



COMPANY UPDATE

Key Metrics

AEP - NYSE (Price as of 4/27/17)	\$68.10
Price Target	NA
52-Week Range	\$71.32 - \$57.89
Shares Outstanding (mm)	491.0
Market Cap. (\$mm)	\$33,437
3-Mo. Average Daily Volume	2,345,000
Institutional Ownership	68.0%
Debt/Total Capital (3/31)	54.0%
ROE (ttm)	10.4%
Book Value/Share	\$35.02
Price/Book Value	1.9x
Indicated Dividend / Yield	\$2.36 3.5%
Dividend Cycle	March, June, Sept., Dec.

EPS FY 12/31

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q		--		--	--
2Q		--		--	--
3Q		--		--	--
4Q		--		--	--
Year	\$3.94		\$3.68		\$3.88
P/E	17.3x		18.5x		17.6x
Payout	60%		64%		61%

Note: Figures exclude non-recurring items

Revenue (\$mm)

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q		--		--	--
2Q		--		--	--
3Q		--		--	--
4Q		--		--	--
Year	\$16,370	--	\$15,210	--	\$15,465

Company Description: American Electric Power is one of the largest electric utilities in the United States, delivering electricity to nearly 5.4 million customers in 11 states. AEP ranks among the nation's largest generators of electricity, owning nearly 31,000 megawatts of generating capacity in the U.S. AEP also owns the nation's largest electricity transmission system, a nearly 40,000-mile network that includes more than 765-kilovolt extra-high voltage transmission lines, more than all other U.S. transmission systems combined. Generation sources: Coal 60%, Natural Gas/Oil 23%, Nuclear 5%, Other 12%.

American Electric Power

AEP -- NYSE -- Neutral -- 2

Company reports solid first quarter earnings and reaffirms 2017 guidance

Investment Highlights

- **AEP reported first quarter operating earnings of \$0.96 per share versus \$1.02 per share in 2016's first quarter.** Earnings were slightly above the consensus estimate of \$0.95 per share. First quarter earnings were negatively impacted by mild winter weather, which had an adverse \$0.08 per share impact. Higher taxes and lower normalized load also reduced earnings. Total normalized sales declined by 0.8% in the first quarter. These negatives were partially offset by rate changes. While first quarter earnings were negatively impacted by the warmer than average winter weather, AEP's transmission business continues to grow. This segment contributed \$0.14 per share to first quarter earnings compared to \$0.05 per share in last year's first quarter. Also, AEP made progress with its plans to exit the competitive generation business with the sale of four competitive generation plants. The company expects to complete the strategic review for its remaining competitive generation assets sometime this year.
- **Management reaffirms 2017 guidance.** The company continues to expect this year's earnings to be in a range of \$3.55 to \$3.75 per share. Earnings are anticipated to be lower than last year's due to dilution from the competitive generation asset sale announced in third-quarter 2016. However, AEP expects earnings to grow by a 5% to 7% annual rate with 2017 as the base. This future growth is expected to come from ongoing significant capital investments in its core regulated utility businesses. We are maintaining our 2017 EPS estimate of \$3.68 and initiating a 2018 estimate of \$3.88.
- **We maintain our Neutral rating on AEP as we believe the stock is fairly valued.** However, we continue to believe the company has an increasingly positive long-term fundamental outlook. In our view, AEP is a good quality, well-managed utility that is positioned to deliver consistent earnings and dividend growth in the years ahead. We would maintain positions in the stock.

**Note Important Disclosures on Page 2 - 3.
Note Analyst Certification on Page 2.**

Suitability

We assign a suitability rating of 2 to American Electric Power. The bulk of AEP's earnings are regulated, which provides earnings consistency. Moreover, the company is in the process of exiting its competitive generation business, which should reduce risk. Also, we note the company has paid dividends continuously for over 100 years. We view AEP as a suitable holding for utility investors seeking both capital appreciation and rising dividends.

Additional information is available upon request.

Analyst Certification

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

Important Disclosures

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

Investment Ratings

Buy - We believe the stock has significant total return potential in the coming 12 months.

Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years.

Neutral - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.

Underperform - We believe the stock is vulnerable to a price set back in the next 12 months.

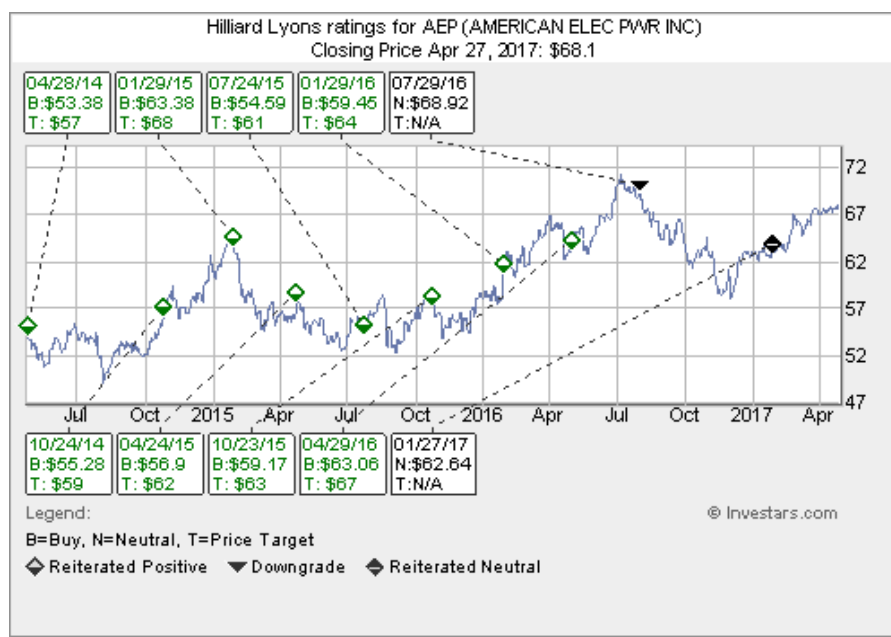
Suitability Ratings

1 - A large cap, core holding with a solid history

2 - A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks

3 - An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage

4 - Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base



Rating	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	36	30%	14%	86%
Hold/Neutral	71	58%	6%	94%
Sell	15	12%	7%	93%

As of 5 April 2017

Other Disclosures

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