



COMPANY UPDATE / ESTIMATE CHANGES

Key Metrics

SKT - NYSE (as of 2/14/2017)	\$34.26
Price Target	\$37.50
52-Week Range	\$30.88 - \$42.20
Shares & Units Outstanding (mm)	101
Market Cap. (\$mm)	\$3,460
3-Mo. Average Daily Volume (000)	761.3
Institutional Ownership	97%
Debt/Total Market Cap. (12/16)	32%
Est 3 - Year Dividend Growth Rate	5% - 10%
Annual Dividend	\$1.30
Dividend Yield	3.8%
Interest Coverage Ratio (12/16)	4.40x

FFO Per Share FY 12/31

	2015	2016	Prior 2017E	Curr. 2017E
1Q	\$0.50	\$0.55	\$0.59	\$0.58
2Q	\$0.54	\$0.59	\$0.60	\$0.60
3Q	\$0.59	\$0.62	\$0.64	\$0.63
4Q	\$0.59	\$0.61	\$0.67	\$0.65
Year	\$2.23	\$2.36	\$2.51	\$2.45
P/FFO	15.4x	14.5x		14.0x

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

Revenue (\$mm)

	2015	2016	Prior 2017E	Curr. 2017E
1Q	\$106	\$111	\$127	\$125
2Q	\$108	\$111	\$126	\$123
3Q	\$113	\$119	\$130	\$126
4Q	\$113	\$125	\$139	\$135
Year	\$439	\$466	\$522	\$509

Company Description: Tanger Factory Outlet Centers, Inc., headquartered in Greensboro, North Carolina, owns or has interest in 44 outlet centers and one additional center under development comprising 15.1 million square feet of gross leasable area in 22 states and Canada.

Tanger Factory Outlet Centers, Inc.

SKT -- NYSE – Buy-- 3

Fourth Quarter Results

- **Tanger reported fourth quarter FFO of \$0.61 versus \$0.59 per share in 4Q15.** This was a penny above our estimate and equal to the consensus estimates.
- **Occupancy remained strong.** Consolidated occupancy was 97.7% at the end of the fourth quarter.
- **Leasing spreads were up 15.7% in the quarter.** Initial base rents on renewed spaces were up 19.0% but were down 12.2% on re-tenanted spaces. We note that 4Q is typically a light leasing quarter and only six leases were re-tenanted in the quarter.
- **Tanger is considering several locations for new development projects.**
- **Management initiated 2017 FFO per share guidance of \$2.41 to \$2.47.** (See page three for more details on guidance.) We are lowering our 2017 FFO per share estimate by a six cents to \$2.45.
- **We rate Tanger Buy.** We believe the current share price represents an attractive entry point for these high quality shares.

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

Additional Discussion

Total revenue for the fourth quarter was \$124.6 million, up 10.4% from \$112.8 million in the year ago period. Base rents, which made up 65.2% of total revenue, increased 9.8%. Expense reimbursements were \$36.7 million versus \$32.7 million and represented 88.0% of total property operating expenses versus 86.9% last year. Same-store NOI (net operating income) remained positive in the quarter, increasing 2.7%. The occupancy rate for the consolidated portfolio at the end of the quarter was 97.7%. Leasing spreads were up 15.7% in the quarter. Initial base rents on renewed spaces were up 19.0% but were down 12.2% on re-tenanted spaces. We note that 4Q is typically a light leasing quarter and only six leases were re-tenanted in the quarter.

Total expenses grew 15.8% in the quarter to \$86.3 million. General and administrative expense increased 12.9%. Depreciation and amortization expense was up 23.8%. Operating income declined 0.1% in the quarter to \$38.3 million. Interest expense grew 17.0% to \$16.5 million.

Net income available to common shareholders in the quarter declined to \$23.8 million from \$106.9 million due to a gain on sale of assets and interests in unconsolidated entities in the year ago period.. Earnings per share were \$0.25 in the quarter compared to \$1.13 in the year ago period. Funds from operations available to common shareholders were \$60.9 million, or \$0.61 per share, compared to \$58.8 million, or \$0.59 per share, in the year ago period.

Overview

Retail Environment - We believe the retail outlook remains strong for outlet centers. Reported same center tenant sales were stable for the rolling twelve months ended December 31, when excluding eight centers negatively impacted by severe weather events in 3Q16 and 4Q16. If these centers were included same center tenant sales decreased 80 basis points over the same time frame. 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.

