HILLIARD LYONS

January 2018

EQUITY HIGHLIGHTS

from *Investment Perspectives*

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The Walt Disney Company (DIS) Consumer Sector (Discretionary)

Major recent events; strong fundamental picture developing, in our view

Rating - Suit.	Company	Symbol	Price 01/08/18	Year High	Year Low	----- FY EPS ----- 2016	2017E	2018E	P/E Ratio 2018E	Ind. Div. Yield	Target Price	Latest Report
LTB-1	*Walt Disney Co. FY(9)*	*DIS*	*$110.02*	*$116*	*$96*	*$5.72*	*$5.70A*	*$6.25*	*17.6*	*1.5%*	*$128*	*12/14/17*

December 14, 2017, represented one of the most significant days in The Walt Disney Company's history, in our view. First, DIS announced an agreement with 21st Century Fox whereby Disney would acquire major key assets from Fox for $66 billion. Second, the company announced well-regarded Chairman and CEO Bob Iger would extend his tenure at the company through 2021, nixing his plans to retire in 2019. Finally, the day also marked the release of *Star Wars: The Last Jedi*, which went on to become the industry's highest grossing movie of 2017 and one of the top films in Disney's history as well.

The planned Fox deal would represent, by far, the largest acquisition Disney has ever made. DIS would become owner of the Fox film and television studios, some cable television networks, 22 regional sports networks, a controlling interest in video streaming provider Hulu, and international cable properties Star (India) and Sky (Europe, 39% stake). The deal does not include the Fox television network and affiliates, Fox News and Fox Business cable networks, and some national sports cable networks, which would collectively become part of a reconstructed Fox company.

The Fox assets to be acquired represent a great strategic fit, in our view. Not only would the deal bring high-quality, incremental content, and complementary assets to Disney, it could also strengthen the company's international reach and growth opportunities. The deal is expected to close in 12-18 months.

We recommend purchase of DIS based on a bright fundamental outlook and an attractive stock valuation. We believe each operating segment has meaningful growth potential over the next few years. Our most recent two-year price target of $128 per share is based on our current assumptions regarding earnings and valuation. We have not yet incorporated the planned Fox deal in our financial estimates or price target. Our suitability rating on Disney is 1.

Prices of stocks mentioned:

- *21st Century Fox Inc. (partial owner of Hulu):*
  - *FOXA (Class A non-voting shares) - $36.24*
  - *FOX (Class B voting shares) - $35.85*
- *Comcast Corp. (partial owner of Hulu) - CMCSA - $40.48*
- *Time Warner Inc. (partial owner of Hulu) - TWX - $92.65*

Please see our latest Walt Disney Company report dated December 14, 2017.

The Procter & Gamble Co. (PG) Consumer Sector (Staples)

After much drama, Director slate finalized

Rating - Suit.	Company	Symbol	Price 01/08/18	Year High	Year Low	FY EPS 2016	FY EPS 2017E	FY EPS 2018E	P/E Ratio 2018E	Ind. Div. Yield	Target Price	Latest Report
LTB-1	*The Procter & Gamble Co. FY(6)*	*PG*	*$91.72*	*$95*	*$83*	*$3.67*	*$3.92A*	*$4.17*	*22.0*	*3.0%*	*$105*	*10/23/17*

On December 15, 2017, Procter & Gamble Co. announced its recent proxy contest had concluded, with the result being the appointment of some new Directors and a slightly increased Board size. Finalizing the vote took longer than anticipated due to the close count for some seats and the large amount of paper ballots given a considerable retail shareholder base. Under a certified count, the results between the company's 11th nominee, Ernesto Zedillo, and activist investor Nelson Peltz were extremely close, resulting in highly publicized appeals and recounts.

