August 2017

EQUITY HIGHLIGHTS

from *Investment Perspectives*

To obtain important disclosure information regarding Hilliard Lyons' rating system, valuation methods, risk factors and potential conflicts of interest with respect to the companies covered in this report, please call (800) 444-1854 ext. 8820, or send a request via email to RsLib@hilliard.com. Requests should include the name and date of this report and a list of companies for which the disclosure information is requested.

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Activision Blizzard, Inc. (ATVI) Consumer Sector (Discretionary)

Strong fundamentals, rich stock valuation

Rating - Suit.	Company	Symbol	Price 08/09/17	Year High	Year Low	----- FY EPS ----- 2016	2017E	2018E	P/E Ratio 2018E	Ind. Div. Yield	Target Price	Latest Report
Undpfm-2	Activision Blizzard, Inc.	ATVI	$61.38	$64	$35	$2.20	$2.10	$2.45	25.1	0.5%		8/7/17

Activision Blizzard, Inc.'s Q2 results were encouraging. Non-GAAP revenues of $1.418 billion were down 12% from a year ago, reflecting differences in the product release schedule. There were no new full-length game releases in the recent period, only add-on content for previous releases. Contrastingly, the year ago period included the successful launch of *Overwatch* from the Blizzard Entertainment segment. The street consensus revenue estimate was $1.220 billion.

Profits also exceeded expectations. Operating margin declined due to the tough comparison to a year ago. This led to a non-GAAP net income decline of 18%. Similarly, non-GAAP diluted EPS were $0.43 versus $0.54 a year ago. However, this was well above company guidance of $0.27 and street consensus of $0.30. The considerable EPS "beat" in Q2 followed a similar outcome in the preceding quarter (Q1'17).

The balance sheet remained solid. Total cash and equivalents as of 06/30/2017 were $3.278 billion. Total debt was $4.387 billion, or 31% of total capitalization.

Management updated its financial guidance. Non-GAAP revenue guidance for 2017 was set at $6.575 billion, up $245 million from the previous figure. Non-GAAP EPS guidance was set at $2.00, up $0.12 from the previous figure. We have fine-tuned our projections, which are above company guidance. Consistent with history, we feel guidance is likely conservative.

There are long-term catalysts to consider. We are closely monitoring the company's and industry's e-sports initiatives. Competitive gaming -- with key roles held by players, spectators, broadcasters, and advertisers -- is becoming a more attractive proposition for videogame publishers, with ATVI's *Overwatch* league launching later this year. Start-up expenses could limit near-term profits, but we consider e-sports a positive long-term factor.

We rate ATVI Underperform based solely on valuation. Considerable share price gains of late have led to an above-average stock valuation compared to recent levels and company historical averages. We believe the shares could be susceptible to profit taking. Our Suitability rating is 2.

Please see our latest Activision Blizzard, Inc. report dated August 7, 2017.

The J.M. Smucker Company (SJM) Consumer Sector (Staples)

Recent upgrade to Long-term Buy

Rating - Suit.	Company	Symbol	Price 08/09/17	Year High	Year Low	----- FY EPS ----- 2016	2017E	2018E	P/E Ratio 2018E	Ind. Div. Yield	Target Price	Latest Report
LTB-2	The JM Smucker Co. FY(4)	SJM	$122.19	$156	$114	$7.79	$7.72A	$7.90	15.5	2.6%	$140	7/11/17

We raised our rating on The J.M. Smucker Company to Long-term Buy from Neutral on July 11th. With the stock down by a double-digit percentage for the calendar year to date period, valuation had declined to a level we considered attractive. SJM shares are currently trading at a valuation below the year ago level and below a five-year historical average.

We view dynamics in the food retailing industry as both a challenge and an opportunity. The planned acquisition of Whole Foods Market (WFM-$41.85) by Amazon.com (AMZN-$982.01) has many unknowns, in our view, with uncertainties surrounding private label versus national brand market shares and margins of packaged food companies. We believe SJM is in a relatively solid competitive position with its strong, leading portfolio of brands.

