



COMPANY UPDATE / ESTIMATE CHANGE / TARGET CHANGE

Key Metrics

AAPL - NASDAQ - as of	8/2/17	\$157.14
Price Target		\$180.00
52-Week Range	\$102.53 -	\$159.75
Diluted Shares Outstanding (mil.)		5213.8
Market Cap. (\$mm)		\$819,302.8
1-Mo. Average Daily Volume		24,339,629
Institutional Ownership		63%
Debt/Total Capital (net)	FQ3'17	0%
ROE		36.0%
Book Value / Share	FQ3'17	\$25.49
Price / Book Value		6.2x
Indicated Dividend / Yield	\$2.52	1.6%
LTM EBITDA Margin		31.0%

GAAP EPS FY 9/30

	Prior	Current		Prior	Current
	2016A	2017E		2018E	2018E
1Q	\$3.28	\$3.36	A	\$3.83	\$3.72
2Q	\$1.90	\$2.10	A	\$2.62	\$2.55
3Q	\$1.42	\$1.67	A	\$1.96	\$1.99
4Q	\$1.67	\$2.05		\$2.24	\$2.18
Year	\$8.27	\$9.09		\$10.66	\$10.45
P/E	19.0x	17.3x			15.0x

Revenue (\$BN)

	Prior	Current		Prior	Current
	2016A	2017E		2018E	2018E
1Q	\$75.8	\$78.3	A	\$84.7	\$83.4
2Q	\$50.5	\$52.9	A	\$62.8	\$61.6
3Q	\$42.3	\$45.4	A	\$50.8	\$51.4
4Q	\$46.9	\$52.5		\$54.9	\$54.9
Year	\$215.6	\$229.0		\$253.3	\$251.5

Company Description: Apple Inc. designs, manufactures and markets hardware including the Mac, iPhone, iPad, iPod, Apple Watch, TV and Beats headphones. Apple also develops software, the Mac OS X operating system and the iOS mobile operating system, along with other consumer and professional software applications and services including Maps and Apple Pay. Third-party digital content is sold through iTunes and the App Store. The company sells its products globally through Apple retail stores, an online store and other traditional retail chains. The company is headquartered in Cupertino, California.

Technology

Analyst: Stephen Turner
502.588.8675 / STurner@hilliard.com
Institutional Sales Desk: George Moorin
502.588.9141 / GMoorin@hilliard.com
J.J.B. Hilliard, W.L. Lyons, LLC
August 3, 2017

Apple Inc.

AAPL - NASDAQ – Long term Buy -1

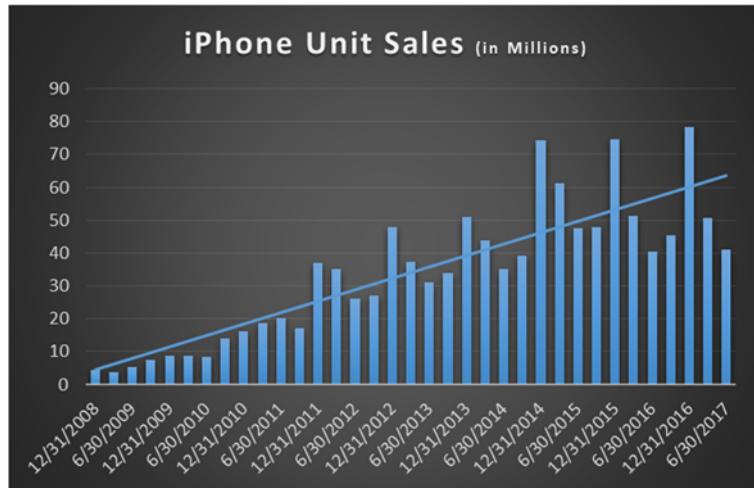
Apple Reports Strong Global Sales & Provides Solid Guidance