Ultimately, both Mr. Zedillo and Mr. Peltz were added to the Board, becoming the 11th and 12th members, with stints beginning March 1, 2018. In addition, a 13th Director was added as PG appointed Joseph Jimenez, the soon-to-be-retired CEO of Novartis AG (NVG-$15.65) to the Board, also effective March 1, 2018. We were not anticipating this outcome, but we like the new size and composition better than the previous version.

We believe Peltz and PG's existing Board/management team have the capability to work together, including consideration of some of Peltz's ideas on making PG more efficient and enhancing shareholder value. Peltz has some history of doing such while being a Board member and investor of other public companies. We consider PG an attractive investment based on stock valuation, the recent transformation of the company, and fundamentals. With Peltz now on the Board, we believe increasing shareholder value could become an even stronger focus.

Management also reiterated its core strategies: having a stronger and more focused portfolio, significantly improved productivity, a simpler and more accountable organization, and raising the bar on superiority. It also stated it is opposed to taking on excessive leverage, substantially reducing R&D spending, breaking up the company in segments, or moving the headquarters out of Cincinnati, OH.

Please see our latest Procter & Gamble Co. report dated October 23, 2017.

BB&T Corporation (BBT) Financial Sector

Tax reform implications

Rating - Suit.	Company	Symbol	Price 01/08/18	Year High	Year Low	----- FY EPS ----- 2016	2017E	2018E	P/E Ratio 2018E	Ind. Div. Yield	Target Price	Latest Report
Ntrl-1	BB&T Corp. (P)	BBT	$51.50	$52	$41	$2.86	$3.13	$3.75	13.7	2.6%	$50	10/20/17

BB&T Corporation is one of the largest commercial banking organizations in the US with its community banking operations focusing on the Southeast, Mid-Atlantic, Midwest, and Southwest regions of the country. In addition to traditional retail and commercial banking services, BBT offers insurance, mortgage banking, investment banking, securities brokerage, and wealth management services. BBT Insurance is the fifth largest insurance broker in the world.

BBT should realize a larger benefit from tax reform than many of its peers. The company has not been aggressive in pursuing tax-advantaged projects and, accordingly, has a higher effective tax rate than those that have actively pursued this tax reduction strategy. The company's effective tax rate was 30.2% and 28.7% in 2016 and year to date 2017, respectively, versus a median of 24.3% and 25.9% for our large-cap banks under coverage.

The company plans to reinvest approximately one-third of its income tax savings into areas such as digital banking, return another third to shareholders through dividends, and allow the remaining third to fully flow to the bottom line. On December 22, 2017 the company announced a $3 increase in its minimum hourly wage to $15 effective January 1st, a one-time special bonus of $1,200 to approximately 27,000 employees, and a $100 million donation to BB&T's philanthropic fund to support charitable organizations as a result of the new tax law.

Hilliard Lyons currently has a Neutral rating on BBT. After reviewing Q3'17 earnings results, we raised our 12-month price target by $1 to $50 based on our discounted dividend model and the application of a 12.7x forward multiple to our Q4'18-Q3'19 EPS estimates. We will update our model to reflect the new tax law after the company's Q4 earnings call to be held on January 18th.

Please see our latest BB&T Corporation report dated October 20, 2017.

Bristol-Myers Squibb Company (BMY) Health Care Sector

Checkmate?

Rating - Suit.	Company	Symbol	Price 01/08/18	Year High	Year Low	----- FY EPS ----- 2016	2017E	2018E	P/E Ratio 2018E	Ind. Div. Yield	Target Price	Latest Report
Ntrl-3	Bristol-Myers Squibb Co.	BMY	$61.91	$66	$46	$2.83	$2.97	$3.06	20.2	2.6%		10/27/17