Fiscal Q4 results were a bit above expectations. Net sales for the fiscal fourth quarter ended 04/30/2017 declined 1% to $1.784 billion, or $15 million above the street consensus expectation. Adjusted earnings per share (excluding amortization) were $1.80 compared to $1.81 in the year ago period when excluding a one-time tax benefit. The street consensus expectation was $1.72.

FY'18 is expected to get off to a slow start. Q1'18 is expected to produce a double-digit percentage EPS decline due to higher marketing spending, unfavorable price/cost dynamics in the coffee and pet segments, and a tough comparison to year ago results (a 17% EPS gain). We expect double-digit growth in the second half of the fiscal year. Moreover, we have generally favorable views of FY'19 and beyond.

Our two-year price target is $140 per share. Our outlook assumes low single digit EPS growth this year, ramping up to mid to upper single digit growth in subsequent years, and annual dividend growth. We also assume a future stock valuation in line with the current level. Our Suitability rating on SJM is 2.

Please see our latest The J.M. Smucker Company report dated July 11, 2017.

ConocoPhillips (COP) Energy Sector

Q2 exceeds outlook, estimates trimmed on lower post-divestiture volume & price forecasts

Rating - Suit.	Company	Symbol	Price 08/09/17	Year High	Year Low	----- FY EBITDA/Unit ----- 2016	2017E	2018E	P/EBITDA Ratio 2018E	Ind. Div. Yield	Target Price	Latest Report
LTB-2	*ConocoPhillips*	*COP*	*$45.65*	*$53*	*$39*	*$5.48*	*$6.44*	*$7.38*	*6.2*	*2.3%*	*$65*	*7/28/17*

Houston, TX-based ConocoPhillips is the world's largest independent oil and gas exploration and production company. In 2016 the company produced approximately 573 Mmboe from proved reserves of approximately 6.4 Bboe from operations in 21 countries.

Second quarter 2017 results at COP beat earnings expectations and demonstrated further execution on the three elements of its strategic initiatives, with $3.4 billion of debt reduction, share repurchases totaling $980 million, and the announcement of asset divestitures in the San Juan Basin and Barnett shale plays worth approximately $3.3 billion. Management targeted debt falling below $20.0 billion this year, or to ~32% of total capitalization from ~38% at year-end 2016, and share repurchases totaling ~$3.0 billion by year-end 2017.

Adjusting for the closed (Canada and San Juan) and pending (Barnett) asset sales, we adjusted our H2'17 and 2018 production forecasts from 1,375 and 1,256 Mboepd to 1,346 and 1,245 Mboepd, a ~25% reduction from 2016 production of 1,569 Mboepd. On a total production basis, our 2017 forecast is 14% below 2016 output while our 2018 forecast is ~21% lower. However, we do see organic production growth holding in the low single-digit growth range through 2018 on a modest pace of Capex outlays.

We believe the company's reduced operating cost structure and interest expense levels, combined with the impact of share repurchases, will sustain a continued earnings and cash flow recovery. We reiterate our Long-term Buy rating, 2 suitability, and 24-month target price of $65.

Please see our latest ConocoPhillips report dated July 28, 2017.

Chemical Financial Corp. (CHFC)

Financial Sector

Growth prospects underappreciated by investors, in our view

Rating - Suit.	Company	Symbol	Price 08/09/17	Year High	Year Low	----- FY EPS ----- 2016	2017E	2018E	P/E Ratio 2018E	Ind. Div. Yield	Target Price	Latest Report
LTB-2	*Chemical Financial Corp.*	*CHFC*	*$46.95*	*$56*	*$41*	*$2.87*	*$3.02*	*$3.74*	*12.6*	*2.4%*	*$56*	*7/27/17*

Chemical Financial Corp. is a commercial banking organization that operates primarily in Michigan, northeast Ohio, and northern Indiana. The company expects to achieve substantial balance sheet growth in coming quarters, driven by gains in securities and loans. It plans to increase its securities portfolio to approximately 20.0% of assets from 12.8% at June 30, 2017 to be in line with peers. While this move will squeeze the net interest margin, it should lever net interest income meaningfully.

