



COMPANY UPDATE / ESTIMATE CHANGES / PRICE TARGET CHANGE

REITs

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Key Metrics

SKT - NYSE (as of 8/1/2017)	\$27.06
Price Target	\$32.50
52-Week Range	\$24.71 - \$41.92
Shares & Units Outstanding (mm)	100
Market Cap. (\$mm)	\$2,706
3-Mo. Average Daily Volume (000)	2,238
Institutional Ownership	98%
Debt/Total Market Cap. (6/17)	40%
Est 3 - Year Dividend Growth Rate	5% - 10%
Annual Dividend	\$1.37
Dividend Yield	5.1%
Interest Coverage Ratio (6/17)	4.30x

FFO Per Share FY 12/31

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$0.55		\$0.58 A	\$0.61	\$0.60
2Q	\$0.59		\$0.59 A	\$0.61	\$0.61
3Q	\$0.62	\$0.61	\$0.25	\$0.64	\$0.63
4Q	\$0.61	\$0.63	\$0.63	\$0.65	\$0.65
Year	\$2.36	\$2.41	\$2.05	\$2.52	\$2.50
P/FFO	11.5x		13.2x		10.8x

Quarterly amounts may not add up to annual amounts due to rounding.

Revenue (\$mm)

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$111		\$121 A	\$132	\$126
2Q	\$111	\$122	\$120 A	\$130	\$124
3Q	\$119	\$124	\$120	\$132	\$128
4Q	\$125	\$132	\$128	\$140	\$134
Year	\$466	\$499	\$489	\$533	\$512

Company Description: Tanger Factory Outlet Centers, Inc., headquartered in Greensboro, North Carolina, owns or has interest in 43 outlet centers and one additional center under development comprising 14.8 million square feet of gross leasable area in 22 states and Canada.

Tanger Factory Outlet Centers, Inc.

SKT -- NYSE -- Buy-- 3

Second Quarter Results

- **Tanger reported second quarter FFO of \$0.59 versus \$0.59 per share in 2Q16.** This was equal to ours and the consensus estimate.
- **Occupancy remained strong.** Consolidated occupancy was 96.1% at the end of the second quarter.
- **Leasing spreads were up 0.6% in the quarter.** Initial base rents on renewed spaces were up 0.5% and up 0.9% on re-tenanted spaces.
- **Tanger is considering several locations for new development projects.**
- **Dividend Increase.** On April 6 Tanger Factory Outlet Centers announced a 5.4% common dividend increase to a rate of \$1.37 per share annually, up from \$1.30 per share annually. Tanger has increased its dividend for 24 consecutive years.
- **Management adjusted 2017 FFO per share guidance to a range of \$2.04 to \$2.09 from a range of \$2.40 to \$2.45.** (See page two for more details on guidance.) We are lowering our 2017 FFO per share estimate to \$2.05.
- **We rate Tanger Buy.** We believe the current share price represents an attractive entry point for these high quality shares. We have lowered our price target from \$36.50 to \$32.50 based on lower valuation assumptions and our updated financial estimates.

**Note Important Disclosures on Pages 7 and 8.
Note Analyst Certification on Page 7.**

Additional Discussion

Total revenue for the second quarter was \$119.6 million, up 7.4% from \$111.3 million in the year ago period. Base rents, which made up 67.5% of total revenue, increased 7.7%. Expense reimbursements were \$34.0 million versus \$30.8 million and represented 91.7% of total property operating expenses versus 87.8% last year. Same-store NOI (net operating income) remained positive in the quarter, increasing 0.7%. The occupancy rate for the consolidated portfolio at the end of the quarter was 96.1%. Leasing spreads were up 0.6% in the quarter. Initial base rents on renewed spaces were up 0.5% and up 0.9% on re-tenanted spaces.

Total expenses grew 11.7% in the quarter to \$81.5 million. General and administrative expense declined 1.5%. Depreciation and amortization expense was up 25.1%. Operating income declined 0.6% in the quarter to \$38.1 million. Interest expense grew 19.7% to \$16.5 million.