The market narrative prior to the unveiling of Checkmate-026 results (August 2016) was that Bristol-Myers Squibb Co. was poised to extend its lead over Merck (MRK-$56.66) and others in the massive lung cancer market. That narrative was flipped on its head after the -026 failure. In fact, a share price decline of over 30% meant the market was pricing in Merck dominance in lung cancer, by our calculations. At that time we proceeded to upgrade shares as we felt the market was focusing too much on the short-term and BMY still had a chance to be a significant player in lung cancer. Our thesis was predicated on the idea that combination therapies, not monotherapies, would be the best option for lung cancer patients and BMY still had solid positioning there. Much has changed in 17 months. Merck surprised the market by pursuing and achieving an accelerated filing for its combination approach -- *Keytruda* and chemo -- in the US. However, European Union officials felt Merck did not have sufficient data for an accelerated approval and required the completion of Keynote-189; shortly before the EU decision, Merck announced endpoint changes that effectively extended the trial. Thus, Merck will see diverging commercial results in lung cancer in the US and Europe markets in both the short- and intermediate-term, in our opinion. Recently, Roche (RHHBY-$32.04) made advances with success in the IMpower150 trial, showing its *Tecentriq* and *Avastin* plus chemo can beat *Avastin* and chemo in progression-free survival (PFS). While we have frequently reminded investors that PFS is not a perfect surrogate for the ultimate goal, overall survival (OS), the significant PFS advantages for both Merck and Roche lead us to believe the companies will have success in OS.

The moves by Merck and Roche put even more pressure on BMY and Checkmate-227, which tests BMY's *Opdivo* and *Yervoy* in lung cancer. BMY also added an *Opdivo* plus chemo arm to the trial. Checkmate-227 is essentially a three-part trial with the two *Opdivo-Yervoy* arms split by biomarker usage (PD-L1 positive or negative). The three parts will read out at different times, with the *Opdivo*-chemo likely being mid-2018 or later and one or both of the *Opdivo-Yervoy* arms coming soon, potentially as early as this month. Given Merck's early success and our view that *Opdivo* and *Keytruda* are highly similar molecules, we expect success for *Opdivo* plus chemo. However, this will not create any significant differentiation versus the competition, in our opinion, and will lead to commercial battles for market share. We therefore believe the Opdivo-Yervoy arm is more important for BMY's commercial success. We lean optimistic for the combo in PD-L1 positive patients but expect failure in PD-L1 negative patients. However, we are not outright bullish in PD-L1 positive patients due to AstraZeneca's (AZN-$35.62) failure with a fairly similar attempt. As we have stated time and again, our focus is on OS, not the PFS failure AZN experienced. We still do not have detailed data from the AZN trial (titled MSYTIC), so our optimistic leaning could change with that data in hand.

So how should investors manage BMY positions? Trading-oriented accounts or risk-averse accounts with shorter time frames should be aware of what we believe will be a volatile 2018 for BMY, and act as they believe prudent. We believe the market is now taking a fairly balanced view of Checkmate-227, and a stock move of 10% or more in either direction is possible. Investors with longer time frames should feel comfortable holding shares, in our opinion, as we like BMY's competitive positioning in cancer (see the chemo arm hedge) and strategy of investing heavily in biomarkers and next-generation immuno-oncology (I-O) agents. Our current rating on BMY is Neutral.

Please see our latest Bristol-Myers Squibb Company report dated October 27, 2017.

Hillenbrand, Inc. (HI) — Industrials Sector

Maintaining Neutral rating

Rating - Suit.	Company	Symbol	Price 01/08/18	Year High	Year Low	----- FY EPS ----- 2016	2017E	2018E	P/E Ratio 2018E	Ind. Div. Yield	Target Price	Latest Report
Ntrl-2	Hillenbrand, Inc. FY(9)	HI	$44.30	$47	$35	$2.00	$2.10A	$2.27	19.5	1.9%		12/14/17

Hillenbrand, Inc. is a global diversified industrial company that makes precision and bulk material handling systems, extrusion equipment, screening systems, and flow control products. Through its Batesville Casket Unit, Hillenbrand is the largest US producer of burial caskets, both metal and wood.

