HILLIARD LYONS

COMPANY UPDATE / ESTIMATE CHANGE

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July 28, 2017

Bristol-Myers Squibb Company

BMY – NYSE – Long-term Buy – 3

Company Reports Strong Results Led by Key Brands but Competitor Clinical Trial News Weighs on the Stock

- **2Q17 Results:** BMY reported revenues of $5.14 billion, growth of 5.6% from the same period a year ago. This beat our estimate of $5.11 billion and the Street consensus estimate of $5.09 billion. Non-GAAP EPS of $0.74 fell short of our estimate of $0.78 but beat the Street consensus of $0.73.
- **Positive Highlights:** Opdivo sales remained strong despite some headwinds, exceeding our estimate and the Street consensus. Eliquis and Sprycel revenues also surprised to the upside. Additionally, management increased the bottom end of non-GAAP EPS guidance for 2017 by a nickel.
- **Negative Highlights:** Orencia and Yervoy missed our estimates, as international growth for the former slowed significantly. The gross margin fell short of our expectations, coming in at 69.6% versus our estimate of 73.2%. However, we note there were some one-time items; excluding those, the gross margin was 72.2%, still shy of our estimates. Core operating expenses (in GAAP terms) of $2.83 billion were higher than our estimate of $2.66 billion, mostly due to higher than expected R&D expenses.
- **Estimates:** We are revising upward our FY17 revenue estimate to $20.47 billion versus our prior estimate of $20.23 billion and leaving our non-GAAP EPS estimate unchanged at $2.97. For FY18, we decreased our revenue estimate to $20.15 billion from $20.25 billion and decreased our non-GAAP EPS estimate to $3.20 from $3.21. See page 5 for details.
- **Outlook and Valuation:** We are encouraged by the strong results this quarter and undeterred in our opinion despite news from a competitor (see pages 3-4). We are maintaining our Long-term Buy rating and our two year price target of $65. See page 5 for price target derivation. We note the price target is unchanged despite slightly lowered estimates due to rolling our model forward another quarter.

Key Metrics

BMY - NYSE (as of 07/27/17)	$54.24
2 Yr. Price Target	$65.00
52-Week Range	$46.01 - $76.29
Shares Outstanding (mm)	1,650
Market Cap. ($mm)	$89,357
1-Mo. Average Daily Volume (000s)	1,539
Institutional Ownership	70.9%
Debt / Total Capital	29.1%
ROE (TTM)	29.9%
Book Value / Share	$8.98
Price / Book Value	6.0x
Indicated Dividend / Yield	$1.56 2.9%
TTM Operating Margin	29.1%

Non-GAAP EPS FYE 12/31

	2016A	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	$0.74		$0.84A	$0.78	$0.74
2Q	$0.69		$0.74A	$0.74	$0.77
3Q	$0.77		$0.76	$0.87	$0.88
4Q	$0.63		$0.63	$0.82	$0.81
Year	$2.83	$2.97	$2.97	$3.21	$3.20
P/E	19.2x		18.3x		17.0x

Figures may not add up due to rounding

Revenue ($billions)

	2016A	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	$4.39		$4.93A	$4.77	$4.71
2Q	$4.87		$5.14A	$4.95	$4.90
3Q	$4.92		$5.17	$5.10	$5.11
4Q	$5.24		$5.23	$5.42	$5.44
Year	$19.43	$20.23	$20.47	$20.25	$20.15

Company Description *– Bristol-Myers Squibb Company is a multinational biopharmaceutical company focused on developing and marketing innovative medicines in the areas of oncology, immunology, cardiovascular, and fibrotic diseases. The company also sells products for the treatment of virologic infections.*

Note Important Disclosures on pages 9 and 10
Note Analyst Certification on page 9

ADDITIONAL COMMENTARY

Revenue Review			
Drug / Franchise	Our Estimate	2Q17 Results	2Q17 Y/Y Growth
Baraclude	273	273	-8.7%
HCV	132	112	-79.5%
Reyataz	192	188	-23.9%
Sustiva	199	188	-30.6%
Empliciti	57	55	61.8%
Opdivo	1,133	1,195	42.3%
Sprycel	478	506	12.2%
Yervoy	342	322	33.6%
Orencia	670	650	9.6%
Eliquis	1,118	1,176	51.4%
Mature and Other	513	479	-16.3%
Total Revenue	**5,105**	**5,144**	**5.6%**

