



## COMPANY UPDATE / ESTIMATE CHANGES

### Key Metrics

UBA - NYSE (as of 3/10/2017)	\$20.49
Price Target	N/A
52-Week Range	\$19.72 - \$25.43
Class A Shares Outstanding (mm)	29
Market Cap. (\$mm)	\$721
3-Mo. Average Daily Volume (000)	81.3
Institutional Ownership	82%
Debt/Total Market Capital (1/17)	21.7%
Est 3 - Year Dividend Growth Rate	1% - 4%
Dividend	\$1.06
Dividend Yield	5.2%

### FFO Per Class A Common Share FY 10/31

	2015	2016	Prior 2017E	Curr. 2017E
1Q	\$0.24	\$0.26		\$0.28A
2Q	\$0.28	\$0.31	\$0.34	\$0.33
3Q	\$0.32	\$0.31	\$0.33	\$0.33
4Q	\$0.28	\$0.36	\$0.34	\$0.33
Year	\$1.12	\$1.25	\$1.31	\$1.28
P/FFO	18.3x	16.4x		16.0x

### Revenue (\$mm)

	2015	2016	Prior 2017E	Curr. 2017E
1Q	\$28	\$27		\$29A
2Q	\$30	\$29	\$33	\$31
3Q	\$29	\$28	\$32	\$30
4Q	\$28	\$32	\$33	\$31
Year	\$115	\$117	\$128	\$121

Quarterly amounts may not add up to full year amounts due to rounding.  
Revenue includes other income.

**Company Description:** *Urstadt Biddle Properties, Inc., headquartered in Greenwich, Connecticut, is a self-administered real estate investment trust (REIT). The company owns or has interest in 75 real estate properties, primarily community shopping centers in the suburbs of New York City.*

## REITs

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March 13, 2017

## Urstadt Biddle Properties, Inc.

UBA - NYSE - Neutral - 3

### First Quarter Results

- **1Q17 results.** Fiscal first quarter (ended January 31, 2017) FFO per Class A common share were \$0.28, two cents above the year ago period. This was below ours and the consensus estimate.
- **Leasing declined from fiscal 2016 year end.** The percentage of space leased in the consolidated core portfolio was 92.6%, down from 93.3% at the end of fiscal 2016. This decline was mostly due to one 17,000 square foot space becoming vacant.
- **We believe UBA has a strong balance sheet.** At the end of the first quarter, debt to total market capitalization was 21.7%, lower than any of the other retail REITs under our coverage.
- **We are maintaining our Neutral rating on UBA.** We are lowering our 2017 FFO per Class A common share estimate by three cents to \$1.28. We believe UBA shares are fairly valued at this time.

**Note Important Disclosures on Pages 6 and 7.  
Note Analyst Certification on Page 6.**

**Additional Discussion**

Urstadt Biddle reported first quarter (ended January 31) base rental revenues of \$21.1 million, up 5.2% from the year ago period (please see quarterly income statement on page 3). Recoveries from tenants increased 11.0% and represented 70.8% of property operating and tax expenses compared to 67.9% of property operating and tax expenses in the year ago period. Total real estate revenues were \$28.2 million versus \$26.5 million, a 6.5% year-over-year increase. The percentage of leased space in the core portfolio at January 31 was 92.6%, down from 93.3% at the end of fiscal year 2016.

Real estate NOI (net operating income) increased 6.5% to \$18.2 million. First quarter net income available to common and Class A common shareholders (after preferred dividends) was \$3.4 million compared to \$2.9 million in the year ago period. EPS for Class A common were \$0.09 compared to \$0.08 in the year ago period. First quarter FFO per share (Class A) were \$0.28, two cents above the year ago period.

Urstadt's balance sheet remained fairly strong, in our opinion. Debt to total market capitalization at the end of the quarter was 21.7%.

