



COMPANY UPDATE / ESTIMATE CHANGE

Key Metrics

ETR - NYSE (8/3/17)	\$76.86
Price Target	NA
52-Week Range	\$66.81 - \$81.83
Shares Outstanding (mm)	179.5
Market Cap. (\$mm)	\$13,625
3-Mo. Average Daily Volume	1,358,000
Institutional Ownership	87.0%
Debt/Total Capital (6/30)	65.5%
ROE (ttm)	13.3%
Book Value/Share (6/30)	\$46.63
Price/Book Value	1.6x
Indicated Dividend / Yield	\$3.48 4.5%
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	\$4.85	\$4.40	\$4.80	\$4.70
P/E	10.8x		17.5x		16.4x
Payout	49%		79%		74%

Note: Earnings estimates reflect core utility operations

Revenue (\$mm)

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q					
2Q					
3Q					
4Q					
Year	\$10,845		\$11,060		\$11,210

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 second quarter earnings but reaffirms 2017 guidance

Investment Highlights

- **Entergy reported second quarter operating earnings of \$3.11 per share flat with last year's second quarter results.** Both current and prior second quarter were favorably impacted by income tax items of a similar magnitude in each quarter. On an adjusted basis, normalizing for the effects of weather and income taxes, the company's core utility business posted earnings of \$1.12 per share versus \$1.18 per share in 2016's second quarter. Utility earnings were negatively impacted by higher operations and maintenance expense. Entergy's merchant generation business, Entergy Wholesale Commodities, saw its earnings decline due to lower prices and higher decommissioning expense.
- **Company moves forward with its plans to exit the merchant generation business completely by 2021.** 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 risk and improve the company's long-term outlook.
- **Management raises 2017 earnings guidance due to tax factors.** Entergy now expects this year's earnings to be in a range between \$6.80 to \$7.40 per share to reflect a tax item recorded in the second quarter. Core utility earnings are expected to be in a range of \$4.25 to \$4.55 per share this year. Our earnings estimates reflect expected results from its core utility operations. We believe utility earnings will benefit from increased capital spending on its regulated utility assets.
- **We maintain our Neutral rating on Entergy.** While the merchant generation business remains somewhat of an overhang, we believe Entergy is headed in the right direction. We would maintain positions in ETR and note the stock has an attractive 4.5% dividend yield.

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 4.5%. 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-\$38.44).

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.	
Rating	# 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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