HILLIARD LYONS

Healthcare Real Estate Investment Trusts
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April 28, 2017

COMPANY UPDATE/ESTIMATE CHANGE

Key Metrics

VTR - NYSE - as of 4/27/17	$64.12
Price Target	NA
52-Week Range	$56.20 - $76.80
Shares Outstanding (mm)	357.1
Market Cap. ($mm)	$22,897.3
1-Mo. Average Daily Volume	2,280,000
Institutional Ownership	97.0%
Debt/Total Capital Mar-17	34.0%
Est 3-year FFO Growth Rate	6.0%
Est 3-year Dividend Growth Rate	5.0%
Dividend	$ 3.10
Dividend Yield	4.83%
Est. Fixed Charge Coverage	4.6X

Normalized FFO	2016	Prior 2017E	Current 2017E		Prior 2018E	Current 2018E
1Q	$1.04	--	$1.03	A	--	$1.07
2Q	$1.04	$1.06	$1.06		--	$1.11
3Q	$1.03	$1.07	$1.07		--	$1.13
4Q	$1.03	$1.08	$1.08		--	$1.13
Year	$4.13	$4.26	$4.24		$4.45	$4.44
P/E	15.5x		15.1x			14.4x

*-2015 not restated for CCP spin-off.

Revenue ($mm)

	2016	Prior 2017E	Current 2017E		Prior 2018E	Current 2018E
1Q	$ 852.3	--	$883.4	A	--	$936.6
2Q	$ 848.4	$877.9	$893.9		--	$950.0
3Q	$ 867.1	$898.2	$909.2		--	$965.3
4Q	$ 875.7	$922.7	$932.3		--	$980.9
Year	$3,443.5	$3,565.9	$3,618.9		$3,833.5	$3,832.8

Numbers not restated for discontinued.

Company Description: *Ventas, Inc., headquartered in Chicago, Illinois, owns a total of over 1,000 properties, including hospitals, senior housing facilities, medical office and other properties in 47 states, the District of Columbia, Canada and the United Kingdom.*

Ventas, Inc.

VTR -- NYSE – Neutral-2

First Quarter Earnings

Investment Highlights

- VTR reported normalized Q1 FFO of $1.03 a share, a penny below our estimate and compared to the consensus of $1.02. FFO was off a penny year over year, although that was a function of divestitures and the reduced earnings that resulted. Operating comparisons continue to show solid growth, however. We are fine-tuning our 2017 FFO estimate to $4.24 a share due to the Q1 miss and investments slightly below our initial thoughts, although still above the high end of company guidance of $4.12-$4.18. We believe management is being conservative and that additional investments will provide upside to the number.
- Healthcare REIT group multiples have moved up over the past month as rates on longer term bonds have declined. We believe over the coming year or two that rates will likely rise, which could push the shares down towards our preferred buying range, all things being equal. The Fed has signaled three increases this year and if they meet this number, and bond rates rise as a result, the shares could move back towards our preferred level.
- VTR's results were very solid and VTR, in our opinion, remains a consolidator in a growing, attractive asset class. As the share price at this time is above our preferred buying range we are retaining our Neutral rating on the shares. While the company has taken a number of steps to increase growth and reduce risk, we believe these positives are reflected in the current share price. Having said that, VTR should continue to post solid growth and fundamentals and the company's management remains solid. The share price is now just a little above our buy range, thus the Neutral rating, as investors could still hold the shares for their solid dividend yield and what we see as modest price appreciation potential.

Note Important Disclosures on Pages 9-10.
Note Analyst Certification on Page 9.

<u>First Quarter Review</u>

Rental income was $395.2 million versus $358.6 million, a 10.2% increase from normal rental increases as well as the increase in the size of the company's portfolio from recent investments. Resident fees and services were $464.2 million versus a level of $464.0 million in the year ago period, basically flat with normal growth offset by some divestitures. Total revenue was $883.4 million versus $852.3 million, a 3.7% increase.

