



COMPANY UPDATE ESTIMATE CHANGE

Key Metrics

| | | |
|----------------------------|-----------|-----------|
| FELE - NASDAQ - as of | 7/24/17 | \$42.15 |
| Price Target | | -- |
| 52-Week Range | \$34.75 - | \$45.15 |
| Shares Outstanding (mm) | | 46.5 |
| Market Cap. (\$mm) | | \$1,957.9 |
| 1-Mo. Average Daily Volume | | 141,503 |
| Institutional Ownership | | 79.2% |
| Net Debt/Total Capital | Q2'17 | 22.9% |
| ROE | TTM | 19.9% |
| Book Value / Share | Q2'17 | \$14.29 |
| Price / Book Value | | 3.0x |
| Dividend Yield | | 1.0% |
| EBITDA Margin | FY'16 | 15.3% |

EPS FY 12/31

| | | Prior | Current | Prior | Current |
|------|---------|--------|---------|--------|---------|
| | 2016A | 2017E | 2017E | 2018E | 2018E |
| 1Q | *\$0.29 | -- | *\$0.34 | A -- | -- |
| 2Q | *\$0.51 | -- | *\$0.58 | A -- | -- |
| 3Q | *\$0.48 | \$0.50 | \$0.54 | -- | -- |
| 4Q | *0.38 | \$0.40 | \$0.43 | -- | -- |
| Year | \$1.66 | \$1.78 | \$1.89 | \$2.04 | \$2.17 |
| P/E | 25.4x | | 22.3x | | 19.4x |

* adjusted for special items

Revenue (\$MM)

| | | Prior | Current | Prior | Current |
|------|-------|---------|---------|---------|---------|
| | 2016A | 2017E | 2017E | 2018E | 2018E |
| 1Q | \$218 | -- | \$220 | A -- | -- |
| 2Q | \$252 | -- | \$305 | A -- | -- |
| 3Q | \$240 | \$319 | \$322 | -- | -- |
| 4Q | \$240 | \$322 | \$324 | -- | -- |
| Year | \$950 | \$1,157 | \$1,172 | \$1,320 | \$1,340 |

Company Description: *Founded in 1944 and incorporated in 1946, Franklin Electric designs, manufactures and distributes water and fuel pumping systems and equipment. With headquarters in Ft. Wayne, IN, FELE's products are sold worldwide by its employee sales force and independent manufacturing representatives. As of year-end 2016, the company employed ~5,200 persons.*

Industrials

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July 25, 2017

Franklin Electric Co., Inc.

FELE — NASDAQ — Neutral-3

Q2 Results for FELE; Reiterating Neutral

- FELE reported Q2'17 adjusted EPS of \$0.58 versus \$0.51 in Q2'16. Results beat our target for \$0.53, which was in line with consensus. GAAP results were EPS of \$0.64, but include a \$0.06 equity gain adjustment. Margins declined, but higher sales and a lower effective tax rate allowed for EPS growth.
- Sales of \$305MM (+21.1%) bettered both our estimate for \$296MM and consensus for \$304MM. After eliminations, the Headwater Distribution acquisitions brought about +\$40MM to sales, driving ~16.5% consolidated growth. Organic topline: Fueling Systems (FS) +8.0%, Water Systems (WS) +5.4%.
- Q2 financials (balance sheet / cash flow) reflect establishment of the Headwater Distribution segment.
- SG & A expenses were 22.4% of revenue in Q2, down 60bps yr/yr. FELE gross margin slid 150bps yr/yr versus our expectations for -90bps; we expect the trend to persist through Q2'18 due to Headwater.
- Immune from recent M&A, Fueling Systems was very strong abroad in Q2, with ex-NA sales +18%; we expect trends to stay intact in 2H'17.
- FELE raised FY 2017 EPS guidance by a dime on both ends to a range of \$1.87 to \$1.97, although 60% of the hike is due to the noted equity gain that we adjust out of continuing ops results. Our adjusted 2017E EPS rises to \$1.89, and our 2018E EPS rises to \$2.17.
- We are reiterating our Neutral rating. Overall performance in Q2 was good, in our view, although we continue to look for a better entry point. We continue to acknowledge good competitive positioning and cash flow generation at the company.
- FELE recently hiked its quarterly dividend by 7.5% to \$0.1075/share.