Net income available to common shareholders in the quarter was \$29.1 million versus \$72.7 million in the year ago period. Earnings per share were \$0.31 in the quarter compared to \$0.76 in the year ago period. Funds from operations available to common shareholders were \$59.4 million, or \$0.59 per share, compared to \$59.2 million, or \$0.59 per share, in the year ago period.

Overview

Retail Environment - We believe the retail outlook remains positive for outlet centers. Outlet stores continue to be one of, if not the most, profitable divisions for most retailers. We believe consumers will shop at outlet centers in good and bad times. Since consumers can find the same brands at outlet centers that they would at their local mall, they may not feel they are trading down by shopping at this lower cost option, but just getting a bargain. Reported same center tenant sales were down 2.2% for the rolling twelve months ended June 30, due in part to 2016 being a leap year as well as apparel deflation. The company has several centers it is remerchandising, which may negatively impact occupancy and revenue in the near term, but should help the center in the long term.

Financials - As of June 30, Tanger had \$1.7 billion in wholly owned debt and \$168.0 million from its share of joint venture debt. As of June 30, the company had \$101.2 million outstanding on its unsecured lines of credit. Tanger has \$1.5 million of consolidated debt maturing in 2017 and \$3.2 million maturing in 2018. We believe Tanger's balance sheet is in excellent shape.

Bonds - In July, Tanger completed a \$300 million offering of 3.875% senior notes due 2027. Net proceeds were \$295.9 million. Net proceeds will be used to redeem Tanger's 6.125% senior notes due 2020. A \$34.4 million make-whole premium is expected to be expensed in 3Q17.

Share Repurchase Plan - In May, SKT's board authorized the repurchase of up to \$125 million of Tanger's common shares over the next 24 months. SKT repurchased 1.5 million common shares during 2Q at a weighted average price of \$26.25 per share for total consideration of \$39.3 million.

Dispositions - In May, Tanger closed on the sale of its Westbrook, Connecticut center for \$40 million. This was the least productive center in the consolidated portfolio.

Developments - In October 2016, Tanger broke ground on a new outlet center in the greater Fort Worth/Denton market. This center will be part of Fine Line Diversified Development's Champions Circle, a 279 acre commercial mixed use real estate development adjacent to the Texas Motor Speedway. This Tanger Outlet Center will contain 352,000 square feet of gross leasable area and over 80 retailers. Tanger expects the center to be completed in late October 2017.

Construction continues on a 123,000 square foot expansion at Tanger's Lancaster, Pennsylvania center with an expected Labor Day weekend completion date. Tanger continues to explore additional development options, but does not expect to open a new center in 2018.

Guidance & Estimates - Management adjusted 2017 FFO per share guidance from a range of \$2.40 to \$2.45 to a range of \$2.04 to \$2.09. These adjustments were based on \$0.025 per share dilution from the sale of the Westbrook, Connecticut center in 2Q, \$0.025 per share of accretion from common share repurchases and \$0.34 per share dilution from the recent bond offering and bond redemption. Guidance assumes a projected increase in same-center NOI of 0.5% to 2.0%, average g&a per quarter of between \$11.2 million and \$11.7 million, and 2017 weighted average diluted common shares of 94.7 million and 99.7 million for earnings per share and FFO per share, respectively. Guidance does not include the impact of any additional financing activities or any potential acquisitions or dispositions. Our 2017 FFO per share estimate is \$2.05.