Property level operating expenses were $369.0 million versus $356.2 million in last year's first period, an increase of 3.6%. Net operating income on the operating properties rose to $152.1 million from $148.8 million, up 2.2%, over the increase in operating revenue. G&A (general and administrative) expenses were a little over our expectations at $34.0 million compared to $31.7 million year-over-year, a 7.0% increase.

Interest expense was up 5.4% to $108.8 million from $103.3 million. Debt was up year over year as well as since year end, at $11.94 billion. Depreciation expense was down with recent divestitures at $217.8 million versus $236.4 million in the year ago period. During the quarter, the company recorded $2.1 million in merger-related expenses, compared to $1.6 million reported in the first quarter of 2016. Ventas' net income applicable to common shareholders was $198.1 million compared to $149.0 million earned in the year earlier period. Earnings per share were $0.55 in this year's first quarter and $0.44 last year.

For the quarter, "normalized" funds from operations, in which management excludes one-time expenses and gains, were $368.1 million versus $351.7 million, up 4.7% year-over-year. FFO (as defined by NAREIT) were $1.03 versus $1.05 a share, while "normalized" FFO were $1.03 versus $1.04 a share. Our estimates use "normalized" results.

At quarter-end, Ventas' debt to total assets was 49.9% compared to 48.0% at year-end 2016. Cash and equivalents were $91.3 million at the end of the first quarter down from $286.7 million at the end of 2016. VTR continues to have a lack of near term debt maturities, with only $610.0 million due during the remainder of 2017 out of a total of $11.9 billion in debt. Given the company's relatively low level of debt, we do not see any near term liquidity issues with VTR. Debt to total market capitalization at quarter-end was an estimated 34% compared to 33% at 2016 year-end.

Acquisitions and Investment – During Q1 Ventas announced a nearly $130 million purchase of a life science, research and medical campus in Providence, RI from Blackstone Real Estate Partners VIII LP. The property is connected to a college and is 100%-leased and amounts to 269,000 square feet of leasable space and an adjacent parking garage. The company is also purchasing some adjacent development space for $21 million. While VTR management expects the investment to be accretive, they did not offer any return parameters on the purchase. The company also provided a $700 million term loan to Ardent Health services to fund a hospital group acquisition. Including other loans and development/redevelopment activity and investments, VTR invested over $1 billion during the quarter with most rear-end loaded. Subsequent to quarter end the company sold properties and had loan repayments for total proceeds of $100 million, with gains of more than $40 million.

Capital Market Activity – During the quarter the company priced $800 million in senior notes, $400 million in 3.1% notes due in 2023 and $400 million in 3.85% senior notes due in 2027. In addition, subsequent to quarter end the company closed an upsized credit facility of $3 billion at a better rate and with a maturity pushed out to 2022 with a company option and an additional $750 million accordion feature.

Quarterly Income Statement

(in thousands)	1Q 2017	1Q 2016	% Change
Rental Income	$395,222	$358,623	10.2%
Resident Fees and Services	464,188	463,976	0.0%
Medical Office Building Services Revenue	3,406	7,185	-52.6%
Interest Income from Loan Receivable	20,146	22,386	-10.0%
Interest and Other Income	481	119	304.2%
Total Revenue	883,443	852,289	3.7%
Property Level Operating Expenses	368,987	356,222	3.6%
Medical Office Building Service Costs	738	3,451	-78.6%
General and Administrative Expenses	33,961	31,726	7.0%
Other	1,188	4,168	-71.5%
Merger-related Expenses	2,056	1,632	26.0%
Rent Reset Costs	0	0	
Reversal of Contingent Liability	0	0	
(Gain) Loss on Extinguishment of Debt	309	314	
EBITDA	476,204	454,776	4.7%
Interest Expense	108,804	103,273	5.4%
Depreciation Expense	217,783	236,387	-7.9%
Income (Loss) Before Discontinued Operations and Other Items	149,617	115,116	30.0%
Discontinued Operations (including gain on sale of assets)	43,236	25,695	
Income Tax Benefit	3,145	8,421	
Minority Interest	2,129	(252)	
Preferred Stock Dividends	0	0	
Net Income (Loss)	$198,127	$148,980	33.0%
Net EPS (diluted)	$0.55	$0.44	26.2%
Avg. Shares Outstanding (diluted)	357,572	339,202	5.4%

