March 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.

Note Important Disclosures on Pages 15-16
Note Analysts' Certification on Page 15

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

Recent move to Underperform rating based on stock price surge

Rating - Suit.	Company	Symbol	Price 03/08/17	Year High	Year Low	----- FY EPS ----- 2015	2016	2017E	P/E Ratio 2017E	Ind. Div. Yield	Target Price	Latest Report
Undpfm-2	Activision Blizzard, Inc.	ATVI	$48.58	$49	$30	$1.32	$2.20	$1.92	25.3	0.6%		2/13/17

On March 6th, we lowered our rating on Activision Blizzard, Inc. to Underperform from Long-term Buy based on valuation. Considerable share price gains in the short year to date period and a lowered profit outlook have resulted in a significantly higher valuation compared to recent levels. With the stock nearly reaching our previous 2-year price target, we believe a move into other investments with greater appreciation potential makes sense. Our Suitability rating remains 2.

Q4 results were good, in our view. Non-GAAP revenues of $2.452 billion were up 16% from a year ago, reflecting contribution from King Digital Entertainment (a mobile videogame publisher acquired in February 2016). The quarter included higher results from Blizzard Entertainment, which produced a successful new title, *Overwatch*, in May 2016, and a decline from the Activision Publishing segment, which experienced disappointing results from its annual *Call of Duty* game.

Profits were also higher. Operating margin declined from a lofty level a year ago, but operating income rose nearly 10%. Non-GAAP EPS were $0.92 versus $0.83 a year ago. Company guidance was $0.74, our estimate was $0.75, and recent street consensus was $0.73.

There was additional positive news. The company announced a $1 billion share repurchase program, stated its intention to reduce debt by $500 million this year, and raised the annual dividend by 15%.

Financial guidance was underwhelming to us. Non-GAAP revenue guidance for 2017 was set at $6.3 billion. This compares to our previous estimate of $7.2 billion. Non-GAAP EPS guidance was set at $1.85. This compares to our previous estimate of $2.20. While we feel this guidance is conservative, we also believe it reflects maturation of certain console franchises.

In sum, we feel recent share price gains have given investors an opportunity to take profits in ATVI.

Please see our latest Activision Blizzard, Inc. report dated February 13, 2017.

The Kroger Company (KR) — Consumer Sector (Staples)

Recent rating change to Long-term Buy

Rating - Suit.	Company	Symbol	Price 03/08/17	Year High	Year Low	----- FY EPS ----- 2015	2016	2017E	P/E Ratio 2017E	Ind. Div. Yield	Target Price	Latest Report
LTB-2	*The Kroger Co. FY(1)*	*KR*	*$29.00*	*$39*	*$29*	*$2.06*	*$2.12*	*$2.22*	*13.1*	*1.7%*	*$38*	*3/6/17*

On March 6th, we changed our rating on The Kroger Company to Long-term Buy from Buy due to an industry environment that has become more challenging in recent months. Share price weakness has resulted in a lower valuation and an attractive entry point, in our view. However, given the industry environment, we believe a two-year investment time frame is more prudent. Our two-year price target of $38 assumes a future valuation slightly above the current level.

Q4 results reflected industry challenges, mainly deflation and tougher competition. Total sales for the quarter (1/28/17 period end) rose 5.5%, slightly above expectations. Food price deflation in certain grocery segments continued to put pressure on the top line, as it has for the past year or so. Identical food store sales declined 0.7%, ending a 52-quarter streak of positive figures. Diluted EPS of $0.53 was below the year ago level of $0.57, but a penny above the street consensus figure and our estimate.

The competition seems to be stepping up their game, in our view. Management noted some competitors are operating better stores, making price reductions, and offering generally better shopping experiences. We have been impressed with Kroger's market share positions over the long term, and feel the company can defend its share, but related pricing strategies and store-level expenses could put pressure on profit margins, in our view.

We have updated our financial model. Changes included a $0.03 reduction to our 2017 EPS estimate, based mostly on potential margin pressure. Our sales estimate was increased to better reflect an extra week in the fiscal year (in Q4). We also initiated estimates for 2018, which reverts to a normal 52-week year. Our 2018 outlook includes a 2.5% sales gain and a 5.8% EPS increase.