Note Important Disclosures on Pages 5-6
Note Analyst Certification on Page 5

ADDITIONAL DISCUSSION—Q2 RESULTS & FINAL THOUGHTS

In our view, Q2 was a strong rebound from a disappointing first quarter for FELE, although we are not sure today's stock move (up as much as 10%+ before backing off) is fully warranted. Revenue growth in Q2 was obviously robust (+21.1%), although this was close to consensus, and still brings the long-term (potential) implications for valuation adjustments that accompany margin compression. We also note that segment revenues are optically stronger than the underlying fundamentals given the introduction of intersegment revenue eliminations, and the hike to guidance is mostly attributable to an equity gain.

Fundamentally however, it has been several quarters since we were genuinely pleased with results from both WS and FS (be it from end-market upheaval, weather, etc.), but in our view, Q2'17 comes fairly close. FS was impressive internationally, and while WS was spotty across the globe, strong dewatering and surface pumping in the US/Canada was enough to propel the segment to its (second) best organic sales comp since 2014.

SUITABILITY

We assign FELE a suitability rating of '3.' A complete description of our suitability scale is on page 5. In our view, Franklin holds good competitive positions and operates with generally favorable long-term growth tailwinds, but faces competition from a relatively strong docket of companies and must deal with cyclicality in developing regions and in energy/agriculture end-markets. FELE's SMID-cap status and volatile stock price keep Franklin below our '2' suitability rating. Conservative financial metrics, a base level of replacement/recurring revenue, and a long-term history of execution keep FELE well above our most aggressive '4' rating.

CONSIDERATIONS AND RISKS

We believe Franklin's sales are sensitive to macroeconomic conditions. As such, the company may experience difficulty due to trends that are both difficult to predict and are beyond the company's control. Additionally, the company is exposed to raw material and labor cost inflation. An inability to pass on higher input costs to customers may pressure margins, lower sales and/or decrease earnings.

Franklin has acquired several companies over the past decade, and may acquire additional companies in the future. Failure to effectively integrate acquisitions or overpayment for operating assets may result in write-downs, decreased financial flexibility and/or lower earnings.

Franklin generates a significant portion of sales outside of the United States and also maintains manufacturing plants, warehouses and distribution systems abroad. We believe world-wide operations expose the company to political and foreign exchange risk, as well as present operational challenges.

Franklin operates in a fragmented market against several established competitors. Significant engineering breakthroughs by the company's competition could have a negative impact on FELE.

Our Suitability rating is 3 on a 1-to-4 scale (1 = most conservative, 4 = most aggressive).

Additional information is available upon request.

Franklin Electric Co (FELE)

(\$'s in thousands)