We reiterated our Neutral rating on HI in December following an investor day in New York City. We continue to like the direction and evolution of Hillenbrand away from the legacy-casket business, and emerged from the day with a more refined outlook. That said, we believe most of the positives at Hillenbrand are adequately appreciated after the stock jump following its most recently reported quarter, and we remain comfortable with our Neutral rating.

Management expects a 'double digit' EPS CAGR through fiscal year 2020. This target, however, is contingent upon further M&A activity, with a mid-single digit CAGR more plausible in the absence of further deal-making, in our view. Also included in stretch guidance was total revenue CAGR of 2 to 4 percent and cumulative EBITDA margin expansion of 250 basis points.

Fiscal 2017 (ending 9/30/17) revenue was up 3.4%, the best since full-fiscal 2014. A continued decline in Batesville (caskets) on secular dynamics was offset by the Process Equipment Group, which was up 7%. Total backlog (dominated by Process Equipment) was up 24% year/year exiting the quarter.

HI has a strong history of margin expansion via its unique Hillenbrand Operating Model (HOM). More of a qualitative takeaway, HI recently created a VP of HOM position on its leadership team to further leverage this strategy, which emphasizes margin and profitable growth. We view execution under the HOM as particularly important as the company manages its caskets exposure.

We view Hillenbrand as a balanced capital allocation story. M&A is important to future growth, although the company pays a substantial dividend as well, allowed for in part by the robust margin profile of Batesville caskets. The stock is currently indicated to yield 1.9%, which is low by recent standards, but still above the XLI sector ETF.

Please see our latest Hillenbrand, Inc. report dated December 14, 2017.

eBay Inc. (EBAY), Intel Corp. (INTC), & VMware Inc. (VMW) Information Technology Sector

Top picks for 2018

Rating - Suit.	Company	Symbol	Price 01/08/18	Year High	Year Low	FY EPS 2016	FY EPS 2017E	FY EPS 2018E	P/E Ratio 2018E	Ind. Div. Yield	Target Price	Latest Report
LTB-2	eBay Inc.	EBAY	$39.80	$40	$30	$1.89	$2.00	$2.21	18.0	0.0%	$44	10/19/17
LTB-2	Intel Corp.	INTC	$44.74	$48	$33	$2.72	$3.27	$3.37	13.3	2.4%	$52.50	10/27/17
LTB-3	VMware Inc.	VMW	$130.90	$133	$79	$4.40		$5.14	25.5	0.0%	$145	12/1/17

Note: For VMW, fiscal year 2017 was changed to Dell FYE 2018.

Top Consumer Pick: eBay, Rated Long term Buy-2. Price Target $44.
EBAY is our hold over pick from last year. In 2017, EBAY shares returned 28%. Our $44 price target suggests a potential return of about 10%, which we find compelling on a risk reward basis in today's high valuation environment. Unlike last year, we expect a weaker US dollar to benefit eBay's globally diverse revenue mix. We continue to expect US industrywide ecommerce sales to grow at a double-digit pace while international ecommerce growth is expected to continue to grow faster, near 20%, where eBay has a significant position. Management is focusing on the core business, which we believe can boost growth several percentage points alone in coming years while shedding noncore assets. The company generates significant free cash flow and has a large cash balance, while continuing to repurchase a large percentage of shares. We see the potential for shareholder value to be unlocked through new partnerships from a US based brick and mortar retailer or our "outside the box" call that EBAY becomes an acquisition target from a foreign ecommerce company seeking a foothold in the US market. We believe EBAY shares provide investors strong risk adjusted returns.

