



## COMPANY UPDATE

### Key Metrics

DUK - NYSE (Price as of 8/3/17)	\$86.51
Price Target	NA
52-Week Range	\$72.34 - \$87.75
Shares Outstanding (mm)	700.0
Market Cap. (\$mm)	\$58,044
3-Mo. Average Daily Volume	2,928,000
Institutional Ownership	56.0%
Debt/Total Capital (6/30)	56.0%
ROE (ttm)	6.7%
Book Value/Share (6/30)	\$58.99
Price/Book Value	1.5x
Indicated Dividend / Yield	\$3.56 4.1%
Dividend Cycle	March, June, Sept., Dec.

### EPS FY 12/31

	2016	Prior 2017E	Curr. 2017E	Prior 2017E	Curr. 2018E
1Q	--	--	--	--	--
2Q	--	--	--	--	--
3Q	--	--	--	--	--
4Q	--	--	--	--	--
Year	\$4.69		\$4.60		\$4.80
P/E	18.4x		18.8x		18.0x
Payout	71%		77%		74%

### Revenue (\$mm)

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	--	--	--	--	--
2Q	--	--	--	--	--
3Q	--	--	--	--	--
4Q	--	--	--	--	--
Year	\$22,743		\$24,300		\$25,100

**Company Description:** Duke Energy is the largest electric power holding company in the United States. Its regulated utility operations serve approximately 7.4 million customers located in six states – North Carolina, South Carolina, Indiana, Ohio, Florida, and Kentucky. The company also distributes natural gas to more than 1.5 million customers in the Carolinas, Ohio, Kentucky, and Tennessee. Its commercial business operates a growing renewable energy portfolio and transmission infrastructure across the United States. Generation sources: Coal 51%, Natural Gas & Oil 18%, Nuclear 29%, and Hydro/Renewable 2%.

## Duke Energy

DUK -- NYSE -- Neutral -- 2

### Company reports solid second quarter results and reaffirms 2017 guidance

- **Duke Energy reported second quarter 2017 adjusted earnings of \$1.01 per share versus \$1.07 per share in the second quarter of 2016.** Earnings were in line with expectations. The decline in year over year earnings was primarily due to the absence of DUK's International Energy business segment, which was sold in December 2016, along with less favorable weather and higher income tax expense primarily due to a prior year favorable tax resolution. While reported earnings were lower due to the reasons noted above, both Duke's electric and gas utility segments contributed higher earnings in the second quarter.
- **Management reaffirmed 2017 earnings guidance.** The company expects this year's earnings to be in a range between \$4.50 and \$4.70 per share. We are maintaining our 2017 and 2018 EPS estimates of \$4.60 and \$4.80, respectively. Duke continues to expect earnings to grow by a 4% to 6% rate through 2021 off the midpoint of this year's guidance.
- **This is a busy regulatory year for Duke Energy.** Duke Energy Progress Carolinas filed a retail rate request for \$477 million during the second quarter. Duke Energy Carolinas will also be filing for a rate increase. In addition, the passage of House Bill 589 in North Carolina reforms the regulatory process in the state in such a way that Duke is likely to significantly expand its presence in the renewables field over the next couple of years. In our view, this development could prove to be a significant long-term positive for Duke.
- **Company raises dividend.** In July DUK increased its annual dividend by 3.6% to a new annual rate of \$3.56 per share. The stock's dividend yield is 4.1%.
- **We maintain our Neutral rating on Duke Energy.** While earnings may decline modestly this year, we believe the company is well positioned for the future.

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

**Suitability**

We assign a 2 suitability rating to Duke Energy. The company generates the majority of its earnings from its regulated utility business. In addition, Duke also has a commercial portfolio but sold its international business in 2016's fourth quarter. Along with the completion of last year's purchase of Piedmont Natural Gas, we expect these moves to increase the earnings consistency as well as reduce risk. We believe Duke is suitable for utility investors seeking modest earnings and dividend growth.

*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.

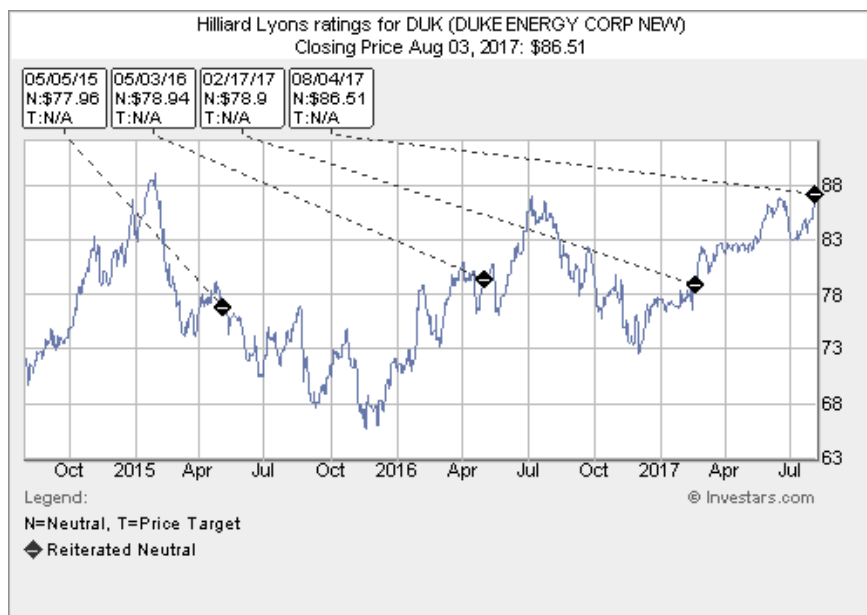
**Suitability Ratings**

**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



Rating	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# 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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