Please see our latest Kroger Co. report dated March 6, 2017.

Alliance Resource Partners L.P. (ARLP) Energy Sector

Rating recently upgraded to Long-term Buy

Rating - Suit.	Company	Symbol	Price 03/08/17	Year High	Year Low	----- FY EBITDA/Unit ----- 2015	2016	2017E	P/EBITDA Ratio 2017E	Ind. Div. Yield	Target Price	Latest Report
LTB-3	*Alliance Resource Partners #*	*ARLP*	*$21.95*	*$27*	*$11*	*$9.03*	*$9.32*	*$8.06*	*2.7*	*8.0%*	*$28*	*2/1/17*

Tulsa, OK-based Alliance Resource Partners L.P. is a publicly-traded partnership that produced approximately 37 million tons of coal in 2016 from properties in the Illinois and Appalachian Basins. The company operates ten active complexes with an estimated reserve base in excess of 1 billion tons. Limited partnerships pay the majority of available cash flow to unit holders as a cash distribution. These distributions generally receive favorable tax treatment, more fully described in an annual Schedule K-1.

We recently raised our rating on ARLP from Neutral to Long-term Buy with a 24-month target price of $28, while maintaining our suitability rating of 3.

ARLP reported Q4'16 EPU of $1.30 versus ($0.18) a year ago, beating our estimate of $0.70 and consensus of $0.84. Adjusted EBITDA was $209 million in Q4 versus $120 million a year ago, exceeding our $171 million forecast and consensus of $177 million. Q4 coal volume improved 6% year/year while expense per ton declined 14%, offsetting 10% lower pricing.

The net debt to total capitalization ratio was 31% at year-end versus 38% at Q3 and 44% a year ago, after the company paid down another $50 million of the May 2017 term loan and the revolver by a similar amount. We calculate liquidity was ~$500 million at year-end. The board maintained the distribution payout at an annualized $1.75/unit, which on improved distributable cash flow brought the coverage ratio to 2.9x versus 1.6x a year ago.

Management's guidance for 2017 sees continued negative comps for revenues, cash flows, and earnings. But given the company's sound balance sheet position, its well-covered distribution yielding 8%, and the anticipation of a less hostile regulatory environment, we believe there is potential upside to management's outlook and our forecast.

 # - This entity is classified as a Partnership for US income tax purposes. Tax information is provided by the Partnership directly to the investor on Form 1065, Schedule K-1. Please discuss the tax implications of this investment with a qualified tax advisor. Annual yield is calculated by dividing the distribution amount by the current price of the security. All or a portion of the Company's distributions are paid from the Partners Capital Account at the Company's discretion. Actual classification for income tax purposes is reported on IRS Form 1065, Schedule K-1 and is provided directly to the investor by the Company. For US income tax purposes, the Company will make a determination regarding all allocable tax information after calendar year end on Form 1065, Schedule K-1. Partnership interests held in tax-exempt accounts including retirement plans and Individual Retirement accounts may be subject to Unrelated Business Income Tax (UBIT). We urge each investor to consult with his or her own tax advisor to determine the tax consequences of ownership of partnership interests, including any state, local or foreign tax considerations.

Please see our latest Alliance Resource Partners L.P. report dated February 1, 2017.

The PNC Financial Services Group, Inc. (PNC) Financial Sector

Growing fee income, reducing expenses, and returning capital

Rating - Suit.	Company	Symbol	Price 03/08/17	Year High	Year Low	----- FY EPS ----- 2015	2016	2017E	P/E Ratio 2017E	Ind. Div. Yield	Target Price	Latest Report
Undpfm-1	PNC Financial Services Group, Inc. (J) (P)	PNC	$127.55	$132	$77	$7.37	$7.33	$8.07	15.8	1.7%	$127	3/2/17

We lowered our investment rating on PNC Financial Services Group, Inc. to Underperform from Neutral in early March. Given the ~35% advance in the stock's share price since the US presidential election, our downgrade was based purely on valuation. We raised our 12-month price target by $4 to $127 based on our discounted dividend model and the application of the stock's historical forward multiple of approximately 12.3x to our Q2'18 - Q1'19 EPS estimates.