Top Hardware Pick: Intel, Rated Long term Buy-2. Price Target $52.50.
We believe the Intel chip issue at the beginning of 2018 presents a buying opportunity ahead of Intel earnings on January 25th. Shares have declined from a peak of $47.64 to a low of $42.50, since recovering a bit. We believe the issue will have minimal impact to CPU performance. This is the best case scenario from when some leading industry groups called for CPU replacements and up to 30% performance degradation. Patches are currently being issued across operating systems; and as we have since learned Intel, while most broadly deployed globally, was not the only chip manufacturer at risk. Again, we would use opportunities like this to incrementally add to INTC positions as our long-term outlook of $4 in EPS by 2020 remains our view. There could be some momentum lost/multiple contraction in near-term trading but Intel continues to pivot to more growth oriented markets with this issue only slowing this transition slightly, in our view. We want to note our 2-suitability rating, which we believe is appropriate given Intel's transition to a data oriented company away from PC specific chip designs.

Top Software Pick: VMware, Rated Long term Buy-3. Price Target $145.
A Microsoft-esque business model change is improving growth. We expect recent partnerships with Amazon's (AMZN-$1246.87) AWS, IBM (IBM-$163.47), Google (GOOGL-$1114.21), Oracle (ORCL-$48.79), and Microsoft (MSFT-$88.28) to remain strong tailwinds through our 2018-19 investment timeframe. Also, new product growth from NSX, vSAN, and cloud management services with a backdrop of increased network infrastructure industrywide spending are contributing factors to our positive rating. Our "outside the box" call is not expected in 2018, but we highlight the possibility that DELL/EMC (DVMT-$85.38) eventually acquires the remaining public common stock of VMW. Our rating is not predicated on the potential for this event.

Please see our latest eBay Inc. report dated October 19, 2017, our latest Intel Corp. report dated October 27, 2017, and our latest VMware Inc. report dated December 1, 2017.

Tanger Factory Outlet Centers, Inc. (SKT) — Real Estate Sector

One of our top ideas for 2018

Rating - Suit.	Company	Symbol	Price 01/08/18	Year High	Year Low	----- FY FFO ----- 2016	2017E	2018E	P/FFO Ratio 2018E	Ind. Div. Yield	Target Price	Latest Report
Buy-3	Tanger Factory Outlet Centers, Inc.	SKT	$26.04	$37	$22	$2.36	$2.08	$2.51	10.4	5.3%	$31	11/8/17

We like the fundamentals for Tanger Factory Outlet Centers. Many retailers have told SKT's management the outlet space is their most profitable channel. We believe outlet shopping has appeal in all types of economic environments. As Steven Tanger says, "In good times people love a bargain. In tough times they need a bargain."

Tanger has no exposure to Sears (SHLD-$3.42), JC Penney's (JCP-$3.71), or Macy's (M-$24.44). SKT has had 56 consecutive quarters of positive same center NOI growth and has ended every year at 95% occupancy or greater since going public (2017 year-end occupancy has not been reported yet).

We believe Tanger's balance sheet is in good shape. As of September 30, 2017, SKT had $1.8 billion in wholly owned debt and $175.7 million from its share of joint venture debt. At the end of Q3'17, the company had $148.2 million outstanding on its unsecured lines of credit. As of September 30, 2017, the company had $0.8 million of consolidated debt maturing in 2017 and $3.2 million maturing in 2018. At the end of 3Q'17, 84% of Tanger's debt was at fixed rates.

We find Tanger's dividend attractive. The current dividend yield is 5.3% and the company has raised the dividend annually since going public in 2003. Management believes the dividend is well covered.

We rate Tanger Factory Outlet Centers Buy. We believe the current share price represents an attractive entry point for these quality shares. Our one year price target is $31.

Please see our latest Tanger Factory Outlet Centers, Inc. report dated November 8, 2017.

AT&T Inc. (T) Telecommunications Sector

Merit for income oriented investors

Rating - Suit.	Company	Symbol	Price 01/08/18	Year High	Year Low	----- FY EPS ----- 2016	2017E	2018E	P/E Ratio 2018E	Ind. Div. Yield	Target Price	Latest Report
Buy-2	AT&T Inc. (G) (I)	T	$37.75	$43	$33	$2.84	$2.92	$2.97	12.7	5.3%	$39	10/25/17

We maintain our Buy rating on AT&T Inc. Like the telecom group, T had a disappointing 2017 relative to its stock performance. The stock recorded a total return of about a 4% decline in value and the drop would have been larger were it not for its significant dividend yield.

