



COMPANY UPDATE / ESTIMATE CHANGE

Key Metrics

DUK - NYSE (Price as of 11/2/17)	\$88.56
Price Target	NA
52-Week Range	\$72.34 - \$88.72
Shares Outstanding (mm)	700.0
Market Cap. (\$mm)	\$61,992
3-Mo. Average Daily Volume	2,236,000
Institutional Ownership	56.0%
Debt/Total Capital (9/30)	55.0%
ROE (ttm)	6.9%
Book Value/Share (9/30)	\$59.49
Price/Book Value	1.5x
Indicated Dividend / Yield	\$3.56 4.0%
Dividend Cycle	March, June, Sept., Dec.

EPS FY 12/31

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	--	--	--	--	--
2Q	--	--	--	--	--
3Q	--	--	--	--	--
4Q	--	--	--	--	--
Year	\$4.69	\$4.60	\$4.56		\$4.80
P/E	18.9x		19.4x		18.4x
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 third quarter results and narrows 2017 earnings guidance

- Duke Energy reported third quarter 2017 adjusted earnings of \$1.55 per share versus \$1.68 per share in the third quarter of 2016.** Earnings were modestly ahead of consensus expectations. The decline in year over year earnings was primarily due to unfavorable weather and the absence of DUK's International Energy business segment, which was sold in December 2016. These factors were partially offset by lower income tax expense, higher retail revenues from increased pricing and riders and ongoing cost management efforts.
- Management narrowed 2017 earnings guidance.** The company now expects this year's earnings to be in a range between \$4.50 to \$4.60 per share, compared to \$4.50 to \$4.70 per share, previously. We are trimming our 2017 EPS estimate to \$4.56 from \$4.60. However, we are maintaining our 2018 EPS estimate of \$4.80. Duke continues to expect earnings to grow by a 4% to 6% rate through 2021 off the midpoint of this year's original earnings guidance. We expect earnings growth to be driven by strong capital spending.
- Busy regulatory period continues.** There was recently a constructive settlement approved with Duke Energy Florida. On October 25, the Florida Public Service Commission approved a settlement that allows base rate increases of \$67 million per year 2019-2021, primarily to recover investments in grid modernization. The settlement also included a solar generation base rate adjustment. In addition, hearings will begin later this month relative to a rate case proceeding at Duke Energy Progress. Hearings will begin in February relative to a rate increase filing at Duke Energy Carolinas.
- We maintain our Neutral rating on Duke Energy.** We believe the company is positioning itself well to deliver consistent 4% to 6% earnings and dividend growth in the years ahead. We would maintain positions in the stock and note that it carries an attractive 4.0% 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, offering 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.

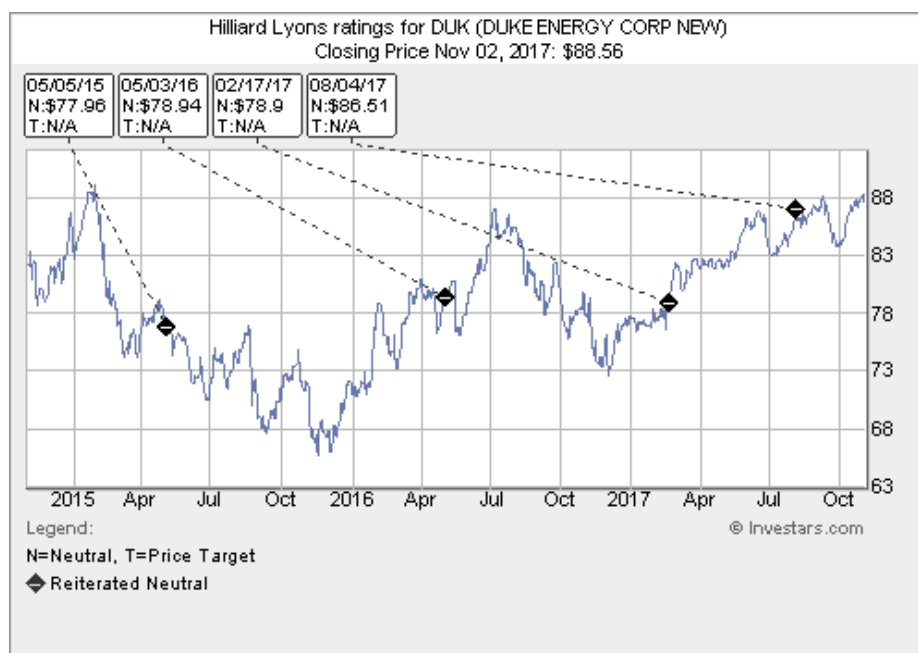
Suitability Ratings

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	39	32%	8%	92%
Hold/Neutral	74	60%	9%	91%
Sell	8	7%	0%	100%
Restriction	2	2%	100%	0%

As of 5 October 2017

Other Disclosures

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