



COMPANY UPDATE / ESTIMATE CHANGES

Key Metrics

WRI - NYSE (as of 2/22/2017)	\$36.49
Price Target	N/A
52-Week Range	\$33.92 - \$43.70
Shares Outstanding (mm)	130
Market Cap. (\$mm)	\$4,744
3-Mo. Average Daily Volume (000)	567.0
Institutional Ownership	79%
Debt/Total Market Capital - Pro rata (12/16)	34%
Est 3- Year Dividend Growth Rate	2% - 5%
Dividend	\$1.54
Dividend Yield	4.2%
Est. Fixed Charge Coverage (12/16)	3.8x

FFO Per Share FY 12/31

	2015	2016	Prior 2017E	Curr. 2017E
1Q	\$0.48	\$0.52	\$0.58	\$0.58
2Q	\$0.46	\$0.59	\$0.58	\$0.58
3Q	\$0.56	\$0.56	\$0.61	\$0.61
4Q	\$0.57	\$0.61	\$0.64	\$0.63
Year	\$2.07	\$2.28	\$2.41	\$2.40
P/FFO	17.6x	16.0x		15.2x

*Prior FFO per share have been restated due to the impairment charge accounting change.

Quarterly amounts may not add up to full year amounts due to rounding.

Revenue (\$mm)

	2015	2016	Prior 2017E	Curr. 2017E
1Q	\$126	\$132	\$145	\$145
2Q	\$127	\$136	\$148	\$147
3Q	\$131	\$139	\$152	\$150
4Q	\$130	\$140	\$159	\$156
Year	\$513	\$547	\$604	\$597

*Previous revenue amounts have not been restated.

Company Description: Weingarten Realty Investors, headquartered in Houston, Texas, is a real estate investment trust (REIT). As of December 31, 2016, the company owned or operated 220 properties located in 18 states.

REITs

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Weingarten Realty Investors

WRI -- NYSE -- Neutral -- 3

Fourth Quarter Results

- **Fourth quarter FFO per share was \$0.61, four cents above the year ago period.** Results came in above our estimate. Core FFO was \$0.61 per share and was \$0.56 per share in the year ago period.
- **Occupancy (on a signed basis) was down 80 basis points from the year ago period at 94.3%.** Occupancy for retail spaces under 10,000 feet was 90.6%, up 40 basis points from the year ago quarter.
- **We are lowering our 2017 FFO per share estimate by a penny to \$2.40.** WRI initiated 2017 NAREIT FFO per share guidance of \$2.36 - \$2.42. Assumptions in guidance include dispositions of \$125 million to \$225 million, acquisitions of \$125 million to \$225 million, redevelopment and new development investment of \$135 million to \$235 million, same center NOI growth of 2.5% to 3.5% with redevelopments, and same center NOI growth without redevelopments of 2.0% to 3.0%.
- **Dividend Increase.** In the earnings release, WRI announced a 5.5% common dividend per share increase to a rate of \$0.385 per quarter or \$1.54 annually.
- **We maintain our Neutral rating on WRI.** We believe the shares are fairly valued at this time.

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

Additional Discussion

Fourth quarter total revenue was \$142.9 million, up 10.2% from the year ago period (please see income statement on page 3). Rental income rose 9.6% year-over-year, as base rent increased 8.2%.

Weingarten's combined (retail and other operating properties) occupancy on a signed basis was 94.3% at quarter-end, down 80 basis points from the year ago period, but up 20 basis points from the third quarter. Occupancy for spaces under 10,000 feet was 90.6%, up 40 basis points from the year ago quarter. Average minimum (base) rent per square foot for retail properties was \$17.93. During the fourth quarter, WRI completed 227 (49 new and 178 renewal) comparable leases. The average rental rate increase on comparable new leases and renewals signed during the quarter were 22.4% and 11.0%, respectively.

Net income to common shareholders in the third quarter was \$44.1 million versus \$47.3 million in the year ago period. FFO per share were \$0.61 compared to \$0.57 per share in 4Q15. Core FFO were \$0.61 per share versus \$0.56 per share in 4Q15.

Overview

Retail Environment - Weingarten remains active on the leasing front. Rental rate increases continue to be strong. The company is seeing strong demand for space from retailers selling discount apparel, pet supplies, sporting goods, niche groceries, home furnishings as well as fitness centers. Casual dining, quick service restaurants, and service tenants remain interested in small shop space.