We believe PNC's underlying fundamentals remain strong. Since the Great Recession, PNC has focused on growing fee income and cutting expenses. For 2016, noninterest income represented 44.1% of PNC's operating revenues, up from 35.7% in 2012. Noninterest income represented a median of 41.2% for other large regional banks in 2016.

Noninterest expenses have been contained through the company's Continuous Improvement Program (CIP), declining in three of the last four years, as PNC continued to invest in technology, business infrastructure, and growth initiatives. Noninterest expense have trended down from a high of $10.1 billion in 2012 to $9.5 billion in 2016. Management is targeting an additional $350 million in expense reductions in 2017 through the CIP. Savings will partially fund continued investments in PNC's business and management expects low single-digit expense growth in 2017.

PNC's total payout ratio increased to 85% in 2016, up from 81% and 55% in 2015 and 2014, respectively. The 2016 payout was achieved through the repurchase of 22.8 million common shares for $2.0 billion and dividends of $1.1 billion. Subsequent to year end, PNC announced an increase of $300 million in its common share repurchase program for the 2016 capital plan year ending on June 30, 2017.

We have an Underperform rating on PNC despite its fundamental strength. We believe there are considerable risks and uncertainties regarding factors such as corporate tax rates, regulatory reform, and the economy.

Please see our latest PNC Financial Services Group, Inc. report dated March 2, 2017.

Neogen Corp. (NEOG)

Health Care Sector

Q3'17 earnings preview

Rating - Suit.	Company	Symbol	Price 03/08/17	Year High	Year Low	----- FY EPS ----- 2015	2016	2017E	P/E Ratio 2017E	Ind. Div. Yield	Target Price	Latest Report
Ntrl-3	Neogen Corp. FY(5)	NEOG	$64.73	$69	$44	$0.92	$0.98	$1.14	56.8	0.0%		12/22/16

Neogen Corp. is set to release Q3'17 earnings (FYE 5/31) on March 21st. We estimate $91.1 million in revenue and $0.25 in EPS versus the street consensus of $90.1 million and $0.27, respectively. We believe the largest driver of the discrepancy in our profitability assumptions versus the street is the gross margin (GM) estimate.

The GM has been a pain point for the company, as last quarter was the first in over four quarters to show year/year improvement. The metric has been suffering from a myriad of factors: dollar strength, acquisitions, and product mix. Last quarter's gross margin improvement, which was miniscule, was the result of a reversal in product mix headwinds.

However, we believe this was temporary, as the company benefitted from a mycotoxin outbreak. Mycotoxin kits carry a GM in the 60%+ area, well above the company's FY'16 47.6% GM. We do expect mycotoxin sales to remain elevated this quarter and have factored that into our model -- our 47.0% GM estimate still represents a ~110 basis point increase over Q3'16, which we remind investors was the lowest for the company in over 20 years.

Beyond this quarter, however, we expect the mycotoxin tailwind to fade and the negative product mix issues to remain. The company recently lost marketing abilities for its ThyroKare product, which carried a higher margin than most Animal Safety products. We do not expect Neogen to start selling ThyroKare again until mid-FY'18. Additionally, the company's GeneSeek operations are far outpacing the rest of the company in terms of growth, and gross margin for that business is well below the company average.

Finally, although the dollar rally has slowed, it is quite possible it could continue with the new administration. And with most of Neogen's manufacturing base here in the US and the bulk of its international business derived from the higher gross margin Food Safety segment, we think it could take some time for the company-wide GM to climb noticeably higher. Note the table below showing significant erosion in the Food Safety GM when the dollar rally began in autumn 2014 (roughly coinciding with the beginning of Neogen's FY'15).

Gross Margin							
	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Animal Safety	38%	37%	36%	41%	38%	40%	40%
Food Safety	64%	64%	65%	64%	63%	60%	57%

Source: Company reports

Please see our latest Neogen Corp. report dated December 22, 2016.