**Acquisitions & Dispositions**

On March 1, UBA completed its previously announced sale of its Westchester Pavilion in White Plains, New York for \$56.6 million. The sales price is a substantial premium over the price UBA paid for the property. In 2013, this property lost a large tenant. Management realized that this property had great potential to be redeveloped. The new owners are tearing down the existing center and our replacing it with a high-end, mixed-use property with residential and retail.

In January, UBA acquired Pershing Square Shopping Center in Derby, Connecticut for \$9.0 million. This center is 38,750 square feet with a tenant roster including Aldi, Panera Bread (PNRA - \$234.91), AT&T (T - \$42.35), and Popeye's (PLKI - \$79.00). The company has several acquisitions under contract, including a grocery anchored shopping center (\$7.1 million), a free standing commercial property (\$3.1 million), and a 4.1% equity interest (\$2.4 million) in a newly-formed DownREIT entity that will own three commercial properties. UBA will lease and manage the properties in the DownREIT.

We believe management will continue to explore further acquisition opportunities. Finding attractively priced properties in UBA's markets is difficult and competitive, and we believe this may be the biggest challenge UBA will face in the near term. We do not expect UBA to overpay for a property just to complete a deal.

<b>Quarterly Income Statement</b>			
October fiscal year	1Q17	1Q16	% Change
(in thousands, except per share data)			
Base Rents	\$21,112	\$20,072	5.2%
Recoveries from Tenants	7,073	6,372	11.0%
Lease Termination Income	24	42	-42.9%
<b>Total Property Revenue</b>	<b>28,209</b>	<b>26,486</b>	<b>6.5%</b>
Property Operating Expenses	5,148	4,767	8.0%
Property Taxes	4,848	4,623	4.9%
<b>Real Estate Operating Income (NOI)</b>	<b>18,213</b>	<b>17,096</b>	<b>6.5%</b>
Other Income	861	965	-10.8%
Equity in Net Income from Unconsolidated Joint Ventures	514	383	34.2%
General and Administrative Expenses	2,455	2,462	-0.3%
Provision for Tenant Credit Losses	78	239	-67.4%
Acquisition Costs	103	80	28.8%
Directors' Fees and Expenses	83	83	0.0%
<b>EBITDA</b>	<b>16,869</b>	<b>15,580</b>	<b>8.3%</b>
Interest Expense (net of interest income)	3,084	3,220	-4.2%
Depreciation and Amortization Expense	6,581	5,688	15.7%
<b>Income Before Minority Interests, Gains &amp; Preferred Dividends</b>	<b>7,204</b>	<b>6,672</b>	<b>8.0%</b>
Noncontrolling Interests	(222)	(225)	
Gain on Sale of Marketable Securities			
Gain on Sale of Properties			
Other Income (Expense)			
Discontinued Operations (including Real Estate Gains)			
<b>Net Income</b>	<b>6,982</b>	<b>6,447</b>	<b>8.3%</b>
Preferred Stock Dividends	(3,570)	(3,570)	
Redemption of Preferred Stock			
<b>Net Income Applicable to Common and Class A Shareholders</b>	<b>\$3,412</b>	<b>\$2,877</b>	<b>18.6%</b>
Earnings Per Share (diluted) - Common	\$0.08	\$0.08	0.0%
Earnings Per Share (diluted) - Class A Common	\$0.09	\$0.08	12.5%
Avg. Shares Outstanding (diluted) - Common	8,915	8,736	2.0%
Avg. Shares Outstanding (diluted) - Class A Common	29,439	26,174	12.5%
<b>Funds From Operations</b>			
<b>Net Income Applicable to Common and Class A Shareholders</b>	<b>\$3,412</b>	<b>\$2,877</b>	<b>18.6%</b>
Real Estate Depreciation (incl. discontinued operations)	4,964	4,769	4.1%
Amortization of Tenant Improvements & Allowances	1,326	777	70.7%
Amortization of Deferred Leasing Costs	267	120	122.5%
Depreciation and Amortization on Unconsolidated Joint Ventures	396	473	-16.3%
Other Adjustments (incl. Real Estate Gains)		(340)	
<b>Total Funds From Operations</b>	<b>\$10,365</b>	<b>\$8,676</b>	<b>19.5%</b>
FFO Per Share - Common	\$0.25	\$0.23	8.7%
<b>FFO Per Share - Class A Common</b>	<b>\$0.28</b>	<b>\$0.26</b>	<b>7.7%</b>