Chemical generated robust loan growth of 12% on a linked-quarter annualized basis in Q2'17, driven largely by strong production in commercial real estate loans. Commercial & industrial loan growth accelerated in Q2 and should show continued improvement in coming quarters due in part to the company's increased size resulting from the Talmer Bancorp acquisition and the resulting ability to pursue larger companies and loans. We are projecting 11% loan growth in 2011, which is exceptional compared to the sector.

CHFC has always exercised strong cost controls, as evidenced by its Q2'17 efficiency ratio of 52.7%. The efficiency ratio is essentially noninterest expense/total revenues, so it provides insight regarding how much a bank spends to generate $1 of revenue. Other mid-cap banks (peers) realized a median efficiency ratio of 57.6% in Q2. Management announced plans to further enhance efficiencies in its Q2'17 earnings call. Details of the expense reduction program will be provided in October.

As of this writing, CHFC was trading at 15.7x 2017 consensus EPS, which is a meaningful discount to its peer multiple of 17.0x. We do not understand the discounted valuation given the company's robust growth prospects. Furthermore, the stock offers an attractive dividend yield of 2.4% versus 2.1% for peers and the S&P 500 yield of 1.9%. We have a Long-term Buy rating on CHFC with a $56 price target.

Please see our latest Chemical Financial Corp. report dated July 27, 2017.

Eli Lilly & Company (LLY) Health Care Sector

A mixed regulatory experience in 2017

Rating - Suit.	Company	Symbol	Price 08/09/17	Year High	Year Low	----- FY EPS ----- 2016	2017E	2018E	P/E Ratio 2018E	Ind. Div. Yield	Target Price	Latest Report
LTB-1	*Eli Lilly & Company*	*LLY*	*$82.57*	*$87*	*$64*	*$3.52*	*$4.13*	*$4.54*	*18.2*	*2.5%*	*$93*	*7/26/17*

We highlight two surprising regulatory moves for Eli Lilly & Company this year, one positive and one negative. In April, the FDA issued a Complete Response Letter (CRL; essentially a rejection) for Lilly's baricitinib in the treatment of rheumatoid arthritis (RA). The CRL came as a surprise to us and the market, and the FDA proceeded to demand a fifth Phase 3 clinical trial. The FDA stated they are concerned about cardiovascular issues such as deep vein thrombosis (DVT) and pulmonary embolism (PE).

We note the only trial that showed a statistically significant increase in those risk factors pitted baricitinib versus a placebo. The other trials showed no difference when tested against other approved therapies, such as market giant *Humira* (ABBV-$72.02). Thus, it is plausible other RA treatments have previously unnoticed cardiovascular risk factors.

We also point out the occurrence was relatively infrequent, and Lilly displayed data at a medical conference that identified certain patient characteristics, so label warnings would have sufficed, in our view. Regulatory authorities in Europe and Japan approved baricitinib with label precautions about cardiovascular risk factors.

The positive surprise came from the FDA decision to grant the Fast Track Designation (FTD) to Lilly and Pfizer's (PFE-$33.45) tanezumab. Tanezumab is a non-opioid treatment in testing for chronic pain. As we have written in previous publications, the market is taking a guilty-until-proven-innocent approach to tanezumab due to previous safety issues. However, LLY has shown eliminating concomitant use with non-steroidal anti-inflammatory drugs (NSAIDs) could substantially reduce safety problems, so we believe the market is severely undervaluing the asset.

Even with this doubt, other commentary has suggested pricing may limit uptake; however, we believe the magnitude of the opioid crisis and the FDA's strong steps of late to turn the tide of the crisis are early signs pricing won't be an issue. New FDA Commissioner Dr. Gottlieb made an unprecedented move in setting up a meeting with health insurers and pharmacy benefit managers. The meeting centered on opioid supply reduction through label changes and other measures, but this rare interaction between the agency and that industry, coupled with the FTD, leads us to believe more measures may be taken down the road if and when non-opioid treatments make it to market. Tanezumab clinical trials should wrap up in early 2018.

Please see our latest Eli Lilly & Company report dated July 26, 2017.