3M Company (MMM) Industrials Sector

Awaiting a more compelling entry point

Rating - Suit.	Company	Symbol	Price 03/08/17	Year High	Year Low	----- FY EPS ----- 2015	2016	2017E	P/E Ratio 2017E	Ind. Div. Yield	Target Price	Latest Report
Ntrl-1	3M Company	MMM	$189.51	$191	$158	$7.72	$8.16	$8.51	22.3	2.5%		1/24/17

3M Company applies science in collaborative ways to improve lives daily. With ~$30 billion in annual sales and nearly 90,000 employees globally, MMM connects with customers around the world. The St. Paul, MN-based company holds five segments: Industrials, Safety & Graphics, Electronics & Energy, Health Care, and Consumer.

We reiterated our Neutral rating on MMM in late January. We like the capital return story at 3M, along with the competitive positioning of most of its segments, but we prefer to wait for a more compelling entry point. Our near-term estimates approximate consensus, and we expect the story is well understood at this point.

MMM earned Q4'16 EPS of $1.88, up 13.4% year/year; FY 2016 EPS grew 7.6% to $8.16. A second straight year of revenue decline was offset by strong margin performance, with 2016 gross margin at 50.0%, up 80bps yr/yr. Full year declines for both R&D and Selling/Administrative helped 2016 operating margin expand by 110pbs, although we expect margin comps to stiffen across 2H'17 and into 2018.

Management is guiding to FY 2017 EPS of $8.45 to $8.80. We view this range, which indicates growth of 4% to 8%, as quite attainable, particularly if organic trends flow in concert with what we view as positive economic data thus far across Q1'17. Having said that, the year is nonetheless expected to be below stretch guidance for EPS growth of 8-11%.

We view the bourgeoning Health Care segment as the most exciting long-term growth platform at the company. Heath Care is already a comfortable second place (behind Industrial) in terms of operating income contribution by segment, and we believe MMM has both the financial capabilities and scientific expertise to capitalize on secular growth across the healthcare complex.

MMM is currently indicated to yield 2.5%. Management is currently undertaking a strategic leveraging program, which is at least partially aimed at supporting dividend growth. Additive to the dividend plan, we expect 3M to buy back about $8 billion in stock over the next two years (2017 and 2018).

Please see our latest 3M Company report dated January 24, 2017.

Apple Inc. (AAPL) Information Technology Sector

Strong setup for Apple shares

Rating - Suit.	Company	Symbol	Price 03/08/17	Year High	Year Low	----- FY EPS ----- 2015	2016	2017E	P/E Ratio 2017E	Ind. Div. Yield	Target Price	Latest Report
LTB-1	*Apple Inc. FY(9)*	*AAPL*	*$139.00*	*$140*	*$89*	*$9.22*	*$8.27*	*$9.19*	*15.1*	*1.6%*	*$147*	*2/2/17*

Key stats: Apple's market capitalization recently reached $730 billion versus an all-time high market cap of $775 billion reached in 2015. Shares would need to cross the $145 share price mark to reach a record market capitalization due to the company's significant share repurchases. It would require a share price of $188 for Apple to exceed a $1 trillion market cap, or a gain of ~35%.

The company has over $246 billion in cash and investments, representing 33% of the company's market cap. Since FY'13 AAPL has repurchased $144 billion of common shares, equating to a reduction of roughly 5% of outstanding shares per year.

Policy effects: The Trump administration has suggested their proposal for a significant corporate tax cut. Apple currently pays a 25.5% rate. If we model a 20% tax rate, our FY'18 EPS estimate would grow 23% year/year to $11.30 versus our current $10.53 estimate.

Trump has also called for a repatriation tax holiday. However, if the rate is lowered and not fully zeroed out and Apple choses to take advantage of the tax break, the company could owe a significant tax despite the tax cut. For example, a repatriation tax of just 10% could cost Apple $25 billion.

