is highly exposed to the skilled nursing sector, with the bulk of its operator revenue paid by Medicare and Medicaid adding risk due to potential political issues. The company is also exposed to several problem tenants, and increased labor costs could be stressing these operators' ability to pay rent.

## Risks

There are a number of risks in owning OHI shares and REITs as an investment group. REITs in general need access to debt capital to grow, and if such debt capital is unavailable, the company may have difficulty in growing. The company's dividend is very attractive to shareholders and OHI, as well as REITs in general, have seen their prices rise with the decline in overall interest rates. Should rates rise, that could hurt OHI's share price. The company's share price could be negatively impacted if the dividend were to be reduced. Because of their thirst for debt, changes in interest rates can also impact a REIT's cash flow and ability to make accretive acquisitions. OHI's dependence upon the long-term care sector of the health care real estate group could create issues due to government payments being the de-facto source for much of its rent. With reimbursements cut, as the Center for Medicare and Medicaid Services reduction illustrates, there will be a negative impact on its tenant base, which in turn could have a negative impact on OHI. It is always possible that the company could make a poor acquisition in the future or not realize synergies from prior acquisitions. OHI's geographic exposure to Florida might be an issue if the state has further economic problems and is forced to cut reimbursements to providers claiming Medicaid payments. Labor costs have been increasing, which reduces tenants' ability to pay rents.

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.