Leggett & Platt Inc. (LEG) Industrials Sector

Rating recently raised to Long-term Buy

Rating - Suit.	Company	Symbol	Price 08/09/17	Year High	Year Low	----- FY EPS ----- 2016	2017E	2018E	P/E Ratio 2018E	Ind. Div. Yield	Target Price	Latest Report
LTB-2	*Leggett & Platt*	*LEG*	*$47.70*	*$55*	*$44*	*$2.49*	*$2.61*	*$2.84*	*16.8*	*3.0%*	*$66*	*7/28/17*

Leggett & Platt Inc., founded in 1883, is a leading diversified manufacturer of industrial components. LEG products are sold into various end-markets, including: bedding, residential and commercial furniture, flooring, automotive, and aerospace. Leggett employs ~21,000 people, trades on the NYSE, and is headquartered in Carthage, MO.

We recently upgraded LEG to a Long-term Buy with a price target of $66. Despite a strong overall Industrials sector, the stock had churned since early 2017 due in part to flattish growth and what we believe to be weak sentiment toward retail and/or auto narratives. Our target would have shares trading ~5% above recent average P/E and EV/EBITDA multiples.

We continue to like LEG's competitive positioning. Its vertical integration in its legacy bedding and furniture businesses offering a resilient cash flow. Moving forward we see softer near-term comps as last summer's steel price increase (2-3 quarter lag effect) on raw material costs expires.

LEG reported somewhat of a disappointing quarter in Q2, but our longer-term positive outlook on valuation is unchanged. Revenue rose 3.2% in the quarter, a third sequential quarter of growth; however, an anomaly in bedding products and margin compression contributed to LEG missing estimates.

Key to our thesis was another quarter of strong growth in the Specialized segment, with Auto posting organic sales growth of 11% year/year. Management noted additional contract wins in the segment as well as increased capital expenditures to support growth; adding to our view of low double digit growth for auto and aero through 2019.

Leggett is a member of the S&P 500 dividend aristocrats and is our preferred income play in the Industrials sector, having raised its payout for 46 consecutive years. Currently yielding 3%, management targets a total shareholder return in the top 1/3 of the S&P 500.

Please see our latest Leggett & Platt Inc. report dated July 28, 2017.

Intel Corp. (INTC) Information Technology Sector

Recent initiation with Long-term Buy rating

Rating - Suit.	Company	Symbol	Price 08/09/17	Year High	Year Low	----- FY EPS ----- 2016	2017E	2018E	P/E Ratio 2018E	Ind. Div. Yield	Target Price	Latest Report
LTB-2	*Intel Corp.*	*INTC*	*$36.59*	*$38*	*$33*	*$2.72*	*$3.00*	*$3.12*	*11.7*	*3.0%*	*$44*	*7/31/17*

Intel Corp.'s strategic vision is transitioning from a PC centric chipmaker to a company focused on empowering a data driven economy. The coming rollout of the 5G network in 2018/2019 will drastically increase the amount, speed, and complexity of data requirements. Intel has a monopolistic 98% share of the server market, the backbone of the digital economy. INTC's pole position in the data center will allow it to better connect to smart connected end devices, including PCs, smartphones, autonomous cars, automated factories, and health information, better known as the Internet of Things. New experiences such as artificial intelligence, augmented reality, and the 5G network are expected to increase semiconductor demand over the next decade.

Gartner now anticipates over $400 billion in semiconductor sales in 2017, representing year/year growth of 17%. We have only experienced this level of growth a few times in recent decades, including 2010 as we exited the global recession and during the dot com era. Intel is also entering new ancillary markets including memory through a JV with Micron (MU-$28.58), FPGAs through the acquisition of Altera, and autonomous driving systems through the acquisition of Mobileye. These growth markets are growing at double digit rates for Intel and now represent roughly 50% of revenue. Memory for example grew 58% yr/yr in Q2.

So why are we recommending Intel now? We believe we are at the beginning, not the end, of a decade long investment cycle within the semiconductor industry. We believe the 5G rollout will be the largest technology event since the internet itself. For example, an average smartphone could reach download speeds of 10 Gbps; the average car in 10 years could have $3,000 worth of semiconductors versus $150 today.

We view Intel as a value or conservative holding, currently trading at under 12 times forward P/E multiple, a record 40% discount to the S&P 500. We believe it is an excellent time to add a value name like INTC to investment portfolios, especially for those seeking income and long-term capital appreciation needing diversified exposure to the technology sector.