Revenues in millions

Source: Company Reports, Hilliard Lyons Estimates

Performance Review

- Revenue grew 5.6%, with a roughly 1% drag from currency swings. Growth was particularly strong in Europe (14%) followed by the U.S. (7%).
- The virology portfolio, largely made up of older drugs off patent or nearing patent expiries, fell short of our estimates as the hepatitis C virus (HCV) franchise eroded faster than we anticipated. The company has stopped promotional activity in the U.S. for their HCV drugs. However, BMY received regulatory approval for Daklinza/ Sunvepra combo in China, marking the first all-oral regimen for HCV in that country. The new market and a (temporary) lack of competition should help slow the bleeding for that category, in our view. No sales were booked in China for 2Q17. Reyataz and Sustiva continue to lose ground to other HIV rivals, while Baraclude was exactly in line with our estimate. Sustiva loses exclusivity in the U.S. in December.
- Empliciti grew 4% sequentially but fell just shy of our estimate. Competitive pressures continue to limit opportunities for Empliciti, in our opinion.
- Opdivo performance was strong and exceeded both our estimate and the Street consensus, led by 17% international sequential growth. Management noted their second-line (2L) non-small cell lung cancer (NSCLC) market share is stable at roughly 40%. NSCLC composed roughly 50-55% of U.S. Opdivo revenue, most of which was likely in 2L. Renal cell carcinoma (RCC) market share was strong at 50%, and this indication makes up roughly 15-20% of U.S. Opdivo sales. The Opdivo-Yervoy combination in melanoma retained its roughly 33% market share; melanoma comprises roughly 10-15% of Opdivo U.S. sales. Management noted the total 2L NSCLC market was stable and has not felt a significant impact from Merck's moves in 1L; the market should start to shrink more toward the end of the year. Management also sounded confident about uptake in bladder cancer and head and neck cancer both domestically and internationally. In Europe, the company has made strides in access and reimbursement and strong growth in 2L NSCLC. Interestingly, management also mentioned legal moves against PD-1/PD-L1 (Opdivo's mechanism of action) competitors.

- Yervoy missed our estimate but beat the Street consensus. International revenue was down sequentially but we do not believe this is cause for concern; growth outside the U.S. was still 24% year-over-year due to access and reimbursement leading to greater adoption of the combination regimen.
- Sprycel revenue growth was strong both domestically and internationally, but this is set to reverse on the international front given the recent patent loss in Europe. We remind investors 4Q16 European revenues for Sprycel were approximately $100 million. A positive clinical (CA180-226) trial led to both U.S. and European regulatory applications for the use of Sprycel in children.
- Orencia growth remained strong but did fall short of estimates. We expect this solid growth to continue in the near term, but we believe investors should be on the lookout for pricing pressures in rheumatology markets as both new branded drugs and biosimilars start to hit the market over the next few years. The FDA and the European Commission approved Orencia for the treatment of psoriatic arthritis. While helpful, we don't expect a big boost to Orencia sales from this increasingly competitive category.
- Eliquis growth was impressive, surpassing our estimate and the Street consensus. Eliquis now has over 50% of total oral anticoagulant prescriptions in the U.S. and is the leading novel oral anticoagulant (NOAC) in new-to-brand share in several European countries.
- The gross margin declined 561 basis points from 2Q16 to 69.6% but we note there were one-time items factored in. Excluding those, the gross margin would have been 72.2%, still falling short of our estimate of 73.2%. Management pointed to higher Eliquis sales and lower Daklinza sales as the primary sources of the decline. As a reminder, Eliquis is part of an alliance with Pfizer and carries a gross margin around 50%.
- Core operating expenses came in higher than anticipated due to both MS&A and R&D. MS&A expenses were $1.17 billion versus our estimate of $1.14 billion, and R&D expenses were $1.66 billion versus our estimate of $1.52 billion.

The MYSTIC Trial

Yesterday, AstraZeneca announced the failure of MYSTIC, a Phase 3 trial testing its immuno-oncology (I-O) drugs against chemotherapy in progression-free survival (PFS) in 1L NSCLC. The trial tested PD-L1 agent Imfinzi alone in combination with CTLA-4 (Yervoy's mechanism of action) molecule tremelimumab; thus, many investors viewed it as a read-through for BMY's Checkmate-227 (CM-227) in the same patient population. Management started the call and spent most of Q&A discussing the trial results. Management drew several distinct differences between the trials: the dose and schedules of the drugs, trial sizes (CM-227 is larger), and the fact that CM-227 is a full program that also includes testing Opdivo in combination with chemo. Management either did not bring up or lightly touched on other possible differences as well: the drugs themselves and the potential for endpoints to read differently.

