



COMPANY UPDATE / ESTIMATE CHANGES /
PRICE TARGET CHANGE

Key Metrics

| | |
|-----------------------------------|-------------------|
| SKT - NYSE (as of 5/1/2017) | \$31.99 |
| Price Target | \$36.50 |
| 52-Week Range | \$30.91 - \$42.20 |
| Shares & Units Outstanding (mm) | 101 |
| Market Cap. (\$mm) | \$3,231 |
| 3-Mo. Average Daily Volume (000) | 1,258.1 |
| Institutional Ownership | 98% |
| Debt/Total Market Cap. (3/17) | 34% |
| Est 3 - Year Dividend Growth Rate | 5% - 10% |
| Annual Dividend | \$1.30 |
| Dividend Yield | 4.1% |
| Interest Coverage Ratio (3/17) | 4.22x |

FFO Per Share FY 12/31

| | 2016 | Prior 2017E | Curr. 2017E | Prior 2018E | Curr. 2018E |
|-------|--------|----------------|----------------|----------------|----------------|
| 1Q | \$0.55 | | \$0.58 A | | \$0.61 |
| 2Q | \$0.59 | \$0.60 | \$0.59 | | \$0.61 |
| 3Q | \$0.62 | \$0.63 | \$0.61 | | \$0.64 |
| 4Q | \$0.61 | \$0.65 | \$0.63 | | \$0.65 |
| Year | \$2.36 | \$2.45 | \$2.41 | | \$2.52 |
| P/FFO | 13.6x | | 13.3x | | 12.7x |

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 |
| 2Q | \$111 | \$123 | \$122 | | \$130 |
| 3Q | \$119 | \$126 | \$124 | | \$132 |
| 4Q | \$125 | \$135 | \$132 | | \$140 |
| Year | \$466 | \$509 | \$499 | | \$533 |

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

First Quarter Results

- **Tanger reported first quarter FFO of \$0.58 versus \$0.55 per share in 1Q16.** This was equal to ours and the consensus estimate.
- **Occupancy remained strong.** Consolidated occupancy was 96.2% at the end of the first quarter.
- **Leasing spreads were up 1.0% in the quarter.** Initial base rents on renewed spaces were up 4.7% but were down 8.7% 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 \$2.40 to \$2.45 from a range of \$2.41 to \$2.47.** (See page two for more details on guidance.) We are lowering our 2017 FFO per share estimate by four cents to \$2.41.
- **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 by a dollar to \$36.50.

Note Important Disclosures on Pages 6 and 7.

Note Analyst Certification on Page 7.

Additional Discussion

Total revenue for the first quarter was \$121.4 million, up 9.5% from \$110.8 million in the year ago period. Base rents, which made up 66.2% of total revenue, increased 10.6%. Expense reimbursements were \$36.6 million versus \$33.2 million and represented 90.6% of total property operating expenses versus 87.8% last year. Same-store NOI (net operating income) remained positive in the quarter, increasing 1.0%. The occupancy rate for the consolidated portfolio at the end of the quarter was 96.2%. Leasing spreads were up 1.0% in the quarter. Initial base rents on renewed spaces were up 4.7% but were down 8.7% on re-tenanted spaces.

Total expenses grew 10.1% in the quarter to \$83.7 million. General and administrative expense declined 1.3%. Depreciation and amortization expense was up 17.8%. Operating income increased 8.2% in the quarter to \$37.6 million. Interest expense grew 10.8% to \$16.5 million.

Net income available to common shareholders in the quarter declined to \$22.0 million from \$26.9 million due to a gain on sale of assets and interests in unconsolidated entities in the year ago period. Earnings per share were \$0.23 in the quarter compared to \$0.28 in the year ago period. Funds from operations available to common shareholders were \$57.7 million, or \$0.58 per share, compared to \$54.7 million, or \$0.55 per share, in the year ago period.

Overview

Retail Environment - We believe the retail outlook remains good 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 3.5% for the rolling twelve months ended March 31, due in part to the Easter shift and 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 March 31, Tanger had \$1.7 billion in wholly owned debt and \$168.0 million from its share of joint venture debt. As of March 31, the company had \$72.4 million outstanding on its unsecured lines of credit. Tanger has \$72.5 million of consolidated debt maturing in 2017 and \$62.5 million maturing in 2018. We believe Tanger's balance sheet is in excellent shape.

