



COMPANY UPDATE

Key Metrics

DUK - NYSE (Price as of 5/8/17)	\$82.92
Price Target	NA
52-Week Range	\$87.75 - \$72.34
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 (3/31)	56.0%
ROE (ttm)	6.7%
Book Value/Share (3/31)	\$58.84
Price/Book Value	1.4x
Indicated Dividend / Yield	\$3.42 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	17.7x		18.0x		17.3x
Payout	71%		74%		71%

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 first quarter results and reaffirms 2017 guidance

- **Duke Energy reported first quarter 2017 adjusted earnings of \$1.04 per share versus \$1.13 per share in the first quarter of 2016.** Earnings were slightly above 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 warm winter weather. The warm weather negatively impacted earnings by \$0.14 per share. These negative factors were partially offset by the contribution of the acquired Piedmont Natural Gas and favorable operations and maintenance expense.
- **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 EPS estimate of \$4.60, modestly lower than last year's results. However, we believe earnings will begin to trend steadily higher in 2018. Our initial 2018 earnings estimate is \$4.80 per share. Duke continues to expect earnings to grow by a 4% to 6% rate through 2021 off the midpoint of this year's guidance. While the growth may vary from year to year, each year's growth is expected to fall within that range. The company has several rate case proceedings that are important to potential 2018 results. Longer term, growth is expected to be driven by a major capital investment program. The company has a large \$36 billion capital plan for the next ten years, which provides significant growth potential.
- **We maintain our Neutral rating on Duke Energy.** Although earnings may decline modestly this year, we continue to believe management is positioning the company for future consistent growth in the years ahead. The company is targeting 4% to 6% annual earnings and dividend growth. The stock currently provides an attractive 4.1% dividend yield.

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.

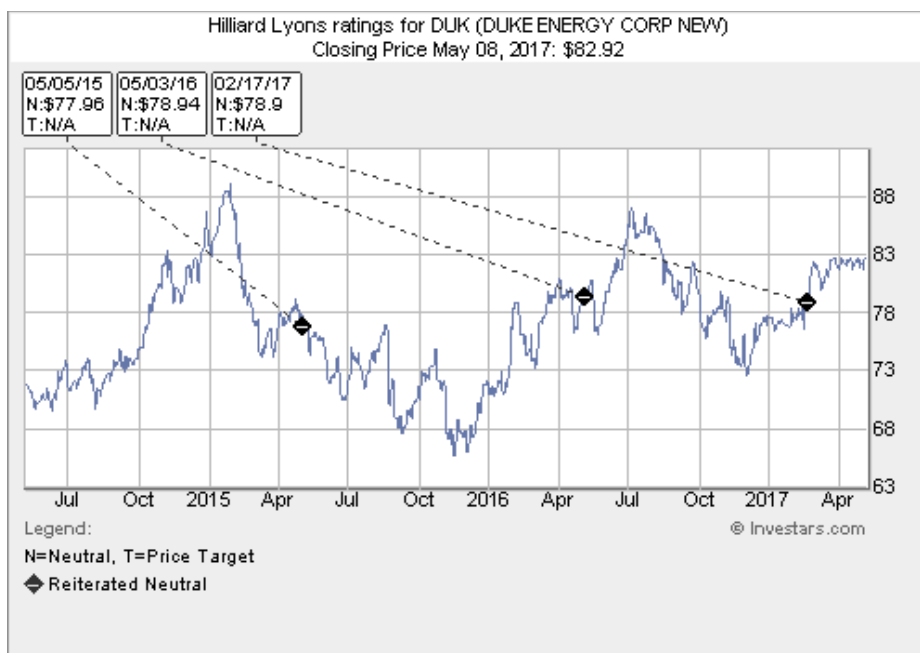
Suitability Ratings

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.	
	# 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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