The company was clearly impacted by the factors that adversely affected the group, the largest of which was generating revenue growth. With strong competition in a mature wireless industry, growing revenues remains a challenge.

However, this fundamental development may have been over shadowed by the company's battle with the Department of Justice (DOJ) regarding T's proposed acquisition of Time Warner (TWX-$92.65). While the two sides held negotiations for months, the talks eventually became contentious and the DOJ filed suit to prevent the deal from taking place. A court case is scheduled for March 19th with a final ruling in either late April or early May.

While AT&T is effectively in a "holding pattern" with regard to the potential Time Warner acquisition, we are keeping our Buy on the stock because it appears attractive on a valuation and yield basis. The stock trades at just 12.8x estimated 2018 earnings compared to the S&P 500, which trades at 18.5x estimated 2018 earnings.

The stock also carries an attractive 5.3% dividend yield. T recently raised its dividend for the 34th consecutive year.

Finally, due to its nearly 35% tax rate we believe AT&T could potentially be a large beneficiary of the recently passed tax legislation. A meaningful reduction in taxes paid could boost future earnings. We like the name for income accounts seeking modest capital appreciation.

Please see our latest AT&T Inc. report dated October 25, 2017.

Dominion Resources (D) Utilities Sector

Recent news

Rating - Suit.	Company	Symbol	Price 01/08/18	Year High	Year Low	----- FY EPS ----- 2016	2017E	2018E	P/E Ratio 2018E	Ind. Div. Yield	Target Price	Latest Report
Ntrl-2	Dominion Resources	D	$78.02	$85	$71	$3.80	$3.60	$4.00	19.5	3.9%		10/31/17

We are maintaining our Neutral rating on Dominion Energy. As a reminder, Dominion is one of the nation's largest producers and transporters of energy, with a portfolio of approximately 25,600 megawatts of generation, 15,000 miles of natural gas transmission gathering and storage pipeline, and 6,000 miles of electric transmission lines. D operates one of the nation's largest natural gas storage systems with 1 trillion cubic feet of storage capacity. The company serves more than six million utility and retail energy customers.

On January 3rd, Dominion announced it is acquiring SCANA Corp. (SCG-$45.52). SCANA is an electric and gas utility in South Carolina that has run into major problems following its failed attempt to build a new nuclear plant; its stock price had fallen from the low $70s to the upper $30s on concerns about the fallout from its decision last summer to abandon its plant.

We believe Dominion's move makes sense strategically. The state of South Carolina has been growing and Dominion already has extensive pipeline operations in the state. Moreover, Dominion expects the acquisition, if approved, will expand the company's growth rate from a range of 6% to 8% to 8%, and possibly higher.

However, we believe the company has an attractive fundamental outlook regardless of whether the deal takes place. We would maintain positions in the stock and could upgrade our opinion on a price pullback assuming no change in fundamentals.

Please see our latest Dominion Resources report dated October 31, 2017.

New Jersey Resources Corp. (NJR) Utilities Sector

Fairly valued

Rating - Suit.	Company	Symbol	Price 01/08/18	Year High	Year Low	----- FY EPS ----- 2016	2017E	2018E	P/E Ratio 2018E	Ind. Div. Yield	Target Price	Latest Report
Ntrl-3	New Jersey Resources FY(9)	NJR	$40.20	$45	$34	$1.57	$1.72A	$1.79	22.5	2.7%		11/21/17

New Jersey Resources Corp. is a holding company that provides retail and wholesale energy services to customers across the Eastern US and Canada. NJR's primary subsidiary is the natural gas distribution business, New Jersey Natural Gas, which provides service to more than 500,000 customers.

