HILLIARD LYONS

Healthcare Real Estate Investment Trusts
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COMPANY UPDATE/ESTIMATE CHANGE

Key Metrics		
VTR - NYSE - as of 2/9/17		$61.80
Price Target		NA
52-Week Range	$46.87 -	$76.80
Shares Outstanding (mm)		354.1
Market Cap. ($mm)		$21,883.4
1-Mo. Average Daily Volume		2,280,000
Institutional Ownership		97.0%
Debt/Total Capital	Dec-16	33.0%
Est 3-year FFO Growth Rate		6.0%
Est 3-year Dividend Growth Rate		5.0%
Dividend		$ 3.10
Dividend Yield		5.02%
Est. Fixed Charge Coverage		4.6X

Normalized FFO	2015	Prior 2016	Current 2016	Prior 2017E	Current 2017E
1Q	$1.18	--	$1.04	$1.08	$1.04
2Q	$1.18	--	$1.04	$1.10	$1.06
3Q	$1.09	--	$1.03	$1.09	$1.07
4Q	$1.03		$1.03	$1.12	$1.08
Year	$4.47		$4.13	$4.38	$4.26
P/E	13.8x		15.0x		14.5x

*-2015 not restated for CCP spin-off.

Revenue ($mm)	2015	Prior 2016	Current 2016	Prior 2017E	Current 2017E
1Q	$ 884.0	--	$852.3	$ 891.4	$867.2
2Q	$ 891.3	--	$848.4	$ 902.2	$877.9
3Q	$ 827.6	--	$867.1	$ 914.0	$898.2
4Q	$ 841.3		$875.7	$ 925.3	$922.7
Year	$3,444.2		$3,443.5	$3,632.9	$3,565.9

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

Fourth Quarter Earnings

Investment Highlights

- Ventas reported normalized Q4 FFO of $1.03 a share, two cents below our estimate and compared to the consensus of $1.02. Full year normalized results were $4.13 per share. Remember that this number is negatively impacted compared to last year from last year's spin-off of the bulk of the company's skilled nursing (SNF) assets into a new company. Management maintained 2017 guidance of $4.12 to $4.18 a share, which includes significant divestitures, offset by some expected new investment and acquisitions. We are fine-tuning our 2017 FFO estimate down ten cents to $4.26 a share, which includes additional investments.
- Healthcare REIT shares have pulled back a bit with the higher interest rates and expectations for more increases, as well as the impact of higher labor costs on tenants. We expect first half price pressure will push the group down a little more. As we believe interest rate increases will be more moderate than expected, we believe upside is possible for the group in the second half of 2017.
- VTR did not close on any meaningful acquisitions in Q4, although it did arrive at an agreement to allow for VTR to essentially exit the skilled nursing area through the sale of its assets leased to Kindred (KND, $6.80). In 2016 VTR made $1.6 billion in acquisitions and investments.
- Our rating for VTR remains Neutral. VTR's valuation is a little below the group, although the group valuation remains a bit high with the likelihood of near term interest rate increases—or at least the expectation of such increases. This expectation could very well place pressure on the group, although we continue to anticipate that the actual pace of increases will fall short of market expectations. As such, we anticipate that a buying opportunity could arise in the second half of the year, as investors find the rate increase environment to be more favorable than investors are anticipating. This could allow for an opportunity to purchase shares at a more attractive valuation later in the year; we will look for an opportunity to upgrade the shares given no change in the fundamentals.

Note Important Disclosures on Pages 8-9.
Note Analyst Certification on Page 8.

Fourth Quarter Review

Rental income was $394.7 million versus $354.2 million, an 11.4% increase, mainly a result of normal rental bumps and investments (note that these numbers are adjusted for the impact of the spin-off of the SNF properties which are now included in "discontinued"). Resident fees and services were $456.9 million versus $454.9 million in the year ago period, up 0.5%. Total revenue was $875.7 million versus $841.3 million, a 4.1% increase. Total revenue for the year rose 18.4% to $3,443.5 million from $3,286.4 million in 2015, as normal rental increases and recent acquisitions drove revenue higher.

Property level operating expenses were $365.5 million versus $352.3 million in last year's fourth period, an increase of 3.7%. Net operating income on these properties rose to $146.6 million from $144.8 million, slightly over the increase in operating revenue. Occupancy fell from 90.7% in the year earlier period to 90.1%, while the average revenue per occupied room (REVPOR) rose 4.0% to $5,516. G&A (general and administrative) expenses were $31.5 million compared to $27.6 million year-over-year, a 13.9% rise.

