



COMPANY UPDATE / ESTIMATE CHANGE

**Key Metrics**

ETR - NYSE (4/26/17)	\$75.99
Price Target	NA
52-Week Range	\$82.08 - \$66.71
Shares Outstanding (mm)	179.3
Market Cap. (\$mm)	\$13,625
3-Mo. Average Daily Volume	1,358,000
Institutional Ownership	87.0%
Debt/Total Capital (3/31)	65.4%
ROE (ttm)	13.9%
Book Value/Share (3/31)	\$44.90
Price/Book Value	1.7x
Indicated Dividend / Yield	\$3.48 4.6%
Dividend Cycle	March, June, Sept., Dec.

**EPS FY 12/31**

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q					
2Q					
3Q					
4Q					
Year	\$7.11	\$5.00	\$4.85		\$4.80
P/E	10.7x		15.7x		15.8x
Payout	49%		72%		73%

Note: Figures exclude non-recurring items

**Revenue (\$mm)**

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q					
2Q					
3Q					
4Q					
Year	\$10,845		\$10,675		\$10,825

**Company Description:** Entergy Corporation is an integrated energy company engaged primarily in electric power production and retail distribution operations. Entergy owns and operates power plants with approximately 30,000 megawatts of electric generating capacity and it is the second largest nuclear generator in the United States. Entergy delivers electricity to 2.8 million utility customers in Arkansas, Louisiana, Mississippi and Texas. Entergy has annual revenues of more than \$11 billion and has approximately 13,000 employees. Generation sources: Natural Gas 65%, Nuclear 24%, Coal 10%, Hydro 1%.

**Entergy Corporation**

ETR -- NYSE -- Neutral -- 2

**Company reports lower first quarter earnings but reaffirms 2017 guidance**

**Investment Highlights**

- **Entergy reported first quarter operating earnings of \$0.99 per share versus \$1.35 per share in the first quarter of 2016.** While earnings were lower, they were above expectations. First quarter utility earnings were negatively impacted by unusually mild winter weather, higher operations and maintenance expense, along with higher depreciation expense. These negatives were partially offset by higher rates. Entergy's merchant generation business, Entergy Wholesale Commodities, saw its earnings decline due to lower prices and higher decommissioning expense.
- **Company sells EWC's Fitzpatrick plant.** On March 31, Entergy sold its Fitzpatrick merchant generation plant in the state of New York to Exelon for \$110 million. The action comes after ETR's decision last year to exit the merchant generation business and concentrate on its traditional regulated utility business. We believe this is a prudent move that will lower the company's long-term risk. Yet, this will be a lengthy process as plant closings will occur annually through 2021.
- **Management reaffirms 2017 earnings guidance.** Entergy expects this year's earnings to be in a range between \$4.75 to \$5.35 per share. We are trimming our 2017 earnings estimate by \$0.15 to \$4.85 per share to reflect the challenging start to the year. We continue to expect the company's utility earnings to grow steadily over the next few years as a result of increased capital spending on its regulated utility assets. ETR's merchant generation business is likely to remain under pressure, with smaller contributions in the years ahead.
- **We maintain our Neutral rating on Entergy.** While we like the company's utility business and believe its decision to reduce its merchant generation exposure is a wise one, it may prove difficult to grow earnings consistently in the near term. ETR's stock does have an attractive 4.6% dividend yield, however.

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

**Suitability**

We assign a 2 suitability rating to Entergy. The majority of the company's earnings come from its regulated utility business. This provides a base of consistent earnings and cash flows for the company. The company also has significant merchant generation exposure, which has been a challenging business in recent years. However, ETR has made the decision to exit this business. While we believe this strategy makes sense and will reduce long-term risk, this will be a lengthy process. As such, we view Entergy as most suitable for utility investors who can accept somewhat more risk than with a solely regulated utility. We note the stock carries an above industry average dividend yield of 4.6%. We believe the dividend is secure and point out ETR has raised its dividend twice in recent years.

Price of other stocks mentioned: Exelon (EXC-\$34.90).

*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.

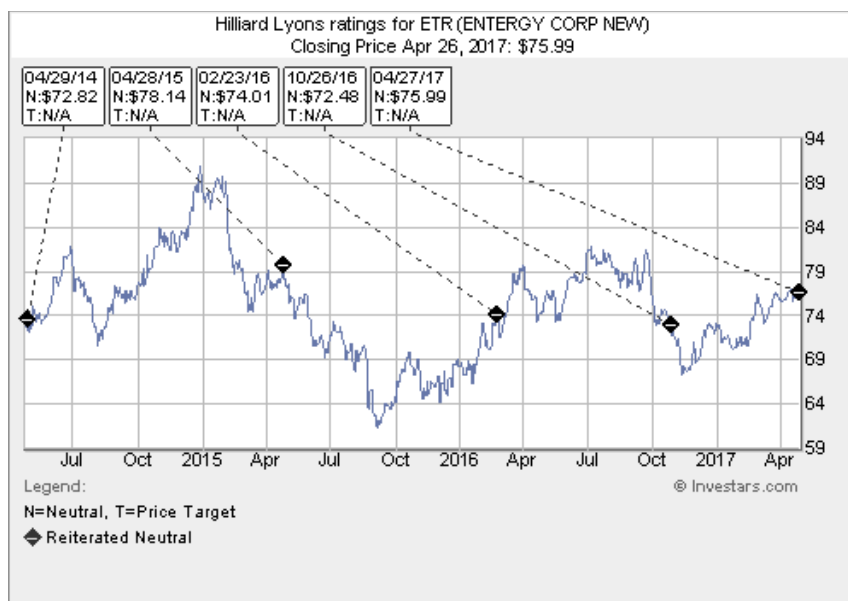
**Suitability Ratings**

**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	% of		
<b>Rating</b>	<b>Stocks Covered</b>	<b>Stocks Covered</b>	<b>Banking</b>	<b>No Banking</b>
<b>Buy</b>	36	30%	14%	86%
<b>Hold/Neutral</b>	71	58%	6%	94%
<b>Sell</b>	15	12%	7%	93%

As of 5 April 2017

**Other Disclosures**

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