- Results.** Apple reported quarterly revenue of \$45.4 billion, a 7.2% y/y increase. Revenue was above the consensus analyst estimate of \$44.89 billion and our target of \$45.3 billion on across the board strength among product segments and geographies. Gross margin expanded 50 bps y/y to 38.5%, beating our 38.2% view. Operating expense increased 6.6% y/y to 14.8% of total revenue vs. 14.2% last year. Net income totaled \$8.7 billion, an increase of 11.8% y/y. Apple spent \$7 billion repurchasing shares, reducing share count by 4.4% y/y, leading to an EPS increase of a very strong 16.7% y/y to \$1.67, above our estimate of \$1.59 and the consensus view of \$1.57. Operating cash flow was \$8.4 billion, while FCF was \$6 billion. Cash & investments reached \$261.5 billion.
- Highlights.** Apple sold 41 million iPhones, up 2% y/y, vs. our expectation for 39.5 million. The average selling price increased to \$606 vs. \$595 last year on a higher mix of iPhone 7 Plus. The higher ASP lifted iPhone revenue to \$24.8 billion, up 3% y/y. iPad unit sales totaled 11.4 million, well above our view of 8.8 million, up 15% y/y. iPad ASP decreased to \$435 vs. \$490 last year. iPad revenue increased 11% y/y to \$4.9 billion. Mac unit sales were up 1% y/y to 4.3 million, while the average selling price increased from \$1,303 to \$1,392. Services revenue increased a better than expected 22% y/y to \$7.3 billion.
- Guidance.** FQ4 revenue guidance was provided of \$49 billion to \$52 billion vs. our prior view of \$52.5 billion. Gross margin was guided lower to 37.5% to 38% on component cost pressure vs. our prior 38.5% view. Operating expenses were guided to \$6.7 billion to \$6.8 billion vs. our prior \$6.72 billion estimate.
- Outlook.** We lower our FQ4'17 EPS estimate to \$1.97 from \$2.05 on gross margin conservatism. Our FY'17 EPS estimate remains unchanged at \$9.09. Exercising additional caution, we adjust our FY'18 EPS estimate to \$10.45 from \$10.66. Looking ahead, we inaugurate a FY'19 EPS target of \$11.25.
- Opinion.** We extend our investment timeframe by 12 months to FYE'19 and raise our price target to \$180 from \$170. We reiterate our Long-term Buy rating.

Note Important Disclosures on Pages 8-9
Note Analyst Certification on Page 8

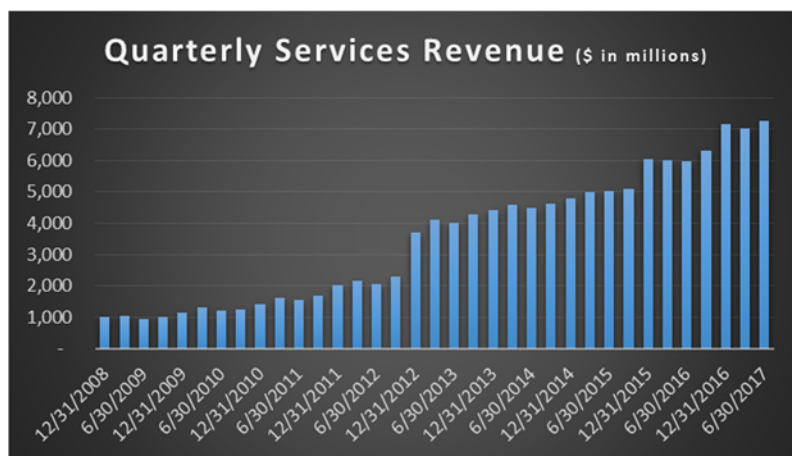
PRODUCT REVIEW

iPhone. Apple sold 41 million iPhones, up 2% y/y, vs. our expectation for 39.5 million. The average selling price increased to \$606 vs. \$595 last year on strong demand and a higher mix of iPhone 7 Plus. The higher ASP lifted iPhone revenue to \$24.8 billion, up 3% y/y. iPhone segment revenue represented 54.7% of total revenue vs. 56.8% last year as Services revenue increased 22% y/y. Channel inventory was low exiting the quarter which is ideal as new models begin to go on sale. We continue to expect y/y iPhone revenue growth in FQ4 on easier y/y ASP comparisons and guidance that would suggest a launch cycle within the current quarter. We forecast a significant iPhone upgrade cycle as Apple launches its 10th anniversary iPhone with significant feature upgrades expected. Rumors of the upgraded iPhone are having the effect of delaying iPhone purchases/upgrades ahead of the fall launch.