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 September 2017 completion date. Tanger continues to explore additional development options.

Guidance & Estimates - Management lowered 2017 FFO per share guidance from a range of \$2.41 to \$2.47 to a range of \$2.40 to \$2.45. 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, 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 the impact of any financing activities or any potential acquisitions or dispositions. Our 2017 FFO per share estimate is \$2.41.

Quarterly Income Statement

| (in thousands, except per share data) | 1Q17 | 1Q16 | % Change |
|---|-----------------|-----------------|---------------|
| Revenues | | | |
| Base Rentals | \$80,330 | \$72,623 | 10.6% |
| Percentage Rentals | 1,855 | 2,150 | -13.7% |
| Expense Reimbursements | 36,598 | 33,242 | 10.1% |
| Management, Leasing and Other Services | 579 | 1,121 | -48.3% |
| Other Income | 2,006 | 1,669 | 20.2% |
| Total Revenues | 121,368 | 110,805 | 9.5% |
| Expenses | | | |
| Property Operating | 40,387 | 37,874 | 6.6% |
| General and Administrative | 11,412 | 11,565 | -1.3% |
| Acquisition Costs | | | |
| Abandoned Pre-Development Costs | 627 | | |
| Executive Severance | | | |
| Depreciation and Amortization | 31,294 | 26,567 | 17.8% |
| Abandoned Due Diligence Costs | | | |
| Impairment Charge | | | |
| Total Expenses | 83,720 | 76,006 | 10.1% |
| Operating Income | 37,648 | 34,799 | 8.2% |
| Interest Expense | 16,487 | 14,884 | 10.8% |
| 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 | | 4,887 | |
| Interest and Other Income | 35 | 316 | |
| Loss on Termination of Derivatives | | | |
| Income Before Equity in Earnings (Loss) of Unconsolidated Joint Ventures | 21,196 | 25,118 | -15.6% |
| Equity in Earnings (Loss) of Unconsolidated Joint Ventures | 2,318 | 3,499 | -33.8% |
| Discontinued Operations | | | |
| Net Income | 23,514 | 28,617 | -17.8% |
| Non-controlling Interest in Operating Partnership | (1,178) | (1,444) | |
| Non-controlling Interest in Other Consolidated Partnerships | | (23) | |
| Net Income Attributable to Shareholders | 22,336 | 27,150 | -17.7% |
| Preferred Share Dividend | | | |
| Original Issuance Costs Related to Redeemed Preferred Shares | | | |
| Allocation of Earnings to Participating Securities | (295) | (294) | |
| Net Income Available to Common Shareholders | \$22,041 | \$26,856 | -17.9% |
| Earnings Per Diluted Share | \$0.23 | \$0.28 | -17.9% |
| Average Shares Outstanding | 95,311 | 95,003 | 0.3% |

| Funds From Operations | 1Q17 | 1Q16 | % Change |
|---|-----------------|-----------------|-------------|
| Net Income | \$23,514 | \$28,617 | -17.8% |
| Depreciation and Amortization - Discontinued Operations | | | |
| Depreciation and Amortization - Consolidated Properties | 30,855 | 26,205 | 17.7% |
| Depreciation and Amortization - Unconsolidated Joint Ventures | 3,838 | 5,339 | -28.1% |
| Gain on Sale of Assets and Interests in Unconsolidated Entities | | (4,887) | |
| 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 | \$58,207 | \$55,274 | 5.3% |
| Preferred Share Dividends | | | |
| Original Issuance Costs Related to Redeemed Preferred Shares | | | |
| FFO Attributable to Noncontrolling Interests in Other Consolidated Partnerships | | (47) | |
| Allocation to Participating Securities | (512) | (569) | |
| Funds From Operations Available to Common Shareholders | \$57,695 | \$54,658 | 5.6% |
| FFO Per Share (diluted) | \$0.58 | \$0.55 | 5.5% |
| Average Shares and Units Outstanding | 100,339 | 100,056 | 0.3% |