Quarterly Income Statement

(in thousands, except per share data)	2Q17	2Q16	% Change
Revenues			
Base Rentals	\$80,788	\$75,003	7.7%
Percentage Rentals	1,805	2,326	-22.4%
Expense Reimbursements	34,023	30,754	10.6%
Management, Leasing and Other Services	609	1,332	-54.3%
Other Income	2,389	1,918	24.6%
Total Revenues	119,614	111,333	7.4%
Expenses			
Property Operating	37,116	35,012	6.0%
General and Administrative	11,500	11,675	-1.5%
Acquisition Costs			
Abandoned Pre-Development Costs			
Executive Severance			
Depreciation and Amortization	32,905	26,306	25.1%
Abandoned Due Diligence Costs			
Impairment Charge			
Total Expenses	81,521	72,993	11.7%
Operating Income	38,093	38,340	-0.6%
Interest Expense	16,520	13,800	19.7%
Casualty Gain			
Gain on Previously Held Interest in Acquired Joint Venture		49,258	
Loss on Early Extinguishment of Debt			
Gain on Sale of Real Estate			
Gain on Sale of Assets and Interests in Unconsolidated Entities	6,943		
Interest and Other Income	57	38	
Loss on Termination of Derivatives			
Income Before Equity in Earnings (Loss) of Unconsolidated Joint Ventures	28,573	73,836	-61.3%
Equity in Earnings (Loss) of Unconsolidated Joint Ventures	2,374	3,466	-31.5%
Discontinued Operations			
Net Income	30,947	77,302	-60.0%
Non-controlling Interest in Operating Partnership	(1,557)	(3,897)	
Non-controlling Interest in Other Consolidated Partnerships		12	
Net Income Attributable to Shareholders	29,390	73,417	-60.0%
Preferred Share Dividend			
Original Issuance Costs Related to Redeemed Preferred Shares			
Allocation of Earnings to Participating Securities	(306)	(725)	
Net Income Available to Common Shareholders	\$29,084	\$72,692	-60.0%
Earnings Per Diluted Share	\$0.31	\$0.76	-59.2%
Average Shares Outstanding	95,030	95,375	-0.4%

Funds From Operations	2Q17	2Q16	% Change
Net Income	\$30,947	\$77,302	-60.0%
Depreciation and Amortization - Discontinued Operations			
Depreciation and Amortization - Consolidated Properties	32,383	25,937	24.9%
Depreciation and Amortization - Unconsolidated Joint Ventures	3,550	5,808	-38.9%
Gain on Sale of Assets and Interests in Unconsolidated Entities	(6,943)		
Gain on Previously Held Interest in Acquired Joint Venture		(49,258)	
Impairment Charge - Unconsolidated Joint Ventures			
Gain on Fair Value Measurement of Previously Held Interest in Acquired JV			
Funds From Operations	\$59,937	\$59,789	0.2%
Preferred Share Dividends			
Original Issuance Costs Related to Redeemed Preferred Shares			
FFO Attributable to Noncontrolling Interests in Other Consolidated Partnerships		(12)	
Allocation to Participating Securities	(528)	(564)	
Funds From Operations Available to Common Shareholders	\$59,409	\$59,213	0.3%
FFO Per Share (diluted)	\$0.59	\$0.59	0.0%
Average Shares and Units Outstanding	100,058	100,428	-0.4%

