



COMPANY UPDATE / ESTIMATE CHANGE

Key Metrics

| | |
|----------------------------|--------------------------|
| ETR - NYSE (2/15/17) | \$70.77 |
| Price Target | NA |
| 52-Week Range | \$82.08 - \$66.71 |
| Shares Outstanding (mm) | 179.1 |
| Market Cap. (\$mm) | \$12,995 |
| 3-Mo. Average Daily Volume | 1,360,000 |
| Institutional Ownership | 87.0% |
| Debt/Total Capital (12/31) | 64.8% |
| ROE (ttm) | 14.7% |
| Book Value/Share (12/31) | \$45.12 |
| Price/Book Value | 1.6x |
| Indicated Dividend / Yield | \$3.48 4.9% |
| Dividend Cycle | March, June, Sept., Dec. |

EPS FY 12/31

| | 2015 | Prior 2016E | 2016A | Prior 2017E | Curr. 2017E |
|--------|--------|-------------|--------|-------------|-------------|
| 1Q | | | | | |
| 2Q | | | | | |
| 3Q | | | | | |
| 4Q | | | | | |
| Year | \$6.00 | | \$7.11 | \$4.75 | \$5.00 |
| P/E | 11.8x | | 10.0x | | 14.2x |
| Payout | 57% | | 50% | | 70% |

Note: Figures exclude non-recurring items

Revenue (\$mm)

| | 2015 | Prior 2016E | 2016A | Prior 2017E | Curr. 2017E |
|------|----------|-------------|----------|-------------|-------------|
| 1Q | | | | | |
| 2Q | | | | | |
| 3Q | | | | | |
| 4Q | | | | | |
| Year | \$11,513 | | \$10,845 | | \$10,675 |

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 solid fourth quarter results and initiates 2017 earnings guidance

Investment Highlights

- **Entergy reported fourth quarter operating earnings of \$0.31 per share versus \$1.58 per share in 4Q of 2015, and above consensus expectations.** For the year, Entergy earned \$7.11 per share compared to \$6.00 per share in 2015. Earnings rose at both of its primary businesses, its regulated utility business and its merchant generation business. Overall, we thought it was a solid year for Entergy.
- **Last year was significant for Entergy from a strategic perspective.** The company decided to exit its merchant generation business and concentrate on its traditional regulated utility business. ETR's move follows other utilities that have acted similarly. We believe this is a prudent move that will lower the company's long-term risk. However, this will be a lengthy process as plant closings will be taking place each year through 2021.
- **Management introduced 2017 earnings guidance.** Entergy expects this year's earnings to be in a range between \$4.75 to \$5.35 per share. This is somewhat higher than we had anticipated. As a result, we are raising our 2017 earnings estimate by \$0.25 per share to \$5.00 per share. In general, we 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 sound one, we believe it may prove difficult to achieve consistent earnings growth until the merchant generation business is behind them. However, the stock carries an attractive 4.9% dividend yield and ETR has raised its dividend for two consecutive years.

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 a completely regulated utility. We note the stock carries an above average dividend yield of 4.9%, which is above the industry average. We believe the dividend is secure.

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 | | |
| Rating | Stocks Covered | 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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