Source: Company report

Condensed Balance Sheet

| (in thousands) | 12/31/2015 | 12/31/2016 | 3/31/2017 |
|---|--------------------|--------------------|--------------------|
| Assets: | | | |
| Rental Property | | | |
| Land | \$240,267 | \$272,153 | \$272,153 |
| Buildings, Improvements and Fixtures | 2,249,417 | 2,647,477 | 2,667,087 |
| Construction in Progress | 23,533 | 46,277 | 65,461 |
| | 2,513,217 | 2,965,907 | 3,004,701 |
| Accumulated Depreciation | (748,341) | (814,583) | (839,843) |
| Rental Property, Net | \$1,764,876 | \$2,151,324 | \$2,164,858 |
| Cash and Cash Equivalents | 21,558 | 12,222 | 7,225 |
| Restricted Cash | 121,306 | | |
| Rental Property Held for Sale | | | |
| Investments in Unconsolidated Joint Ventures | 201,083 | 128,104 | 127,901 |
| Deferred Charges, Net | 138,971 | 151,579 | 146,965 |
| Other Assets | 78,913 | 82,985 | 92,821 |
| Total Assets | \$2,326,707 | \$2,526,214 | \$2,539,770 |
| Liabilities, Minority Interest and Shareholders' Equity: | | | |
| Senior, Unsecured Notes | 794,253 | 1,135,309 | 1,135,806 |
| Senior, Unsecured Bridge Loan | | | |
| Unsecured Term Loan, Net of Discount | 267,419 | 322,410 | 322,575 |
| Mortgage Payable | 311,834 | 172,145 | 171,458 |
| Unsecured Lines of Credit | 190,300 | 58,002 | 69,622 |
| Total Debt | 1,563,806 | 1,687,866 | 1,699,461 |
| Construction Trade Payables | | | |
| Accounts Payable and Accrued Expenses | 97,396 | 78,143 | 82,772 |
| Deferred Financing Obligation | 28,388 | | |
| Other Liabilities | 31,085 | 54,764 | 59,534 |
| Total Liabilities | \$1,720,675 | \$1,820,773 | \$1,841,767 |
| Commitments | | | |
| Noncontrolling Redeemable Interest in Other Consolidated Partnerships | | | |
| Shareholders' Equity | | | |
| Preferred Shares | | | |
| Common Shares | 959 | 961 | 965 |
| Paid in Capital | 806,379 | 820,251 | 821,509 |
| Distributions in Excess of Earnings | (195,486) | (122,701) | (132,571) |
| Accumulated Other Comprehensive Loss | (36,715) | (28,295) | (26,632) |
| Total Shareholders' Equity | \$575,137 | \$670,216 | \$663,271 |
| Non-controlling Interest | 30,895 | 35,225 | 34,732 |
| Total Equity | \$606,032 | \$705,441 | \$698,003 |
| Total Liabilities, Minority Interest and Equity | \$2,326,707 | \$2,526,214 | \$2,539,770 |

| Balance Sheet Ratio Analysis | 12/31/2015 | 12/31/2016 | 3/31/2017 |
|---|-------------------|-------------------|------------------|
| Net Rental Property / Total Debt | 112.9% | 127.5% | 127.4% |
| Debt to Equity | 271.9% | 251.8% | 256.2% |
| Debt to Total Market Capitalization | 32.0% | 32.0% | 34.0% |
| Debt as % of Total Assets | 67.2% | 66.8% | 66.9% |
| Shareholders' Equity as % of Total Assets | 24.7% | 26.5% | 26.1% |