**Omega Healthcare Investors**

In Thousands

| | 2014 | 2015 | 2016 | | | | | 2017E | | | | | 2018E | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Year | Year | Q1 | Q2 | Q3 | Q4 | Year | Q1A | Q2A | Q3A | Q4 | Year | Q1 | Q2 | Q3 | Q4 | Year |
| Revenues: | | | | | | | | | | | | | | | | | |
| Rental Income | $388,443 | $605,991 | $176,703 | $186,454 | $185,837 | $194,891 | $743,885 | $192,537 | $193,997 | $194,063 | $201,904 | $782,501 | $208,070 | $213,585 | $219,555 | $228,183 | $869,394 |
| Mortgage interest income | $53,007 | $68,910 | $16,606 | $21,371 | $15,996 | $15,838 | $69,811 | $15,956 | $16,297 | $16,920 | $16,926 | $66,099 | $17,226 | $17,526 | $17,826 | $18,126 | $70,705 |
| Other Income | $6,366 | $8,780 | $4,128 | $5,478 | $7,194 | $7,210 | $24,010 | $6,914 | $7,278 | $7,245 | $7,359 | $28,796 | $7,251 | $7,312 | $7,515 | $7,495 | $29,573 |
| Nursing Home Revenues | $0 | $0 | | | | | $0 | | | | | $0 | | | | | $0 |
| Income from Direct Financing Leases | $56,719 | $59,936 | $15,442 | $15,521 | $15,611 | $15,724 | $62,298 | $15,646 | $15,462 | $614 | $620 | $32,342 | $625 | $13,351 | $13,362 | $13,380 | $40,718 |
| Miscellaneous | $252 | $0 | $0 | $0 | $0 | $823 | $823 | $691 | $2,763 | $796 | $2,750 | $7,000 | $2,750 | $2,750 | $2,750 | $2,750 | $11,000 |
| | $504,787 | $743,617 | $212,879 | $228,824 | $224,638 | $234,486 | $900,827 | $231,744 | $235,797 | $219,638 | $229,559 | $916,738 | $235,922 | $254,524 | $261,009 | $269,935 | $1,021,390 |
| Expenses | | | | | | | | | | | | | | | | | |
| General & Administrative | $17,296 | $27,435 | $7,677 | $8,167 | $8,755 | $7,478 | $32,077 | $8,780 | $7,807 | $7,688 | $7,461 | $31,736 | $8,257 | $8,654 | $9,083 | $8,773 | $34,767 |
| Interest & Amort of deferred financing | 126,825 | 162,447 | 39,666 | 41,857 | 47,237 | 46,872 | 175,632 | 47,539 | 50,374 | 49,607 | 52,220 | 199,740 | 55,130 | 58,087 | 59,610 | 61,171 | 233,998 |
| Acquisition Costs | - | 57,525 | 3,771 | 3,504 | 2,309 | (2) | 9,582 | (41) | 19 | - | 2,500 | 2,478 | 2,000 | 2,000 | 2,000 | 2,000 | 8,000 |
| Impairments | 3,644 | 17,681 | 34,558 | (1,154) | 17,275 | - | 50,679 | 7,638 | 10,135 | 224,395 | - | 242,168 | - | - | - | - | - |
| Bad Debt Expense, net | 2,739 | 7,873 | 5,124 | - | - | 5,878 | 11,002 | 2,404 | 2,673 | - | - | 5,077 | - | - | - | - | - |
| Stock-based comp. | 8,592 | 11,133 | 2,778 | 3,665 | 3,673 | 3,674 | 13,790 | 3,744 | 3,734 | 3,872 | 3,900 | 15,250 | 3,500 | 4,000 | 3,750 | 4,250 | 15,500 |
| Other | 3,948 | (2) | - | 6,893 | (3) | - | 6,890 | - | - | - | - | - | - | - | - | - | - |
| Depreciation & Amortization | 123,257 | 210,703 | 62,433 | 65,505 | 68,316 | 70,808 | 267,062 | 69,993 | 70,350 | 71,925 | 75,456 | 287,724 | 76,364 | 78,215 | 80,069 | 81,924 | 316,572 |
| Total Expenses | $286,301 | $494,795 | $156,007 | $128,437 | $147,562 | $134,708 | $566,714 | $140,057 | $145,092 | $357,487 | $141,537 | $784,173 | $145,251 | $150,956 | $154,512 | $158,118 | $608,837 |
| Income from Operations | $218,486 | $248,822 | $56,872 | $100,387 | $77,076 | $99,778 | $334,113 | $91,687 | $90,705 | ($137,849) | $88,023 | $132,566 | $90,672 | $103,568 | $106,496 | $111,817 | $412,553 |
| Minority interests | $0 | ($8,791) | ($2,641) | ($5,102) | ($3,585) | ($5,185) | ($16,513) | ($4,040) | ($2,349) | $6,382 | ($2,541) | ($2,548) | ($4,075) | ($4,111) | ($4,106) | ($5,078) | ($17,370) |
| Equity income from unconsolidated JVs | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Oper. Income from discontinued opers. | $0 | ($58) | $1,571 | $13,221 | $5,139 | $0 | $19,931 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Other, net | $0 | ($20,476) | ($247) | ($454) | ($81) | ($611) | ($1,393) | $9,373 | ($22,556) | $0 | $0 | ($13,183) | ($350) | ($350) | ($350) | ($350) | ($1,400) |
| Income taxes | $0 | ($1,384) | $0 | $0 | $0 | $0 | $0 | $0 | $0 | ($999) | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| (Loss)/Gain on sale of assets | $2,863 | $6,411 | $0 | $0 | $0 | $30,277 | $30,277 | $7,420 | ($543) | $788 | $0 | $7,665 | $0 | $0 | $0 | $0 | $0 |
| Income Bef. Preferred div | $221,349 | $255,233 | $55,555 | $108,052 | $78,549 | $124,259 | $364,390 | $104,440 | $65,257 | ($131,678) | $85,482 | $140,231 | $86,247 | $99,107 | $102,040 | $106,389 | $393,783 |
| Preferred dividends | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Net Income for common | $221,349 | $255,233 | $55,555 | $108,052 | $78,549 | $124,259 | $364,390 | $104,440 | $65,257 | ($131,678) | $85,482 | $140,231 | $86,247 | $99,107 | $102,040 | $106,389 | $393,783 |
| Per share bef. Extra | $1.74 | $1.41 | $0.28 | $0.54 | $0.40 | $0.61 | $1.81 | $0.51 | $0.32 | ($0.64) | $0.41 | $0.68 | $0.42 | $0.48 | $0.49 | $0.51 | $1.88 |
| 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 | $1.74 | $1.41 | $0.28 | $0.54 | $0.40 | $0.61 | $1.81 | $0.51 | $0.32 | ($0.64) | $0.41 | $0.68 | $0.42 | $0.48 | $0.49 | $0.51 | $1.88 |
| Quarterly dividend rate | $2.02 | $2.18 | $0.57 | $0.58 | $0.60 | $0.61 | $2.36 | $0.62 | $0.63 | $0.64 | $0.65 | $2.54 | $0.50 | $0.50 | $0.51 | $0.52 | $2.03 |
| Shs Outstanding (diluted) | 127,294,500 | 180,507,750 | 198,350,000 | 199,157,000 | 204,078,000 | 204,955,000 | 201,635,000 | 206,174,000 | 206,672,000 | 206,662,000 | 206,997,714 | 206,626,429 | 207,414,381 | 208,495,462 | 209,416,515 | 210,442,156 | 208,942,128 |

