



COMPANY UPDATE / ESTIMATE CHANGE

Key Metrics

AEP - NYSE (Price as of 10/26/17)	\$73.76
Price Target	NA
52-Week Range	\$57.99 - \$74.90
Shares Outstanding (mm)	491.0
Market Cap. (\$mm)	\$36,216
3-Mo. Average Daily Volume	2,138,000
Institutional Ownership	68.0%
Debt/Total Capital (9/30)	54.6%
ROE (ttm)	10.4%
Book Value/Share	\$36.24
Price/Book Value	2.0x
Indicated Dividend / Yield	\$2.48 3.3%
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	\$3.64	\$3.61		\$3.88
P/E	18.7x		20.4x		19.0x
Payout	60%		66%		64%

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

Third quarter earnings negatively impacted by mild weather

Investment Highlights

- **AEP reported third quarter operating earnings of \$1.10 per share versus \$1.30 per share in 2016's third quarter.** Earnings were below expectations of \$1.20 per share, and primarily lower due to mild weather. In fact, AEP indicated that in the last 35 years, only 1992 had milder temperatures than what the company has experienced in the first nine months of 2017. The mild weather has negatively impacted results by \$0.16 per share thus far this year relative to AEP expectations. The company has reduced expenses, which has offset the majority of the impact. While the company's traditional regulated utility business was affected by the mild weather, AEP's transmission business continued to grow in the third quarter.
- **Management narrows 2017 guidance.** AEP now expects this year's earnings to be in a range of \$3.55 to \$3.68 per share, with the top end of guidance reduced from \$3.75 per share previously. However, the company reaffirmed its 2018 guidance range of \$3.75 to \$3.95 per share. In addition, AEP continues to target a long-term earnings growth rate of 5% to 7%. Growth is expected to come from ongoing significant capital spending.
- **Company moving forward with new major wind project.** On July 26, AEP announced a major clean energy project, Wind Catcher Energy Connection, which will provide nearly 9 million megawatt-hours of new wind energy in four states. The company has begun regulatory filings in each state. We believe the project could potentially be a major long-term earnings driver.
- **Company raises dividend by 5.1%.** The new dividend rate is \$2.48 per share or \$0.62 per share quarterly. The yield on AEP is currently 3.3%.
- **We maintain our Neutral rating on AEP.** Yet we continue to believe AEP has an increasingly positive long-term fundamental outlook, which could potentially result in both steadily higher earnings and dividends.

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.

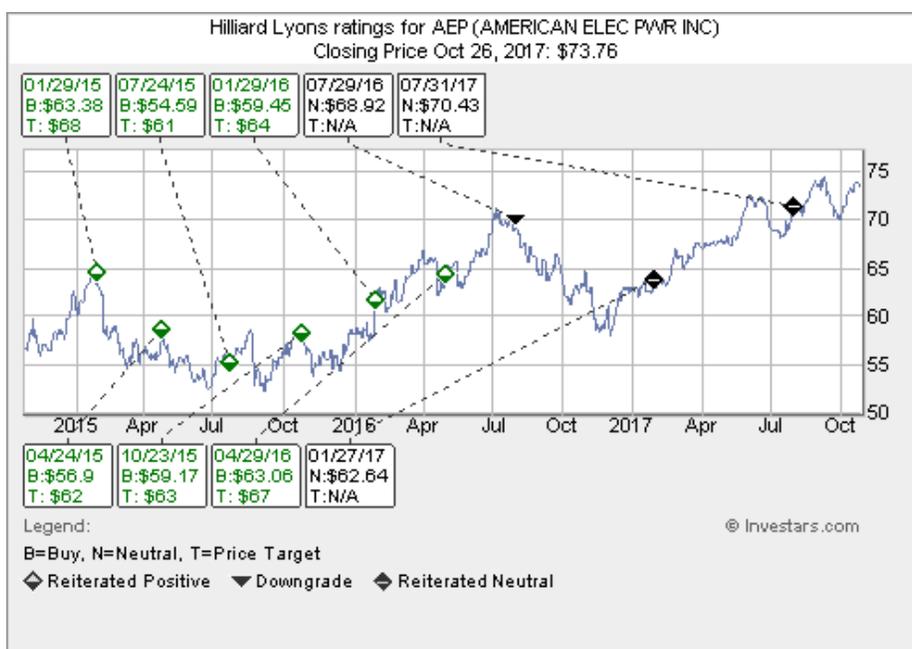
Suitability Ratings

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



Hilliard Lyons Recommended Issues			Investment Banking Provided in Past 12 Mo.	
Rating	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	39	32%	8%	92%
Hold/Neutral	74	60%	9%	91%
Sell	8	7%	0%	100%
Restriction	2	2%	100%	0%

As of 5 October 2017

Other Disclosures

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