Intel currently yields 3%. We expect the company to grow the dividend at a 4% CAGR. INTC's free cash flow yields over 4.5%, allowing the company to buyback $15 billion in stock. Following Q2 results we currently forecast Intel to earn $3.12 per share in 2018 versus our prior estimate of $2.96. We apply a 14 multiple to these earnings to generate our $44 price target.

Please see our latest Intel Corp. report dated July 31, 2017.

Education Realty Trust (EDR)

Real Estate Sector

Fairly valued

Rating - Suit.	Company	Symbol	Price 08/09/17	Year High	Year Low	----- FY FFO ----- 2016	2017E	2018E	P/FFO Ratio 2018E	Ind. Div. Yield	Target Price	Latest Report
Ntrl-3	Education Realty Trust *	EDR	$37.55	$47	$37	$1.77	$1.92	$2.00	18.8	4.2%		7/31/17

Education Realty Trust, headquartered in Memphis, TN, is a REIT that owns or manages 81 student housing properties with more than 42,900 beds in 25 states. EDR also develops properties for its own portfolio and third party owners.

On July 31st, EDR reported Q2'17 earnings. Student housing leasing revenue for the second quarter was $70.1 million versus $61.7 million in the same period last year, a 13.6% increase. Same community occupancy was 82.3% versus 83.2% last year. Same community NOI increased 0.4% in the quarter on a 2.1% increase in revenue and a 4.5% increase in operating expenses.

Net income available to common shareholders was $6.1 million compared to $17.7 million in the prior year's second quarter. EPS were $0.07 versus $0.26 in the year ago period. Core FFO were $31.0 million compared to $26.4 million. Core FFO were $0.42 per share versus $0.39 per share on a 7.7% increase in shares and units outstanding.

As of July 25th, the same-community portfolio was 92.7% preleased for the upcoming academic year compared to 93.0% preleased at the same time in 2016. A 2.5% to 3.5% increase in rental rate is projected.

EDR currently has nineteen company owned projects in the pipeline, sixteen of which are under construction. The company has five third-party development projects in its pipeline, three of which are under construction. Management is seeing a lot of interest from universities to update/grow their housing supply.

On July 13th, EDR announced a 2.6% increase in its quarterly dividend to a rate of $0.39 per share, up from $0.38 per share previously. This is the seventh consecutive year EDR has increased its dividend.

We rate Education Realty Trust Neutral. We believe the shares are fairly valued at this time.

* - 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.

Please see our latest Education Realty Trust report dated July 31, 2017.

Frontier Communications (FTR) Telecommunications Sector

Rating recently downgraded to Underperform

Rating - Suit.	Company	Symbol	Price 08/09/17	Year High	Year Low	----- FY EPS ----- 2016	2017E	2018E	P/E Ratio 2018E	Ind. Div. Yield	Target Price	Latest Report
Undpfm-4	Frontier Communications *	FTR	$15.08	$75	$13	($0.09)	($3.80)	($2.20)	NM	15.9%		8/3/17

We recently lowered our rating on Frontier Communications to Underperform from Neutral. We did so primarily because of our continuing concern about the company's inability to stem its customer losses and revenue erosion.

These issues remained prevalent in Frontier's most recent second quarter earnings report. Though both revenue and EBITDA (earnings before interest, taxes, depreciation, and amortization) were largely in line with expectations, both revenue declines and customer losses were disconcerting. Although the revenue of $2.3 billion was expected, this still represented an 11.7% decline from year ago levels. Total customers dropped by 659,000 from a year ago, a decline of 11.5%. Total customers fell sequentially by 162,000, or 3.1% from this year's first quarter. Consumer revenue declined to $1.12 billion from $1.33 billion a year ago.

While we believe management has done a solid job in managing its costs, we remain concerned about the ongoing weak customer and revenue trends. Despite the company's best efforts, FTR continues to lose large numbers of customers each quarter. While hopefully that will change, our fear is that it won't. If the trend doesn't change, it could have major negative ramifications for the company, including lower EBITDA and cash flows. Moreover, the company has a highly leveraged balance sheet with significant debt maturities.