Source: Company reports

Services. The Services segment, which includes iTunes purchased content, Apple Pay, App Store, Apple Music, iCloud, service parts, licensing, and other revenue, posted revenue of \$7.26 billion, a better than expected 22% y/y increase. This beat our \$7.05 billion view. Services revenue represent an all-time high 16% of total revenue. Paid subscriptions increased by a record 20 million sequentially to 185 million. In our opinion, this represents one of the single greatest product category opportunities for Apple as the company builds out content services including Apple Pay, Apple Music, and Apple TV content sales, and other subscription services. We also expect ARkit, CarPlay, Healthkit, and Homekit to boost service revenue and related hardware sales longer term.



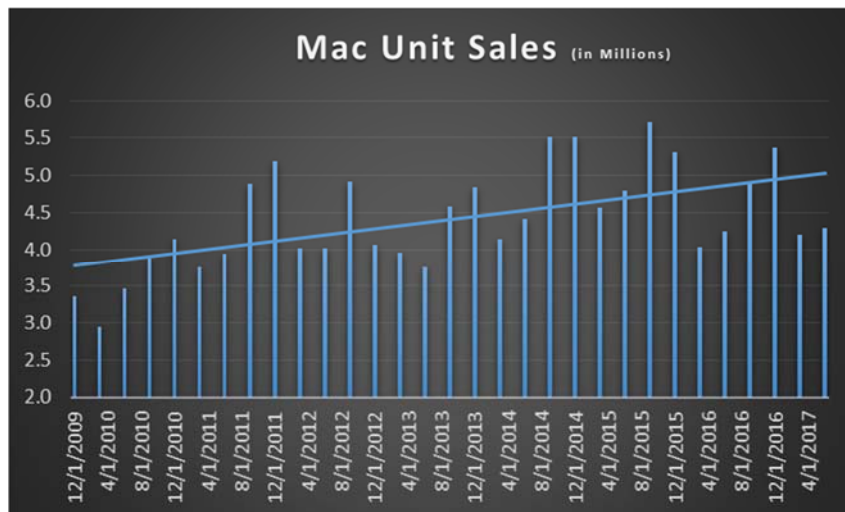
Source: Company reports

iPad. iPad unit sales jumped 15% y/y to 11.42 million, well above our 8.8 million view. iPad ASP decreased to \$435 compared to \$490 last year. iPad revenue increased 2% y/y to \$4.9 billion vs. our \$3.83 billion estimate. The iPad represented 11% of total revenue. iPad sales were strong across geographies and gained share within the tablet market. We continue to believe consumers will upgrade their iPad devices less frequently than iPhones but enterprise and education markets will stabilize demand as we experienced during the quarter.



Source: Company reports

Mac. Mac unit sales were up 1% y/y to 4.29 million, in line with our view. The average selling price increased to \$1,303 vs. \$1,232 last year. Mac revenue of \$5.6 billion increased due to strong demand for the recently refreshed MacBook Pro. We expect global adoption of Macs to continue as the halo effect regarding customer satisfaction with Apple’s mobile devices translates into higher Mac sales above that of the overall PC market.



GEOGRAPHIC SEGMENT REVIEW

Global sales were strong across geographies, excluding Greater China. The Americas region, Apple's largest region, represented 45% of total revenue with sales increasing 13% y/y to \$20.3 billion, with accelerating growth over the prior few quarters. European revenue of \$10.6 billion increased 11% from a year ago. Greater China region sales fell 10% y/y to \$8 billion. On a constant currency basis, mainland China sales continue to improve on a y/y basis. Japan sales were up 3% y/y to \$3.6 billion on a difficult comparison to the year ago quarter. Asia Pacific sales increased 15% to \$2.7 billion. In general, global sales improved from a year ago, excluding Hong Kong. Apple retail stores reached 497 locations, up two stores from last quarter.

