



COMPANY UPDATE

Key Metrics

| | |
|----------------------------|--------------------------|
| ETR - NYSE (10/23/17) | \$85.23 |
| Price Target | NA |
| 52-Week Range | \$66.71 - \$85.99 |
| Shares Outstanding (mm) | 179.5 |
| Market Cap. (\$mm) | \$15,298 |
| 3-Mo. Average Daily Volume | 1,156,000 |
| Institutional Ownership | 87.0% |
| Debt/Total Capital (9/30) | 64.6% |
| ROE (ttm) | 13.0% |
| Book Value/Share (9/30) | \$48.38 |
| Price/Book Value | 1.8x |
| Indicated Dividend / Yield | \$3.48 4.1% |
| 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 | | \$4.40 | | \$4.70 |
| P/E | 12.0x | | 19.4x | | 18.1x |
| 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 | | \$11,025 | | \$11,250 |

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, including nearly 9,000 megawatts of nuclear power. Entergy delivers electricity to 2.9 million utility customers in Arkansas, Louisiana, Mississippi and Texas. Entergy has annual revenues of more than \$11 billion and has nearly 13,000 employees. Generation sources: Natural Gas 65%, Nuclear 24%, Coal 10%, Hydro 1%.

Entergy Corporation

ETR -- NYSE -- Neutral -- 2

Company reports solid third quarter earnings and reaffirms 2017 guidance

Investment Highlights

- **Entergy reported third quarter operating earnings of \$2.35 per share versus last year’s third quarter figure of \$2.31 per share.** Earnings were modestly above expectations. ETR’s utility business saw its earnings contribution decline in the third quarter as a result of both unfavorable weather and higher operating expenses. However, weather adjusted sales increased during the period. Entergy Wholesale Commodities, Entergy’s merchant generation business, saw its earnings increase in the third quarter, largely due to higher capacity prices.
- **The company continues to move forward with its planned exit from the merchant generation business.** Entergy’s strategy is to become a pure play regulated utility. The company intends to achieve this by 2022. While there had previously been an expectation that ETR would complete its exit from this business by 2021, on September 28, the company announced that it plans to operate the Palisades power plant in Michigan until the spring of 2022.
- **Management reaffirms 2017 earnings guidance.** Entergy continues to expect this year’s earnings to be in a range between \$6.80 to \$7.40 per share. 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. ETR’s utility earnings are expected to grow steadily over the next several years. Management will provide long-term guidance at the industry’s annual Edison Electric Institute conference next month.
- **We maintain our Neutral rating on Entergy.** While the merchant generation business remains somewhat of an overhang, we believe Entergy’s strategy to focus on growing its regulated utility operations is a prudent move. We would maintain positions in ETR and note the stock has an attractive 4.1% 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. The company recently revised its planned exit to 2022. 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 attractive dividend yield of 4.1%. We believe the dividend is secure and point out ETR has raised its dividend twice in recent years.

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 | 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

Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation or needs of individual investors. Employees of J.J.B. Hilliard, W.L. Lyons, LLC or its affiliates may, at times, release written or oral commentary, technical analysis or trading strategies that differ from the opinions expressed here.

J.J.B. Hilliard, W.L. Lyons, LLC is a multi-disciplined financial services firm that regularly seeks investment banking assignments and compensation from issuers for services including, but not limited to, acting as an underwriter in an offering or financial advisor in a merger or acquisition, or serving as placement agent in private transactions.

The information herein has been obtained from sources we believe to be reliable but is not guaranteed and does not purport to be a complete statement of all material factors. This is for informational purposes and is not a solicitation of orders to purchase or sell securities. Reproduction is forbidden unless authorized. All rights reserved.