

COMPANY UPDATE / ESTIMATE CHANGE
Key Metrics

GLAD - NASDAQ (as of 02/06/18)	\$8.41
Price Target	NA
52-Week Range	\$7.80-\$10.12
Shares Outstanding (mm)	26.6
Market Cap. (\$mm)	\$224
3-Mo. Average Daily Volume (000)	182.1
Institutional Ownership	14.9%
Total Debt/Equity	65.1%
TTM ROE	10.8%
Net Asset Value Per Share	\$8.48
Price/Net Asset Value	99.2%
Dividend Yield	10.0%
Price/LTM Net Investment Income	9.3x

Net Investment Income Per Share FY 9/30

	2017A	Prior 2018E	Curr. 2018E	Prior 2019E	Curr. 2019E
1Q	\$0.21	\$0.21	\$0.21 A	\$0.22	\$0.23
2Q	\$0.21	\$0.21	\$0.21	\$0.22	\$0.23
3Q	\$0.21	\$0.21	\$0.22	\$0.22	\$0.23
4Q	\$0.21	\$0.22	\$0.23	\$0.22	\$0.24
Year	\$0.84	\$0.85	\$0.86	\$0.87	\$0.93
P/NII	10.0x		9.7x		9.0x

Numbers may not add due to rounding

Net Asset Value Per Share FY 9/30

	2017A	Prior 2018E	Curr. 2018E	Prior 2019E	Curr. 2019E
1Q	\$8.36	\$8.40	\$8.48 A	\$8.52	\$8.54
2Q	\$8.33	\$8.46	\$8.51	\$8.55	\$8.55
3Q	\$8.38	\$8.47	\$8.51	\$8.57	\$8.56
4Q	\$8.40	\$8.50	\$8.53	\$8.60	\$8.58

Company Description: Headquartered in McLean, Virginia, Gladstone Capital Corporation operates as a business development company which requires the company to pay out at least 90% of earnings to shareholders. GLAD provides cash flow-based loans to privately held lower middle market businesses based in the U.S.

Gladstone Capital Corp.

GLAD -- NASDAQ – Neutral – 3

F1Q18 Review – Reaffirming Neutral Rating

- **Earnings Update:** F1Q18 operating net investment income per share of \$0.21 was in line with our estimate and the Street consensus.
- **Operating Highlights:** Total investment income was essentially flat linked-quarter (LQ) at \$10.9 million. We had modeled investment income of \$10.5 million. Net investment income rose \$0.1 million to \$5.6 million LQ as total expenses declined \$0.1 million to \$5.3 million. Net asset value per share (NAV) grew \$0.08 sequentially to \$8.48 resulting primarily from realized and unrealized gains of \$1.6 million. GLAD invested \$56.3 million in seven new portfolio companies and \$1.6 million in existing companies during the quarter. Total production of \$56.9 million substantially exceeded production in F4Q17 and the year-ago quarter of \$16.6 million and \$20.0 million, respectively. We had projected \$40.0 million in investment production. The company received \$19.8 million in repayments and net proceeds from sales of portfolio companies in F1Q18 versus \$12.4 million in F4Q17 and \$50.5 million in the year-ago quarter.
- **Estimates & Valuation:** We are raising our FY2018 and FY2019 net investment income per share estimates to \$0.86 and \$0.93 from \$0.85 and \$0.87, respectively. GLAD continues to make progress in covering dividends with net investment income without incentive fee waivers from its external advisor with only \$86K of such waivers in F1Q18. We project the company will increase its dividend by \$0.01 to \$0.22 in F1Q19. However, we believe this progress GLAD is reflected in its premium valuation of 99.2% of NAV versus a median of 90.5% for other small-cap BDCs. We reaffirm our Neutral rating.