FINANCIAL MANAGEMENT

Operating cash flow was \$8.3 billion, while free cash flow was \$6.1 billion. Cash & investments reached \$261.5 billion or \$29 per share on a net cash basis. Apple has now completed \$222.9 billion of the \$300 capital return program. The company returned over \$11.7 billion to shareholders during the quarter. We believe Apple has enough cash on hand to continue to pay out all free cash flow in the form of dividends and buybacks. We also believe a 10% repatriation tax would allow Apple to bring back overseas cash at a reasonable rate and deploy that capital through M&A, infrastructure build out, continued buybacks, and dividend increases.

OUTLOOK

FQ4'17 revenue guidance was provided of \$49 billion to \$52 billion vs. our prior view of \$52.5 billion. Gross margin was guided lower to 37.5% to 38% on component cost pressure vs. our prior 38.5% view. Operating expenses were guided to \$6.7 billion to \$6.8 billion compared to our prior \$6.72 billion estimate. We lower our FQ4'17 EPS estimate to \$1.97 from \$2.05 on gross margin conservatism. Our FY'17 EPS estimate remains unchanged at \$9.09 as Q3's beat offsets our lower Q4 view. Exercising additional top line and gross margin caution, we have adjusted our FY'18 EPS estimate lower to \$10.45 from \$10.66. Looking ahead, we inaugurate a FY'19 EPS target of \$11.25, representing healthy y/y growth of 7.7%.

We broadly trim our revenue forecast as we become less aggressive heading into the iPhone super cycle. Despite accelerating top line growth over the past year and our expectation for this to continue through FY'18, we trim our revenue estimates as we consider new challenges for Apple in reaching iPhone demand with an expanded product lineup. We also trim our EPS forecast, taking into consideration the revenue adjustment, gross margin conservatism, and less share buyback power from a rising stock price. Overall, we remain positive on Apple's roadmap heading into FY'18.

VALUATION & OPINION

We extend our investment timeframe by 12 months to FYE'19 and raise our price target to \$180 from \$170. We reiterate our Long-term Buy rating. Our updated price target reflects our higher fiscal 2019 estimate and 24 month investment timeframe. We maintain our forward P/E multiple of 16x despite accelerating upper-teens near-term EPS growth. Our forward multiple of 16x is slightly above Apple's current forward price to earnings multiple of 15.3x. Our 16x multiple used in our share price calculation represents a recent high multiple as we enter a potential iPhone super cycle event, expected to boost FY'18 EPS by 15% y/y. We believe our price target is justified as we do not include Apple's cash balance of \$261.5 billion, which could ultimately be repatriated to further boost our growth outlook. Excluding net cash, shares trade at a forward P/E multiple of 11.3x our FY'19 EPS estimate. In our opinion, the recent price appreciation in Apple shares reflects Apple's return to solid growth and higher expectations following the fall iPhone launch. Our price target of \$180 represents a potential total return of 19% including dividends at yesterday's closing price. We believe AAPL shares remain a core holding for investors seeking capital appreciation and a growing income stream.

SUITABILITY

We assign shares of AAPL a suitability rating of 1 on our scale of 1-4 (1 = most conservative, 4 = most aggressive). A 1 rating is given based on Apple's long and reputable history as a public consumer electronics company. While a majority of revenue is derived solely from iPhone sales, we believe Apple has the ability to expand its services offering and continue to introduce new products over time. We also take into consideration the company's large cash balance and significant free cash flow generating ability. We believe a suitability rating of 1 incorporates these attributes. We believe AAPL shares remain a core holding for investors seeking capital appreciation and a growing income stream.