Interest expense was up 3.9% to $107.7 million from $103.7 million. Depreciation expense was lower due to divestitures undertaken during the year and stood at $232.2 million versus $236.8 million in the year ago period. During the quarter, VTR recorded a credit of $0.4 million in merger-related expenses, compared to the $2.1 million credit reported in the fourth quarter of 2015. Ventas' net income applicable to common shareholders before extraordinary items was $137.5 million compared to the $111.9 million earned in the year ago period. Earnings per share were $0.58 in this year's fourth quarter and $0.37 last year.

For the quarter, "normalized" funds from operations, in which management excludes one-time expenses and gains, were $367.3 million versus $346.3 million, up 6.1% year-over-year. FFO (as defined by NAREIT) were $1.04 versus $1.06 a share, while "normalized" FFO were $1.03 versus $1.03 a share. Our estimates use "normalized" results. For the year the company reported FFO of $4.13 versus $4.09, while normalized FFO was $4.13 a share versus $3.95 in 2015.

At year-end, Ventas' debt to total assets was 48.0%, down from 50.3% at year-end 2015. The level of debt has stayed reasonably constant as recent acquisition activity has generally been offset by proceeds from asset sales. Cash and equivalents stood at $286.7 million at year end 2016, up from $53.0 million at the end of 2015. VTR continues to have a lack of near term debt maturities, with only $640 million due during 2017. 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 year-end was an estimated 33% compared to 37% at 2015 year-end.

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-$24.97, 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. 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 72.8% of our 2017 FFO estimate, just over the group payout ratio, and we believe that management has reached its target payout ratio.

Senior Housing Operating Portfolio – Total community NOI (real estate net operating income) for the Sunrise and Atria portfolios after management fees was $146.6 million for the fourth quarter of 2016, which was up from $144.8 million in the year ago period. Ventas noted that average occupancy for the same store communities was 90.2%, down about 120 basis points over the previous year.

Quarterly Income Statement

(in thousands)	4Q 2016	4Q 2015	% Change
Rental Income	$394,650	$354,168	11.4%
Resident Fees and Services	456,919	454,871	0.5%
Medical Office Building Services Revenue	4,064	11,541	-64.8%
Interest Income from Loan Receivable	19,996	20,361	-1.8%
Interest and Other Income	84	333	-74.8%
Total Revenue	875,713	841,274	4.1%
Property Level Operating Expenses	365,468	352,334	3.7%
Medical Office Building Service Costs	1,034	7,467	-86.2%
General and Administrative Expenses	31,488	27,636	13.9%
Other	1,087	4,009	-72.9%
Merger-related Expenses	(438)	(2,079)	
Litigation	0	0	
Reversal of Contingent Liability	0	0	
(Gain) Loss on Extinguishment of Debt	(386)	(486)	
EBITDA	477,460	452,393	5.5%
Interest Expense	107,739	103,692	3.9%
Depreciation Expense	232,189	236,795	-1.9%
Income (Loss) Before Discontinued Operations and Other Items	137,532	111,906	22.9%
Discontinued Operations (including gain on sale of assets)	66,257	1,829	
Income Tax Benefit	2,836	11,548	
Minority Interest	1,012	(555)	
Preferred Stock Dividends	0	0	
Net Income (Loss)	$207,637	$124,728	66.5%
Net EPS (diluted)	$0.58	$0.37	56.7%
Avg. Shares Outstanding (diluted)	357,435	336,406	6.3%

Funds From Operations	4Q 2016	4Q 2015	
Net Income	$207,637	$124,728	66.5%
Depreciation Expense	229,754	236,157	-2.7%
Discontinued Operations - Depreciation	56	17	
Discontinued Operations - (Gains)	(66,424)	(3,984)	
Depreciation - Related to Minority Interest	0	0	
Other (adding/substracting one-time items)	(3,688)	(10,603)	
Normalized Funds From Operations	**$367,335**	**$346,315**	6.1%
Normalized FFO Per Share (diluted)	**$1.03**	**$1.03**	-0.2%

Source: Company reports.