| Income Statement Analysis | | | 2-Apr | 2-Jul | 1-Oct | | | | | | | | |
|-------------------------------------|--------------|------------|---|------------------------------|-------------------------------------|------------|---|------------|---|------------|------------|------------------------------|--------------|
| | FY'14 | FY'15 | Q1'16 | Q2'16 | Q3'16 | Q4'16 | FY'16 | Q1'17 | Q2'17 | Q3'17E | Q4'17E | FY'17E | FY'18E |
| Net Sales | \$ 1,047,777 | \$ 924,923 | \$ 218,430 | \$ 252,081 | \$ 239,755 | \$ 239,590 | \$ 949,856 | \$ 220,252 | \$ 305,349 | \$ 321,750 | \$ 324,220 | \$ 1,171,570 | \$ 1,340,250 |
| Cost of Sales | 703,367 | 627,315 | 144,194 | 161,403 | 154,286 | 158,567 | 618,450 | 144,436 | 202,596 | 213,000 | 220,660 | 780,690 | 893,760 |
| Gross Profit | 344,410 | 297,608 | 74,236 | 90,678 | 85,469 | 81,023 | 331,406 | 75,816 | 102,753 | 108,750 | 103,560 | 390,880 | 446,490 |
| % | 32.9% | 32.2% | 34.0% | 36.0% | 35.6% | 33.8% | 34.9% | 34.4% | 34.5% | 33.8% | 31.9% | 33.4% | 33.3% |
| Selling, G & A Expense | 227,711 | 204,250 | 52,345 | 57,954 | 55,373 | 55,537 | 221,209 | 56,991 | 68,298 | 74,003 | 74,571 | 273,860 | 308,260 |
| % | 21.7% | 22.1% | 24.0% | 23.0% | 23.1% | 23.2% | 23.3% | 25.9% | 22.4% | 23.0% | 23.0% | 23.4% | 23.0% |
| Restructuring (Income)/Expense | 16,611 | 2,997 | 820 | 45 | (1,715) | 252 | (598) | 315 | 251 | 100 | 100 | 770 | 400 |
| Operating Inc. | 100,088 | 90,361 | 21,071 | 32,679 | 31,811 | 25,234 | 110,795 | 18,510 | 34,204 | 34,648 | 28,889 | 116,250 | 137,830 |
| % | 9.6% | 9.8% | 9.6% | 13.0% | 13.3% | 10.5% | 11.7% | 8.4% | 11.2% | 10.8% | 8.9% | 9.9% | 10.3% |
| Interest (Expense) | (10,735) | (10,039) | (2,427) | (2,221) | (1,983) | (2,101) | (8,732) | (3,514) | (2,244) | (2,100) | (2,100) | (9,960) | (7,250) |
| Other Income / (Expense) | 1,349 | 6,863 | (32) | 1,373 | 1,446 | (1,794) | 993 | 667 | 5,573 | 1,450 | - | 7,690 | 3,490 |
| FX Income / (Expense) | (999) | (869) | (77) | 315 | 399 | 420 | 1,057 | 475 | (372) | (50) | (50) | - | (200) |
| Pre Tax Inc. | 89,703 | 86,316 | 18,535 | 32,146 | 31,673 | 21,759 | 104,113 | 16,138 | 37,161 | 33,948 | 26,739 | 113,980 | 133,870 |
| Income Tax (Expense) | (18,851) | (12,625) | (4,955) | (7,959) | (7,926) | (3,958) | (24,798) | (204) | (6,917) | (8,487) | (6,685) | (22,290) | (33,470) |
| Tax Rate | 21.0% | 14.6% | 26.7% | 24.8% | 25.0% | 18.2% | 23.8% | 1.3% | 18.6% | 25.0% | 25.0% | 19.6% | 25.0% |