**Table 5. Funds From Operations Calculation**

In Thousands

| | | | 2016 | | | | | 2017E | | | | | 2018E | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Year | Year | Q1 | Q2 | Q3 | Q4 | Year | Q1A | Q2A | Q3A | Q4 | Year | Q1 | Q2 | Q3 | Q4 | Year |
| Net income for common shareholders | $221,349 | $255,233 | $58,196 | $113,154 | $82,134 | $129,883 | $383,367 | $109,112 | $68,157 | ($137,515) | $85,482 | $125,236 | $86,247 | $99,107 | $102,040 | $106,389 | $393,783 |
| Add Back: | | | | | | | | | | | | | | | | | |
| Depreciation | 123,257 | 210,703 | 62,433 | 65,505 | 68,316 | 71,915 | 268,169 | 71,651 | 70,350 | 73,582 | 75,456 | 291,039 | 76,364 | 78,215 | 80,069 | 81,924 | 316,572 |
| JV Adjustment | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other | 21,315 | 125,223 | 44,723 | (5,703) | 19,482 | 8,900 | 67,402 | 3,333 | 39,956 | 228,362 | 1,500 | 273,151 | 3,500 | 4,000 | 3,750 | 4,250 | 15,500 |
| Non-recurring | | | | | | | | | | | | | | | | | |
| Deduct: | | | | | | | | | | | | | | | | | |
| Gain/loss on sales of real estate | ($2,863) | ($6,411) | $0 | $0 | $0 | ($30,277) | ($30,277) | ($7,420) | $543 | ($788) | $0 | ($7,665) | $0 | $0 | $0 | $0 | $0 |
| FFO Available for common | $363,058 | $584,748 | $165,352 | $172,956 | $169,932 | $180,421 | $688,661 | $176,676 | $179,006 | $163,641 | $162,437 | $681,760 | $166,110 | $181,322 | $185,859 | $192,563 | $725,855 |
| Diluted FFO available for common | $363,058 | $558,969 | $165,352 | $172,956 | $169,932 | $180,421 | $688,661 | $176,676 | $179,006 | $163,641 | $162,437 | $681,760 | $166,110 | $181,322 | $185,859 | $192,563 | $725,855 |
| Basic FFO per share | $2.86 | $3.08 | $0.84 | $0.87 | $0.83 | $0.88 | $3.42 | $0.86 | $0.87 | $0.79 | $0.79 | $3.31 | $0.80 | $0.87 | $0.89 | $0.92 | $3.48 |
| Diluted FFO per share | $2.85 | $3.08 | $0.83 | $0.87 | $0.83 | $0.88 | $3.42 | $0.86 | $0.87 | $0.79 | $0.78 | $3.30 | $0.80 | $0.87 | $0.89 | $0.92 | $3.47 |
| Shares, basic | 126,944,500 | 180,157,750 | 198,000,000 | 198,807,000 | 203,728,000 | 204,605,000 | 201,285,000 | 205,824,000 | 206,322,000 | 206,312,000 | 206,647,714 | 206,276,429 | 207,064,381 | 208,145,462 | 209,066,515 | 210,092,156 | 208,592,128 |
| Shares, diluted | 127,294,500 | 180,507,750 | 198,350,000 | 199,157,000 | 204,078,000 | 204,955,000 | 201,635,000 | 206,174,000 | 206,672,000 | 206,662,000 | 206,997,714 | 206,626,429 | 207,414,381 | 208,495,462 | 209,416,515 | 210,442,156 | 208,942,128 |