Financials - As of December 31, Tanger had \$1.7 billion in wholly owned debt and \$168.0 million from its share of joint venture debt. As of December 31, the company had \$61.0 million outstanding on its unsecured lines of credit. Tanger has \$73.3 million of consolidated debt maturing in 2017 and \$62.5 million maturing in 2018. We believe Tanger's balance sheet is in excellent shape.

Bond Offering - In August, Tanger sold \$250 million of 3.125% senior notes due 2026. These notes were priced at 99.605% of the principal amount. In October, Tanger sold an additional \$100 million of its 3.125% senior notes due 2026 priced at 98.962% of the principal amount.

Grand Opening - On November 18, Tanger Factory Outlet Centers celebrated the grand opening of its Tanger Outlets Daytona Beach. Festivities occurred throughout the weekend, including a Meet & Greet with *The Property Brothers*, the Frosted Fun Zone, a tree lighting ceremony, and a holiday fireworks show. The center opened 93% leased.

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 time for the 2017 holiday shopping season.

Construction continues on a 123,000 square foot expansion at Tanger's Lancaster, Pennsylvania center with an expected 3Q17 completion date. Tanger continues to explore additional development options.

Canada - We believe additional synergies could be obtained through the joint venture relationship between Tanger and RioCan Real Estate Investment Trust (RIOCF - \$20.298), such as the possibility of Canadian retailers opening stores in Tanger's U.S. centers.

Guidance & Estimates - Management initiated 2017 FFO per share guidance of \$2.41 to \$2.47. Guidance assumes a projected increase in same-center NOI of 2.0% to 3.0%, average g&a per quarter of between \$11.2 million and \$11.7 million, stable tenant sales, and 2017 weighted average diluted common shares of 95.7 million and 100.7 million for earnings per share and FFO per share, respectively. Guidance does not include any lease termination fees, the impact of any financing activities, or any potential acquisitions or dispositions. Our 2017 FFO per share estimate is \$2.45. This is six cents lower than our previous estimate due to lower jv fee income and percentage rents than we were previously anticipating and the impact of recent financing transactions on interest expense.

Quarterly Income Statement

(in thousands, except per share data)	4Q16	4Q15	% Change
Revenues			
Base Rentals	\$81,158	\$73,889	9.8%
Percentage Rentals	3,750	3,261	15.0%
Expense Reimbursements	36,697	32,653	12.4%
Management, Leasing and Other Services	588	1,163	-49.4%
Other Income	2,366	1,835	28.9%
Total Revenues	124,559	112,801	10.4%
Expenses			
Property Operating	41,689	37,582	10.9%
General and Administrative	11,328	10,038	12.9%
Acquisition Costs			
Abandoned Pre-Development Costs			
Executive Severance			
Depreciation and Amortization	33,279	26,890	23.8%
Abandoned Due Diligence Costs			
Impairment Charge			
Total Expenses	86,296	74,510	15.8%
Operating Income	38,263	38,291	-0.1%
Interest Expense	16,469	14,078	17.0%
Casualty Gain			
Gain on Previously Held Interest in Acquired Joint Venture			
Loss on Early Extinguishment of Debt			
Gain on Sale of Real Estate			
Gain on Sale of Assets and Interests in Unconsolidated Entities		86,506	
Interest and Other Income	650	62	
Loss on Termination of Derivatives			
Income Before Equity in Earnings (Loss) of Unconsolidated Joint Ventures	22,444	110,781	-79.7%
Equity in Earnings (Loss) of Unconsolidated Joint Ventures	3,192	3,182	0.3%
Discontinued Operations			
Net Income	25,636	113,963	-77.5%
Non-controlling Interest in Operating Partnership	(1,278)	(5,799)	
Non-controlling Interest in Other Consolidated Partnerships	(285)	(32)	
Net Income Attributable to Shareholders	24,073	108,132	-77.7%
Preferred Share Dividend			
Original Issuance Costs Related to Redeemed Preferred Shares			
Allocation of Earnings to Participating Securities	(280)	(1,198)	
Net Income Available to Common Shareholders	\$23,793	\$106,934	-77.7%
Earnings Per Diluted Share	\$0.25	\$1.13	-77.9%
Average Shares Outstanding	95,455	94,827	0.7%