Funds From Operations	1Q 2017	1Q 2016	
Net Income	$198,127	$148,980	33.0%
Depreciation Expense	215,961	234,726	-8.0%
Discontinued Operations - Depreciation	(1,995)	(2,075)	
Discontinued Operations - (Gains)	(43,289)	(26,184)	
Depreciation - Related to Minority Interest	1,187	1,453	
Other (adding/substracting one-time items)	(1,941)	(5,230)	
Normalized Funds From Operations	**$368,050**	**$351,670**	4.7%
Normalized FFO Per Share (diluted)	**$1.03**	**$1.04**	-0.7%

Source: Company reports.

Consolidated Balance Sheet

(in thousands)	March 31, 2017	December 31, 2016
Real Estate Assets		
Land	$2,123,266	$2,089,591
Construction in progress	$213,281	$210,599
Buildings and Improvements	21,869,961	21,516,396
Acquired Lease Intangibles	1,532,365	1,510,629
	25,738,873	25,327,215
Less Accumulated Depreciation and Amortization	(5,123,144)	(4,932,461)
Net Investment in Real Estate Property	$20,615,729	$20,394,754
Loan Receivable, net	1,398,417	702,021
Total Net Real Estate Investments	**$22,014,146**	**$21,096,775**
Cash and Cash Equivalents	91,284	286,707
Investment in Unconsolidated Entities	108,976	95,921
Escrow Deposits and Restricted Cash	92,175	80,647
Deferred Financing Costs (net)	0	0
Notes Receivable-related Parties	0	0
Other Assets	1,612,750	1,606,550
Total Assets	**$23,919,331**	**$23,166,600**
Notes Payable and Other Debt	**$11,943,733**	**$11,127,326**
Accrued Interest	78,219	83,762
Accounts Payable and Other Accrued Liabilities	946,674	909,390
Deferred Income Taxes	295,446	316,641
Total Liabilities	**$13,264,072**	**$12,437,119**
Minority Interest	$240,653	$269,241
Common Stock	88,698	88,514
Capital in Excess of Par Value	12,944,501	12,917,002
Unearned Compensation on Restricted Stock	0	0
Accumulated Other Comprehensive Loss	(53,657)	(57,534)
Retained Earnings (deficit)	(2,564,936)	(2,487,695)
Treasury Stock	0	(47)
Total Shareholders' Equity	**10,414,606**	**10,460,240**
Total Liabilities and Shareholders' Equity	**$23,919,331**	**$23,166,600**

Balance Sheet Ratio Analysis	March 31, 2017	December 31, 2016
Net R/E Investments / Total Debt	184.3%	189.6%
Debt to Equity	114.7%	106.4%
Debt as % of Total Assets	49.9%	48.0%
Shareholders' Equity as % of Total Assets	43.5%	45.2%

Source: Co. reports. Note we have chosen not to restate past year numbers for accounting changes

Property Fundamentals

Senior Housing Operating Portfolio – Total community NOI (real estate net operating income) for the Sunrise and Atria portfolios after management fees was $152.1 million for the first quarter of 2017, which was up from $148.8 million in the year ago period. Ventas noted that average occupancy for the "stabilized" communities was 88.8%, down about 160 basis points over the previous year, while total portfolio occupancy, including lease up properties was 88.6%, off 160 basis points.

Medical Office Building Portfolio – Medical office buildings (MOBs) remain a major source of revenue for VTR, at 24.2 million square feet. NOI rose from $92.8 million in 2016 Q1 to $120.3 million (excluding minority partner's shares), with a large addition of life science properties providing the major boost. In looking at property fundamentals, occupancy of the stabilized portfolio increased slightly to 92.6% from 92.2%, while the rental rate rose to $32 a square foot, up 5.3%, driven by the life science properties.