Source: Company reports

**Condensed Balance Sheet**

October fiscal year	10/31/2015	10/31/2016	1/31/2017
(in thousands)			
<b>Assets</b>			
Real Estate Investments:			
Core Properties - At Cost	\$941,690	\$1,016,838	\$1,028,208
Non-Core Properties - At Cost	941,690	1,016,838	1,028,208
Less: Accumulated Depreciation	(165,660)	(186,098)	(191,689)
	776,030	830,740	836,519
Investment in Unconsolidated Joint Ventures	39,305	38,469	38,311
Mortgage Notes Receivable		13,500	13,500
	815,335	882,709	888,330
Cash and Cash Equivalents	6,623	7,271	5,042
Restricted Cash	2,191	2,024	1,931
Marketable Securities			
Tenant Receivables, Net of Allowances if any	22,353	18,890	23,257
Prepaid Expenses and Other Assets	9,334	13,338	18,371
Deferred Charges, Net of Accumulated Amortization	5,239	7,092	7,890
Deposits on Real Estate Investments			
<b>Total Assets</b>	<b>\$861,075</b>	<b>\$931,324</b>	<b>\$944,821</b>
Liabilities and Stockholders' Equity			
Liabilities:			
Revolving Credit Line	22,750	8,000	23,000
Unsecured Term Loan			
Mortgage Notes Payable	260,457	273,016	271,500
Preferred Stock Called for Redemption			
Accounts Payable and Accrued Expenses	3,438	4,977	5,943
Deferred Compensation - Officers	155	130	92
Other Liabilities	17,542	27,915	28,666
<b>Total Liabilities</b>	<b>\$304,342</b>	<b>\$314,038</b>	<b>\$329,201</b>
Redeemable Noncontrolling Interests	15,955	18,253	18,934
Redeemable Preferred Stock			
Commitment and Contingencies			
Stockholders' Equity:			
7.5% Series D Senior Cumulative Preferred Stock			
7.125% Series F Cumulative Preferred Stock	129,375	129,375	129,375
6.750% Series G Cumulative Preferred Stock	75,000	75,000	75,000
Excess Stock			
Common Stock	94	96	98
Class A Common Stock	264	296	297
Additional Paid In Capital	431,411	509,660	510,518
Cumulative Distributions in Excess of Net Income	(94,136)	(114,091)	(121,508)
Accumulated Other Comprehensive Income	(1,230)	(1,303)	2,906
Unamortized Restricted Stock Compensation			
<b>Total Stockholders' Equity</b>	<b>\$540,778</b>	<b>\$599,033</b>	<b>\$596,686</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$861,075</b>	<b>\$931,324</b>	<b>\$944,821</b>

<b>Balance Sheet Ratio Analysis</b>	10/31/2015	10/31/2016	1/31/2017
Net R/E Investments / Total Debt	287.9%	314.1%	301.6%
Debt to Equity	52.4%	46.9%	49.4%
Total Debt as % of Total Assets	32.9%	30.2%	31.2%
Shareholders' Equity as % of Total Assets	62.8%	64.3%	63.2%

Previous numbers have not been restated.

Source: Company reports

## Valuation

We are lowering our 2017 Class A common share FFO estimate by three cents to \$1.28.