| Net Income | 70,852 | 73,691 | 13,580 | 24,187 | 23,747 | 17,801 | 79,315 | 15,934 | 30,244 | 25,461 | 20,055 | 91,690 | 100,400 |
| % | 6.8% | 8.0% | 6.2% | 9.6% | 9.9% | 7.4% | 8.4% | 7.2% | 9.9% | 7.9% | 6.2% | 7.8% | 7.5% |
| Less: NI Attrib to non-ctrl interst | (1,046) | (746) | (123) | (205) | (83) | (159) | (570) | (204) | (335) | - | - | (540.00) | - |
| Net Income att to FELE Inc. | 69,806 | 72,945 | 13,457 | 23,982 | 23,664 | 17,642 | 78,745 | 15,730 | 29,909 | 25,461 | 20,055 | 91,150 | 100,400 |
| % | 6.7% | 7.9% | 6.2% | 9.5% | 9.9% | 7.4% | 8.3% | 7.1% | 9.8% | 7.9% | 6.2% | 7.8% | 7.5% |
| Shares Out. | 48,347 | 47,538 | 47,475 | 46,700 | 46,900 | 46,900 | 46,994 | 47,000 | 47,000 | 46,870 | 46,739 | 46,902 | 46,413 |
| Diluted EPS | \$ 1.43 | \$ 1.51 | \$ 0.28 | \$ 0.50 | \$ 0.50 | \$ 0.37 | \$ 1.65 | \$ 0.33 | \$ 0.64 | \$ 0.54 | \$ 0.43 | \$ 1.94 | \$ 2.16 |
| Adjusted EPS | \$ 1.74 | \$ 1.47 | \$ 0.29 | \$ 0.51 | \$ 0.48 | \$ 0.38 | \$ 1.66 | \$ 0.34 | \$ 0.58 | \$ 0.54 | \$ 0.43 | \$ 1.89 | \$ 2.17 |
| Dividends Paid | \$ 0.348 | \$ 0.383 | \$ 0.0975 | \$ 0.1000 | \$ 0.1000 | \$ 0.1000 | \$ 0.398 | \$ 0.1000 | \$ 0.1075 | \$ 0.1075 | \$ 0.1075 | \$ 0.423 | \$ 0.438 |
| Rate of Change Analysis | | | | | | | | | | | | | |
| Revenue | 8.5% | -11.7% | -3.2% | 1.9% | 3.1% | 9.3% | 2.7% | 0.8% | 21.1% | 34.2% | 35.3% | 23.3% | 14.4% |
| Organic Rev-- ex-FX & Acq | 8.6% | -5.2% | 2.9% | 4.9% | 3.4% | 9.9% | 5.2% | 0.9% | 5.6% | 6.4% | 6.4% | 4.9% | 4.8% |
| Op Income | -19.1% | -9.7% | 32.8% | 41.0% | 14.6% | 7.1% | 22.6% | -12.2% | 4.7% | 8.9% | 14.5% | 4.9% | 18.6% |
| EPS--Adj if necessary | 2.6% | -15.3% | -8.9% | 45.7% | 5.9% | 8.2% | 12.7% | 16.8% | 13.7% | 13.2% | 13.8% | 14.1% | 14.7% |
| EBITDA--Adj if necessary | -3.1% | -15.2% | 21.7% | 25.6% | 3.7% | -0.5% | 11.6% | -9.4% | 5.6% | 13.5% | 12.2% | 5.7% | 14.2% |
| Working Capital | 13.4% | 0.6% | -10.9% | -6.5% | 1.6% | 3.0% | 3.0% | 11.1% | 37.7% | 14.4% | 19.8% | 19.8% | 4.3% |
| Inventory | 15.1% | -11.8% | -6.2% | -4.2% | 2.8% | 4.6% | 4.6% | 13.5% | 40.8% | 17.1% | 17.7% | 17.7% | 2.7% |
| | | | *Raise guide by \$0.03 on both ends due to FX | *April: \$30MM 5.79% LTD due | **narrowed guide from \$1.60-\$1.70 | | | | *Acq of Western Hydro, 2M, DSI--HdWtr Distrib Seg | | | | |
| | | | **Reiterated EPS Guide | | | | *FY Guide: Rev +2-to-+4%, Adj EPS \$1.62-\$1.67 | | *April: \$30MM 5.79% LTD due | | | *FY Guide: EPS \$1.87-\$1.97 | |