Consequently, we lowered our rating to Underperform. We believe the dividend is relatively secure near term following the 62% cut earlier this year. However, should current customer and revenue trends remain weak, there could once again be an eventual risk to the dividend. We note the company has cut its dividend three times in the past seven years.

* - 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.

Please see our latest Frontier Communications report dated August 3, 2017.

NextEra Energy (NEE) Utilities Sector

Strong Q2 results

Rating - Suit.	Company	Symbol	Price 08/09/17	Year High	Year Low	----- FY EPS ----- 2016	2017E	2018E	P/E Ratio 2018E	Ind. Div. Yield	Target Price	Latest Report
LTB-2	*NextEra Energy Inc.*	*NEE*	*$147.24*	*$148*	*$110*	*$6.19*	*$6.75*	*$7.25*	*20.3*	*2.7%*	*$160*	*7/27/17*

We maintain our Long-term Buy rating on NextEra Energy. As a reminder, NEE is a leading clean energy company with more than 45,000 megawatts of generating capacity. NextEra Energy's principal subsidiaries are Florida Power & Light Company, which serves more than 4.8 million accounts in Florida, and NextEra Energy Resources, LLC, which together with its affiliated entities is the world's largest generator of renewable energy from the wind and sun.

The company recently reported higher and better than expected second quarter earnings. Adjusted second quarter earnings were $1.86 per share versus $1.67 in last year's second quarter, an increase of 11% and above the consensus estimate of $1.76 per share. Both of NextEra's primary businesses contributed higher earnings in the recently completed second quarter than in the prior year period.

Management reaffirmed its 2017 earnings guidance. NEE expects this year's earnings to be in a range of $6.35 to $6.85 per share, 2018 earnings in a range of $6.80 to $7.30 per share, and a compound annual growth rate of 6% to 8% through 2020, off a 2016 base.

While the stock has performed well in 2017 thus far, we are maintaining our Long-term Buy rating and have raised our two year price target to $160 per share. We continue to believe both of the company's primary businesses appear poised to deliver sustained significant long-term growth. NextEra continues to represent, in our view, a strong core holding for utility investors seeking a combination of long-term capital appreciation and rising dividends.

Please see our latest NextEra Energy report dated July 27, 2017.

Spire Inc. (SR)

Utilities Sector

Strong Q3

Rating - Suit.	Company	Symbol	Price 08/09/17	Year High	Year Low	----- FY EPS ----- 2016	2017E	2018E	P/E Ratio 2018E	Ind. Div. Yield	Target Price	Latest Report
LTB-2	*Spire Inc. FY(9)*	*SR*	*$75.35*	*$76*	*$60*	*$3.42*	*$3.57*	*$3.78*	*19.9*	*2.8%*	*$90*	*8/2/17*

Spire Inc. operates several natural gas utility franchises across Missouri, Mississippi, and Alabama, servicing about 1.7 million customers and employing about 3,300 people. Non-regulated business Spire Marketing holds commodity, transportation, and storage contracts for wholesale to its diverse customer base across the US.

SR is the successor company to the Laclede Group (name change), which traces its roots back to St. Louis, MO, in the late 1800s. Laclede Gas was an original Dow 12 stock before the ubiquitous index expanded to 30 companies.

We recently reiterated our Long-term Buy rating. SR reported fiscal Q3'17 Economic EPS of $0.45, beating consensus by $0.07; net income was 47.9% higher, but was offset by 8.1% greater average shares outstanding. Fiscal Q3 results reflected a third full quarter impact from the Mobile and Willmut Gas acquisitions.

We recently raised our 2-to-3 year price target by 17% to $90. Our raise comes as we initiated our fiscal 2019 EPS estimate of $4.05, putting a ~22x multiple on shares, which would still leave the stock priced at a discount to the peer group.

The ~$200 million STL pipeline shapes up to be a complementary growth driver in our investment horizon. The project is still projected to be in service during SR's fiscal 2019 and is reflected in our financial model as 'other income' in fiscal 2019, with AFUDC (offset to interest) reflected in quarters leading up to a potential Q1'19 in-service date.