Dividend – VTR raised its dividend six consecutive years, before reducing it in 2015 to account for the spin-off of the SNF properties into Care Capital Properties (CCP-$27.95, LTB). We do note, however, that if one combines the dividends of VTR and CCP and adjust it for the one-for four distribution to VTR shareholders of CCP shares, the dividend was actually increased from $3.16 to $3.49 (adding VTR's $2.92 dividend and one-fourth of CCP's $2.28 a share dividend). VTR further increased its dividend in the fourth quarter of 2016, bumping it 6% to $0.775 a quarter or to $3.10 a share annually. We anticipate the company will continue to raise the dividend on an ongoing basis in the future. We believe dividend increases are likely to approximate or be a little less than FFO growth, following the abnormally large increase around the CCP spin-off. The company's payout ratio stands at 70.0% of our 2017 FFO estimate, just over the group payout ratio, and we believe that management has reached its target payout ratio.

Conference Call Discussion – VTR's 10 AM conference call was reasonably uneventful. From our perspective, the most important issue discussed was that management was seeing a variety of non-REIT buyers in the market that have pushed up the imputed value of its assets while forcing them to be more inventive than historically when looking at how to invest capital. This has led to investment such as the Arden debt investment, as well as various development/re-development projects and also targeting divestitures where prices have moved up and the market value exceeds the risk/return on the property.

Other issues discussed include the company's continued move towards private pay assets, which is currently 93% of all assets and that skilled nursing exposure is down to 1%. Management also discussed the strength of its Canadian operations, which have proven to be very strong, with same store cash NOI growth of over 7% with 95% occupancy.

Other salient points discussed on the call include that the portfolio continues to perform above industry averages. The senior housing operating portfolio experienced 2.9% same store NOI growth. The triple net leased portfolio experienced even stronger 3.9% same store cash NOI growth, while the company's medical office properties posted 1.5% growth excluding non-recurring items. The company's 2.5%-3.5% guidance looks conservative based on these results. Cash flow coverage ratios continue to be strong, with the triple net SNF portfolio 1.7 times and the senior housing at 1.7 times excluding management fees. This was in spite of operators seeing pressure from higher labor costs and lower occupancy. Management also discussed solid numbers from the remaining property classes, including an 80%-plus retention rate at the medical office building sector, and occupancy up to 97% for the life science portfolio.

On the negative side, management noted that some of its markets were seeing pressure from competition, which indicates to us that we may be beginning to see some overbuilding in some areas. This is consistent with the demand that management noted and is something we will need to keep an eye on.

Q2 and 2017 Outlook

At this time we are fine-tuning our 2017 FFO estimate down to $4.24 a share. The penny miss on the Q1 results and a timing change on investment versus divestitures were the major factors behind our estimate reduction. We are anticipating that acquisition and investment activity will pick up in the second half of the year, and if that proves not to be the case we may have to adjust down our numbers a little more. With no acquisitions included in management's $4.12-$4.18 a share guidance other than those already announced but dilutive divestments being included, we see management being a little conservative with its guidance, the reason for our estimate being above guidance. We note that the consensus number sits at $4.17 a share. While our new estimate is six cents above the top end of guidance, we anticipate a level of future investment that will allow the company to exceed guidance. We in no way believe that management will be standing still and not making some new investments that are accretive, and as a result we find it hard to believe that management is not under promising, something that it has been pretty consistent in doing in the past. As a result, we believe that management is likely being overly conservative in their estimates for the year. Our Q2 estimate is at $1.06 a share, with the assumption of only a very small amount of investment being made in the quarter. We are fine-tuning our 2018 FFO estimate to $4.44, with a modest amount of investment activity for the year.

Valuation

VTR is currently trading at 15.1x our 2017 FFO forecast, which is below the 15.9X P/FFO multiple for a group of healthcare REITs which we track for comparison purposes (please see table below). VTR had consistently traded at a premium to its peers although is now trading a little below the group. We believe the historical premium has been a function of the company being an excellent long-term performer, having a very well regarded management team and the company almost always reporting earnings above expectations, attributes that have not really changed. As a result, in our opinion, Ventas could very well warrant a premium to the group. With the ongoing elimination of the company's skilled nursing assets and move towards more private pay assets, one could assume that VTR's multiple could move up in comparison to historical numbers. Having said that, while they are getting close, we do not believe that the shares are yet at a multiple that we find compelling enough to recommend and believe at current levels the shares are appropriately valued.