Funds From Operations	4Q16	4Q15	% Change
Net Income	\$25,636	\$113,963	-77.5%
Depreciation and Amortization - Discontinued Operations			
Depreciation and Amortization - Consolidated Properties	32,653	26,531	23.1%
Depreciation and Amortization - Unconsolidated Joint Ventures	3,438	5,528	-37.8%
Gain on Sale of Assets and Interests in Unconsolidated Entities		(86,506)	
Gain on Previously Held Interest in Acquired Joint Venture			
Impairment Charge - Unconsolidated Joint Ventures			
Gain on Fair Value Measurement of Previously Held Interest in Acquired JV			
Funds From Operations	\$61,727	\$59,516	3.7%
Preferred Share Dividends			
Original Issuance Costs Related to Redeemed Preferred Shares			
FFO Attributable to Noncontrolling Interests in Other Consolidated Partnerships	(286)	(57)	
Allocation to Participating Securities	(520)	(625)	
Funds From Operations Available to Common Shareholders	\$60,921	\$58,834	3.5%
FFO Per Share (diluted)	\$0.61	\$0.59	3.4%
Average Shares and Units Outstanding	100,508	99,905	0.6%

Source: Company report

Condensed Balance Sheet

(in thousands)	12/31/2014	12/31/2015	12/31/2016
Assets:			
Rental Property			
Land	\$217,994	\$240,267	\$272,153
Buildings, Improvements and Fixtures	1,947,083	2,249,417	2,647,477
Construction in Progress	98,526	23,533	46,277
Accumulated Depreciation	2,263,603 (662,236)	2,513,217 (748,341)	2,965,907 (814,583)
Rental Property, Net	\$1,601,367	\$1,764,876	\$2,151,324
Cash and Cash Equivalents	16,875	21,558	12,222
Restricted Cash		121,306	
Rental Property Held for Sale	46,005		
Investments in Unconsolidated Joint Ventures	208,050	201,083	128,104
Deferred Charges, Net	153,009	138,971	151,579
Other Assets	72,354	78,913	82,985
Total Assets	\$2,097,660	\$2,326,707	\$2,526,214
Liabilities, Minority Interest and Shareholders' Equity:			
Senior, Unsecured Notes	793,574	794,253	1,135,309
Senior, Unsecured Bridge Loan			
Unsecured Term Loan, Net of Discount	267,259	267,419	322,410
Mortgage Payable	271,361	311,834	172,145
Unsecured Lines of Credit	111,000	190,300	58,002
Total Debt	1,443,194	1,563,806	1,687,866
Construction Trade Payables			
Accounts Payable and Accrued Expenses	69,558	97,396	78,143
Deferred Financing Obligation	28,388	28,388	
Other Liabilities	32,634	31,085	54,764
Total Liabilities	\$1,573,774	\$1,720,675	\$1,820,773
Commitments			
Noncontrolling Redeemable Interest in Other Consolidated Partnerships			
Shareholders' Equity			
Preferred Shares			
Common Shares	955	959	961
Paid in Capital	791,566	806,379	820,251
Distributions in Excess of Earnings	(281,679)	(195,486)	(122,701)
Accumulated Other Comprehensive Loss	(14,023)	(36,715)	(28,295)
Total Shareholders' Equity	\$496,819	\$575,137	\$670,216
Non-controlling Interest	27,067	30,895	35,225
Total Equity	\$523,886	\$606,032	\$705,441
Total Liabilities, Minority Interest and Equity	\$2,097,660	\$2,326,707	\$2,526,214

Balance Sheet Ratio Analysis	12/31/2014	12/31/2015	12/31/2016
Net Rental Property / Total Debt	111.0%	112.9%	127.5%
Debt to Equity	290.5%	271.9%	251.8%
Debt to Total Market Capitalization	28.0%	32.0%	32.0%
Debt as % of Total Assets	68.8%	67.2%	66.8%
Shareholders' Equity as % of Total Assets	23.7%	24.7%	26.5%

Previous numbers have not been restated.