Source: Company report

Condensed Balance Sheet

(in thousands)	12/31/2015	12/31/2016	6/30/2017
Assets:			
Rental Property			
Land	\$240,267	\$272,153	\$262,166
Buildings, Improvements and Fixtures	2,249,417	2,647,477	2,651,419
Construction in Progress	23,533	46,277	94,490
	2,513,217	2,965,907	3,008,075
Accumulated Depreciation	(748,341)	(814,583)	(849,652)
Rental Property, Net	\$1,764,876	\$2,151,324	\$2,158,423
Cash and Cash Equivalents	21,558	12,222	8,362
Restricted Cash	121,306		
Rental Property Held for Sale			
Investments in Unconsolidated Joint Ventures	201,083	128,104	131,172
Deferred Charges, Net	138,971	151,579	139,675
Other Assets	78,913	82,985	91,861
Total Assets	\$2,326,707	\$2,526,214	\$2,529,493
Liabilities, Minority Interest and Shareholders' Equity:			
Senior, Unsecured Notes	794,253	1,135,309	1,136,296
Senior, Unsecured Bridge Loan			
Unsecured Term Loan, Net of Discount	267,419	322,410	322,793
Mortgage Payable	311,834	172,145	171,215
Unsecured Lines of Credit	190,300	58,002	98,698
Total Debt	1,563,806	1,687,866	1,729,002
Construction Trade Payables			
Accounts Payable and Accrued Expenses	97,396	78,143	71,383
Deferred Financing Obligation	28,388		
Other Liabilities	31,085	54,764	67,979
Total Liabilities	\$1,720,675	\$1,820,773	\$1,868,364
Commitments			
Noncontrolling Redeemable Interest in Other Consolidated Partnerships			
Shareholders' Equity			
Preferred Shares			
Common Shares	959	961	950
Paid in Capital	806,379	820,251	787,255
Distributions in Excess of Earnings	(195,486)	(122,701)	(136,225)
Accumulated Other Comprehensive Loss	(36,715)	(28,295)	(24,247)
Total Shareholders' Equity	\$575,137	\$670,216	\$627,733
Non-controlling Interest	30,895	35,225	33,396
Total Equity	\$606,032	\$705,441	\$661,129
Total Liabilities, Minority Interest and Equity	\$2,326,707	\$2,526,214	\$2,529,493

Balance Sheet Ratio Analysis	12/31/2015	12/31/2016	6/30/2017
Net Rental Property / Total Debt	112.9%	127.5%	124.8%
Debt to Equity	271.9%	251.8%	275.4%
Debt to Total Market Capitalization	32.0%	32.0%	40.0%
Debt as % of Total Assets	67.2%	66.8%	68.4%
Shareholders' Equity as % of Total Assets	24.7%	26.5%	24.8%

Previous numbers have not been restated.

Source: Company reports and SNL.com

Valuation

Based on our 2018 FFO per share estimate, Tanger is trading at a discount to its peer group and at a discount to its median historic 5 year forward price/FFO multiple. We believe Tanger is in a better position than many of its peers due to its strong balance sheet, strong occupancy and positive rent spreads, ability to consistently raise its dividend, and its outlet shopping option that is performing well in many different economic environments. We believe Tanger's shares should trade at a 13.0x multiple applied to our 2018 FFO per share estimate of \$2.50, resulting in a \$32.50 target price. This multiple is a discount to the peer group, the S&P, and Tanger's historic 5-year and 10-year forward P/FFO multiples and in our view reflects Tanger's growth prospects in the current economic environment. We rate Tanger Buy.

Retail REITs	Symbol	Price		Yield	Payout Ratio	FFO Per Share			2-Year Estd.	18/17E	Price/FFO	
		8/1/2017	Dividend			2016	2017E	2018E	Avg. Growth	Growth Rate	2017E	2018E
Simon Property Group Inc.	SPG	\$164.58	\$7.20	4.4%	64.2%	\$10.49	\$11.22	\$12.23	8.3%	9.0%	14.7x	13.5x
Kimco Realty Corp.	KIM	\$20.61	\$1.08	5.2%	70.6%	\$1.31	\$1.53	\$1.62	11.8%	5.9%	13.5x	12.7x
Macerich Co.	MAC	\$57.91	\$2.84	4.9%	71.9%	\$5.08	\$3.95	\$4.13	-9.4%	4.6%	14.7x	14.0x
Taubman Centers Inc.	TCO	\$57.08	\$2.50	4.4%	67.4%	\$2.87	\$3.71	\$3.98	19.3%	7.3%	15.4x	14.3x
Federal Realty Investment Trust	FRT	\$134.40	\$4.00	3.0%	67.8%	\$5.01	\$5.90	\$6.23	12.2%	5.6%	22.8x	21.6x
Group Average		\$86.92	\$3.52	4.4%	68.4%	\$4.95	\$5.26	\$5.64	8.5%	6.5%	16.2x	15.2x
S&P 500	.SPX	\$2,476.35	\$49.17	2.0%	37.6%	\$117.75	\$130.74	\$139.52	9.2%	6.7%	18.9x	17.7x
Tanger Factory Outlet Centers	SKT	\$27.06	\$1.37	5.1%	66.8%	\$2.36	\$2.05	\$2.50	3.0%	22.0%	13.2x	10.8x

SKT does not have any public competitors that solely own factory outlet centers.
SPG, TCO, and MAC own outlet centers in addition to malls.