We believe the street would adjust this one time charge but GAAP estimates would be impacted. More importantly, Apple could then put its cash hoard to work to make acquisitions, increase the dividend, and repurchase shares. A boarder tax could weigh on shares if Apple products cost more to American consumers, or AAPL would be forced to increase capex to manufacture local supply which is already in development. Higher interest rates from a less dovish Fed could boost interest income if Apple maintains its vast balance sheet, marginally improving EPS.

Valuation metrics: AAPL shares are up over 20% year to date and are currently trading at a recent historical high 15.5x forward P/E multiple. On a discounted cash flow basis, our price target of $147 assumes Apple will grow free cash flow (FCF) by 4% through 2026. We believe 4% FCF growth is conservative as our base year of 2016 represented a trough in FCF of $53 billion versus $70 billion in the prior year.

Valuing Apple based on the dividend discount model suggests AAPL shares could fetch a higher price if we continue to receive dividend increases of 10% per year. We expect Apple to increase their dividend in April.

Operating performance: Our Apple outlook has been positively affected by higher iPhone expectations due to the postponed launch of the Galaxy S8 from Samsung and continued strength from the expected launch of the 10th anniversary iPhone later this year. Recent commentary from CEO Tim Cook regarding Apple's service business suggests growth several multiples above the consensus forecast also helping boost AAPL shares, in our opinion. Overall stronger global growth is also benefitting the company. Our price target remains $147 and we maintain our Long-term Buy rating.

Please see our latest Apple Inc. report dated February 2, 2017.

Kite Realty Group Trust (KRG) Real Estate Sector

Attractive fundamentals and valuation

Rating - Suit.	Company	Symbol	Price 03/08/17	Year High	Year Low	----- FY FFO ----- 2015	2016	2017E	P/FFO Ratio 2017E	Ind. Div. Yield	Target Price	Latest Report
Buy-3	Kite Realty Group Trust *	KRG	$20.76	$30	$21	$2.11	$2.00	$2.05	10.1	5.8%	$28.50	2/3/17

Kite Realty Group Trust, headquartered in Indianapolis, IN, is a self-administered real estate investment trust (REIT). The company develops, owns, operates, and manages high quality neighborhood and community shopping centers in select markets in the United States.

Last month Kite reported Q4'16 earnings. Fourth quarter FFO per diluted share was $0.49 versus $0.58 in the year ago period. This was equal to our estimate. Excluding non-recurring items FFO per share as adjusted was $0.50 versus $0.50 in Q4'15.

The same store operating portfolio was 95.3% leased versus 95.5% in Q4'15. Same property NOI increased 3.6% year over year. KRG executed 92 leases in the quarter with a comparable cash leasing spread of 11.5%. New leases were signed at a 26.3% positive cash rent spread and renewals were signed at a 5.5% increase in cash rent spread.

As of December 31, 2016, the company had two in-process development projects which are expected to stabilize in 2017 and 2018. The company completed four 3-R (reposition, repurpose, and redevelopment) projects in Q4. In the press release, management provided a detailed description of in-process and future reposition, repurpose, and redevelopment opportunities.

Ten of these projects are under construction and ten additional projects have been identified. Total spend for the twenty projects is expected to be $138.0 million to $166.5 million with targeted incremental returns of 9% to 11%.

We rate Kite Buy with a $28.50 target price.

* - 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 Kite Realty Group Trust report dated February 3, 2017.

Frontier Communications (FTR) Telecommunications Sector

Revenue pressures persist

Rating - Suit.	Company	Symbol	Price 03/08/17	Year High	Year Low	----- FY EPS ----- 2015	2016	2017E	P/E Ratio 2017E	Ind. Div. Yield	Target Price	Latest Report
Ntrl-4	Frontier Communications *	FTR	$2.49	$6	$2	$0.04	($0.09)	($0.11)	NM	16.9%		2/28/17

Frontier Communications recently reported fourth quarter results that were once again disappointing. Both revenue and EBITDA (earnings before interest, taxes, depreciation, and amortization) were below consensus expectations. Revenue was $2.4 billion, below the consensus estimate of $2.5 billion, and fell 4.5% sequentially from 2016's third quarter.