Health Care REITs		Closing Price	Current		2017E			2-Year Average	Growth Rate	Price / FFO	
Ranked By Market Cap.	Symbol	4/27/2017	Dividend	Yield	Payout Ratio	2017E	2018E	Growth Rate	18 /17	2017E	2018E
HCP, Inc.	HCP	$31.51	$1.48	4.7%	71.5%	$1.99	$2.07	-13.1%	4.0%	15.8x	15.2x
Welltower	HCN	$72.16	$3.48	4.8%	76.1%	$4.34	$4.57	0.2%	5.3%	16.6x	15.8x
Healthcare Realty	HR	$33.32	$1.20	3.6%	66.7%	$1.70	$1.80	5.1%	5.9%	19.6x	18.5x
National Health Investors	NHI	$74.55	$3.80	5.1%	70.4%	$5.20	$5.40	5.3%	3.8%	14.3x	13.8x
LTC Properties, Inc.	LTC	$48.83	$2.28	4.7%	69.3%	$3.13	$3.29	3.7%	5.1%	15.6x	14.8x
Health Care Sector Average		**$52.07**	**$2.45**	**4.7%**	**71.5%**	**$3.27**	**$3.43**	**0.8%**	**4.7%**	**15.9x**	**15.2x**
Ventas, Inc.	**VTR**	**$64.12**	**$3.10**	**4.8%**	**69.8%**	**$4.24**	**$4.44**	**3.7%**	**4.7%**	**15.1x**	**14.4x**

Note: HCP and NHI are rated Neutral by Hilliard Lyons,and HCN, HR and LTC are rated Underperform. Source: NAREIT, Baseline and Hilliard Lyons' estimates.

At this time, we are retaining our rating on Ventas at Neutral. The decline in price we saw earlier in the year with the rise in bond rates almost elicited an upgrade on VTR shares, although the quick reversal after bond rates began to fall again closed the window on that potential upgrade. The price action we have seen so far this year is very illustrative of how REIT share movements parallel those of bonds. While we see near term bond rates remaining low and potentially going lower, longer term we are likely to see rate increases. As such, we may get an upgrade opportunity down the line, but at this point we are sitting on the sidelines. While fundamentals remain compelling in our view and the demographics around an investment in the group is beyond compelling, with the over 75 population, the major users of VTR's tenants services, growing several times the rate of the rest of the population the price is above the level where we would suggest adding to positions. Having said that, given the quality and strength of VTR and its portfolio, and dividend yield, we see VTR as a core-holding in which investors can hold positions for modest long-term price appreciation and growing income.

Suitability

VTR has a suitability rating of 2 on our 1-4 scale. We find the company to have a very strong balance sheet. Its real estate ownership is also a positive factor, as is the company's property type, geographic and operator diversification, as well as the company's portfolio size, among the largest in the group. We also like the company's management and acquisition strategy. On the other hand, the company is exposed to operating risk through its taxable REIT subsidiary and could see some volatility around this operating ownership beyond the typical real estate cycles.

Additional information is available upon request.

Table 1. Consolidated Income Statement
(in thousands, except per share data)