Consolidated Balance Sheet

(in thousands)	December 31, 2016	December 31, 2015
Real Estate Assets		
Land	$2,089,591	$2,056,428
Construction in progress	$210,599	$92,005
Buildings and Improvements	21,516,396	20,309,599
Acquired Lease Intangibles	1,510,629	1,344,422
	25,327,215	23,802,454
Less Accumulated Depreciation and Amortization	(4,932,461)	(4,177,234)
Net Investment in Real Estate Property	$20,394,754	$19,625,220
Loan Receivable, net	702,021	857,112
Total Net Real Estate Investments	**$21,096,775**	**$20,482,332**
Cash and Cash Equivalents	286,707	53,023
Investment in Unconsolidated Entities	95,921	95,707
Escrow Deposits and Restricted Cash	80,647	77,896
Deferred Financing Costs (net)	0	0
Notes Receivable-related Parties	0	0
Other Assets	1,606,550	1,552,960
Total Assets	**$23,166,600**	**$22,261,918**
Notes Payable and Other Debt	**$11,127,326**	**$11,206,996**
Accrued Interest	83,762	80,864
Accounts Payable and Other Accrued Liabilities	909,390	813,720
Deferred Income Taxes	316,641	338,382
Total Liabilities	**$12,437,119**	**$12,439,962**
Minority Interest	$269,241	$257,629
Common Stock	88,514	83,579
Capital in Excess of Par Value	12,917,002	11,602,838
Unearned Compensation on Restricted Stock	0	0
Accumulated Other Comprehensive Loss	(57,534)	(7,565)
Retained Earnings (deficit)	(2,487,695)	(2,111,958)
Treasury Stock	(47)	(2,567)
Total Shareholders' Equity	**10,460,240**	**9,564,327**
Total Liabilities and Shareholders' Equity	**$23,166,600**	**$22,261,918**

Balance Sheet Ratio Analysis	December 31, 2016	December 31, 2015
Net R/E Investments / Total Debt	189.6%	182.8%
Debt to Equity	106.4%	117.2%
Debt as % of Total Assets	48.0%	50.3%
Shareholders' Equity as % of Total Assets	45.2%	43.0%

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

Medical Office Building Portfolio – With the combination of the Lillibridge and American Realty portfolios along with continued add-on investments, medical office buildings (MOBs) remain a major source of revenue for VTR, at 24.2 million square feet. NOI rose from $93.3 million in 2015 Q4 to $118.8 million (excluding minority partner's shares) in 4Q'16. In looking at property fundamentals, occupancy of the portfolio rose slightly to 92.4% from 92.3%, while the rental rate was up two dollars at $31 a square foot.

Acquisitions - During Q4, Ventas agreed to lend $700 million to Ardent Health Services to assist in its purchase of LHP Hospital Group. The loan, which is expected to close later this quarter, offers an initial interest rate of approximately 8%, floating. Beyond that, VTR continued it ongoing development and re-development activity during the quarter, mainly in the life science and senior housing areas, with total investment during the quarter just under $180 million. Beyond the acquisition activity, VTR announced that it had penned an agreement to essentially exit its skilled nursing operations, with Kindred, for $700 million. We are anticipating that the dilution from these divestitures will be made up through further investments, although we note that cap rates on acquired properties are likely to be lower than these the company is selling. VTR's acquisition activity so far in 2017 is pretty non-existent, although the company sold five non-core properties in the early part of 2017 for $88 million.

Capital Market Activity – During the quarter Ventas undertook no significant capital markets activity, other than its ongoing equity issued under its ATM and dividend reinvestment plan. In the near term, we anticipate that the company will be using proceeds from asset sales as a source of investment capital, as VTR continues to recycle capital into areas that fit more with its strategy.

Conference Call Discussion – VTR's 10 AM conference call presented expected operating growth in the coming year consistent with last year, with projected same store NOI growth of 1.5%-2.5% for 2017, about equal to last year's guidance for 2016. Once again, the strongest growth this year is anticipated to come from the triple net portfolio which is anticipated to have same store NOI (SSNOI) growth of 2.5-3.5%, rather than the senior housing operating portfolio which is once again expected to be weaker than normal this year with SSNOI growth of 0-2%. We note that last year's senior housing SSNOI growth of 1.9% came in closer to the high end of the guidance range. The triple net portfolio experienced SSNOI growth of 3.7% for the year and 4.5% for Q4. On the company's triple net portfolio, the coverage ratio stood at a solid 1.7 times, up from the year ago period.