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, 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 \$2.52, resulting in a \$36.50 target price. This multiple is still 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 | |
|--------------------------------------|------------|-----------------|----------------|-------------|--------------|-----------------|-----------------|-----------------|--------------|-------------|--------------|--------------|
| | | 5/1/2017 | Dividend | | | 2016 | 2017E | 2018E | Avg. Growth | Growth Rate | 2017E | 2018E |
| Simon Property Group Inc. | SPG | \$168.61 | \$7.00 | 4.2% | 60.7% | \$10.49 | \$11.53 | \$12.17 | 8.0% | 5.6% | 14.6x | 13.9x |
| Kimco Realty Corp. | KIM | \$20.43 | \$1.08 | 5.3% | 70.6% | \$1.31 | \$1.53 | \$1.63 | 12.2% | 6.5% | 13.4x | 12.5x |
| Macerich Co. | MAC | \$64.67 | \$2.84 | 4.4% | 71.7% | \$5.08 | \$3.96 | \$4.15 | -9.2% | 4.8% | 16.3x | 15.6x |
| Taubman Centers Inc. | TCO | \$64.44 | \$2.50 | 3.9% | 66.5% | \$2.87 | \$3.76 | \$4.09 | 21.3% | 8.8% | 17.1x | 15.8x |
| Federal Realty Investment Trust | FRT | \$133.16 | \$3.92 | 2.9% | 66.7% | \$5.01 | \$5.88 | \$6.25 | 12.4% | 6.3% | 22.6x | 21.3x |
| Group Average | | \$90.26 | \$3.47 | 4.1% | 67.2% | \$4.95 | \$5.33 | \$5.66 | 8.9% | 6.4% | 16.8x | 15.8x |
| S&P 500 | SPX | 2,388.33 | \$48.08 | 2.0% | 36.8% | \$117.75 | \$130.61 | \$140.06 | 9.5% | 7.2% | 18.3x | 17.1x |
| Tanger Factory Outlet Centers | SKT | \$31.99 | \$1.37 | 4.3% | 56.8% | \$2.36 | \$2.41 | \$2.52 | 3.4% | 4.6% | 13.3x | 12.7x |

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.

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 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 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.

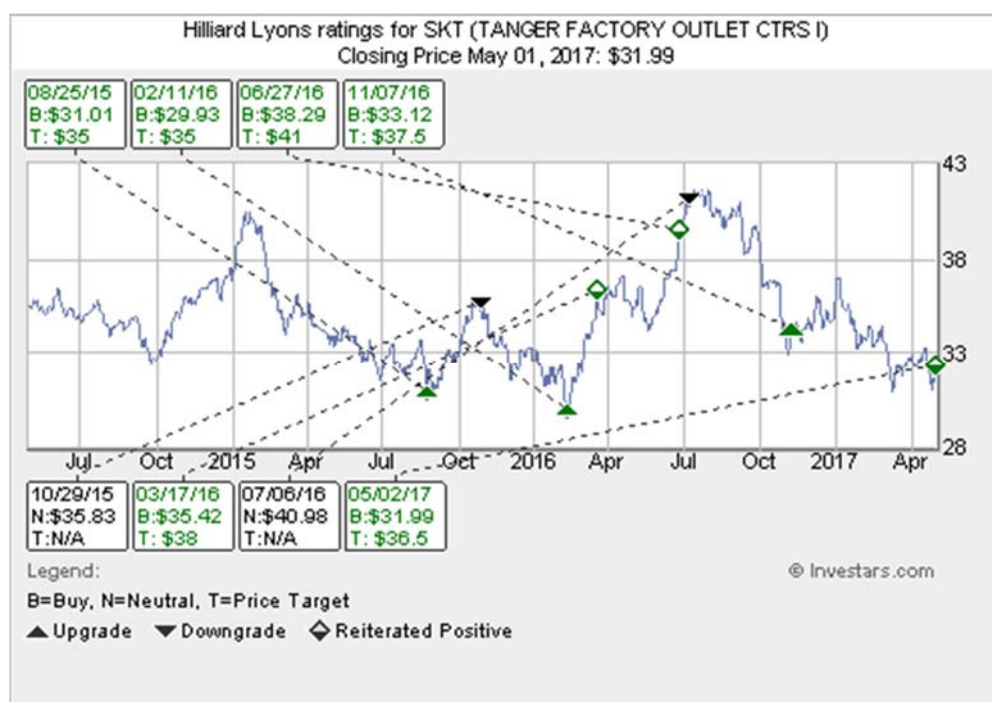
Suitability Ratings

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% | 14% | 86% |
| Hold/Neutral | 71 | 58% | 6% | 94% |
| Sell | 15 | 12% | 7% | 93% |

As of 5 April 2017

Other Disclosures

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