



COMPANY UPDATE / ESTIMATE CHANGES

Key Metrics

WRI - NYSE (as of 10/24/2017)	\$31.49
Price Target	N/A
52-Week Range	\$29.03 - \$37.63
Shares Outstanding (mm)	130
Market Cap. (\$mm)	\$4,094
3-Mo. Average Daily Volume (000)	801
Institutional Ownership	82%
Debt/Total Market Capital - Pro rata (9/17)	36%
Est 3- Year Dividend Growth Rate	2% - 5%
Dividend	\$1.54
Dividend Yield	4.9%
Est. Fixed Charge Coverage (9/17)	3.9x

FFO Per Share FY 12/31

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$0.52		\$0.57 A	\$0.61	\$0.62
2Q	\$0.59		\$0.61 A	\$0.61	\$0.61
3Q	\$0.56		\$0.61 A	\$0.61	\$0.62
4Q	\$0.61	\$0.61	\$0.61	\$0.68	\$0.65
Year	\$2.28	\$2.37	\$2.39	\$2.52	\$2.49
P/FFO	13.8x		13.2x		12.6x

*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)

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$132		\$144 A	\$149	\$146
2Q	\$136		\$146 A	\$150	\$148
3Q	\$139		\$144 A	\$152	\$150
4Q	\$143	\$146	\$145	\$164	\$156
Year	\$550	\$579	\$579	\$615	\$599

*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 September 30, 2017, the company owned or operated 210 properties located in 18 states.

REITs

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Weingarten Realty Investors

WRI -- NYSE -- Neutral -- 3

Good Quarter

- **Third quarter FFO per share was \$0.61, five cents above the year ago period.** Results came in two cents above our estimate. Core FFO was \$0.61 per share and was \$0.58 per share in the year ago period.
- **Occupancy (on a signed basis) was up 70 basis points from the year ago period at 94.8%.** Occupancy for retail spaces under 10,000 feet was 90.4%, up 20 basis points from the year ago quarter.
- **We are raising our 2017 FFO per share estimate by two cents to \$2.39.** WRI raised 2017 NAREIT FFO per share guidance to a range of \$2.38 - \$2.41 from a range of \$2.34 - \$2.40. Assumptions in guidance include: dispositions of \$300 million to \$550 million, acquisitions of \$50 million to \$150 million, redevelopment and new development investment of \$125 million to \$175 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%.
- **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

Third quarter total revenue was \$144.1 million, up 4.0% from the year ago period (please see income statement on page 3). Rental income rose 3.4% year-over-year, as base rent declined 0.8%.

Weingarten's combined (retail and other operating properties) occupancy on a signed basis was 94.8% at quarter-end, up 70 basis points from the year ago period, and up 30 basis points from the second quarter. Occupancy for spaces under 10,000 feet was 90.4%, up 20 basis points from the year ago quarter. Average minimum (base) rent per square foot for retail properties was \$18.58. During the third quarter, WRI completed 192 (42 new and 150 renewal) comparable leases. The average rental rate increase on comparable new leases and renewals signed during the quarter was 29.5% and 12.3%, respectively.

Net income to common shareholders in the third quarter was \$72.6 million versus \$51.9 million in the year ago period. FFO per share were \$0.61 compared to \$0.56 per share in 3Q16. Core FFO were \$0.61 per share versus \$0.58 per share in 3Q16.

Overview

Retail Environment - Weingarten has not been significantly impacted by store closings and retailer bankruptcies. Weingarten is still seeing good demand for space. Rental rate increases continue to be strong. The company is seeing strong demand for space from health and beauty, medical, fitness, wireless and quick service restaurants.

Acquisitions & Dispositions - In September, WRI purchased one land parcel adjacent to an existing property. During 3Q, WRI completed \$110.0 million of dispositions. Subsequent to quarter end, WRI sold an additional \$43.6 million of assets.

Development Pipeline - There are three properties included in WRI's development pipeline with an estimated total cost of \$351.3 million. Two of these projects will have residential components to them that WRI plans to sell after the assets stabilize. WRI has seventeen active redevelopment projects with an estimated total cost of \$237.5 million.

Financials - As of September 30, WRI had final (assuming extension options are exercised) debt maturities of \$39.2 million and \$44.5 million in 2017 and 2018, respectively. We believe the company's near-term maturities are manageable.

Guidance & Estimates - WRI raised 2017 NAREIT FFO per share guidance to a range of \$2.38 - \$2.41 from a range of \$2.34 - \$2.40. Assumptions in guidance include: dispositions of \$300 million to \$550 million, acquisitions of \$50 million to \$150 million, redevelopment and new development investment of \$125 million to \$175 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 \$2.39. WRI's guidance for Core FFO (which does not include non-recurring items) is \$2.42 - \$2.45 per share.