We reiterated our Neutral rating on NJR just before Thanksgiving. We view NJR as operating a strong core utility with an above average management team; however, given what we believed to be slightly disappointing, 2018 guidance and a Q4 miss, we see the stock as fairly valued on reduced 2018 estimates.

Fiscal Q4'17 (July-September) net financial EPS of ($0.14) fell a penny short of consensus, but rose from ($0.20) in the year-ago period. Overall fiscal 2017 earnings were up 9% year/year as new base rates in New Jersey took effect; however, these new rates have now anniversaried and should wane as a driver moving forward.

New Jersey Resources holds a material presence in clean energy power generation, building, owning, and operating both solar and wind assets. These businesses generate investment tax credits (ITCs) that materially impact earnings, but we note the recent US tax law changes do not materially affect ITCs. Additionally of note, NJR is our only gas utility active in the wind space, an area we have typically preferred relative to solar.

NJR Energy Services conducts wholesale commodity marketing and optimization activities. While typically low risk (lots of arbitrage and offsetting transaction), results here can be volatile year to year, and can be substantially improved by base commodity volatility. Sustained cold to begin 2018 is likely to bolster the segment in calendar Q1, although we have little way of evaluating interim performance.

New Jersey Resources recently hiked its dividend by 6.9%. Shares of NJR currently trade at ~22x our 2018E EPS, and are indicated to yield 2.7%.

Please see our latest New Jersey Resources Corp. report dated November 21, 2017.

Artesian Resources Corp. (ARTNA) Utilities Sector

Still waiting for more compelling entry point

Rating - Suit.	Company	Symbol	Price 01/08/18	Year High	Year Low	----- FY EPS ----- 2016	2017E	2018E	P/E Ratio 2018E	Ind. Div. Yield	Target Price	Latest Report
Ntrl-3	Artesian Resources Corp.	ARTNA	$41.89	$43	$29	$1.41	$1.42	$1.50	27.9	2.2%		11/3/17

Artesian Resources Corp. provides water service to approximately 85,000 metered customers, and has a customer base of ~275,000 in Delaware, Maryland, and Pennsylvania. It sells water to residential, commercial, industrial, governmental, municipal and utility customers. ARTNA also underwrites service line insurance policies and engages in wastewater treatment.

We reiterated our Neutral rating on ARTNA in early November. Third quarter results were fine, in our view; operating revenues grew modestly in the absence of major rate activity. We are expecting negligible EPS growth for full-year 2017 over 2016, but see growth returning in the 2018 timeframe. Overall, we continue to wait for a better entry point.

ARTNA reported Q3'17 EPS of $0.42 compared to $0.48 last year. Results missed our target, the only published estimate, by three cents; utility operating expenses +8.4% year/year was the primary driver of our bottom-line miss.

Two sequential quarters of accelerating expense growth combined with materially higher year to date Cap Ex support our expectation for a rate case filing in 2018. Capital spending stands at $28 million through 3 quarters of 2017, up from just $20 million in all of 2016. We note Artesian does not provide any guidance on potential rate filings, but has filed in the springtime over the past few cycles.

ARTNA increased its dividend by 1.5% in November, moving the quarterly payout to $0.2352 per share. This is the company's 100th consecutive dividend and 21st consecutive year of an increase. An indicated yield of 2.2% is the highest among our water names.

Please see our latest Artesian Resources Corp. report dated November 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.

G - Hilliard Lyons expects to receive investment banking compensation from AT&T Inc. in the coming three months.

I - Hilliard Lyons has been a manager or co-manager of an offering of securities of AT&T Inc. within the past 12 months.

P - BB&T Corporation is/was a client of Hilliard Lyons within the past 12 months, received non-investment banking securities-related services, and Hilliard Lyons received compensation for those services.

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	31	28%	10%	90%
Hold/Neutral	75	67%	9%	91%
Sell	6	5%	0%	100%

As of 8 January 2018

Other Disclosures

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