Note Important Disclosures on pages 6-7

Note Analyst Certification on page 6

OTHER KEY TAKEAWAYS

- The company expressed confidence that the momentum in production could continue in coming quarters, although it further noted that exits and prepayments could escalate. GLAD indicated that it is cautiously optimistic that it should realize net originations in F2Q18.
- Certain loans to two portfolio companies, Sunshine Media Holdings and Alloy Die Casting Corp., were on nonaccrual status at quarter-end with an aggregate cost basis of \$27.9 million, or 6.8% of the cost basis of all debt investments. Nonaccrual assets were unchanged on a LQ basis.
- With a higher level of new investment production than principal repayments and favorable net valuation marks, investments at fair value rose 11.4% sequentially.
- The weighted average yield on interest-bearing investments increased to 12.0% in F4Q17 from 11.8% in the prior quarter.
- Oil and gas investments increased to 14.3% of GLAD's investment portfolio at fair value from approximately 9.9% at the end of F4Q17. The company expects its exposure to this sector will decline in F2Q18 as it has received offers to buy a portion of a large tranche of another energy investment that the company owns.
- Approximately 90.6% of debt investments at cost were variable rate at quarter-end, all of which contain interest rate floors. The weighted average LIBOR floor on these assets is approximately 1.3%. A 100 bp rise in LIBOR would be expected to result in an approximate 5% increase in net interest income.
- Borrowings from GLAD's line of credit increased \$37.7 million to \$130.8 million LQ. The credit limit under the facility is \$170.0 million.
- The debt-to-equity ratio rose to 0.82X from 0.67X at the end of F4Q17.

The following chart provides information regarding the company's investment portfolio. Total net depreciation for the portfolio was 12.8% at quarter-end versus 14.4% at September 30, 2017. Hilliard Lyons does not project any changes in the valuation of the portfolio.