RISKS & CONSIDERATIONS

Risks to our valuation include but are not limited to:

- Uncertainty regarding potential court proceedings with Qualcomm, which could produce unintended consequences.
- Potential health risks, including brain cancer, caused by wireless device usage. Apple recommends users carry iPhones at least 5 millimeters away from the body. Regulators may begin to require a warning vs. the current recommendation, which could impact future sales.
- Management's ability to secure and retain top talent
- Possible risks from changes in the smartphone selling model.
- Piracy issues: Apple's ability to protect intellectual property rights against global competitors, including software and brand piracy
- Macroeconomic issues, including higher future international tax rates or tariffs, a decline in consumer spending, or changes in consumer behavior/willingness to continue purchasing devices rather than fully functional PCs
- Lack of innovation due to a "closed-ecosystem" versus competitors' "open-ecosystem" architecture
- The risk of excessive spending due to rapid technological advances. Apple must ensure a timely flow of competitive products and services to compete
- Increased competition from global competitors, particularly low cost Asian manufacturers
- The International Trade Commission's ability to ensure Apple's patents, trademarks, copyrights and licenses are enforced and upheld. Continued legal disputes involving patent infringement lawsuits and federal government inquiries into anti-competitive business practices, health and environmental concerns
- Component shortages or pricing risk due to single source availability. Also, future supply disruptions resulting from situations involving natural disaster, geopolitical events, etc.
- A large percentage of future growth expectations tied to emerging market economies which may choose to block certain products or services
- Internally generated product growth outside of the iPhone business could take a significant amount of time to ramp into a meaningful contribution to revenue whether a hardware or service related offering.

Additional information is available upon request.

Apple Inc. - Consolidated Statement of Operations (in millions except per share data and percentages)