We don't think MYSTIC is a perfect read-through for CM-227, but it is still comparable. When it comes to dosing and schedules, we're a bit skeptical that will be the difference maker. The trial size could help BMY, and one factor often overlooked or not discussed, *especially* in the brand new and barely understood field of I-O, is dumb luck of patient selection. Patients in these trials were stratified based on PD-L1 expression levels on their tumors, but it is looking more and more like PD-L1 is not the best biomarker. BMY displayed results from their own NSCLC trial failure, Checkmate-026, that suggested tumor mutational burden (TMB) was a better predictor of success. Thus, it is reasonable to think a larger patient population could help BMY achieve better balance between trial arms in terms of TMB (or maybe other undiscovered and more accurate biomarkers), but that is no guarantee.

In terms of different drugs, it is true Imfinzi uses a slightly different mechanism of action than Opdivo, targeting PD-L1 rather than PD-1. Evidence to which is better is still very much in the air, so we are hesitant to buy this theory, but some speculate PD-1 is looking better than PD-L1 early in this race. Additionally, we note tremelimumab has yet to prove its clinical significance. Further, Pfizer sold tremelimumab to AZN in 2011 only to get back into the CTLA-4 with a licensing deal last year; admittedly, that could have been

a mistake on Pfizer's part to not recognize the importance of the target rather than weakness of the drug itself. Also, Yervoy is an IgG1 antibody, whereas tremelimumab is an IgG2. Finally, AZN made a strange move yesterday, partnering its very valuable PARP inhibitor, Lynparza, with Merck's Keytruda rather than going alone. This is a head-scratcher, in our opinion, and may or may not provide insight into whether AZN has given up on Imfinzi. Thus, it is possible the drugs are differentiated enough to give BMY the advantage, but we are still hesitant to buy the theory.

We want to highlight that yesterday's news was based on PFS, not the ultimate goal - overall survival (OS). AZN is continuing the trial to determine OS, so the trial could technically still succeed. CM-227 is powered to have both PFS and OS as primary endpoints. As we have discussed in previous reports and other writings, PFS is not perfectly correlated with OS. We believe AZN faces both a tailwind and headwind in turning the PFS failure into OS success. Many patients don't respond to I-O, but the ones that do typically have deep and long-lasting responses, which could help reverse the tide of the trial over a longer period of time. The headwind, on the other hand, comes from patients in the chemotherapy arm switching to I-O after progressing and ultimately living longer. The PFS/ OS theory is one we can buy. However, yesterday's news was just a statement of failure, and no detail was provided. Without more data, we simply can't speculate whether we think AZN (and possibly BMY down the road) can pull off the turnaround.

Finally, we believe management has a valid point that many impatient market participants overlook: CM-227 is a full program. BMY has hedged its Opdivo/ Yervoy combo bet with an Opdivo/ chemo combo arm. While a failure of Opdivo/ Yervoy will put BMY behind Merck and fail to differentiate them in NSCLC, we still like their broad approach to the space and believe the market is assigning winners and losers in a space that will be highly fragmented. Just as BMY was being crowned king before the Checkmate-026 failure, we believe the market has overreacted and handed the crown to Merck. However, we believe BMY has clearly learned their lesson (see the numerous biomarker investments), and their broad approach is a great match for a market that will continue to fragment, in our opinion. Thus, while the MYSTIC news lowers odds for a short-term bump from CM-227 (although still quite possible), we believe investors should continue to buy BMY for an outsized gain over the long-term.

