



COMPANY UPDATE / ESTIMATE CHANGE

**Key Metrics**

D - NYSE (10/30/17)	\$81.48
Price Target	NA
52-Week Range	\$69.51 - \$82.04
Shares Outstanding (mm)	642.5
Market Cap. (\$mm)	\$52,338
3-Mo. Average Daily Volume	2,179,000
Institutional Ownership	62.0%
Debt/Total Capital	65.4%
ROE (ttm)	14.1%
Book Value/Share	\$24.47
Price/Book Value	3.3x
Indicated Dividend / Yield	\$3.08 3.8%
Dividend Cycle	March, June, Sept., Dec.

**EPS FY 12/31**

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q					
2Q					
3Q					
4Q					
Year	\$3.80	\$3.65	\$3.60		\$4.00
P/E	21.4x		22.6x		\$20.40
Payout	74%		83%		77%

Note: Figures exclude non-recurring items

**Revenue (\$mm)**

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q					
2Q					
3Q					
4Q					
Year	\$11,733		\$13,185		\$15,100

**Company Description:** Dominion Energy is one of the nation's largest producers and transporters of energy, with a portfolio of approximately 25,600 megawatts of generation, 15,000 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 third quarter results and updates future earnings guidance**

**Investment Highlights**

- **Dominion reported third quarter operating earnings of \$1.04 per share versus \$1.10 in the third quarter of 2016.** Earnings were slightly above consensus expectations and in line with previous management guidance. The lower operating earnings were primarily attributable to milder weather in D's service territory, a step down in solar tax credits, and a reduction of Cove Point import contract revenues. These factors were partially offset by the addition of Dominion Energy Questar and gains from farmout agreements.
- **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 trimming our 2017 EPS estimate by \$0.05 to \$3.60, but maintaining our 2018 EPS estimate of \$4.00. 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. The company anticipates earnings will grow by at least a 5% annual rate beyond 2020. Dividends are expected to grow by 10% annually from 2018 to 2020.
- **Company's growth projects moving forward.** Dominion's Cove Point liquefied natural gas export project is effectively complete and expected to be operational by year-end. We believe Cove Point's commercial operation could boost Dominion's earnings significantly in 2018. The company could begin construction on the Atlantic Coast Pipeline project by year-end with completion expected in the second half of 2019.
- **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. We would maintain positions in the stock for long-term total return.

**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.

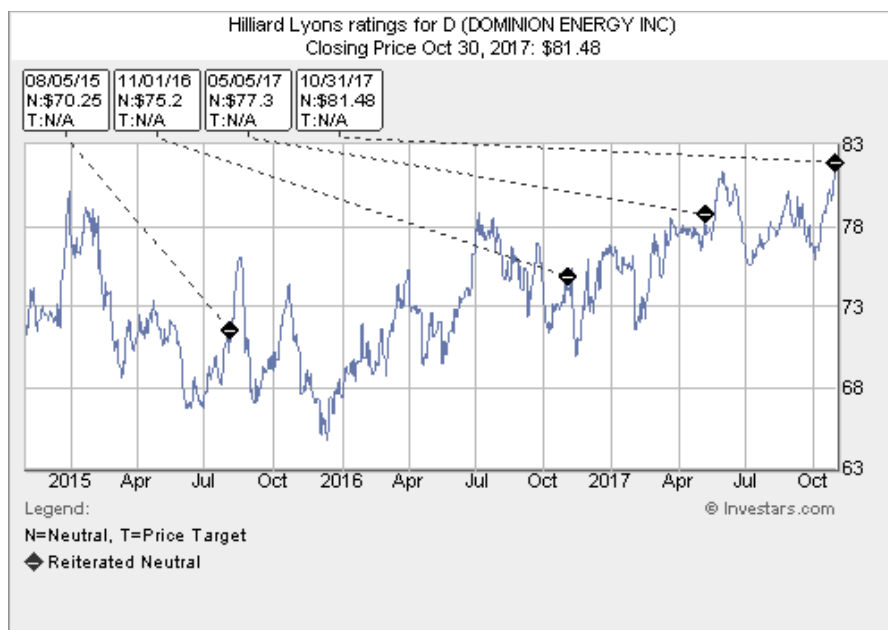
**Suitability Ratings**

**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
<b>Rating</b>				
<b>Buy</b>	39	32%	8%	92%
<b>Hold/Neutral</b>	74	60%	9%	91%
<b>Sell</b>	8	7%	0%	100%
<b>Restriction</b>	2	2%	100%	0%

As of 5 October 2017

**Other Disclosures**

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