Source: Company reports and Hilliard Lyons estimates

| Franklin Electric Co (FELE) | | | 2-Apr | 2-Jul | 1-Oct | | | | | | | | |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Summary Cash Flow | | | Q1'16 | Q2'16 | Q3'16 | Q4'16 | FY'16 | Q1'17 | Q2'17p | Q3'17E | Q4'17E | FY'17E | FY'18E |
| Net Income | 70,852 | 73,691 | 13,580 | 24,187 | 23,747 | 17,801 | 79,315 | 15,934 | 30,244 | 25,461 | 20,055 | 91,690 | 100,400 |
| D & A | 37,210 | 37,210 | 8,752 | 8,881 | 9,119 | 8,782 | 35,534 | 8,924 | 9,488 | 9,850 | 9,570 | 37,830 | 38,140 |
| Share-based Compensation | 7,471 | 5,626 | 2,539 | 1,616 | 1,757 | 977 | 6,889 | 2,941 | 1,605 | 2,200 | 1,220 | 7,970 | 9,970 |
| Deferred Income Tax | (2,415) | (6,802) | 270 | 2,691 | (376) | 393 | 2,978 | (1,483) | 5,000 | 1,500 | 1,500 | 6,520 | 6,000 |
| FX Expense (Income) | 999 | 869 | 77 | (315) | (399) | (420) | (1,057) | (475) | 372 | 50 | 50 | - | 200 |
| Cash Provided (Used) by Wrk Cap | (28,695) | (1,463) | (32,893) | (5,785) | 10,128 | 21,230 | (7,320) | (56,351) | (46,876) | 77,628 | 10,711 | (49,890) | (12,990) |
| Operating CF | 85,422 | 109,131 | (7,675) | 31,275 | 43,976 | 48,763 | 116,339 | (30,510) | (167) | 116,689 | 43,106 | 94,120 | 141,720 |
| Cap Ex | (35,525) | (26,171) | (11,153) | (8,337) | (10,619) | (9,027) | (39,136) | (4,908) | (13,713) | (9,000) | (8,500) | (36,120) | (35,000) |
| Acquisitions, net of cash acq | (42,315) | (24,088) | - | - | (1,007) | - | (1,007) | - | (52,255) | (100) | (110) | (52,470) | (2,000) |
| Divestitures | 1,608 | 1,542 | 185 | 1,981 | 3,673 | 189 | 6,028 | 34 | 75 | 50 | 50 | 210 | 200 |
| Dividends | (17,421) | (18,926) | (4,506) | (5,315) | (4,662) | (4,654) | (19,137) | (4,668) | (5,531) | (5,038) | (5,024) | (20,260) | (20,310) |
| Free CF | (8,231) | 41,488 | (23,149) | 19,604 | 31,361 | 35,271 | 63,087 | (40,052) | (71,591) | 102,600 | 29,521 | (14,520) | 84,610 |
| Debt Proceeds | 98,394 | 233,486 | 31,606 | 30,446 | 1,932 | 697 | 64,681 | 20,383 | 77,656 | - | - | 98,040 | - |
| Debt (Repayments) | (117,217) | (189,910) | (19,817) | (50,086) | (24,707) | (456) | (95,066) | (20,843) | (30,000) | (60,000) | - | (110,840) | (30,900) |
| Stock Sale Proceeds | 2,929 | 2,929 | 411 | 199 | 2,582 | 2,051 | 5,243 | 481 | 1,566 | 2,000 | 2,000 | 6,050 | 8,000 |
| Stock (Repurchases) | (10,610) | (48,579) | (4,175) | (561) | (1,457) | (1,229) | (7,422) | (655) | (1,719) | (7,500) | (7,500) | (17,370) | (30,000) |
| Net CF | (34,735) | 39,414 | (15,124) | (398) | 9,711 | 36,334 | 30,523 | (40,686) | (24,088) | 37,100 | 24,021 | (38,640) | 31,710 |
| Adjusted EBITDA | 153,909 | 130,568 | 30,643 | 41,605 | 39,215 | 34,268 | 145,731 | 27,749 | 43,943 | 44,498 | 38,459 | 154,080 | 175,970 |
| Adj EBITDA Margin | 14.7% | 14.1% | 14.0% | 16.5% | 16.4% | 14.3% | 15.3% | 12.6% | 14.4% | 13.8% | 11.9% | 13.2% | 13.1% |
| Adj EBITDA/Share | \$ 3.18 | \$ 2.75 | \$ 0.65 | \$ 0.89 | \$ 0.84 | \$ 0.73 | \$ 3.10 | \$ 0.59 | \$ 0.93 | \$ 0.95 | \$ 0.82 | \$ 3.29 | \$ 3.79 |
| Summary Balance Sheet | | | Q1'16 | Q2'16 | Q3'16 | Q4'16 | FY'16 | Q1'17 | Q2'17p | Q3'17E | Q4'17E | FY'17E | FY'18E |
| Cash and Equivalents | 59,141 | 81,561 | 74,642 | 71,582 | 78,981 | 104,331 | 104,331 | 70,651 | 55,095 | 92,200 | 116,220 | 116,220 | 147,940 |
| A/R | 143,787 | 127,251 | 151,173 | 161,972 | 152,093 | 145,999 | 145,999 | 154,701 | 190,650 | 176,960 | 184,810 | 184,810 | 194,950 |