Our peer group for SKT is made up of mall and shopping center REITs.

We rate Simon Buy; the rest are not rated.

SPX figures are EPS not FFO per share.

Source: NAREIT, HL Estimates, and Thomson Eikon.

Dividend

To maintain REIT status, Tanger is required to distribute at least 90% of its taxable income to its shareholders each year. On April 6, 2017, the Board approved a 5.4% annual dividend increase on its common shares, raising the dividend from \$1.30 per share to \$1.37 per share. This was Tanger's 24th consecutive annual dividend increase.

Suitability

We assign shares of Tanger Factory Outlet Centers a suitability rating of 3 on our scale of 1 - 4 (1=most conservative, 4=most aggressive). Our rating is based on the company's lack of property diversification despite what we view as a strong balance sheet. We believe these shares are suited for investors seeking capital appreciation and an attractive dividend yield.

Risks and Considerations

Tanger Factory Outlet Centers' FFO may be impacted by external factors beyond the company's control or by internal factors. These risks include, but are not limited to: general economic conditions, a slowing economy, bankruptcies of tenants, store closings, inability to refinance existing debt or obtain new debt, rising interest rates, higher fuel prices that could slow consumer travel, increased competition for development sites, and inclement weather.

Additional information is available upon request.

Analyst Certification

I, Carol L. Kemple, 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.

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 total 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.

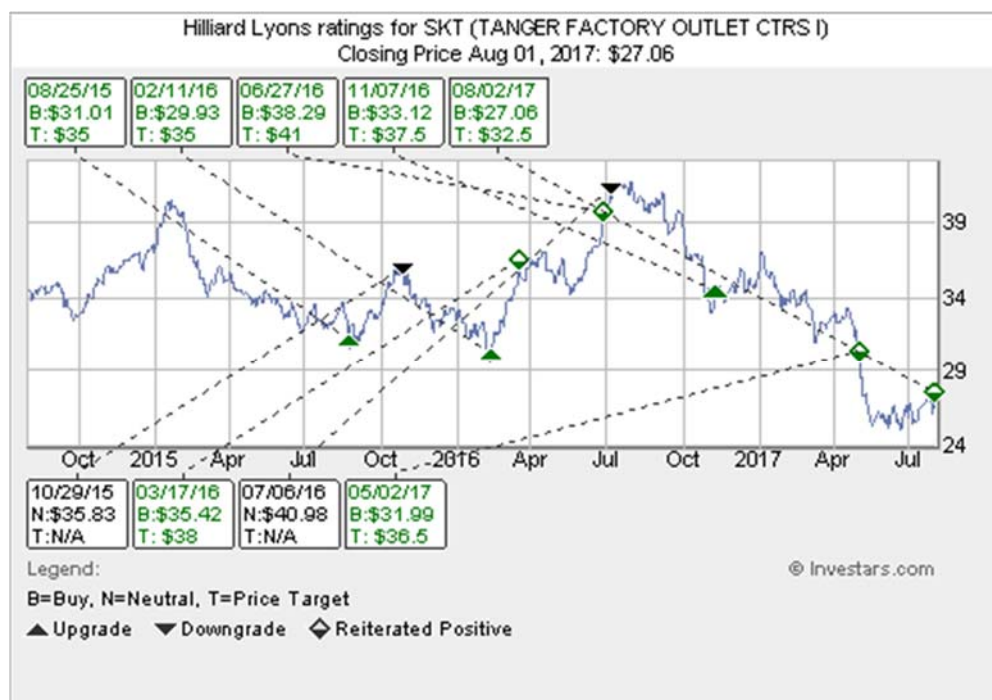
Suitability Ratings

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



Rating	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# 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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