PORTFOLIO HOLDINGS

HOLDINGS SUMMARY @ DECEMBER 31, 2017							
Company	Product	Cost (000)	Fair Value 12/31/17	App. (Dep.)	Cost of Portfolio %	FV Portfolio %	
<u>Control Investments</u>							
1	Defiance Integrated Technologies	Automobile	\$ 8,645	\$ 10,708	\$ 2,063	1.92%	2.73%
2	PIC 360, LLC	Machinery	\$ 4,001	\$ 4,259	\$ 258	0.89%	1.09%
3	Sunshine Media Holdings	Printing & Publishing	\$ 29,969	\$ 3,310	\$ (26,659)	6.66%	0.84%
<u>Affiliate Investments</u>							
4	Edge Adhesives Holdings, Inc.	Diversified/Conglomerate Manufacturing	\$ 10,316	\$ 7,666	\$ (2,650)	2.29%	1.95%
5	Lignetics, Inc.	Diversified Natural Resources	\$ 19,955	\$ 18,744	\$ (1,211)	4.43%	4.78%
6	LWO Acquisitions Company	Diversified/Conglomerate Manufacturing	\$ 14,756	\$ 12,816	\$ (1,940)	3.28%	3.27%
7	Targus Cayman HoldCo Limited	Textiles & Leather	\$ 5,009	\$ 4,630	\$ (379)	1.11%	1.18%
<u>Non-Control Investments</u>							
8	ABG Intermediate Holdings 2 LLC	Textiles & Leather	\$ 1,000	\$ 1,010	\$ 10	0.22%	0.26%
9	AG Transportation Holdings, LLC	Cargo Transportation	\$ 14,244	\$ 13,098	\$ (1,146)	3.16%	3.34%
10	Alloy Die Casting Co.	Diversified/Conglomerate Manufacturing	\$ 7,910	\$ 3,650	\$ (4,260)	1.76%	0.93%
11	Applied Voice & Speech Technologies, Inc.	Telecommunications	\$ 11,000	\$ 11,000	\$ -	2.44%	2.80%
12	Arc Drilling Holdings LLC	Machinery	\$ 7,380	\$ 7,380	\$ -	1.64%	1.88%
13	B+T Group Acquisition Inc.	Telecommunications	\$ 7,799	\$ 6,000	\$ (1,799)	1.73%	1.53%
14	Belnick, Inc.	Home and Office Furnishings, Housewares	\$ 10,000	\$ 10,150	\$ 150	2.22%	2.59%
15	Canopy Safety Brands, LLC	Personal and Non-Durable Products	\$ 7,000	\$ 6,923	\$ (77)	1.56%	1.76%
16	Chinese Yellow Pages Company	Printing and Publishing	\$ 107	\$ -	\$ (107)	0.02%	0.00%
17	DigiCert Holdings, Inc.	Diversified/Conglomerate Service	\$ 4,975	\$ 5,013	\$ 38	1.11%	1.28%
18	Edmentum Ultimate Holdings, LLC	Healthcare, Education, and Childcare	\$ 5,988	\$ 3,356	\$ (2,632)	1.33%	0.86%
19	EL Academies, Inc.	Healthcare, Education, and Childcare	\$ 12,500	\$ 12,462	\$ (38)	2.78%	3.18%
20	FedCap Partners, LLC	Aerospace and Defense	\$ 1,634	\$ 751	\$ (883)	0.36%	0.19%
21	Francis Drilling Fluids, Ltd.	Oil and Gas	\$ 26,235	\$ 15,720	\$ (10,515)	5.83%	4.01%
22	Frontier Financial Group Inc.	Diversified/Conglomerate Service	\$ 500	\$ 500	\$ -	0.11%	0.13%
23	Funko Acquisition Holdings, LLC	Personal and Non-Durable Products	\$ 166	\$ 157	\$ (9)	0.04%	0.04%
24	GFRC Holdings, LLC	Buildings and Real Estate	\$ 3,060	\$ 2,709	\$ (351)	0.68%	0.69%
25	Gray Matter Systems, LLC	Diversified/Conglomerate Service	\$ 7,500	\$ 7,500	\$ -	1.67%	1.91%
26	IA Tech, LLC	Diversified/Conglomerate Service	\$ 23,000	\$ 23,690	\$ 690	5.11%	6.04%
27	Impact! Chemical Technologies, Inc.	Oil and Gas	\$ 20,336	\$ 20,336	\$ -	4.52%	5.18%
28	Keystone Acquisition Corp.	Diversified/Conglomerate Service	\$ 3,924	\$ 3,980	\$ 56	0.87%	1.01%
29	Ldiscovery, LLC	Diversified/Conglomerate Service	\$ 4,820	\$ 4,000	\$ (820)	1.07%	1.02%
30	Leeds Novamark Capital	Healthcare, Education, and Childcare	\$ 2,010	\$ 2,098	\$ 88	0.45%	0.53%
31	Medical Solutions Holdings, Inc.	Healthcare, Education, and Childcare	\$ 2,957	\$ 2,970	\$ 13	0.66%	0.76%
32	Meridian Rack & Pinion, Inc.	Automobile	\$ 5,589	\$ 3,473	\$ (2,116)	1.24%	0.88%
33	Merlin International	Healthcare, Education, and Childcare	\$ 10,000	\$ 10,225	\$ 225	2.22%	2.61%
34	NetFortris Corp.	Telecommunications	\$ 24,125	\$ 24,795	\$ 670	5.36%	6.32%
35	NetSmart Technologies, Inc.	Healthcare, Education, and Childcare	\$ 3,610	\$ 3,660	\$ 50	0.80%	0.93%
36	Neustar, Inc.	Telecommunications	\$ 1,000	\$ 1,008	\$ 8	0.22%	0.26%
37	New Trident Holdcorp, Inc.	Healthcare, Education, and Childcare	\$ 4,000	\$ 1,191	\$ (2,809)	0.89%	0.30%
38	Precision International, LLC	Machinery	\$ 830	\$ 863	\$ 33	0.18%	0.22%
39	Red Ventures, LLC	Diversified/Conglomerate Service	\$ 3,566	\$ 3,625	\$ 59	0.79%	0.92%
40	Sea Link International IRB, Inc.	Automobile	\$ 5,471	\$ 5,409	\$ (62)	1.22%	1.38%
41	TapRoot Partners, Inc.	Diversified/Conglomerate Service	\$ 22,000	\$ 22,220	\$ 220	4.89%	5.66%
42	The Mochi Ice Cream Company	Beverage, Food, and Tobacco	\$ 7,200	\$ 6,826	\$ (374)	1.60%	1.74%
43	Travel Sentry, Inc.	Diversified/Conglomerate Service	\$ 8,902	\$ 9,192	\$ 290	1.98%	2.34%
44	Triple H Food Processors, LLC	Beverage, Food, and Tobacco	\$ 6,850	\$ 7,108	\$ 258	1.52%	1.81%
45	TWS Acquisition Corporation	Healthcare, Education, and Childcare	\$ 7,353	\$ 7,537	\$ 184	1.63%	1.92%
46	United Flexible, Inc.	Diversified/Conglomerate Manufacturing	\$ 18,691	\$ 18,738	\$ 47	4.15%	4.77%
47	Vacation Rental Pros Property Manager	Hotels, Motels, Inns, and Gaming	\$ 7,199	\$ 6,938	\$ (261)	1.60%	1.77%
48	Vertellus Holdings LLC	Chemicals, Plastics, and Rubber	\$ 4,116	\$ 1,449	\$ (2,667)	0.91%	0.37%
49	Vision Government Solutions, Inc.	Diversified/Conglomerate Service	\$ 12,050	\$ 11,473	\$ (577)	2.68%	2.92%
50	W3, Co.	Oil and Gas	\$ 499	\$ 131	\$ (368)	0.11%	0.03%
51	WadeCo Specialties, Inc.	Oil and Gas	\$ 18,384	\$ 20,005	\$ 1,621	4.08%	5.10%
Total			\$ 450,131	\$ 392,452	\$ (57,679) depre./cost		-12.81%
Hilliard Lyons Equity Research			4			Specialty Finance	
			Number of Portfolio Companies	51	\$ 7,695	Average Investment Size FV	