	FY'07	FY'08	FY'09	FY'10	FY'11	FY'12	FY'13	FY'14	FY'15	FY'16	12/31/2016	3/31/2017	6/30/2017	09/30/2017E	FY'17E	FY'18E	FY'19E
Net Sales	\$ 24,006	\$ 37,491	\$ 42,905	\$ 65,225	\$ 108,249	\$ 156,508	\$ 170,910	\$ 182,795	\$ 233,715	\$ 215,639	\$ 78,351	\$ 52,896	\$ 45,408	\$ 52,196	\$ 228,851	\$ 251,498	\$ 258,082
Cost of Sales	15,852	24,294	25,683	39,541	64,431	87,846	106,606	112,258	140,089	131,376	48,175	32,305	27,920	32,362	140,762	154,448	158,086
Gross Profit	8,154.00	13,197	17,222	25,684	43,818	68,662	64,304	70,537	93,626	84,263	30,176	20,591	17,488	19,835	88,090	97,049	99,996
Operating expenses:																	
Research and Development	782	1,109	1,333	1,782	2,429	3,381	4,475	6,041	8,067	10,045	2,871	2,776	2,937	2,949	11,533	12,148	12,449
Selling, general and admin.	2,963	3,761	4,149	5,517	7,599	10,040	10,830	11,993	14,329	14,194	3,946	3,718	3,783	3,816	15,263	16,623	16,957
Total operating expenses	3,745	4,870	5,482	7,299	10,028	13,421	15,305	18,034	22,396	24,239	6,817	6,494	6,720	6,765	26,796	28,771	29,406
Operating income	4,409	8,327	11,740	18,385	33,790	55,241	48,999	52,503	71,230	60,024	23,359	14,097	10,768	13,070	61,294	68,279	70,590
Other income and expense	599	620	326	155	415	522	1,156	980	1,285	1,348	821	587	540	585	2,533	2,375	2,750
Income before provision for income taxes	5,008	8,947	12,066	18,540	34,205	55,763	50,155	53,483	72,515	61,372	24,180	14,684	11,308	13,655	63,827	70,654	73,340
Provision for income taxes	1,512	2,828	3,831	4,527	8,283	14,030	13,118	13,973	19,121	15,685	6,289	3,655	2,591	3,455	15,990	17,663	18,335
Net Income	\$ 3,496	\$ 6,119	\$ 8,235	\$ 14,013	\$ 25,922	\$ 41,733	\$ 37,037	\$ 39,510	\$ 53,394	\$ 45,687	\$ 17,891	\$ 11,029	\$ 8,717	\$ 10,200	\$ 47,837	\$ 52,990	\$ 55,005
Dividends						\$ 0.38	\$ 1.63	\$ 1.81	\$ 1.98	\$ 2.18	\$ 0.57	\$ 0.57	\$ 0.63	\$ 0.63	\$ 2.40	\$ 2.66	\$ 2.88
GAAP Earnings per share:																	
Diluted	\$ 0.56	\$ 0.97	\$ 1.30	\$ 2.16	\$ 3.95	\$ 6.31	\$ 5.68	\$ 6.43	\$ 9.20	\$ 8.27	\$ 3.36	\$ 2.10	\$ 1.67	\$ 1.97	\$ 9.09	\$ 10.45	\$ 11.25
Shares outstanding: (in millions)																	
Diluted	6,225	6,315	6,349	6,473	6,557	6,617	6,522	6,145	5,805	5,500	5,328	5,262	5,233	5,167	5,247	5,062	4,881
Year/Year Growth Rate:																	
Net Sales	24.3%	56.2%	14.4%	52.0%	66.0%	44.6%	9.2%	7.0%	27.9%	-7.7%	3.3%	4.6%	7.2%	11.4%	6.1%	9.9%	2.6%
Gross Profit	45.7%	61.8%	30.5%	49.1%	70.6%	56.7%	-6.3%	9.7%	32.7%	-10.0%	-0.8%	3.4%	8.6%	11.3%	4.5%	10.2%	3.0%
Operating Income	79.7%	88.9%	41.0%	56.6%	83.8%	63.5%	-11.3%	7.2%	35.7%	-15.7%	-3.4%	0.8%	6.6%	11.1%	2.1%	11.4%	3.4%
Net Income	75.8%	75.0%	34.6%	70.2%	85.0%	61.0%	-11.3%	6.7%	35.1%	-14.4%	-2.6%	4.9%	11.8%	13.2%	4.7%	10.8%	3.8%
EPS			33.9%	66.9%	82.6%	59.5%	-9.9%	13.2%	43.1%	-10.1%	2.3%	10.4%	16.9%	18.1%	10.0%	14.9%	7.7%
Diluted Shares Outstanding	1.34%	1.44%	0.5%	2.0%	1.3%	0.9%	-1.4%	-5.8%	-5.5%	-5.2%	-4.8%	-5.0%	-4.4%	-4.2%	-4.6%	-3.5%	-3.6%
% of Net Sales:																	
Cost of sales	66.0%	64.8%	59.9%	60.6%	59.5%	56.1%	62.4%	61.4%	59.9%	60.9%	61.5%	61.1%	61.5%	62.0%	61.5%	61.4%	61.3%
Gross Profit	34.0%	35.2%	40.1%	39.4%	40.5%	43.9%	37.6%	38.6%	40.1%	39.1%	38.5%	38.9%	38.5%	38.0%	38.5%	38.6%	38.7%
R&D expense	3.3%	3.0%	3.1%	2.7%	2.2%	2.2%	2.6%	3.3%	3.5%	4.7%	3.7%	5.2%	6.5%	5.7%	5.0%	4.8%	4.8%
SG&A expense	12.3%	10.0%	9.7%	8.5%	7.0%	6.4%	6.3%	6.6%	6.1%	6.6%	5.0%	7.0%	8.3%	6.7%	6.6%	6.6%	6.8%
Total operating expense	15.6%	13.0%	12.8%	11.2%	9.3%	8.6%	9.0%	9.9%	9.6%	11.2%	8.7%	12.3%	14.8%	13.0%	11.7%	11.4%	11.4%
Operating Income	18.4%	22.2%	27.4%	28.2%	31.2%	35.3%	28.7%	28.7%	30.5%	27.8%	29.8%	26.7%	23.7%	25.0%	26.8%	27.1%	27.4%
Net Income	14.6%	16.3%	19.2%	21.5%	23.9%	26.7%	21.7%	21.6%	22.8%	21.2%	22.8%	20.9%	19.2%	19.5%	20.9%	21.1%	21.3%