	2014	2015			2016					2017E					2018E		
	Year	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Revenues:																	
Rental Income	$1,433,995	$1,502,112	$358,623	$354,206	$368,697	$394,650	$1,476,176	$395,222	$396,375	$404,610	$419,733	$1,615,939	$421,996	$433,284	$445,871	$458,762	$1,759,912
Resident fees and services	$1,552,951	$1,811,255	$463,976	$464,437	$461,974	$456,919	$1,847,306	$464,188	$469,457	$476,503	$484,608	$1,894,756	$486,828	$489,598	$492,384	$495,188	$1,963,998
MOB Service Revenue	$29,364	$41,492	$7,185	$5,504	$4,317	$4,064	$21,070	$3,406	$3,457	$3,509	$3,562	$13,934	$3,580	$3,595	$3,610	$3,628	$14,413
Interest Income from loans receivable	$55,169	$88,252	$22,386	$24,146	$31,566	$19,996	$98,094	$20,146	$24,455	$24,315	$24,175	$93,091	$23,896	$23,337	$23,197	$23,057	$93,487
Interest & other	$4,267	$1,115	$119	$111	$562	$84	$876	$481	$150	$250	$250	$1,131	$350	$160	$250	$260	$1,020
	$3,075,746	$3,444,226	$852,289	$848,404	$867,116	$875,713	$3,443,522	$883,443	$893,893	$909,187	$932,328	$3,618,851	$936,649	$949,973	$965,313	$980,896	$3,832,830
Expenses																	
Property level operating expense	$1,195,098	$1,383,463	$356,222	$351,955	$361,117	$365,468	$1,434,762	$368,987	$362,420	$372,149	$386,475	$1,490,032	$386,931	$377,921	$384,306	$394,813	$1,543,971
Interest Expense	$376,842	$415,008	$103,273	$103,665	$105,063	$107,739	$419,740	$108,804	$114,841	$116,009	$117,161	$456,814	$119,257	$121,301	$123,102	$125,416	$489,077
Depreciation & Amort.	826,911	959,763	236,387	221,961	208,387	232,189	898,924	217,783	220,797	220,981	221,653	881,214	223,063	224,714	225,735	226,490	900,001
Amortization of stock grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General, administrative and prof fees	121,746	128,042	31,726	32,094	31,567	31,488	126,875	33,961	33,700	32,913	33,098	133,671	35,686	36,194	35,234	34,822	141,936
MOB Service Costs	17,092	26,565	$3,451	$1,852	$974	$1,034	7,311	$738	$749	$760	$771	3,017	$782	$793	$805	$816	3,196
Rent reset costs																	
Reversal of continent liability																	
Merger related expense	45,051	109,823	1,632	7,224	16,217	(438)	24,635	2,056	5,000	5,000	5,000	17,056	7,500	7,500	4,000	4,000	23,000
Proceeds from litigation																	
Gain on Foreign currency hedge/other		10,387	4,168														
Other	38,925	8,804		2,303	2,430	701	5,434	1,188	2,590	2,400	1,250	7,428	1,200	2,450	2,398	1,300	7,348
Loss on extinguishment of debt	5,564	14,411	314	2,468	383	-	3,165	309	-	-	-	309	-	-	-	-	-
Total Expenses	$2,627,229	$3,056,266	$737,173	$723,522	$726,138	$738,181	$2,925,014	$733,826	$740,096	$750,210	$765,408	$2,989,541	$774,418	$770,873	$775,579	$787,658	$3,108,528
Income from Operations	$448,517	$387,960	$115,116	$124,882	$140,978	$137,532	$518,508	$149,617	$153,797	$158,977	$166,920	$629,311	$162,231	$179,100	$189,733	$193,238	$724,302
Income tax benefit	$8,732	$39,284	$8,421	$11,549	$8,537	$2,836	$31,343	$3,145	$3,150	$3,150	$3,150	$12,595	$3,150	$3,150	$3,150	$3,150	$12,600
Minority interests	($1,558)	($2,920)	($252)	$1,140	$199	$1,012	$2,099	$2,129	$2,050	$2,100	$2,100	$8,379	$2,100	$2,100	$2,100	$2,100	$8,400
Income from Discontinued	$19,076	($6,490)	$25,695	$5,591	($262)	$0	$31,024	$43,236	$0	$0	$0	$43,236	$0	$0	$0	$0	$0
Other																	
(Loss)/Gain on sale of assets	$1,000	$0	$0	$0	$0	$66,257	$66,257	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Income Bef. Preferred div	$475,767	$417,834	$148,980	$143,162	$149,452	$207,637	$649,231	$198,127	$158,997	$164,227	$172,170	$693,521	$167,481	$184,350	$194,983	$198,488	$745,302
Preferred dividends	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net Income for common $0	$475,767	$417,834	$148,980	$143,162	$149,452	$207,637	$649,231	$198,127	$158,997	$164,227	$172,170	$693,521	$167,481	$184,350	$194,983	$198,488	$745,302
Per share bef. Extra	$1.60	$1.25	$0.44	$0.42	$0.42	$0.58	$1.86	$0.55	$0.44	$0.45	$0.47	$1.91	$0.45	$0.49	$0.52	$0.52	$1.99
Extraordinary item	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Net (loss) income per share	$1.60	$1.25	$0.44	$0.42	$0.42	$0.58	$1.86	$0.55	$0.44	$0.45	$0.47	$1.91	$0.45	$0.49	$0.52	$0.52	$1.99
Quarterly dividend rate	$2.97	$3.10	$0.73	$0.73	$0.73	$0.80	$2.99	$0.80	$0.80	$0.80	$0.88	$3.28	$0.65	$0.65	$0.65	$0.65	$2.60
Shs Outstanding (diluted)	296,681,000	333,993,250	339,202,000	342,571,000	354,003,143	357,435,000	348,302,786	357,572,000	361,540,254	365,446,504	369,292,658	363,462,854	371,735,406	374,159,648	376,565,663	378,953,723	375,353,610

