



COMPANY UPDATE / ESTIMATE CHANGE

Key Metrics

DUK - NYSE (Price as of 2/16/17)	\$78.90
Price Target	NA
52-Week Range	\$87.75 - \$72.34
Shares Outstanding (mm)	691.0
Market Cap. (\$mm)	\$53,884
3-Mo. Average Daily Volume	3,192,000
Institutional Ownership	56.0%
Debt/Total Capital (12/31)	52.0%
ROE (ttm)	6.5%
Book Value/Share (12/31)	\$57.78
Price/Book Value	1.4x
Indicated Dividend / Yield	\$3.42 4.3%
Dividend Cycle	March, June, Sept., Dec.

EPS FY 12/31

	2015	Prior 2016E	2016A	Prior 2017E	Curr. 2017E
1Q	--	--	--	--	--
2Q	--	--	--	--	--
3Q	--	--	--	--	--
4Q	--	--	--	--	--
Year	\$4.54		\$4.69	\$4.70	\$4.60
P/E	17.4x		16.8x		17.2x
Payout	71%		73%		74%

Revenue (\$mm)

	2015	Prior 2016E	2016A	Prior 2017E	Curr. 2017E
1Q	--	--	--	--	--
2Q	--	--	--	--	--
3Q	--	--	--	--	--
4Q	--	--	--	--	--
Year	\$23,371		\$22,743	--	\$22,425

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%, Hydro/Renewable 2%.

Duke Energy

DUK -- NYSE -- Neutral -- 2

Company reports solid fourth quarter results and introduces 2017 guidance

- Duke Energy reported fourth quarter 2016 adjusted earnings of \$0.81 per share versus \$0.87 per share in the fourth quarter of 2015.** Earnings were in line with expectations. For the year, Duke earned \$4.69 per share compared to \$4.54 per share in 2015, a gain of 3.3%. Last year's earnings were helped by favorable weather; higher pricing and riders; higher wholesale net margins and the addition of Piedmont's earnings. These positives were partially offset by higher depreciation and amortization expense; higher interest expense; lower results at National Methanol Company and the absence of earnings from a disposed business. Last year was also a significant one from a strategic perspective for Duke. The company completed its acquisition of Piedmont Natural Gas and the sale of its international business. We believe both steps will help produce more consistent earnings as well as reduce risk.
- Management introduced 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 trimming our 2017 EPS estimate by \$0.10 to \$4.60 to reflect new guidance. Thus, it appears this year's earnings could be modestly lower than last year's results. However, Duke expects earnings to grow by a 4% to 6% rate through 2021 off the midpoint of this year's guidance. Growth is expected to be driven by a large capital investment program. The company has a \$37 billion capital growth plan over the next five years, an increase of 23% from their projected plan a year ago.
- We maintain our Neutral rating on Duke Energy.** While earnings may prove modestly lower this year, we believe management is positioning the company for future consistent growth in the years ahead. In addition, the stock offers an attractive 4.3% dividend yield and DUK expects to grow its dividend by 4% to 6% annually. We would maintain positions in the stock.

**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.

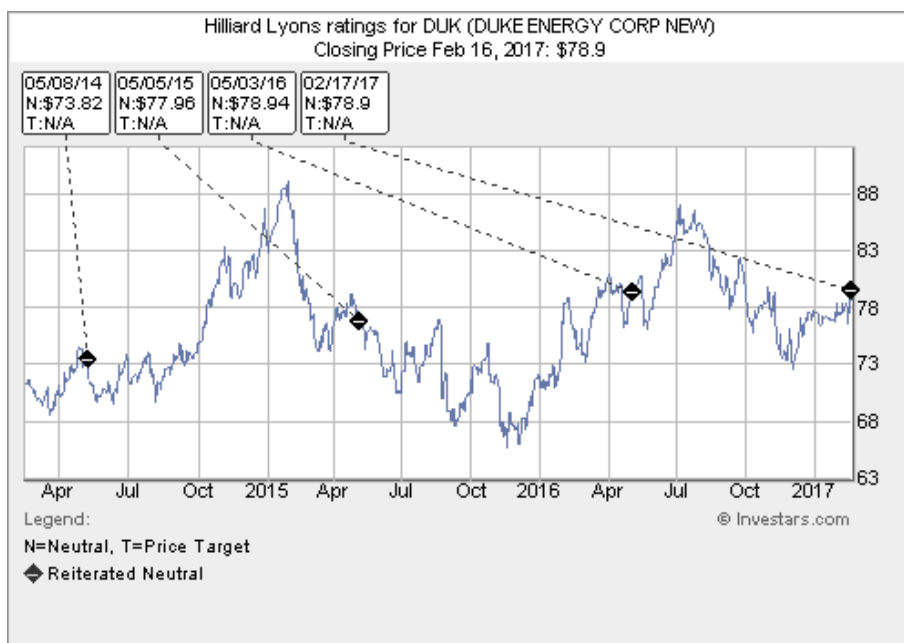
Suitability Ratings

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



Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.		
Rating	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	36	30%	17%	83%
Hold/Neutral	76	62%	7%	93%
Sell	10	8%	0%	100%

As of 6 February 2017

Other Disclosures

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