| Inventory | 220,528 | 194,594 | 207,741 | 210,642 | 215,067 | 203,471 | 203,471 | 235,724 | 296,687 | 251,840 | 239,410 | 239,410 | 245,980 |
| Other Current Assets | 46,083 | 34,728 | 30,617 | 29,531 | 31,289 | 30,018 | 30,018 | 33,803 | 37,194 | 31,910 | 30,620 | 30,620 | 31,230 |
| Total Current Assets | 469,539 | 438,134 | 464,173 | 473,727 | 477,430 | 483,819 | 483,819 | 494,879 | 579,626 | 552,910 | 571,060 | 571,060 | 620,100 |
| Net PP&E | 209,786 | 190,039 | 194,756 | 195,916 | 198,675 | 196,137 | 196,137 | 197,412 | 214,652 | 213,800 | 212,740 | 212,740 | 210,400 |
| Intangible Assets | 160,314 | 141,357 | 141,490 | 140,850 | 138,256 | 134,667 | 134,667 | 133,675 | 148,332 | 148,300 | 148,300 | 148,300 | 148,300 |
| Goodwill | 208,828 | 199,847 | 201,580 | 201,365 | 202,037 | 199,609 | 199,609 | 200,407 | 226,500 | 226,600 | 226,700 | 226,700 | 227,900 |
| Other Non-Current Assets | 27,420 | 27,031 | 30,524 | 29,105 | 28,219 | 25,673 | 25,673 | 28,907 | 11,000 | 13,000 | 13,000 | 13,000 | 13,000 |
| Total Assets | 1,075,887 | 996,408 | 1,032,523 | 1,040,963 | 1,044,617 | 1,039,905 | 1,039,905 | 1,055,280 | 1,180,110 | 1,154,610 | 1,171,800 | 1,171,800 | 1,219,700 |
| A/P | 70,806 | 57,822 | 62,568 | 56,983 | 60,695 | 63,927 | 63,927 | 69,042 | 73,266 | 82,370 | 88,190 | 88,190 | 93,030 |
| Accrued Expenses | 95,419 | 52,109 | 46,594 | 58,686 | 61,003 | 60,119 | 60,119 | 43,497 | 57,870 | 62,220 | 61,320 | 61,320 | 62,550 |
| Income Taxes | 788 | 1,794 | 2,628 | 2,950 | 3,353 | 3,274 | 3,274 | 3,170 | 3,000 | 3,353 | 3,274 | 3,274 | 3,274 |
| ST Borrowing and CP/LT Debt | 34,092 | 32,946 | 45,337 | 55,673 | 33,418 | 32,946 | 32,946 | 33,783 | 145,381 | 83,800 | 83,800 | 83,800 | 83,800 |
| Total Current Liabilities | 201,105 | 144,671 | 157,127 | 174,292 | 158,469 | 160,266 | 160,266 | 149,492 | 279,517 | 231,743 | 236,584 | 236,584 | 242,654 |
| Long-Term Debt | 143,695 | 188,103 | 187,257 | 157,203 | 156,712 | 156,544 | 156,544 | 156,170 | 126,030 | 125,700 | 125,700 | 125,700 | 95,900 |
| Employee Benefit Plans | 58,709 | 47,398 | 46,799 | 42,337 | 40,799 | 45,307 | 45,307 | 43,527 | 42,705 | 40,710 | 50,710 | 50,710 | 56,710 |
| Other LT Liabilities | 73,395 | 56,771 | 61,100 | 64,095 | 66,446 | 62,700 | 62,700 | 68,283 | 17,635 | 17,640 | 17,640 | 17,640 | 17,640 |
| Total Liabilities | 476,904 | 436,943 | 452,283 | 437,927 | 422,426 | 424,817 | 424,817 | 417,472 | 506,729 | 415,793 | 430,634 | 430,634 | 412,904 |
| Shareholders' Equity | 596,840 | 557,700 | 578,337 | 601,565 | 620,597 | 613,445 | 613,445 | 636,003 | 671,433 | 738,817 | 741,166 | 741,166 | 806,796 |
| Noncontrolling Interest | 2,143 | 1,765 | 1,903 | 1,471 | 1,594 | 1,643 | 1,643 | 1,805 | 1,948 | - | - | - | - |
| Book Value | \$ 12.41 | \$ 11.94 | \$ 12.18 | \$ 12.88 | \$ 13.23 | \$ 13.08 | \$ 13.08 | \$ 13.53 | \$ 14.29 | \$ 15.76 | \$ 15.86 | \$ 15.86 | \$ 17.46 |
| Tangible Book Value | \$ 4.73 | \$ 4.64 | \$ 4.96 | \$ 5.55 | \$ 5.98 | \$ 5.95 | \$ 5.95 | \$ 6.42 | \$ 6.31 | \$ 7.76 | \$ 7.83 | \$ 7.83 | \$ 9.32 |
| Current Ratio | 2.3x | 3.0x | 3.0x | 2.7x | 3.0x | 3.0x | 3.0x | 3.3x | 2.1x | 2.4x | 2.4x | 2.4x | 2.6x |
| Net LT Debt / Total Cap | 11.4% | 14.3% | 14.7% | 11.3% | 10.0% | 6.8% | 6.8% | 10.8% | 8.9% | 3.9% | 1.1% | 1.1% | -5.8% |
| Net Total Debt / Total Cap | 15.3% | 17.9% | 19.4% | 17.3% | 13.7% | 10.6% | 10.6% | 14.4% | 22.9% | 12.4% | 9.8% | 9.8% | 3.2% |
| TTM ROE--Unadjusted | 11.5% | 12.8% | 14.4% | 16.4% | 17.4% | 13.3% | 13.3% | 18.9% | 19.9% | 20.4% | 13.5% | 13.5% | 12.9% |