News Review

Listed below are key news items since the last quarterly financial report:

- Key items from the American Society of Clinical Oncology (ASCO) Annual Meeting can be found in our *ASCO 2017 Recap* report.
- BMY and Seattle Genetics announced plans to **initiate a Phase 3 trial** testing Adcetris and Opdivo in relapsed/refractory classical Hodgkin lymphoma. BMY also announced encouraging results for Opdivo alone in the same indication. BMY will initiate another Phase 3 trial with Exelixis testing Cabometyx with Opdivo alone or with Opdivo and Yervoy in 2L renal cell carcinoma (RCC).
- Opdivo demonstrated **strong results in a Phase 3 trial** for adjuvant use in resected, high-risk melanoma patients. Opdivo beat out BMY's own Yervoy in recurrence-free survival (RFS).
- BMY continues to look for **biomarker research collaborations**. The company will use next-generation sequencing tools from Qiagen to identify patients more likely to benefit from I-O therapies.
- **Opdivo collaborations** continued apace. The company extended its collaboration with Calithera Biosciences to test Opdivo and Calithera's CB-189 in more tumor types. BMY and Advaxis announced a collaboration to test ADXS-DUAL and Opdivo in metastatic cervical cancer. Array BioPharma will test the company's MEK inhibitor, binimetinib, with Opdivo alone and with Opdivo and Yervoy in microsatellite stable colorectal cancer. BMY made the same move with Novartis' Mekinist as well.
- **Opdivo regulatory actions** also continued apace. The European Commission (EC) approved Opdivo for the treatment of 2L squamous cell cancer of the head and neck (SCCHN) and 2L urothelial carcinoma. The FDA granted a Priority Review to Opdivo for 2L liver cancer.

- BMY bought back $337 million in debt as part of a cash tender offer. Management noted the accelerated share repurchase program was completed during the quarter, and they expect to spend roughly $250 million per quarter on share buybacks. The company also sold a small molecule manufacturing facility in Ireland while simultaneously emphasizing the company's ongoing investment in a biologics facility in Ireland. The asset sale is expected to close in 4Q17.

2017 GUIDANCE AND ESTIMATES UPDATE

- Revenues guidance remained the same, with management expecting an increase in the mid-single digits.
- The gross margin is still expected to be between 72% and 73%.
- Marketing, Selling & Administrative expenses are still expected to decrease in the mid- to high-single digit range. R&D expenses are still expected to increase in the high-teens range on a GAAP basis and low-double digit range on a non-GAAP basis.
- With an effective tax rate of 23% (22% previously), BMY now expects GAAP EPS to be $2.66-$2.76 ($2.72-$2.87 previously). With an effective tax rate of 21%, BMY expects non-GAAP EPS to be $2.90-$3.00 versus $2.85-$3.00 previously.

We are increasing our FY17 revenue estimate to $20.47 billion versus our prior estimate of $20.23 billion. However, our non-GAAP EPS estimate is unchanged at $2.97. For FY18, we decreased our revenue estimate to $20.15 billion from $20.25 billion and decreased our non-GAAP EPS estimate to $3.20 from $3.21. Key changes include:

- From a revenue perspective, we tweaked Opdivo to feel the impact of Merck's moves in 1L NSCLC a little bit later than we initially anticipated. This helped FY17 estimates but hurt FY18 estimates. As we mentioned above, our long-term assumptions about Opdivo are little changed. We also increased our Eliquis estimates once again. This positive change was offset by negative revisions to the virology portfolio and Empliciti, which we are increasingly viewing as a non-core product due to frankly, better competition. Yervoy, Orencia, and Sprycel estimates were all lowered slightly. Longer-term, we modestly increased our pipeline estimates due to news from LAG-3 and FGF-21.
- We decreased our gross margin estimate in both FY17 and FY18, mostly due to this quarter's surprise. Eliquis success also comes with gross margin pressure.
- We increased operating expense estimates for FY17 but actually decreased them slightly for FY18, with the former more than offsetting the latter.

VALUATION & RATING

BMY is trading at 18.7X our next twelve month non-GAAP EPS estimate. Given the company's growth profile, which we view as strong, combined with a risk profile that we admit we see as rising, we believe this P/E is only slightly below the appropriate level, but we see longer-term growth leading to outsized gains for the stock and therefore maintain our Long-term Buy rating. Our two year price target is derived through two methodologies: 50% discounted free cash flow and 50% forward P/E. Our forward P/E portion, which results in a $68 price target, is derived through a proprietary method that assesses the biopharmaceutical industry on the basis of risk and growth. Risk is measured by product concentration while growth is determined through either our estimates or market assumptions about long-term growth. For BMY, this results in a 19X multiple applied to 2H18/1H19 operating EPS estimates for a $68 P/E price target. We note the multiple is down from 20X previously as higher product concentration increases the risk factor; additional pipeline progress could warrant a higher multiple in our model. Our discounted free cash flow assumptions include a WACC of 7.8% (up from 7.5% as a result of increased beta and capital structure changes) and terminal growth rate of 2%, as well as adding back net cash. The DCF model results

in a $63 price target. Thus, we believe shares are undervalued and maintain our Long-term Buy rating and our price target of $65. We note the price target is unchanged despite slightly lowered estimates due to rolling our model forward another quarter.