Revenue was particularly weak in the California, Texas, and Florida properties acquired from Verizon (VZ-$49.16) last year. These revenues declined by 6.9% sequentially from last year's third quarter. While the figure was exacerbated by a $45 million write-down on non-paying customers, the underlying trend remains weak. Adjusted EBITDA totaled $966 million, which was below expectations of $1 billion.

Management introduced 2017 guidance that included an expectation of free cash flow of $800 million to $1 billion, but backed away from previous EBITDA guidance of $1 billion for this year. Our revised estimate is for $3.74 billion. Also, FTR has proposed a reverse stock split that could range from 1-for-10 to 1-for-25 to take place at the company's annual meeting in May.

We maintain our Neutral rating on FTR but have lowered our suitability rating to a 4. We have remained on the sidelines with Frontier for over five years because of the company's ongoing inability to stem its revenue declines. We believe that if this trend continues, the dividend becomes increasingly at risk. We do not view FTR as a suitable holding for conservative investors.

* - 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 February 28, 2017.

American Electric Power (AEP) Utilities Sector

Strong fourth quarter earnings

Rating - Suit.	Company	Symbol	Price 03/08/17	Year High	Year Low	----- FY EPS ----- 2015	2016	2017E	P/E Ratio 2017E	Ind. Div. Yield	Target Price	Latest Report
Ntrl-2	American Electric Power	AEP	$65.15	$71	$58	$3.69	$3.94	$3.68	17.7	3.6%		1/27/17

We maintain our Neutral rating on American Electric Power. AEP is one of the largest electric utilities in the United States, delivering electricity to nearly 5.4 million customers in 11 states. AEP also owns the nation's largest electricity transmission system, a nearly 40,000-mile network.

American Electric Power recently reported fourth quarter and full-year 2016 results. Earnings of $0.68 per share, versus $0.48 per share in 2015's fourth quarter, were above the consensus estimate and were boosted by all of the company's business segments.

For the year, AEP posted 2016 earnings of $3.94 per share compared to $3.69 per share in 2015, a gain of 6.8%. Earnings were helped by the company's ongoing investments in its regulated businesses and rate increases.

The company's transmission business continues to achieve strong growth. In 2016, this segment contributed $266 million to earnings versus $191 million in 2015.

Management reaffirmed 2017 guidance. The company continues to expect this year's earnings to be in a range of $3.55 to $3.75 per share. This year's earnings are anticipated to be lower than last year's due to dilution from the competitive generation asset sale announced in the third quarter of 2016, but AEP expects earnings to grow by a 5% to 7% annual rate with 2017 as the base.

We recommended AEP for many years until downgrading it on price appreciation in 2016. However, we continue to regard AEP as a good core holding for utility investors as we expect consistent earnings and dividend growth in the years ahead.

Please see our latest American Electric Power report dated January 27, 2017.

Chesapeake Utilities Corp. (CPK) Utilities Sector

An underappreciated growth story, in our view

Rating - Suit.	Company	Symbol	Price 03/08/17	Year High	Year Low	----- FY EPS ----- 2015	2016	2017E	P/E Ratio 2017E	Ind. Div. Yield	Target Price	Latest Report
LTB-3	*Chesapeake Utilities Corp. (H) (I)*	*CPK*	*$67.10*	*$71*	*$57*	*$2.72*	*$2.86*	*$3.13*	*21.4*	*1.8%*	*$81*	*3/6/17*

Chesapeake Utilities Corp. is a diversified utility company engaged in natural gas distribution, transmission, and marketing. CPK is also engaged in electricity and propane distribution, and propane marketing and trading. Its service territories include portions of Delaware, Florida, Maryland, and Ohio.

We reiterated our Long-term Buy rating on CPK in early March, raising our price target to $81. The company continues to represent an underappreciated growth story in the Utilities sector, in our view, due in part to a lack of long-term or 'stretch' guidance from management. The firm's modest non-regulated exposure also leaves some potential to benefit from tax reform as well, should statutory rates be lowered.

Q4'16 EPS were up 29.0% year/year, while FY 2016 EPS grew 5.1% to $2.86. EPS gains played out despite a Q3 equity secondary and increased shares outstanding; we expect EPS to grow by 9.2% and 16.5% in 2017 and 2018, respectively.