Quarterly Income Statement

(in thousands, except per share date)	3Q17	3Q16	% Change
Rental Income	\$141,064	\$136,435	3.4%
Other	3,046	2,164	40.8%
Total Revenue	144,110	138,599	4.0%
Real Estate Operating Expenses	27,813	24,760	12.3%
Real Estate Taxes	18,634	17,067	9.2%
	46,447	41,827	11.0%
Real Estate Operating Income (NOI)	97,663	96,772	0.9%
General and Administrative Expenses	6,537	7,187	
EBITDA	91,126	89,585	1.7%
Interest Expense	19,850	21,843	
Interest Income and Other (Expense) Income	1,485	1,268	
Depreciation and Amortization Expense	41,509	42,064	-1.3%
Impairment Loss			
Income Before Minority Interests, Gains & Pref. Dividends	31,252	26,946	16.0%
Gain on Sale and Acquisition of Real Estate Joint Venture and Partnership Interests		9,015	
Equity in Earnings of Joint Ventures and Partnerships, net	5,219	4,373	
Gain on Redemption of Convertible Senior Unsecured Notes			
Net Income Attributable to Noncontrolling Interest	(1,844)	(9,436)	
Gain (Loss) on Sale of Properties	38,579	22,108	
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	(577)	(1,105)	
Redemption Costs of Preferred Shares			
Preferred Dividends			
Net Income Applicable to Common Stockholders	\$72,629	\$51,901	39.9%
Earnings Per Share (diluted)	\$0.56	\$0.40	40.0%

Funds From Operations	3Q17	3Q16	% Change
Net Income Applicable to Common Shareholders	\$72,629	\$51,901	39.9%
Real Estate Depreciation and Amortization Expense	41,240	43,451	-5.1%
Depreciation and Amortization of Joint Ventures	3,453	3,665	-5.8%
Impairment of Operating Properties and Real Estate Equity Investments			
Impairment of Operating Properties of Unconsolidated Real Estate Joint Ventures and Partnerships			
(Gain) on Acquisitions		(9,015)	
Gain on Sale of Real Estate (including Joint Ventures)	(38,548)	(21,543)	
Other	107	4,658	
Total Funds From Operations	\$78,881	\$73,117	7.9%
FFO Per Share (diluted)	\$0.61	\$0.56	8.9%
Avg. Shares and Units Outstanding (diluted)	130,077	129,788	0.2%

Source: Company reports

Condensed Balance Sheet

(in thousands)	31-Dec-15	31-Dec-16	30-Sep-17
Investments in Real Estate			
Property	\$4,262,959	\$4,789,145	\$4,667,281
Property Held for Sale	34,363	479	12,300
Accumulated Depreciation	(1,087,642)	(1,184,546)	(1,211,191)
Investment in R/E Joint Ventures	267,041	289,192	315,574
Net Investment in Real Estate	\$3,476,721	\$3,894,270	\$3,783,964
Cash and Cash Equivalents	22,168	16,257	39,246
Notes Receivable from R/E Joint Ventures and Partnerships			
Unamortized Debt and Lease Costs	137,609	208,063	187,530
Accrued Rent and Accounts Receivable	84,782	94,466	101,459
Restricted Deposits and Mortgage Escrows	3,074	25,022	4,973
Other Assets	177,591	188,850	196,018
Total Assets	\$3,901,945	\$4,426,928	\$4,313,190
Debt	\$2,113,277	\$2,356,528	\$2,214,319
Accounts Payable and Accrued Expenses	112,205	116,859	119,094
Other Liabilities	131,453	191,887	194,418
Total Liabilities	\$2,356,935	\$2,665,274	\$2,527,831
Commitments and Contingencies			
Deferred Compensation Share Awards		44,758	
Preferred Stocks			
Treasury Shares of Beneficial Interest			
Common Stock	3,744	3,885	3,896
Capital Surplus	1,616,242	1,718,101	1,771,017
Net Income in Excess of Accumulated Dividends	(222,880)	(177,647)	(159,245)
Accumulated Other Comprehensive Loss	(7,644)	(9,161)	(7,327)
Shareholders' Equity	\$1,389,462	\$1,535,178	\$1,608,341
Noncontrolling Interest	155,548	181,718	177,018
Total Liabilities and Equity	\$3,901,945	\$4,426,928	\$4,313,190

Balance Sheet Ratio Analysis	31-Dec-15	31-Dec-16	30-Sep-17
Net R/E Investments / Total Debt	164.5%	165.3%	170.9%
Debt to Equity	152.1%	153.5%	137.7%
Debt to Total Market Capitalization (including prorata JV debt)	33.9%	34.4%	35.7%
Debt as % of Total Assets	54.2%	53.2%	51.3%
Fixed-rate Debt as % of Total Debt (Prorata Share)	87.9%	89.0%	93.6%
Shareholders' Equity as % of Total Assets	35.6%	34.7%	37.3%

Source: Company reports

Valuation

At 12.6x our 2018 FFO forecast, we believe WRI is fairly valued in the current environment. The shares are currently trading below their median historic 5-year forward P/FFO multiple. We believe WRI may sell more assets than we have modeled for in 2018, possibly leading us to lower our 2018 FFO per share estimates in the future. We are maintaining our Neutral rating on Weingarten at this time.