SUITABILITY

Bristol-Myers Squibb is a large and well-established biopharmaceutical company with a diversified portfolio. However, we believe their portfolio will become more concentrated in coming years. Further, their event risk has risen in the near term given upcoming critical clinical trial data. Thus, we assign BMY shares a suitability rating of 3.

RISKS & CONSIDERATIONS

- **Competition and innovation** – The biopharmaceutical business requires complex operations with many unique and uncertain aspects. A competitor or new company could produce new therapies that could displace BMY drugs.
- **Regulatory** – The biopharmaceutical industry is subject to an intense regulatory environment throughout a product life cycle. Regulatory actions against the company or an individual product may harm financial results.
- **Legal** – Product lawsuits are extremely common in the biopharmaceutical sector. An unfavorable court decision could hamper the ability to market a product or subject the company to earlier generic competition.

Prices of other stocks mentioned:

Merck & Company (MRK - $63.69)
Seattle Genetics (SGEN - $52.97)
Pfizer (PFE - $33.00)
Novartis (NVS - $84.97)
Qiagen (QGEN - $34.27)
Advaxis (ADXS - $6.55)
Calithera Biosciences (CALA - $15.20)
Array BioPharma (ARRY - $7.49)
AstraZeneca (AZN - $28.88)

Revenue Build											
In millions	**2015 A**	**2016 A**	**1Q17 A**	**2Q17 A**	**3Q17 E**	**4Q17 E**	**2017 E**	**2018 E**	**2019 E**	**2020 E**	**2021 E**
Baraclude	1,312	1,192	282	273	264	258	1,077	792	634	507	405
HCV	1,603	1,578	162	112	91	77	442	277	223	160	105
Reyataz	1,139	912	193	188	184	172	737	419	242	145	87
Sustiva	1,252	1,065	184	188	201	174	746	242	121	97	77
Empliciti	3	150	53	55	56	59	223	265	292	307	322
Opdivo	942	3,774	1,127	1,195	1,188	1,153	4,662	5,112	6,773	7,959	9,153
Sprycel	1,620	1,824	463	506	479	481	1,930	1,812	1,901	1,525	621
Yervoy	1,126	1,053	330	322	335	340	1,327	1,509	1,622	1,703	1,596
Orencia	1,885	2,265	535	650	633	692	2,510	2,603	2,447	2,259	2,094
Eliquis	1,860	3,343	1,101	1,176	1,241	1,297	4,814	5,416	6,093	6,550	6,877
Other*	3,818	2,271	499	479	499	525	2,002	1,702	1,652	2,026	2,677
Total	**16,560**	**19,427**	**4,929**	**5,144**	**5,171**	**5,227**	**20,471**	**20,150**	**22,000**	**23,238**	**24,015**
% of Total											
Baraclude	7.9%	6.1%	5.7%	5.3%	5.1%	4.9%	5.3%	3.9%	2.9%	2.2%	1.7%
HCV	9.7%	8.1%	3.3%	2.2%	1.8%	1.5%	2.2%	1.4%	1.0%	0.7%	0.4%
Reyataz	6.9%	4.7%	3.9%	3.7%	3.6%	3.3%	3.6%	2.1%	1.1%	0.6%	0.4%
Sustiva	7.6%	5.5%	3.7%	3.7%	3.9%	3.3%	3.6%	1.2%	0.6%	0.4%	0.3%
Empliciti	0.0%	0.8%	1.1%	1.1%	1.1%	1.1%	1.1%	1.3%	1.3%	1.3%	1.3%
Opdivo	5.7%	19.4%	22.9%	23.2%	23.0%	22.1%	22.8%	25.4%	30.8%	34.2%	38.1%
Sprycel	9.8%	9.4%	9.4%	9.8%	9.3%	9.2%	9.4%	9.0%	8.6%	6.6%	2.6%
Yervoy	6.8%	5.4%	6.7%	6.3%	6.5%	6.5%	6.5%	7.5%	7.4%	7.3%	6.6%
Orencia	11.4%	11.7%	10.9%	12.6%	12.2%	13.2%	12.3%	12.9%	11.1%	9.7%	8.7%
Eliquis	11.2%	17.2%	22.3%	22.9%	24.0%	24.8%	23.5%	26.9%	27.7%	28.2%	28.6%
Other*	23.1%	11.7%	10.1%	9.3%	9.6%	10.0%	9.8%	8.4%	7.5%	8.7%	11.1%