Source: Company, Hilliard Lyons estimates; Nonaccrual assets: if the portfolio company's debt is on nonaccrual the entire investment is listed here

SUITABILITY

Our suitability rating on GLAD is 3 on our scale of 1 to 4 (1 = most conservative, 4 = most aggressive). Factors contributing to our suitability rating include the company's market capitalization, liquidity and trading volume, diversity of revenues and the geographic diversification of its footprint.

RISKS AND CONSIDERATIONS

Gladstone Capital is exposed to various risks including:

- **Economic Risk** – A widespread economic downturn could weaken the credit quality of GLAD's portfolio companies which could lead to higher than expected write downs and limit future growth opportunities in the small and medium sized companies GLAD invests in.
- **Interest Rate Risk** - A rise in interest rates could place stress on GLAD's portfolio companies and eventually affect their ability to pay. Additionally, as interest rates rise, GLAD's high dividend may lose appeal and lead to lower demand for the stock.
- **Investment Criteria Risk** - Failure to invest in securities that will support the dividend and future growth of GLAD could eventually lead to dividend cuts.
- **Sector Rotation** – The share price of the company's common stock may be vulnerable to any sector rotation that might occur.

GLOSSARY

Regulated Investment Company (RIC): As regarded by the Internal Revenue Service. By following a few requirements, the most important of which is paying out at least 90% of taxable income (ordinary income plus short-term capital gains), the company does not pay federal income tax. This *avoids double taxation*. A typical company distributes common dividends out of net income (after-tax). Taxes are paid again by the shareholder upon receipt of a dividend. Sometimes a RIC will report income taxes paid. Any amount of taxable income greater than 90% but less than 98% not paid to shareholders is subject to a 4% excise tax and a 35% rate on any taxable income retained. There may be some instances where it is in the RIC's best interest to retain income in spite of paying the taxes.

Business Development Company (BDC): Structure provided in the Investment Company Act of 1940. Basic requirements: 1) Qualifying assets – 70% of total assets must be small private U.S. companies. 2) Asset coverage – assets must cover the company's borrowings by at least 200% or debt to equity cannot exceed 1. 3) Significant managerial assistance – BDCs must offer to provide guidance to its portfolio companies.

Non-Diversified Company: May have investments exceeding 5% of total assets or an equity interest in a company exceeding 10%.