Source: Company reports and SNL.com

Valuation

Based on our 2017 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, ability to increase occupancy and raise rents, ability to consistently raise its dividend, and its outlet shopping option that is performing well in this economic environment. We believe Tanger's shares should trade at a 14.5x multiple applied to our 2018 FFO per share estimate of \$2.59, resulting in a \$37.50 target price. This multiple is still a discount to the peer group, the S&P, and Tanger's historic 5-year forward P/FFO multiple 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.		17/16E		Price/FFO	
		2/14/2017	Dividend			2015	2016E/A	2017E	Avg. Growth	Growth Rate	2016E/A	2017E		
Simon Property Group Inc.	SPG	\$180.94	\$7.00	3.9%	66.7%	\$9.86	\$10.49	\$11.55	8.6%	10.1%	17.2x	15.7x		
Kimco Realty Corp.	KIM	\$24.68	\$1.08	4.4%	82.4%	\$1.23	\$1.31	\$1.53	12.2%	16.8%	18.8x	16.1x		
Macerich Co.	MAC	\$67.17	\$2.84	4.2%	55.9%	\$3.88	\$5.08	\$4.07	2.4%	-19.9%	13.2x	16.5x		
Taubman Centers Inc.	TCO	\$68.43	\$2.38	3.5%	82.9%	\$3.45	\$2.87	\$3.81	5.2%	32.8%	23.8x	18.0x		
Federal Realty Investment Trust	FRT	\$141.08	\$3.92	2.8%	78.2%	\$4.74	\$5.01	\$5.89	12.1%	17.6%	28.2x	24.0x		
Group Average		\$96.46	\$3.44	3.7%	73.2%	\$4.63	\$4.95	\$5.37	8.1%	11.5%	20.3x	18.0x		
S&P 500	SPX	2,337.58	\$44.95	1.9%	38.7%	\$118.23	\$116.29	\$127.45	3.9%	9.6%	20.1x	18.3x		
Tanger Factory Outlet Centers	SKT	\$34.26	\$1.30	3.8%	55.1%	\$2.23	\$2.36	\$2.45	4.9%	3.8%	14.5x	14.0x		

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 Neutral; the rest are not rated.

SPX figures are EPS not FFO per share.

Sources: Baseline and HL estimates.

Dividend

To maintain REIT status, Tanger is required to distribute at least 90% of its taxable income to its shareholders each year. On April 7, 2016, the Board approved a 14.0% annual dividend increase on its common shares, raising the dividend from \$1.14 per share to \$1.30 per share. This was Tanger's 23rd 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 its strong balance sheet, in our view. We believe these shares are suited for investors seeking capital appreciation and an attractive dividend yield, in our view.

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.

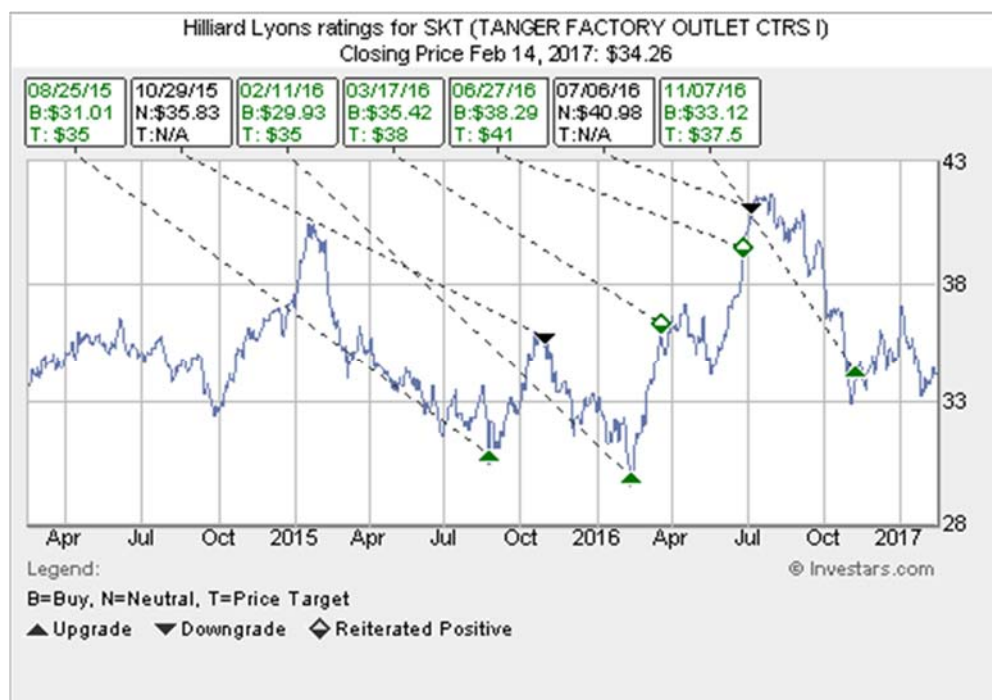
Suitability Ratings

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	30%	17%	83%
Hold/Neutral	76	62%	7%	93%
Sell	10	8%	0%	100%

As of 6 February 2017

Other Disclosures

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