Source: Company reports and Hilliard Lyons estimates

Table 5. Funds From Operations Calculation

	2014 Year	2015 Year	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2016 Year	2017E Q1	2017E Q2	2017E Q3	2017E Q4	2017E Year	2018E Q1	2018E Q2	2018E Q3	2018E Q4	2018E Year
Net income for common shareholders	$475,767	$417,843	$148,980	$143,162	$149,452	$207,637	$649,231	$198,127	$158,997	$164,227	$172,170	$693,521	$167,481	$184,350	$194,983	$198,488	$745,302
Add Back:																	
Depreciation	$819,170	$967,766	$207,920	$214,055	$206,560	$229,810	$858,345	$215,961	$220,797	$220,981	$221,653	$879,392	$223,063	$224,714	$225,735	$226,490	$900,001
Other	$49,505	109,823	1,632	(1,422)	7,831	(3,688)	$4,353	(2,749)	5,000	5,000	5,000	$12,251	7,500	7,500	4,000	4,000	$23,000
Deduct:																	
Gain/loss on sales of real estate	($14,424)	$0	($5,230)	$0	$0	($66,424)	($71,654)	($43,289)	$0	$0	$0	($43,289)	$0	$0	$0	$0	$0
FFO Available for common	$1,330,018	$1,495,432	$353,302	$355,795	$363,843	$367,335	$1,440,275	$368,050	$384,794	$390,207	$398,824	$1,541,875	$398,044	$416,564	$424,718	$428,978	$1,668,303
Diluted FFO available for common	$1,330,350	$1,494,015	$353,385	$355,878	$363,926	$367,418	$1,440,607	$368,050	$384,794	$390,207	$398,824	$1,541,875	$398,044	$416,564	$424,718	$428,978	$1,668,303
Basic FFO per share	$4.49	$4.48	$1.04	$1.04	$1.03	$1.03	$4.14	$1.03	$1.07	$1.07	$1.08	$4.25	$1.07	$1.11	$1.13	$1.13	$4.45
Diluted FFO per share	$4.48	$4.47	$1.04	$1.04	$1.03	$1.03	$4.13	$1.03	$1.06	$1.07	$1.08	$4.24	$1.07	$1.11	$1.13	$1.13	$4.44
Shares, basic	296,167,000	333,479,250	338,688,000	342,057,000	353,672,000	356,921,000	347,834,500	357,058,000	361,026,254	364,932,504	368,778,658	362,948,854	371,221,406	373,645,648	376,051,663	378,439,723	374,839,610
Shares, diluted	296,681,000	333,993,250	339,202,000	342,571,000	354,186,000	357,435,000	348,393,500	357,572,000	361,540,254	365,446,504	369,292,658	363,462,854	371,735,406	374,159,648	376,565,663	378,953,723	375,353,610
Diluted FFO excluding one time items																	