** Includes older products such as Abilify and Erbitux (2015 only) and our estimate of risk-adjusted revenues from the pipeline*
Source:Company Reports and Hilliard Lyons estimates

BRISTOL-MYERS SQUIBB											BMY: Long-term Buy
In billions (except share data)	2015 A	2016 A	1Q17 A	2Q17 A	3Q17 E	4Q17 E	2017 E	2018 E	2019 E	2020 E	2021 E
Fiscal Period End	12/31/2015	12/31/2016	3/31/2017	6/30/2017	9/30/2017	12/31/2017	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021
Income Statement											
Net Revenue	**16.56**	**19.43**	**4.93**	**5.14**	**5.17**	**5.23**	**20.47**	**20.15**	**22.00**	**23.24**	**24.01**
Gross Margin %	*76.4%*	*74.5%*	*74.5%*	*69.6%*	*71.9%*	*71.7%*	*71.9%*	*72.5%*	*72.7%*	*72.9%*	*73.2%*
Core Operating Expenses	10.8	9.9	2.4	2.8	2.5	2.8	10.5	9.7	9.7	10.0	10.3
Other (Income)/Expense	(0.2)	(1.3)	(0.6)	(0.5)	(0.1)	(0.1)	(1.4)	(0.9)	(1.1)	(1.2)	(1.1)
Total Operating Expenses	10.6	8.6	1.7	2.3	2.4	2.7	9.1	8.8	8.5	8.9	9.2
GAAP Operating Income	**2.1**	**5.9**	**2.0**	**1.3**	**1.3**	**1.1**	**5.7**	**5.8**	**7.4**	**8.1**	**8.4**
GAAP Operating Margin %	*12.5%*	*30.4%*	*39.7%*	*25.2%*	*26.1%*	*20.3%*	*27.6%*	*28.6%*	*33.8%*	*34.7%*	*35.0%*
Operating Income ex. Spec. Items	**4.3**	**6.2**	**1.8**	**1.6**	**1.6**	**1.3**	**6.3**	**6.7**	**8.3**	**8.4**	**8.7**
Non-GAAP Operating Margin %	*25.8%*	*31.7%*	*35.9%*	*30.7%*	*30.9%*	*25.6%*	*30.7%*	*33.2%*	*37.5%*	*36.1%*	*36.4%*
Non-GAAP Effective Tax Rate	*20.9%*	*22.0%*	*20.2%*	*22.4%*	*21.0%*	*21.0%*	*21.1%*	*20.9%*	*20.9%*	*21.0%*	*21.0%*
Non-GAAP Net Income	**3.4**	**4.8**	**1.4**	**1.2**	**1.3**	**1.1**	**5.0**	**5.3**	**6.5**	**6.6**	**6.9**
Diluted Shares Outstanding	1.68	1.68	1.67	1.65	1.65	1.64	1.65	1.64	1.63	1.63	1.62
Non-GAAP Diluted EPS	**$1.98**	**$2.83**	**$0.84**	**$0.74**	**$0.76**	**$0.63**	**$2.97**	**$3.20**	**$3.97**	**$4.04**	**$4.21**
GAAP Diluted EPS	$0.93	$2.65	$0.94	$0.56	$0.64	$0.50	$2.64	$2.75	$3.56	$3.88	$4.06
Balance Sheet											
Cash and Equivalents	2.4	4.2	3.9	3.5	3.4	4.1	4.1	5.4	7.9	11.5	15.0
Other Current Assets	8.0	9.5	9.7	10.9	10.4	10.4	10.4	10.5	11.1	11.4	11.5
Total Current Assets	**10.4**	**13.7**	**13.6**	**14.3**	**13.8**	**14.4**	**14.4**	**15.9**	**18.9**	**22.9**	**26.5**
Net PP&E	4.4	5.0	5.0	4.9	5.3	5.7	5.7	6.5	7.3	8.1	8.9
Intangible Assets	8.3	8.3	8.2	8.1	8.1	8.1	8.1	8.1	8.2	8.2	8.2
Other Assets	8.6	6.8	6.2	6.0	6.1	6.2	6.2	6.3	6.3	6.5	6.6
Total Assets	**31.7**	**33.7**	**32.9**	**33.4**	**33.3**	**34.4**	**34.4**	**36.9**	**40.7**	**45.7**	**50.2**
Current Liabilities	8.0	8.8	8.5	9.0	9.3	9.9	9.9	9.2	10.2	10.5	10.0
Non-Current Liabilities	9.3	8.5	9.9	9.6	9.1	9.2	9.2	9.4	8.5	8.7	9.0
Total Liabilities	**17.3**	**17.4**	**18.4**	**18.6**	**18.4**	**19.1**	**19.1**	**18.6**	**18.7**	**19.2**	**19.0**
Total Shareholders' Equity	**14.4**	**16.3**	**14.5**	**14.8**	**14.9**	**15.3**	**15.3**	**18.3**	**22.0**	**26.5**	**31.2**
Cash Flow Statement											
Cash Flow from Operations	1.8	2.9	0.9	1.6	1.7	1.7	5.9	4.9	7.2	7.3	7.1
Cash Flow from Investing	(1.6)	1.5	(0.2)	(1.0)	(0.2)	(0.3)	(1.7)	(0.8)	(0.7)	(0.7)	(0.7)
Cash Flow from Financing	(3.4)	(2.4)	(1.0)	(1.0)	(1.6)	(0.8)	(4.4)	(2.8)	(4.0)	(3.0)	(2.9)
Free Cash Flow to Equity	**-0.1**	**1.7**	**2.3**	**1.0**	**0.7**	**1.5**	**3.9**	**4.1**	**5.3**	**6.6**	**6.4**