Source: Company reports and Hilliard Lyons estimates

Apple Inc. - Consolidated Balance Sheet (in millions except per share data and percentages)

	FY'06	FY'07	FY'08	FY'09	FY'10	FY'11	FY'12	FY'13	FY'14	FY'15	FY'16	12/31/2016	3/31/2017	6/30/2017
Current assets:														
Cash and Cash Equivalents	\$ 6,392	\$ 9,352	\$ 11,875	\$ 5,263	\$ 11,261	\$ 9,815	\$ 10,746	\$ 14,259	\$ 13,844	\$ 21,120	\$ 20,484	\$ 16,371	\$ 15,157	\$ 18,571
Short-Term Marketable Securities	3,718	6,034	10,236	18,201	14,359	16,137	18,383	26,287	11,233	20,481	46,671	44,081	51,944	58,188
Accounts receivables	1,252	1,637	2,422	3,361	5,510	5,369	10,930	13,102	17,460	16,849	15,754	14,057	11,579	12,399
Inventories	270	346	509	455	1,051	776	791	1,764	2,111	2,349	2,132	2,712	2,910	3,146
Deferred tax assets	607	782	1,447	2,101	1,636	2,014	2,583	3,453	4,318	5,546	-	-	-	-
Vendor non-trade receivables					4,414	6,348	7,762	7,539	9,759	13,494	13,545	13,920	9,033	10,233
Other current assets	2,270	3,805	5,822	6,884	3,447	4,529	6,458	6,882	9,806	9,539	8,283	12,191	11,367	10,338
Total current assets	14,509	21,956	32,311	36,265	41,678	44,988	57,653	73,286	68,531	89,378	106,869	103,332	101,990	112,875
Long-term marketable securities			2,379	10,528	25,391	55,618	92,122	106,215	130,162	164,065	170,430	185,638	189,740	184,757
Property, plant and equipment	1,281	1,832	2,455	2,954	4,768	7,777	15,452	16,597	20,624	22,471	27,010	26,510	27,163	29,286
Goodwill	38	38	207	206	741	896	1,135	1,577	4,616	5,116	5,414	5,423	5,473	5,661
Acquired intangible assets	139	299	285	247	342	3,536	4,224	4,179	4,142	3,893	3,206	2,848	2,617	2,444
Other assets	1,238	1,222	1,935	3,651	2,263	3,556	5,478	5,146	3,764	5,556	8,757	7,390	7,549	10,150
Total assets	17,205	25,347	39,572	53,851	75,183	116,371	176,064	207,000	231,839	290,479	321,686	331,141	334,532	345,173
Current liabilities:														
Accounts payable	3,390	4,970	5,520	5,601	12,015	14,632	21,175	22,367	30,196	35,490	37,294	38,510	28,573	31,915
Accrued expenses	3,053	4,310	3,719	3,376	5,723	9,247	11,414	13,856	18,453	25,181	22,027	23,739	23,096	23,304
Deferred revenue		-	4,853	10,305	2,984	4,091	5,953	7,435	8,491	8,940	8,080	7,889	7,682	7,608
Commercial paper									6,308	8,499	8,105	10,493	9,992	11,980
Current portion of long term debt										2,500	3,500	3,499	3,999	6,495
Total current liabilities	6,443	9,280	14,092	19,282	20,722	27,970	38,542	43,658	63,448	80,610	79,006	84,130	73,342	81,302
Deferred revenue-non-current	778	1,535	3,029	4,485	1,139	1,686	2,648	2,625	3,031	3,624	2,930	3,163	3,107	2,984
Long term debt								16,960	28,987	53,463	75,427	73,557	84,531	89,864
Other non-current liabilities	-	-	1,421	2,252	5,531	10,100	16,664	20,208	24,826	33,427	36,074	37,901	39,470	38,598
Total liabilities	7,221	10,815	18,542	26,019	27,392	39,756	57,854	83,451	120,292	171,124	193,437	198,751	200,450	212,748
Shareholders' Equity:														
Common Stock	4,355	5,368	7,177	8,210	10,668	13,331	16,422	19,764	23,313	27,416	31,251	32,144	33,579	34,445
Retained earnings	5,607	9,101	13,845	19,538	37,169	62,841	101,289	104,256	87,152	92,284	96,364	100,001	100,925	98,525
Accumulated other comprehensive income	22	63	8	84	(46)	443	499	(471)	1,082	(345)	634	245	(422)	(545)
Total shareholders equity	9,984	14,532	21,030	27,832	47,791	76,615	118,210	123,549	111,547	119,355	128,249	132,390	134,082	132,425
Total liabilities and shareholders equity	17,205	25,347	39,572	53,851	75,183	116,371	176,064	207,000	231,839	290,479	321,686	331,141	334,532	345,173

