



COMPANY UPDATE

Key Metrics

D - NYSE (8/2/17)	\$77.86
Price Target	NA
52-Week Range	\$81.65 - \$69.51
Shares Outstanding (mm)	628.7
Market Cap. (\$mm)	\$48,950
3-Mo. Average Daily Volume	2,353,000
Institutional Ownership	62.0%
Debt/Total Capital	65.4%
ROE (ttm)	11.4%
Book Value/Share	\$19.12
Price/Book Value	4.1x
Indicated Dividend / Yield	\$3.02 3.9%
Dividend Cycle	March, June, Sept., Dec.

EPS FY 12/31

	Prior	Curr.	Prior	Curr.
	2016	2017E	2018E	2018E
1Q				
2Q				
3Q				
4Q				
Year	\$3.80	\$3.65		\$4.00
P/E	20.5x	21.3x		19.5x
Payout	74%	83%		76%

Note: Figures exclude non-recurring items

Revenue (\$mm)

	Prior	Curr.	Prior	Curr.
	2016	2017E	2018E	2018E
1Q				
2Q				
3Q				
4Q				
Year	\$11,733	\$13,050		\$14,100

Company Description: Dominion Energy is one of the nation's largest producers and transporters of energy, with a portfolio of approximately 26,400 megawatts of generation, 14,600 miles of natural gas transmission, gathering and storage pipeline, and 6,600 miles of electric transmission lines. Dominion operates one of the nation's largest natural gas storage systems with 1 trillion cubic feet of storage capacity and serves more than 6 million utility and retail energy customers. Generation sources: Coal 46%, Nuclear 41%, Natural Gas 9%, Hydro and other 3%, Oil 1%.

Dominion Energy

D -- NYSE -- Neutral -- 2

Company reports solid second quarter results and reaffirms 2017 earnings guidance

Investment Highlights

- **Dominion reported second quarter operating earnings of \$0.67 per share versus \$0.71 in the second quarter of 2016.** Earnings were modestly above consensus expectations and previous management guidance. The lower operating earnings are primarily attributable to a reduction of Cove Point import contract revenues and the absence of a farmout transaction. Weather was also a negative factor in the second quarter. These factors were partially offset by revenues from regulated growth projects, lower electric capacity expense, and the addition of Dominion Questar.
- **Management reaffirms 2017 earnings guidance.** The company continues to expect this year's earnings to be in a range of \$3.40 to \$3.90 per share. We are maintaining our 2017 and 2018 EPS estimates of \$3.65 and \$4.00 per share, respectively. Dominion also continues to expect to grow its earnings by at least 10% next year. In addition, D is projecting its earnings will grow by a 6% to 8% compound annual rate from 2017-2020.
- **Company's growth projects gaining momentum.** Dominion's Cove Point liquefied natural gas export project is 95% complete and is expected to be operational by year-end. We believe Cove Point's commercial operation will boost Dominion's earnings in 2018. The company continues to make progress with its Atlantic Coast Pipeline project and is now awaiting Federal Energy Regulatory Commission approval. The company also has other growth projects in development.
- **We maintain our Neutral rating on Dominion based on valuation.** We believe the company remains well positioned to deliver ongoing strong earnings growth beginning in 2018. This earnings growth will likely support meaningful dividend growth as well, in our view. We would maintain positions in the stock for long-term total return accounts.

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

Suitability

We assign a 2 suitability rating to Dominion Resources. The company generates the majority of its earnings from its regulated utility assets, which has allowed for consistent earnings and dividend growth. In addition, the company does have some merchant generation exposure and is pursuing additional energy projects. As a result, it carries modestly more risk than a completely regulated utility. We view Dominion as an appropriate holding for utility investors seeking total return.

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.

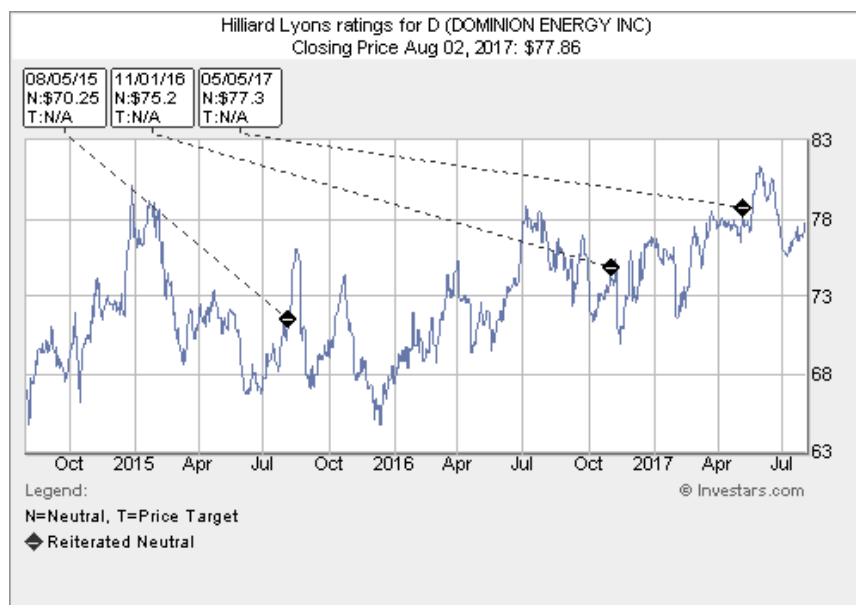
Suitability Ratings

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