Shopping Center REITs	Symbol	Closing Price	Current	Yield	Payout Ratio	FFO Per Share			17/16E	Price / FFO	
		3/10/2017	Dividend			2015	2016	2017E	Growth	2016	2017E
Kimco Realty Corporation	KIM	\$21.64	\$1.08	5.0%	70.6%	\$1.23	\$1.31	\$1.53	16.8%	16.5x	14.1x
DDR Corp.	DDR	\$13.16	\$0.76	5.8%	68.5%	\$0.96	\$1.27	\$1.11	-12.6%	10.4x	11.9x
Weingarten Realty Investors	WRI	\$31.37	\$1.54	4.9%	64.2%	\$2.07	\$2.28	\$2.40	5.3%	13.8x	13.1x
Kite Realty Group Trust	KRG	\$20.03	\$1.21	6.0%	59.0%	\$2.11	\$2.00	\$2.05	2.5%	10.0x	9.8x
Cedar Realty Trust	CDR	\$5.01	\$0.20	4.0%	37.0%	\$0.55	\$0.26	\$0.54	107.7%	19.3x	9.3x
<b>Peer Average</b>		<b>\$18.24</b>	<b>\$0.96</b>	<b>5.1%</b>	<b>60.1%</b>	<b>\$1.38</b>	<b>\$1.42</b>	<b>\$1.53</b>	<b>29.3%</b>	<b>14.0x</b>	<b>11.6x</b>
<b>S&amp;P 500</b>	<b>SPX</b>	<b>2372.6</b>	<b>\$48.08</b>	<b>2.0%</b>	<b>37.1%</b>	<b>\$118.23</b>	<b>\$116.75</b>	<b>\$129.45</b>	<b>10.9%</b>	<b>20.3x</b>	<b>18.3x</b>
<b>Urstadt Biddle Properties</b>	<b>UBA</b>	<b>\$20.49</b>	<b>\$1.06</b>	<b>5.2%</b>	<b>82.8%</b>	<b>\$1.12</b>	<b>\$1.25</b>	<b>\$1.28</b>	<b>2.4%</b>	<b>16.4x</b>	<b>16.0x</b>

Note: Hilliard Lyons has KRG rated Buy and DDR and WRI rated Neutral. The rest are not rated.

SPX figures are EPS not FFO per share.

UBA's fiscal year ends in October.

Sources: NAREIT, Baseline and HL estimates.

At 16.0x our fiscal 2017 FFO forecast, UBA is trading at a premium to a select group of shopping center REITs and at a slight discount to its 5-year historic forward price/FFO multiple. We believe UBA deserves to trade at a premium to its peer group based on its geographic footprint and strong balance sheet. We believe UBA shares are fairly valued in the current economic environment. **We are maintaining our Neutral (Sector Perform) rating.** Our Neutral rating is based on valuation only as we like the company's balance sheet and geographic concentration.

**Dividend** - UBA raised the annual dividend on December 15, 2016. The annual payment went from \$1.04 to \$1.06 per Class A common share, a 1.9% increase. UBA has raised its dividend for 23 consecutive years.

## Suitability

We assign shares of Urstadt Biddle Properties 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 small market cap, low relative trading volume and lack of property type diversification offset by a strong balance sheet, in our view.

## Risks and Considerations

UBA's FFO could be impacted by external factors beyond the company's control or due to internal factors. We believe these risk factors include, but are not limited to: interest rate risk, a decline in consumer spending, change in consumer spending patterns/trends, an inability to finance acquisitions or developments, development risk, higher construction or supply cost, bankruptcy of tenant(s), etc.

Annual yield is calculated by dividing the distribution amount by the current market price of the security. For US income tax purposes, the Company may classify all or a portion of its distributions as dividends or other non-dividend distributions. Note that for some investors, for US income tax purposes all or a portion of the Company's 2016 dividend or distribution was treated as return of capital and not as "dividend income" as reflected on the IRS Form 1099-Div for the 2016 tax year. The Company generally makes a final determination regarding the proper tax treatment of distributions after calendar year end. We urge each shareholder to consult with his or her own tax advisor to determine the tax consequences of the distributions received, including any state, local or foreign tax considerations.

*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 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



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