GLADSTONE CAPITAL CORPORATION												GLAD:NEUTRAL		
	12/31/16	3/31/17	6/30/17	9/30/17	12/31/17	3/31/18	6/30/18	9/30/18	12/31/18	3/31/19	6/30/19	9/30/19	12/31/19	
	1Q17A	2Q17A	3Q17A	4Q17A	1Q18A	2Q18E	3Q18E	4Q18E	1Q19E	2Q19E	3Q19E	4Q19E	1Q20E	
\$ Thousands, Except for Per Share Data														
Income Statement Analysis														
Investment Income:														
Total Interest Income	8,633	8,588	9,629	10,223	10,670	11,199	11,671	11,945	12,870	13,700	14,585	15,524	16,524	
Total Other Income	1,341	205	3	611	189	500	750	925	1,280	1,650	2,000	2,350	2,700	
Total Investment Income	9,974	8,793	9,632	10,834	10,859	11,699	12,421	12,870	14,150	15,350	16,585	17,874	19,224	
Expenses:														
Base Management Fee	1,378	1,359	1,480	1,564	1,676	1,760	1,780	1,804	1,880	1,960	2,040	2,120	2,200	
Incentive Fee	1,293	1,070	1,116	1,300	1,373	1,352	1,448	1,509	1,580	1,660	1,740	1,820	1,900	
Administration Fee	300	286	272	244	272	322	342	354	366	378	390	402	414	
Interest Expense	556	587	604	1,026	1,231	1,622	1,774	1,855	1,936	2,017	2,098	2,179	2,260	
Dividends on Preferred Stock	1,029	1,029	1,029	1,064	776	776	776	776	776	776	776	776	776	
Other General and Administrative Expenses Before Credits from Advisor	5,466	4,954	5,528	5,977	6,123	6,668	7,007	7,218	7,429	7,639	7,849	8,059	8,269	
Portfolio Company Fee Credit	(649)	(434)	(261)	(244)	(664)	(284)	(287)	(291)	(295)	(300)	(305)	(310)	(315)	
Senior Syndicated Loan Fee Waiver	(13)	(9)	(100)	(99)	(92)	(92)	(92)	(92)	(92)	(92)	(92)	(92)	(92)	
Incentive Fee Waiver	(37)	(1,077)	(914)	(289)	(65)	(186)	-	-	-	-	-	-	-	
Total Expenses	4,767	3,434	4,253	5,345	5,282	6,106	6,628	6,835	7,150	7,469	7,788	8,107	8,426	
Net Investment Income	5,207	5,359	5,379	5,489	5,577	5,593	5,793	6,035	6,320	6,681	7,097	7,567	7,998	
Realized & Unrealized Gain/(Loss)	(3,448)	45	(23)	(1,337)	441	-	-	-	-	-	-	-	-	
Total Net Realized Gain/(Loss)	(843)	(748)	807	1,284	1,142	-	-	-	-	-	-	-	-	
Net Dec./Inc. in Net Assets from Operations	916	4,656	6,163	5,446	7,160	5,593	5,793	6,035	6,320	6,681	7,097	7,567	7,998	
Balance Sheet														
Assets:														
Total Investments At Cost	348,988	374,906	405,903	411,435	450,132	453,132	459,210	464,453	470,247	475,047	479,847	484,643	489,439	
Unrealized Gain/(Loss)	(60,742)	(61,389)	(60,400)	(59,062)	(57,702)	(57,702)	(57,702)	(57,702)	(57,702)	(57,702)	(57,702)	(57,702)	(57,702)	
Total Investments At Fair Value	288,246	313,517	345,503	352,373	392,430	395,430	401,508	406,751	412,545	417,345	422,145	426,941	431,737	
Cash & Cash Equivalents	5,780	5,014	7,002	5,012	4,503	4,503	4,503	4,503	4,503	4,503	4,503	4,503	4,503	
Other Assets	10,626	10,106	8,840	8,475	12,789	12,789	12,789	12,789	12,789	12,789	12,789	12,789	12,789	
Total Assets	304,652	328,637	361,345	365,860	408,722	412,722	418,800	424,043	429,291	434,536	439,781	445,026	450,271	
Liabilities & Shareholders' Equity:														
Borrowings At Fair Value (\$170M Line)	27,987	53,989	59,624	93,115	130,833	133,833	139,711	144,512	149,301	154,090	158,879	163,668	168,457	