Management discussed its potential dispositions, with $900 million in assets targeted for sale in 2017, including the previously announced sale of $700 million in skilled nursing facilities and the $88 million in sales discussed earlier. These assets are non-strategic in nature and management noted that following these transaction they anticipate that skilled nursing assets will account for only about 1% of the company's total assets. They also discussed a variety of other investment activity that is likely to be completed during the year, with the number likely to hit $1 billion, with the bulk of that being development and redevelopment projects in the science and high quality hospital area. This includes ground up redevelopment activity in life sciences area amounting to more than $300 million.

As far as guidance, management retained its previously issued 2017 per share normalized FFO guidance at $4.12 to $4.18, which does not include any additional investments/acquisitions above that discussed above and also include the divestitures discussed above. Our estimates do include additional acquisitions beyond those included in guidance, part of the reason that we are above the guidance range offered by management.

Overall, VTR reported an OK quarter in light of the divestitures completed and investment activity coming in below our expectations. Guidance for 2017 seems cautious, but with the high level of divestitures expected to be completed during the year and some confusion around when those sales will actually close, that may be appropriate. We are going to be paying close attention to that portfolio's fundamentals, especially the senior housing operating portfolio. As we have said many times before, this business is higher risk than the company's normal triple net business, and with two years in a row of sub-average growth in SSNOI, we wonder whether the investment here is worth the risk in comparison to the traditional triple net business. We expect acquisition activity to be lower with management concentrating more on higher return development activity, especially as it divests higher yielding skilled nursing properties to hold down potential dilution. While we remain above guidance, the level above has declined in light of the lower than anticipated NOI guidance and higher level of divestitures versus investment.

Q1 and 2017 Outlook

At this time we are fine-tuning our 2017 FFO estimate down twelve cents to $4.26 a share. We are sitting solidly above the consensus number of $4.13 a share, as well as above management's guidance. While our estimate is $0.08 above the top end of guidance, we believe management is being conservative, as discussed above, and that the company will consummate over $700 million in additional acquisitions and new investment during the remainder of the year in addition to those already announced. Management specifically said on the conference call that they are not assuming any acquisitions in guidance other than those discussed earlier. While we believe it will become more difficult to purchase attractively priced properties due to increased competition for assets, we still anticipate some investment for the year and that it will be higher return than recent transactions, especially as it is mostly financed with low cost debt. As a result, we believe that management is being overly conservative in their estimate for the year. We are initiating a 2018 per share FFO estimate of $4.45. Our Q1 2017 FFO estimate is $1.04 a share.

Valuation

VTR is currently trading at 14.5x our 2017 FFO forecast, which is marginally below the 15.0X 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 the company's multiple could move up in comparison to historical numbers. Having said that, 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 Ranked By Market Cap.	Symbol	Closing Price 2/9/2017	Current Dividend	Yield	2016E Payout Ratio	2016E	2017E	2-Year Average Growth Rate	Growth Rate 17 /16	Price / FFO 2016E	Price / FFO 2017E
HCP, Inc.	HCP	$30.68	$1.48	4.8%	74.4%	$2.74	$1.99	-20.6%	-27.4%	11.2x	15.4x
Welltower	HCN	$65.39	$3.44	5.3%	80.0%	$4.57	$4.30	-0.9%	-5.9%	14.3x	15.2x
Healthcare Realty	HR	$30.47	$1.20	3.9%	70.2%	$1.63	$1.71	3.4%	4.9%	18.7x	17.8x
National Health Investors	NHI	$73.89	$3.60	4.9%	69.0%	$4.87	$5.22	5.7%	7.2%	15.2x	14.2x
LTC Properties, Inc.	LTC	$46.02	$2.28	5.0%	71.3%	$3.06	$3.20	6.9%	4.6%	15.0x	14.4x
Health Care Sector Average		**$49.29**	**$2.40**	**4.9%**	**73.1%**	**$3.37**	**$3.28**	**-0.6%**	**-2.7%**	**14.6x**	**15.0x**
Ventas, Inc.	**VTR**	**$61.80**	**$3.10**	**5.0%**	**72.8%**	**$4.16**	**$4.26**	**-2.4%**	**2.4%**	**14.9x**	**14.5x**

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.

2016 Numbers for VTR is actual and not estimate.

Thus, at this time, we are maintaining our Neutral rating on Ventas. VTR has been an excellent performer with a solid management team although at current price levels we believe those positive attributes are largely reflected in the current share price. The shares could very well pull back as rates rise. We will be paying attention for such an opportunity to upgrade VTR shares at what we believe to be a more compelling price.