Source: Company reports

Other stocks mentioned: Qualcomm Inc. (QCOM-\$53.17)

Analyst Certification

I, Stephen Turner, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Important Disclosures

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

The author of this report or members of his household have a long position in the common stock of Apple Inc., but may not engage in buying or selling contrary to our recommendation.

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 revenues, volatility, low trading volume or a narrow customer or product base

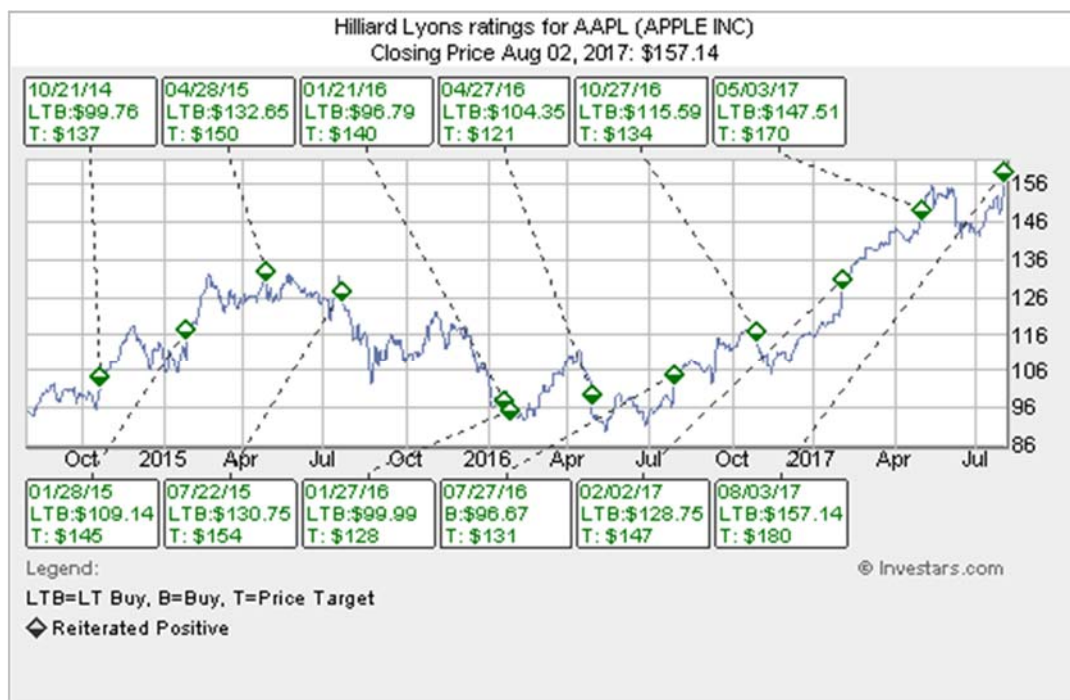
Investment Ratings

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 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 setback in the next 12 months.



Note: Price targets accompanying Buy ratings reflect a one year time period while price targets accompanying Long-term Buy ratings generally reflect a two to three year time period.

Hilliard Lyons Recommended Issues			Investment Banking Provided in Past 12 Mo.	
Rating	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	36	29%	14%	86%
Hold/Neutral	79	63%	5%	95%
Sell	10	8%	0%	100%

As of 7 July 2017

Other Disclosures

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