**Table 6. Funds Available for Distribution Calculation**

| | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FFO Available for common | $363,058 | $584,748 | $165,352 | $172,956 | $169,932 | $180,421 | $688,661 | $176,676 | $179,006 | $163,641 | $162,437 | $681,760 | $166,110 | $181,322 | $185,859 | $192,563 | $725,855 |
| Less: | | | | | | | | | | | | | | | | | |
| Recurring real estate CAPX | ($14,804) | ($27,271) | ($8,330) | ($8,563) | ($8,923) | ($8,890) | ($34,706) | ($8,908) | ($9,083) | ($9,373) | ($9,531) | ($36,896) | ($9,765) | ($9,999) | ($10,233) | ($10,468) | ($40,465) |
| Other adjustments | ($5,043) | ($5,227) | ($1,336) | ($1,348) | ($1,360) | ($1,373) | ($5,417) | ($1,385) | ($1,397) | ($1,410) | ($1,423) | ($5,615) | ($1,436) | ($1,448) | ($1,461) | ($1,475) | ($5,820) |
| Other | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Funds available for distribution | $343,211 | $552,251 | $155,686 | $163,044 | $159,649 | $170,158 | $648,537 | $166,383 | $168,526 | $152,858 | $151,484 | $639,250 | $154,910 | $169,875 | $174,164 | $180,621 | $679,570 |
| Per share | $2.70 | $3.07 | $0.79 | $0.82 | $0.78 | $0.83 | $3.22 | $0.81 | $0.82 | $0.74 | $0.73 | $3.10 | $0.75 | $0.82 | $0.83 | $0.86 | $3.26 |

**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

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

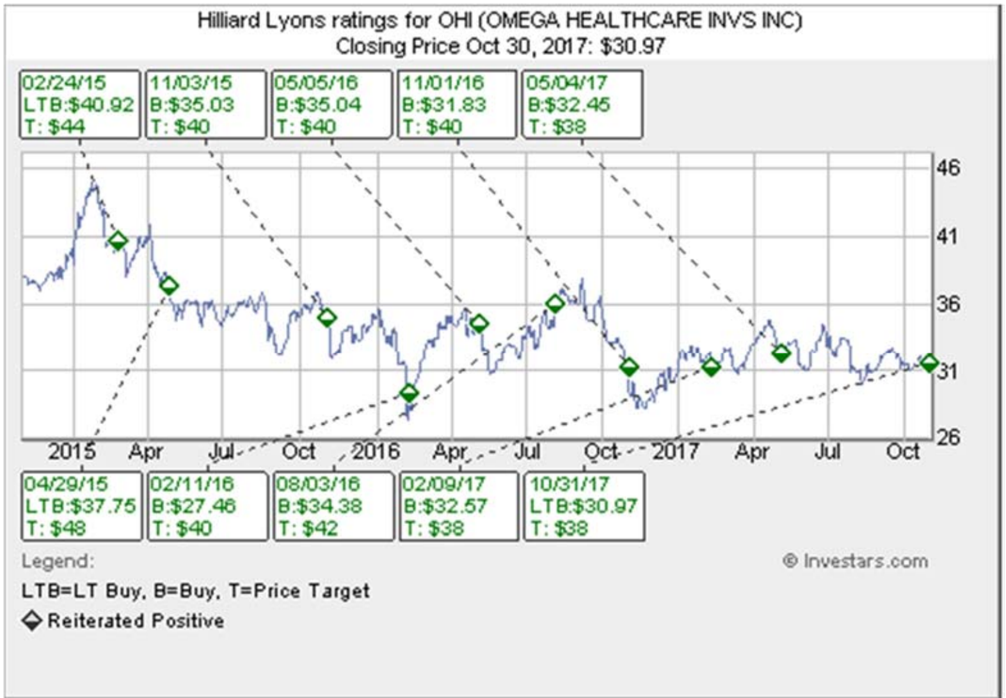
The author of this report or members of his family has a long common equity position in Omega Healthcare but may not trade the share contrary to Hilliard Lyons' rating.

**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*

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