



## RATING CHANGE / TARGET PRICE CHANGE / ESTIMATE CHANGES

### Key Metrics

SPG - NYSE (as of 3/16/2017)	\$169.40
Price Target	\$197.00
52-Week Range	\$166.65 - \$229.10
Shares & Units Outstanding (mm)	360
Market Cap. (\$mm)	\$60,984
3-Mo. Average Daily Volume (000)	1,781.3
Institutional Ownership	95%
Debt/Total Market Capital (12/16)	32%
Annual Dividend	\$7.00
Dividend Yield	4.1%
Fixed Charge Coverage (12/16)	5.0x

### FFO Per Share FY 12/31

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$2.63	\$2.88	\$2.78		\$2.95
2Q	\$2.63	\$2.80	\$2.80		\$2.97
3Q	\$2.70	\$2.85	\$2.85		\$3.04
4Q	\$2.53	\$3.02	\$3.10		\$3.30
Year	\$10.49	\$11.55	\$11.54		\$12.25
P/FFO	16.1x		14.7x		13.8x

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

### NOI (Net Operating Income) (\$mm)

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$942	\$992	\$992		\$1,064
2Q	\$947	\$998	\$998		\$1,071
3Q	\$971	\$1,039	\$1,039		\$1,112
4Q	\$1,033	\$1,089	\$1,089		\$1,163
Year	\$3,894	\$4,118	\$4,118		\$4,411

*Company Description:* Simon Property Group, Inc., headquartered in Indianapolis, Indiana, owns or has an interest in retail properties in North America, Europe, and Asia.

## Simon Property Group, Inc.

SPG - NYSE - Buy - 2

### Rating Change & Estimates Adjustments

- **We are raising our rating on Simon Property Group to Buy from Neutral.** Our upgrade is based on what we view as a compelling valuation. We have always viewed Simon as a best in class operator, but have been waiting for a compelling entry point to recommend the shares again. We find the shares attractive at the current price.
- **We like Simon's high quality portfolio.** Simon's portfolio includes King of Prussia, Woodbury Common Premium Outlets, Lenox Square, and Fashion Valley.
- **We are adjusting our 1Q17, 4Q17 and fiscal 2017 estimates.** 1Q16 was impacted positively by a gain on the sale of a non-retail investment and 4Q16 was negatively impacted by an impairment charge. We had not adjusted for these one time items properly in our last model update and we are adjusting for them now. Our revised estimates for 1Q17, 4Q17, and fiscal 2017 are \$2.78, \$3.10, and \$11.54, respectively.
- **Our one year target price on SPG is \$197.00.** We derive our target price by applying a 16.1x multiple (equal to the company's median 10 year historic forward price/FFO multiple) to our 2018 FFO per share estimate of \$12.25. We believe using SPG's median 10-year multiple instead of SPG's 5-year multiple is more conservative, given that it includes the years of the "Great Recession".

**Note Important Disclosures on Pages 2 and 3.  
Note Analyst Certification on Page 2.**

**Suitability**

We assign shares of Simon Property Group a suitability rating of 2 on our scale of 1 - 4 (1=most conservative, 4=most aggressive). Our rating is based on the company's large market cap and what we view as a strong balance sheet.

**Risks and Considerations**

Simon Property Group may not achieve our target price or within the timeframe specified due to external factors beyond the company's control or by internal factors. These risks include, but are not limited to: interest rate risk, inability to secure financing or joint venture partners, a slowing economy, general economic risk, political risk, currency risk, international economic risk, bankruptcy of tenants, store closings, inclement weather, and rising materials cost related to developments and redevelopments.

*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	35	29%	14%	86%
Hold/Neutral	71	59%	6%	94%
Sell	15	12%	7%	93%

As of 8 March 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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