Acquisitions & Dispositions - During the fourth quarter, WRI purchased two freestanding buildings adjacent to its River Oaks Shopping Center and one vacant big box space adjacent to an existing WRI center. The company believes it can profitably redevelop this center. The company sold four land parcels, five shopping centers held in joint ventures and one wholly-owned center in the quarter.

Development Pipeline - There are four properties included in WRI's development pipeline with an estimated total cost of \$391.9 million. Two of these projects will have residential components to them that WRI plans to sell after the assets stabilizes. WRI has nine active redevelopment projects with an estimated total cost of \$61.9 million.

Financials - As of December 31, WRI had final (assuming extension options are exercised) debt maturities of \$86.7 million and \$80.4 million in 2017 and 2018, respectively. We believe the company's near-term maturities are manageable.

Guidance & Estimates - WRI initiated 2017 NAREIT FFO per share guidance of \$2.36 - \$2.42. Assumptions in guidance include dispositions of \$125 million to \$225 million, acquisitions of \$125 million to \$225 million, redevelopment and new development investment of \$135 million to \$235 million, same center NOI growth of 2.5% to 3.5% with redevelopments, and same center NOI growth without redevelopments of 2.0% to 3.0%. Our revised FFO per share estimate for 2017 is \$2.40. WRI's guidance for Core FFO (which does not include non-recurring items) is \$2.37 - \$2.43 per share.

Quarterly Income Statement

(in thousands, except per share date)	4Q16	4Q15	% Change
Rental Income	\$139,507	\$127,242	9.6%
Other	3,356	2,412	39.1%
Total Revenue	142,863	129,654	10.2%
Real Estate Operating Expenses	25,896	25,168	2.9%
Real Estate Taxes	16,213	14,394	12.6%
	42,109	39,562	6.4%
Real Estate Operating Income (NOI)	100,754	90,092	11.8%
General and Administrative Expenses	7,193	7,503	-4.1%
EBITDA	93,561	82,589	13.3%
Interest Expense	21,711	20,426	
Interest Income and Other (Expense) Income	729	2,311	
Depreciation and Amortization Expense	43,374	37,011	17.2%
Impairment Loss	55		
Income Before Minority Interests, Gains & Pref. Dividends	29,150	27,463	6.1%
Gain on Sale and Acquisition of Real Estate Joint Venture and Partnership Interests	1,915		
Equity in Earnings of Joint Ventures	5,531	5,620	-1.6%
Gain on Redemption of Convertible Senior Unsecured Notes			
Net Income Attributable to Noncontrolling Interest	(25,034)	(1,751)	
Gain (Loss) on Sale of Properties	32,416	15,704	106.4%
Gain on Acquisition			
Loss on Redemption of Convertible Senior Unsecured Notes			
Gain on Land & Merchant Development Sales			
Discontinued Operations (including real estate gains)			
(Provision) Benefit for Income Taxes	164	239	
Redemption Costs of Preferred Shares			
Preferred Dividends			
Net Income Applicable to Common Stockholders	\$44,142	\$47,275	-6.6%
Earnings Per Share (diluted)	\$0.34	\$0.38	-10.5%
Avg. Shares Outstanding (diluted)	127,476	123,357	3.3%

Funds From Operations	4Q16	4Q15	% Change
Net Income Applicable to Common Shareholders	\$44,142	\$47,275	-6.6%
Real Estate Depreciation and Amortization Expense	42,245	36,350	16.2%
Depreciation and Amortization of Joint Ventures	3,774	3,849	-1.9%
Impairment of Operating Properties and Real Estate Equity Investments			
Impairment of Operating Properties of Unconsolidated Real Estate Joint Ventures and Partnerships			
(Gain) on Acquisitions			
Gain on Sale of Real Estate (including Joint Ventures)	(11,715)	(16,568)	
Other	491	465	5.6%
Total Funds From Operations	\$78,937	\$71,371	10.6%
FFO Per Share (diluted)	\$0.61	\$0.57	7.0%
Avg. Shares and Units Outstanding (diluted)	129,871	126,077	3.0%