Source: Company Reports and Hilliard Lyons estimates

Additional information is available upon request.

Analyst Certification

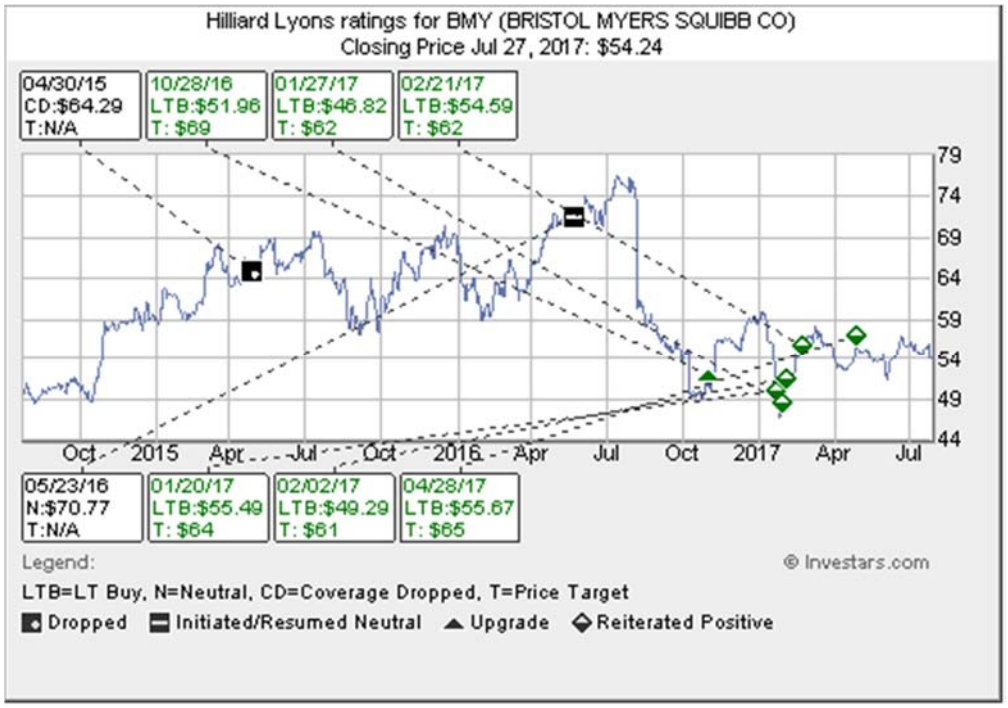
I, Kurt A. Kemper, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing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

Definitions of Suitabilities:
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	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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