Additional information is available upon request.

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

	2013	2014			2015					2016					2017E		
	Year	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Revenues:																	
Rental Income	$1,331,887	$1,433,995	$403,196	$400,965	$343,783	$354,168	$1,502,112	$358,623	$354,206	$368,697	$394,650	$1,476,176	$379,401	$383,000	$395,760	$412,414	$1,570,575
Resident fees and services	$1,406,005	$1,552,951	$446,914	$454,645	$454,825	$454,871	$1,811,255	$463,976	$464,437	$461,974	$456,919	$1,847,306	$463,777	$470,739	$477,804	$485,932	$1,898,252
MOB Service Revenue	$17,809	$29,364	$10,543	$9,408	$10,000	$11,541	$41,492	$7,185	$5,504	$4,317	$4,064	$21,070	$4,125	$4,187	$4,250	$4,313	$16,875
Interest Income from loans receivable	$58,208	$55,169	$22,899	$26,068	$18,924	$20,361	$88,252	$22,386	$24,146	$31,566	$19,996	$98,094	$19,629	$19,699	$19,769	$19,839	$78,935
Interest & other	$2,047	$4,267	$472	$236	$74	$333	$1,115	$119	$111	$562	$84	$876	$250	$250	$600	$190	$1,290
	$2,815,956	$3,075,746	$884,024	$891,322	$827,606	$841,274	$3,444,226	$852,289	$848,404	$867,116	$875,713	$3,443,522	$867,182	$877,874	$898,182	$922,689	$3,565,927
Expenses																	
Property level operating expense	$1,110,360	$1,195,098	$340,711	$342,573	$347,845	$352,334	$1,383,463	$356,222	$351,955	$361,117	$365,468	$1,434,762	$355,949	$356,255	$371,971	$386,316	$1,470,491
Interest Expense	$336,903	$376,842	$106,590	$107,591	$97,135	$103,692	$415,008	$103,273	$103,665	$105,063	$107,739	$419,740	$106,822	$108,779	$110,535	$112,291	$438,428
Depreciation & Amort.	727,469	826,911	247,441	249,195	226,332	236,795	959,763	236,387	221,961	208,387	232,189	898,924	226,447	227,358	227,995	228,623	910,423
Amortization of stock grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General, administrative and prof fees	115,109	121,746	34,330	33,962	32,114	27,636	128,042	31,726	32,094	31,567	31,488	126,875	32,172	33,096	32,514	32,755	130,538
MOB Service Costs	8,315	17,092	$6,918	$5,764	$6,416	$7,467	26,565	$3,451	$1,852	$974	$1,034	7,311	$1,049	$1,064	$1,080	$1,095	4,288
Rent reset costs																	
Reversal of continent liability																	
Merger related expense	21,634	45,051	35,172	14,585	62,145	(2,079)	109,823	1,632	7,224	16,217	(438)	24,635	5,000	5,000	5,000	5,000	20,000
Proceeds from litigation																	
Gain on Foreign currency hedge/other			5,296	5,091	-	-	10,387	4,168									
Other	14,145	38,925			4,795	4,009	8,804		2,303	2,430	701	5,434	1,250	1,250	1,250	1,250	5,000
Loss on extinguishment of debt	1,201	5,564	21	(455)	15,331	(486)	14,411	314	2,468	383	-	3,165	-	-	-	-	-
Total Expenses	$2,339,723	$2,627,229	$776,479	$758,306	$792,113	$729,368	$3,056,266	$737,173	$723,522	$726,138	$738,181	$2,925,014	$728,690	$732,802	$750,344	$767,331	$2,979,167
Income from Operations	$476,233	$448,517	$107,545	$133,016	$35,493	$111,906	$387,960	$115,116	$124,882	$140,978	$137,532	$518,508	$138,492	$145,072	$147,838	$155,358	$586,760
Income tax benefit	$11,828	$8,732	$7,250	$9,789	$10,697	$11,548	$39,284	$8,421	$11,549	$8,537	$2,836	$31,343	$4,500	$4,500	$4,500	$4,500	$18,000
Minority interests	($1,888)	($1,558)	($616)	($529)	($1,220)	($555)	($2,920)	($252)	$1,140	$199	$1,012	$2,099	$500	$500	$500	$500	$2,000
Income from Discontinued	($32,664)	$19,076	$6,263	$7,536	($22,118)	$1,829	($6,490)	$25,695	$5,591	($262)	$0	$31,024	$0	$0	$0	$0	$0
Other				$9													
(Loss)/Gain on sale of assets	$0	$1,000	$0	$0	$0	$0	$0	$0	$0	$0	$66,257	$66,257	$0	$0	$0	$0	$0
Income Bef. Preferred div	$453,509	$475,767	$120,442	$149,821	$22,852	$124,728	$417,834	$148,980	$143,162	$149,452	$207,637	$649,231	$143,492	$150,072	$152,838	$160,358	$606,760
Preferred dividends	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net Income for common $0	$453,509	$475,767	$120,442	$149,821	$22,852	$124,728	$417,834	$148,980	$143,162	$149,452	$207,637	$649,231	$143,492	$150,072	$152,838	$160,358	$606,760
Per share bef. Extra	$1.54	$1.60	$0.37	$0.45	$0.07	$0.37	$1.25	$0.44	$0.42	$0.42	$0.58	$1.86	$0.40	$0.42	$0.42	$0.44	$1.68
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	$1.54	$1.60	$0.37	$0.45	$0.07	$0.37	$1.25	$0.44	$0.42	$0.42	$0.58	$1.86	$0.40	$0.42	$0.42	$0.44	$1.68
Quarterly dividend rate	$2.74	$2.97	$0.79	$0.79	$0.79	$0.73	$3.10	$0.73	$0.73	$0.73	$0.80	$2.99	$0.80	$0.80	$0.80	$0.88	$3.28
Shs Outstanding (diluted)	295,071,000	296,681,000	329,203,000	334,026,000	336,338,000	336,406,000	333,993,250	339,202,000	342,571,000	354,003,143	357,435,000	348,302,786	359,026,508	360,568,816	362,065,084	363,517,983	361,294,598