Source: Company reports and Hilliard Lyons estimates

Analyst Certification

I, Spencer E. Joyce, CFA, 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.

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 revenues, volatility, low trading volume or a narrow customer or product base

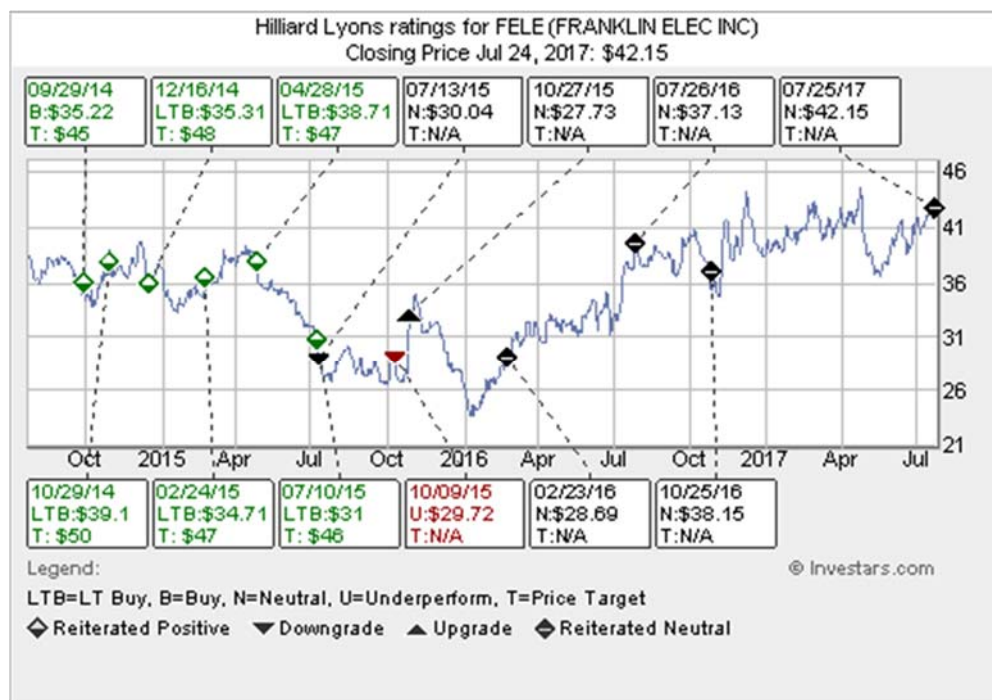
Investment Ratings

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 setback in the next 12 months.



| Rating | Hilliard Lyons Recommended Issues | | Investment Banking Provided in Past 12 Mo. | |
|--------------|-----------------------------------|---------------------|--|------------|
| | # 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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