CPK is a member of the Hilliard Lyons Research Dept. Aggressive Growth Model Portfolio. Despite holding some of the stability characteristics typical of utility stocks, we still see a compelling growth outlook at Chesapeake. Organic customer growth of over 3% was roughly double the sector average, which we expect to be augmented by a number of 'upgrade' projects.

A $99 million expansion to Eastern Shore transmission pipeline is expected to be complete by Q1'18. The investment will mark CPK's singular largest investment in the company's history; gross margin impact in year-1 is expected to be nearly +$16 million.

CPK is unique within our coverage as one of our only companies actively embracing a 'multi-utility' strategy. While most utilities have been shedding non-regulated divisions and/or spinning off regulated segments, Chesapeake has effectively grown both its reg, non-reg, and gas and electric assets over the past few years. Management is also open to M&A transactions (adding) to either side of the business.

Please see our latest Chesapeake Utilities Corp. report dated March 6, 2017.

American Water Works Co. (AWK) Utilities Sector

Reiterating Long-term Buy rating

Rating - Suit.	Company	Symbol	Price 03/08/17	Year High	Year Low	----- FY EPS ----- 2015	2016	2017E	P/E Ratio 2017E	Ind. Div. Yield	Target Price	Latest Report
LTB-1	*American Water Works Co.*	*AWK*	*$75.47*	*$85*	*$67*	*$2.64*	*$2.85*	*$3.06*	*24.7*	*2.0%*	*$84*	*2/22/17*

Founded in 1886, American Water Works Co. is the largest investor-owned US water and wastewater utility company. The company employs more than 7,000 professionals who provide drinking water, wastewater, and other related services to approximately 15 million people. AWK's non-regulated businesses provide water service to upstream energy companies, offer homeowner pipe insurance plans, and operate water systems for the US military per long-term contracts.

We upgraded our rating on AWK in mid-January, and reiterated that stance in late February. The stock had pulled back from all-time highs made in summer 2016, and at this point still remains below those levels. We like American Water as a long-term play in water infrastructure, and believe the sustainability of recent strength in acquisition activity is slightly underappreciated by the market.

AWK generated 2016 EPS of $2.85, up 7.9% year/year, and within long-term guidance for 7% to 10% growth on an average annual basis. We expect growth in 2017 to approximate 7%, with weather expected to be a slight headwind on the year. We anticipate further improvement of the cost structure to play out this year as well.

The nearly $200 million acquisition of Scranton Sewer closed in late December. The purchase adds a layer of resiliency to our 2017 revenue expectations, and from our vantage point is likely to build goodwill with Pennsylvania regulators if effectively integrated.

Indicated to yield 2.0%, we view American Water as a conservative growth and income play. We expect dividend growth to approximate EPS growth over the long term, a compelling proposition, in our view, given our expectations for consistent growth opportunities for the water industry. Separately, AWK recently guided investors toward a 10% dividend hike in 2017.

American Water Works is unique within our coverage as our only water company to carry our '1-most conservative' suitability rating. As the country's largest and most geographically diverse water utility, we view AWK as uniquely positioned to withstand localized incidents and/or regulatory deteriorations. Furthermore, we believe a national scope and footprint is likely to help AWK position itself for growth over the long term.

Please see our latest American Water Works Co. report dated February 22, 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.

H - Hilliard Lyons has received investment banking compensation from Chesapeake Utilities Corp. within the past 12 months.

I - Hilliard Lyons has been a manager or co-manager of an offering of securities of Chesapeake Utilities Corp. within the past 12 months.

J - From 1998 to 2008, Hilliard Lyons was owned by The PNC Financial Services Group, Inc.

P - The PNC Financial Services Group, Inc. 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	35	29%	14%	86%
Hold/Neutral	71	59%	6%	94%
Sell	15	12%	7%	93%

As of 8 March 2017

Other Disclosures

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. Employees of J.J.B. Hilliard, W.L. Lyons, LLC or its affiliates may, at times, release written or oral commentary, technical analysis or trading strategies that differ from the opinions expressed here.

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