Source: Company reports and Hilliard Lyons estimates

Table 5. Funds From Operations Calculation

	2013 Year	2014 Year	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2015 Year	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2016 Year	2017E Q1	2017E Q2	2017E Q3	2017E Q4	2017E Year
Net income for common shareholders	$453,509	$475,767	$120,442	$149,821	$22,852	$124,728	$417,843	$148,980	$143,162	$149,452	$207,637	$649,231	$143,492	$150,072	$152,838	$160,358	$606,760
Add Back:																	
Depreciation	$721,652	$819,170	$245,651	$247,392	$238,566	$236,157	$967,766	$207,920	$214,055	$206,560	$229,810	$858,345	$226,447	$227,358	$227,995	$228,623	$910,423
Other	$39,657	$49,505	21,454	(2,866)	104,792	(10,586)	109,823	1,632	(1,422)	7,831	(3,688)	$4,353	5,000	5,000	5,000	5,000	$20,000
Deduct:																	
Gain/loss on sales of real estate	$5,891	($14,424)	$0	$0	($736)	($3,984)	$0	($5,230)	$0	$0	($66,424)	($71,654)	$0	$0	$0	$0	$0
FFO Available for common	$1,220,709	$1,330,018	$387,547	$394,347	$365,474	$346,315	$1,495,432	$353,302	$355,795	$363,843	$367,335	$1,440,275	$374,939	$382,430	$385,833	$393,981	$1,537,183
Diluted FFO available for common	$1,221,041	$1,330,350	$387,630	$394,430	$365,557	$346,398	$1,494,015	$353,385	$355,878	$363,926	$367,418	$1,440,607	$375,022	$382,513	$385,916	$394,064	$1,537,515
Basic FFO per share	$4.14	$4.49	$1.18	$1.18	$1.09	$1.03	$4.48	$1.04	$1.04	$1.03	$1.03	$4.14	$1.05	$1.06	$1.07	$1.09	$4.26
Diluted FFO per share	$4.14	$4.48	$1.18	$1.18	$1.09	$1.03	$4.47	$1.04	$1.04	$1.03	$1.03	$4.13	$1.04	$1.06	$1.07	$1.08	$4.26
Shares, basic	294,557,000	296,167,000	328,689,000	333,512,000	335,824,000	335,892,000	333,479,250	338,688,000	342,057,000	353,672,000	356,921,000	347,834,500	358,512,508	360,054,816	361,551,084	363,003,983	360,780,598
Shares, diluted	295,071,000	296,681,000	329,203,000	334,026,000	336,338,000	336,406,000	333,993,250	339,202,000	342,571,000	354,186,000	357,435,000	348,393,500	359,026,508	360,568,816	362,065,084	363,517,983	361,294,598
Diluted FFO excluding one time items																	