Spire has hiked its dividend for 14 consecutive years; the most recent raise was 7.1%. The stock is currently a member of our Research Department Income Model Portfolio with a current indicated yield of 2.8%

Please see our latest Spire Inc. report dated August 2, 2017.

American Water Works Co. (AWK) Utilities Sector

Maintaining Long-term Buy rating

Rating - Suit.	Company	Symbol	Price 08/09/17	Year High	Year Low	----- FY EPS ----- 2016	2017E	2018E	P/E Ratio 2018E	Ind. Div. Yield	Target Price	Latest Report
LTB-1	*American Water Works Co.*	*AWK*	*$81.68*	*$83*	*$69*	*$2.85*	*$2.98*	*$3.31*	*24.7*	*2.0%*	*$105*	*8/3/17*

American Water Works Co. is the largest investor-owned US water and wastewater utility company. Headquartered in Voorhees, NJ, the company employs more than 7,000 professionals who provide drinking water, wastewater, and other related services to approximately 15 million people in more than 30 states and parts of Canada.

We recently reiterated our Long-term Buy rating on AWK, maintaining our 2-3 year price target of $105. Our target represents ~30x our just increased 2019E EPS of $3.53, which represents a valuation that AWK has attained at times in recent years.

Major rate activity on the horizon bodes well for 2018 growth. After not much rate activity so far in 2017, the regulatory calendar for the year ahead includes filings in Pennsylvania and Missouri for requests of net revenue increases of $107.9 million and $74.6 million, respectively.

We continue to see AWK as a leading consolidator in the water space. The acquisition of Scranton Sewer drove an increase in wastewater sales of $8 million in Q2'17; we look for similar impact over the balance of 2017. Recent purchase closings include a total about 16,000 customers in New Jersey and California, and another ~34,000 potential customers are represented by pending deals.

Since being spun-out of a utility conglomerate in 2008, American Water has hiked its annual dividend every year. Over that timeframe, the company's yearly dividend has more than doubled and now stands at an annualized $1.66 per share. We expect dividend growth to mirror expected EPS growth of 7% to 10% per year.

Please see our latest American Water Works Co. report dated August 3, 2017.

Additional information, including a report on each common stock mentioned, is available upon request. Check with your Financial Consultant for the investment appropriate for you.

Explanations & Disclaimers

A - Actual
Ann. - Annual/annualized
Bps - Basis points
E - Estimated
EBITDA - Earnings before income, taxes, depreciation, amortization
EBITDDA - Earnings before income, taxes, depreciation, depletion, amortization
EPS - Earnings per share
EV - Enterprise value
FFO - Funds from operations
FFOA - Funds from operations adjusted
FFOM - Funds from operations modified
FY - Fiscal year
FY(1-11) - EPS are for fiscal years (1=January, 2=February, etc.)
GAAP - Generally accepted accounting principles
Ind. Div. Yield - Indicated dividend yield
NA - Not available/acceptable
NAV - Net asset value
NM - Non-meaningful
P/E - Price/earnings ratio -- current price divided by EPS
Q - Quarter
(1-4)Q - 1=First quarter, 2=Second quarter, 3=Third quarter, 4=Fourth quarter
REIT - Real estate investment trust
TR - Total return
TTM - Trailing twelve months
YTD - Year to date

All data is adjusted for stock splits or stock dividends.

Unless otherwise noted, EPS are from continuing operations and exclude non-recurring items.

We recognize each client's investment needs and goals are different. 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.

Analysts' Certification

The contributors to this report hereby certify that the views expressed in this report accurately reflect their personal views about the subject. They also certify that they have not been, are not, and will not be receiving direct or indirect compensation in exchange for expressing the specific points of view in this report.

Important Disclosures

The contributors to this report or members of their households typically have positions in the companies they follow, which may include, but are not limited to, common stock, options, rights, warrants, or futures contracts. They may not engage in buying or selling securities contrary to their recommendation.

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.

	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
Rating	**# of Stocks Covered**	**% of Stocks Covered**	**Banking**	**No Banking**
Buy	38	30%	11%	89%
Hold/Neutral	77	61%	8%	92%
Sell	11	9%	0%	100%

As of 9 August 2017

Other Disclosures

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