Table 6. Funds Available for Distribution Calculation

	2014 Year	2015 Year	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2016 Year	2017E Q1	2017E Q2	2017E Q3	2017E Q4	2017E Year	2018E Q1	2018E Q2	2018E Q3	2018E Q4	2018E Year
FFO Available for common	$1,330,018	$1,495,432	$353,302	$355,795	$363,843	$367,335	$1,440,275	$368,050	$384,794	$390,207	$398,824	$1,541,875	$398,044	$416,564	$424,718	$428,978	$1,668,303
Less:																	
Recurring real estate CAPX	($86,000)	($86,000)	($18,500)	($20,000)	($22,500)	($25,000)	($86,000)	($27,500)	($30,000)	($31,000)	($32,000)	($120,500)	($33,000)	($34,500)	($36,000)	($38,000)	($141,500)
Straight-line adjustment (ACR)	($32,838)	($34,398)	($8,212)	($8,111)	($8,443)	($9,037)	($33,804)	($9,051)	($9,077)	($9,266)	($9,612)	($37,005)	($9,664)	($9,922)	($10,210)	($10,506)	($40,302)
Non-real estate depreciation	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Funds available for distribution	$1,211,180	$1,375,034	$326,590	$327,684	$332,900	$333,298	$1,320,471	$331,499	$345,717	$349,942	$357,212	$1,384,370	$355,380	$372,142	$378,508	$380,472	$1,486,501
Per share	$4.09	$4.12	$0.96	$0.96	$0.94	$0.93	$3.80	$0.93	$0.96	$0.96	$0.97	$3.81	$0.96	$1.00	$1.01	$1.01	$3.97

Source: Company reports and Hilliard Lyons estimates

Analyst Certification

I, John M. Roberts, 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

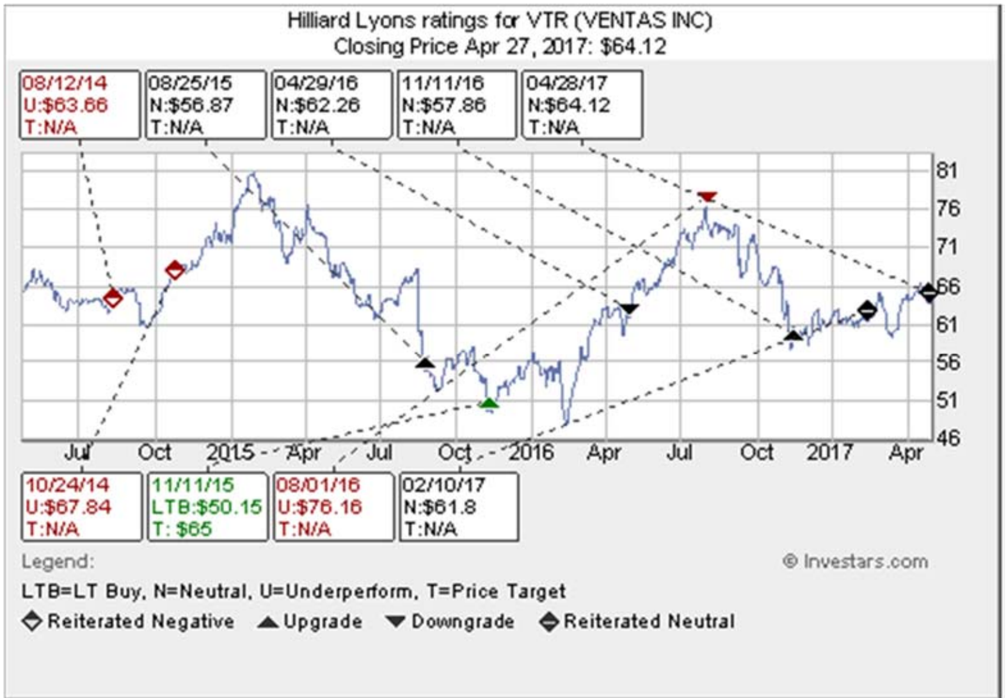
Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

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, generally 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	36	30%	14%	86%
Hold/Neutral	71	58%	6%	94%
Sell	15	12%	7%	93%

As of 5 April 2017



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