Table 6. Funds Available for Distribution Calculation

	2013 Year	2014 Year	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2015 Year	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2016 Year	2017E Q1	2017E Q2	2017E Q3	2017E Q4	2017E Year
FFO Available for common	$1,220,709	$1,330,018	$387,547	$394,347	$365,474	$346,315	$1,495,432	$353,302	$355,795	$363,843	$367,335	$1,440,275	$374,939	$382,430	$385,833	$393,981	$1,537,183
Less:																	
Recurring real estate CAPX	($55,000)	($86,000)	($18,500)	($20,000)	($22,500)	($25,000)	($86,000)	($18,500)	($20,000)	($22,500)	($25,000)	($86,000)	($27,500)	($30,000)	($31,000)	($32,000)	($120,500)
Straight-line adjustment (ACR)	($30,500)	($32,838)	($9,233)	($9,182)	($7,873)	($8,110)	($34,398)	($8,212)	($8,111)	($8,443)	($9,037)	($33,804)	($8,688)	($8,771)	($9,063)	($9,444)	($35,966)
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	$1,135,209	$1,211,180	$359,814	$365,165	$335,101	$313,205	$1,375,034	$326,590	$327,684	$332,900	$333,298	$1,320,471	$338,751	$343,660	$345,770	$352,536	$1,380,716
Per share	$3.85	$4.09	$1.09	$1.09	$1.00	$0.93	$4.12	$0.96	$0.96	$0.94	$0.93	$3.80	$0.94	$0.95	$0.96	$0.97	$3.83

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

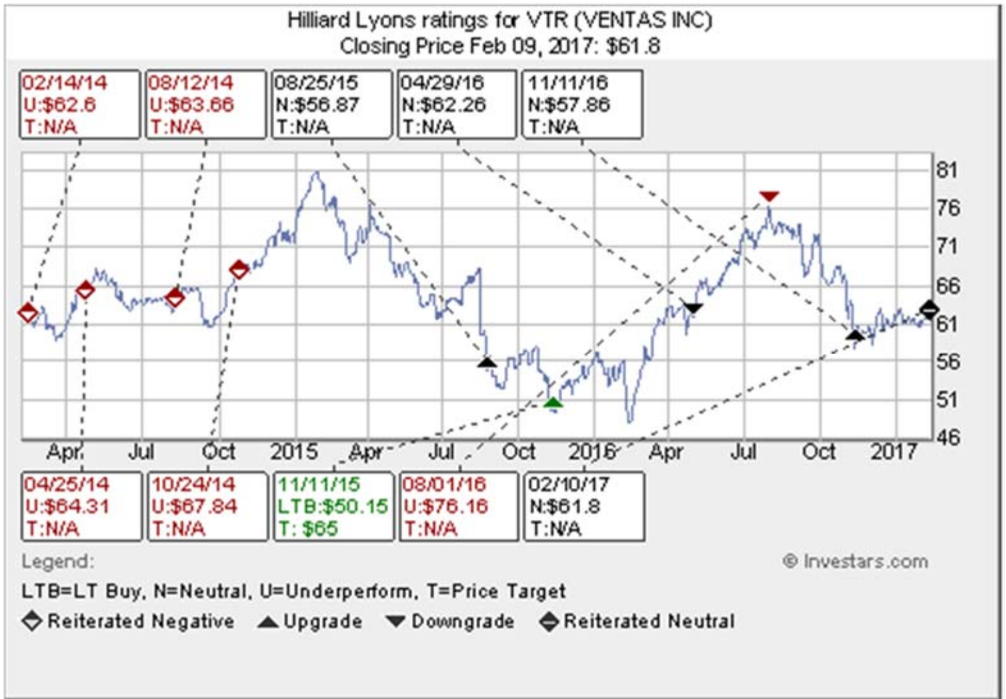
Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

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, 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	36	30%	17%	83%
Hold/Neutral	76	62%	7%	93%
Sell	10	8%	0%	100%

As of 6 February 2017



<u>Other Disclosures</u>

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