Shopping Center REITs	Symbol	Price	Current	Yield	Payout Ratio	FFO Per Share			2-Year Exp.	18/17 Exp.	Price/FFO	
		10/24/2017	Dividend			2016	2017E	2018E	Avg. Growth	Growth	FY 2017E	FY 2018E
Kimco Realty Corporation	KIM	\$18.73	\$1.08	5.8%	70.6%	\$1.31	\$1.53	\$1.60	11.1%	4.6%	12.2x	11.7x
Federal Realty Investment Trust	FRT	\$124.90	\$4.00	3.2%	67.8%	\$5.01	\$5.90	\$6.21	12.0%	5.3%	21.2x	20.1x
DDR Corp.	DDR	\$8.23	\$0.76	9.2%	96.2%	\$1.27	\$0.79	\$0.92	-13.8%	16.5%	10.4x	8.9x
Regency Centers Corp.	REG	\$63.36	\$2.12	3.3%	57.8%	\$2.96	\$3.67	\$3.82	14.5%	4.1%	17.3x	16.6x
Peer Average		\$53.81	\$1.99	5.4%	73.1%	\$2.64	\$2.97	\$3.14	5.9%	7.6%	15.3x	14.3x
S&P 500	.SPX	2,569.13	\$49.50	1.9%	37.9%	\$117.75	\$130.53	\$140.86	9.8%	7.9%	19.7x	18.2x
Weingarten Realty Investors	WRI	\$31.49	\$1.54	4.9%	64.4%	\$2.28	\$2.39	\$2.49	4.6%	4.2%	13.2x	12.6x

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

Source: NAREIT, HL Estimates, and Thomson Eikon.

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.

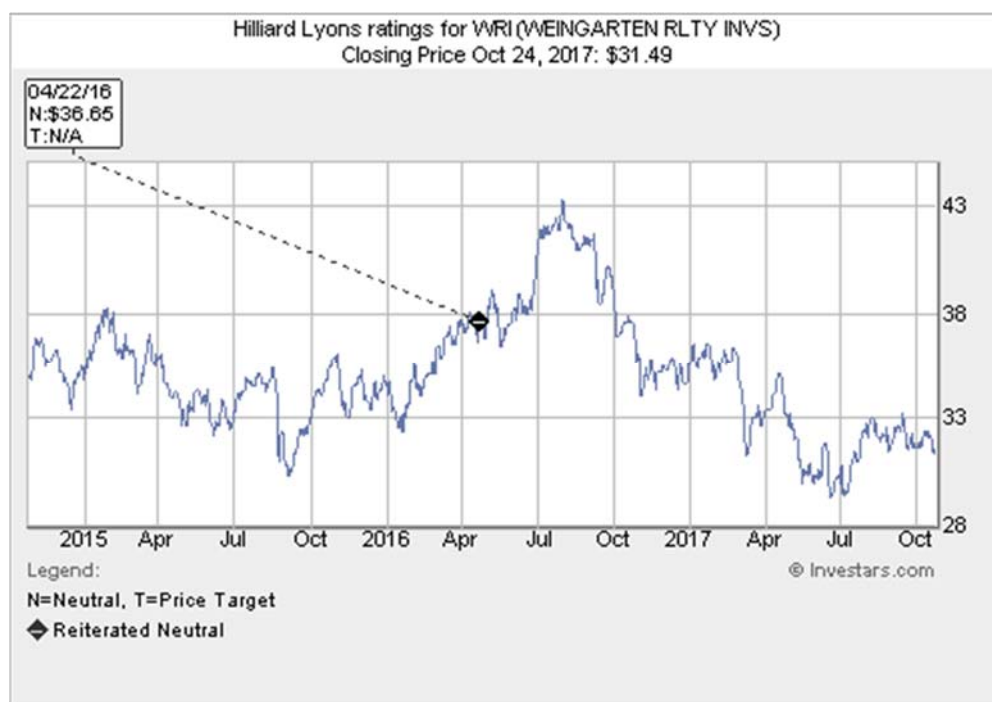
Suitability Ratings

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	39	32%	8%	92%
Hold/Neutral	74	60%	9%	91%
Sell	8	7%	0%	100%
Restriction	2	2%	100%	0%

As of 5 October 2017

Other Disclosures

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