Source: Company reports

Condensed Balance Sheet

	31-Dec-14	31-Dec-15	31-Dec-16
(in thousands)			
Investments in Real Estate			
Property	\$4,076,094	\$4,262,959	\$4,789,145
Property Held for Sale	3,670	34,363	479
Accumulated Depreciation	(1,028,619)	(1,087,642)	(1,184,546)
Investment in R/E Joint Ventures	257,156	267,041	289,192
Net Investment in Real Estate	\$3,308,301	\$3,476,721	\$3,894,270
Cash and Cash Equivalents	23,189	22,168	16,257
Notes Receivable from R/E Joint Ventures and Partnerships			
Unamortized Debt and Lease Costs	141,122	137,609	208,063
Accrued Rent and Accounts Receivable	77,781	84,782	94,466
Restricted Deposits and Mortgage Escrows	79,998	3,074	25,022
Other Assets	183,703	177,591	188,850
Total Assets	\$3,814,094	\$3,901,945	\$4,426,928
Debt	\$1,938,188	\$2,113,277	\$2,356,528
Accounts Payable and Accrued Expenses	112,479	112,205	116,859
Other Liabilities	124,484	131,453	191,887
Total Liabilities	\$2,175,151	\$2,356,935	\$2,665,274
Commitments and Contingencies			
Deferred Compensation Share Awards			44,758
Preferred Stocks	2		
Treasury Shares of Beneficial Interest			
Common Stock	3,700	3,744	3,885
Capital Surplus	1,706,880	1,616,242	1,718,101
Net Income in Excess of Accumulated Dividends	(212,960)	(222,880)	(177,647)
Accumulated Other Comprehensive Loss	(12,436)	(7,644)	(9,161)
Shareholders' Equity	\$1,485,186	\$1,389,462	\$1,535,178
Noncontrolling Interest	153,757	155,548	181,718
Total Liabilities and Equity	\$3,814,094	\$3,901,945	\$4,426,928

Balance Sheet Ratio Analysis	31-Dec-14	31-Dec-15	31-Dec-16
Net R/E Investments / Total Debt	170.7%	164.5%	165.3%
Debt to Equity	130.5%	152.1%	153.5%
Debt to Total Market Capitalization (including prorata JV debt)	31.0%	33.9%	34.4%
Debt as % of Total Assets	50.8%	54.2%	53.2%
Fixed-rate Debt as % of Total Debt (Prorata Share)	84.8%	87.9%	89.0%
Shareholders' Equity as % of Total Assets	38.9%	35.6%	34.7%

Source: Company reports

Valuation

At 15.1x our 2017 FFO forecast, we believe WRI is fairly valued. The shares are currently trading slightly below their median historic 5-year forward P/FFO multiple. We are maintaining our Neutral rating on Weingarten at this time based on valuation only as we like the fundamentals for the company.

Shopping Center REITs	Symbol	Price	Current	Yield	Payout Ratio	FFO Per Share			2-Year Exp.	17/16 Exp.	Price/FFO	
		2/22/2017	Dividend			2015	2016E/A	2017E	Avg. Growth	Growth	FY 2016E/A	FY 2017E
Kimco Realty Corporation	KIM	\$24.35	\$1.08	4.4%	82.4%	\$1.23	\$1.31	\$1.53	12.2%	16.8%	18.6x	15.9x
Federal Realty Investment Trust	FRT	\$141.55	\$3.92	2.8%	78.2%	\$4.74	\$5.01	\$5.88	12.0%	17.4%	28.3x	24.1x
DDR Corp.	DDR	\$14.43	\$0.76	5.3%	59.8%	\$0.96	\$1.27	\$1.11	7.8%	-12.6%	11.4x	13.0x
Regency Centers Corp.	REG	\$70.01	\$2.04	2.9%	68.9%	\$2.63	\$2.96	\$3.46	15.8%	16.9%	23.7x	20.2x
Peer Average		\$62.59	\$1.95	3.8%	72.4%	\$2.39	\$2.64	\$3.00	12.0%	9.6%	20.5x	18.3x
S&P 500	SPX	2,362.82	\$48.08	2.0%	41.2%	\$118.23	\$116.83	\$129.74	4.9%	11.1%	20.2x	18.2x
Weingarten Realty Investors	WRI	\$36.49	\$1.54	4.2%	67.5%	\$2.07	\$2.28	\$2.40	8.0%	5.3%	16.0x	15.2x

Note: Our rating on DDR is Neutral, the rest are not rated.
SPX figures are EPS, not FFO per share.

Source: NAREIT, Baseline, ILX, and Hilliard Lyons' estimates

Dividend - On February 21, 2017, Weingarten announced an increase in the common dividend rate from \$0.365 per quarter to \$0.385 per quarter, or \$1.54 per share in cash on an annual basis. The increase represented a 5.5% increase above the prior payment.

Suitability

We assign shares of Weingarten Realty Investors 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 lack of property type diversification offset by what we view as a strong balance sheet.

Risks and Considerations

WRI'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.

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

As of 6 February 2017

Other Disclosures

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