



COMPANY UPDATE

Key Metrics

CMS - NYSE (Price as of 4/28/17)	\$45.40
Price Target	N/A
52-Week Range	\$46.25-\$38.78
Shares Outstanding (mm)	279.9
Market Cap. (\$mm)	\$12,707
3-Mo. Average Daily Volume	1,853,000
Institutional Ownership	90.0%
Debt/Total Capital	69.8%
ROE (ttm)	12.4%
Book Value/Share	\$15.23
Price/Book Value	3.0x
Indicated Dividend / Yield	\$1.33 2.9%
Dividend Cycle	Feb., May, Aug., Nov.

EPS FY 12/31

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q		--		--	--
2Q		--		--	--
3Q		--		--	--
4Q		--		--	--
Year	\$2.02		\$2.17		\$2.34
P/E	22.5x		20.9x		19.4x
Payout	61%		61%		57%

Note: Figures exclude non-recurring items

Revenue (\$mm)

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q		--		--	--
2Q		--		--	--
3Q		--		--	--
4Q		--		--	--
Year	\$6,399		\$6,575		\$6,725

Company Description: Headquartered in Jackson, Michigan, CMS Energy is an integrated energy company. It has two principal subsidiaries: Consumers Energy and CMS Enterprises. Consumers Energy is a public utility that provides electricity to 1.8 million customers and natural gas to 1.7 million residents. CMS Enterprises' primary business is independent power production. Fuel sources: Gas 34%, Coal 24%, Pumped storage 11%, Renewables 10%, Oil 10%, Nuclear 8%, Purchased 3%.

CMS Energy

CMS -- NYSE – Neutral -- 2

Company reports strong first quarter results and reaffirms 2017 earnings guidance

- **CMS Energy reported first quarter adjusted operating earnings of \$0.71 per share versus \$0.59 per share in the first quarter of 2016.** Earnings were above the consensus estimate of \$0.65 per share. This was a particularly impressive performance given a much warmer than normal winter in Michigan and a March wind storm that resulted in significant power outages. On a weather-normalized basis, earnings would have been \$0.85 per share compared to \$0.71 per share in the first quarter. The company continues to benefit from costs savings, rate increases, and economic growth in its service territory.
- **Management reaffirms 2017 earnings guidance.** CMS continues to expect this year's earnings to be in a range of \$2.14 to \$2.18 per share. We are maintaining our 2017 EPS estimate of \$2.17, which would represent nearly a 7.5% increase over last year's \$2.02. Our initial 2018 earnings estimate is \$2.34 per share. The company expects to grow its earnings by a 6% to 8% annual rate beginning this year, up from the previous 5% to 7% range. Earnings growth is expected to be driven by projected spending of \$18 billion on capital expenditures over the next ten years. We expect similar dividend growth going forward.
- **Tom Webb, CMS's long time CFO, to retire.** In our view, Mr. Webb did a remarkable job in his years at CMS, helping to transform CMS many years ago from a company with unpredictable results to the most consistent company of any utility we follow. Mr. Webb will be succeeded by Rejji Hayes, former CFO of ITC Holdings. CMS has a history of successful management transitions and we expect this will prove to be yet another.
- **We rate CMS Neutral due to valuation.** While we believe CMS deserves to trade at a premium valuation due to its excellent track record and bright outlook, we view the shares as more fairly valued than undervalued. However, we continue to regard CMS as an excellent long-term core holding for investors seeking both capital appreciation and growing dividends.

Note Important Disclosures on Pages 2 and 3.
Note Analyst Certification on Page 2.

Suitability

We assign a 2 suitability rating to CMS Energy. The company's primary businesses, gas and electricity, are regulated, which generates stable results. CMS generates the most consistent financial performance of any utility in our coverage. We believe CMS is a suitable holding for conservative investors seeking both capital appreciation and a rising dividend income stream.

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 to 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.	
	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Rating				
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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