



COMPANY UPDATE / ESTIMATE CHANGES

Key Metrics

SPG - NYSE (as of 5/24/2017)	\$159.78
Price Target	\$196.00
52-Week Range	\$152.09 - \$229.10
Shares & Units Outstanding (mm)	360
Market Cap. (\$mm)	\$57,521
3-Mo. Average Daily Volume (000)	2,137.9
Institutional Ownership	100%
Debt/Total Market Capital (3/17)	33%
Annual Dividend	\$7.00
Dividend Yield	4.4%
Fixed Charge Coverage (3/17)	5.0x

FFO Per Share FY 12/31

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$2.63		\$2.74 A	\$2.83	\$2.84
2Q	\$2.63	\$2.82	\$2.45	\$3.00	\$3.01
3Q	\$2.70	\$2.88	\$2.89	\$3.05	\$3.08
4Q	\$2.53	\$3.10	\$3.11	\$3.29	\$3.30
Year	\$10.49	\$11.53	\$11.18	\$12.17	\$12.23
P/FFO	15.2x		14.3x		13.1x

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		\$976 A	\$1,024	\$1,024
2Q	\$947	\$994	\$994	\$1,063	\$1,063
3Q	\$971	\$1,034	\$1,034	\$1,103	\$1,103
4Q	\$1,033	\$1,084	\$1,084	\$1,153	\$1,153
Year	\$3,894	\$4,088	\$4,088	\$4,343	\$4,343

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

Company Update

- **On May 22, Simon announced plans to sell \$1.35 billion of multi-tranche senior notes.** These notes, sold in two tranches, have a weighted average term of 7.8 years and a weighted average coupon rate of 3.04%. Closing is expected June 1.
- **Proceeds from the senior notes sale are expected to be used to redeem notes and any additional will be used for general corporate purposes**
- **On May 25, Simon announced plans to redeem all of its outstanding 5.65% notes due 2020.** The redemption date is June 26. Simon expects to incur a \$128.6 million charge in the 2Q17 related to the redemption of these notes.
- **Estimate changes.** Due to the 2Q17 redemption charge and additional debt outstanding in 2Q, we are lowering our 2Q17 and 2017 FFO estimates to \$2.45 and \$11.18, respectively. We are raising our 2018 FFO estimate to \$12.23 on lower interest expense.
- **We are maintaining our Buy rating on SPG shares.** We derive our \$196 target price by applying a 16.0x multiple (equal to the company's median 10 year historic forward price/FFO multiple) to our 2018 FFO per share estimate of \$12.23. 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's FFO may be impacted by 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	32	26%	13%	88%
Hold/Neutral	79	64%	8%	92%
Sell	12	10%	0%	100%

As of 8 May 2017

Other Disclosures

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