Mandatorily Redeemable Preferred Stock	59,448	59,536	59,536	49,849	49,870	49,870	49,870	49,870	49,870	49,870	49,870	49,870	49,870	
Total Borrowings	87,435	113,525	119,160	142,964	180,703	183,703	189,581	194,382	199,171	203,960	208,749	213,538	218,327	
Other Liabilities	3,832	2,442	25,202	3,246	3,302	2,501	2,502	2,503	2,504	2,505	2,506	2,507	2,508	
Total Liabilities	91,267	115,967	144,362	146,210	184,005	186,204	192,083	196,885	201,675	206,465	211,259	216,045	220,837	
Shareholders' Equity (Net Assets)	213,385	212,670	216,983	219,650	224,717	226,518	226,717	227,159	229,620	230,576	231,527	231,981	231,944	
Total Liabilities & Shareholders' Equity	304,652	328,637	361,345	365,860	408,722	412,722	418,800	424,043	429,291	434,536	439,781	445,026	450,271	
Share & Per Share Data:														
Common Shares Outstanding (000)	25,518	25,518	25,880	26,161	26,632	26,632	26,632	26,632	26,632	26,632	26,632	26,632	26,632	
Average Diluted Shares (000)	24,431	25,576	25,699	26,021	26,523	26,632	26,632	26,632	26,632	26,632	26,632	26,632	26,632	
Net Investment Income Per Share	0.21	0.21	0.21	0.21	0.21	0.21	0.22	0.23	0.23	0.23	0.23	0.23	0.23	
Dividends	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.21	
Net Investment Income Payout Ratio	99%	100%	100%	100%	100%	100%	97%	93%	93%	93%	93%	93%	93%	
Earnings Per Share	0.04	0.18	0.24	0.21	0.27	0.21	0.22	0.23	0.23	0.23	0.23	0.23	0.23	
Net Asset Value Per Share	8.36	8.33	8.38	8.40	8.48	8.51	8.51	8.53	8.53	8.53	8.53	8.53	8.53	
Performance Ratios: %														
Interest Income / Avg. Investments at Cost	9.37%	9.62%	9.89%	9.92%	9.83%	10.06%	10.26%	10.26%	10.26%	10.26%	10.26%	10.26%	10.26%	
Interest Expense / Avg. Borrowings	2.01%	2.37%	3.12%	3.11%	3.02%	3.61%	3.81%	3.83%	3.83%	3.83%	3.83%	3.83%	3.83%	
Total Expenses / Total Investment Income	47.79%	39.06%	44.16%	49.34%	48.64%	52.20%	53.36%	53.11%	53.11%	53.11%	53.11%	53.11%	53.11%	
Annualized Total Expenses / Avg. Assets	-0.74%	-0.46%	-0.26%	-0.24%	-0.59%	-0.25%	-0.25%	-0.25%	-0.25%	-0.25%	-0.25%	-0.25%	-0.25%	
Return on Avg. Assets	0.30%	1.42%	1.71%	1.49%	1.75%	1.36%	1.38%	1.42%	1.42%	1.42%	1.42%	1.42%	1.42%	
Return on Avg. Equity	0.43%	2.19%	2.84%	2.48%	3.17%	2.47%	2.56%	2.66%	2.66%	2.66%	2.66%	2.66%	2.66%	
Balance Sheet Ratios														
Assets/Equity	1.43x	1.55x	1.67x	1.67x	1.82x	1.82x	1.85x	1.87x	1.87x	1.87x	1.87x	1.87x	1.87x	
Total Debt to Equity	0.43x	0.55x	0.67x	0.67x	0.82x	0.82x	0.85x	0.87x	0.87x	0.87x	0.87x	0.87x	0.87x	
Net Debt to Equity	0.38x	0.51x	0.52x	0.63x	0.78x	0.79x	0.82x	0.84x	0.84x	0.84x	0.84x	0.84x	0.84x	

Source: Company reports and Hilliard Lyons estimates.

Additional information is available upon request.

Analyst Certification

I, Andrew W. Stapp, 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.

Gladstone Commercial Corp. (GOOD-\$17.85), Gladstone Investment Corp. (GAIN-\$9.40), and Gladstone Land Corp. (LAND-\$11.98) share the same management and board as Gladstone Capital Corp.

Hilliard Lyons acted as a manager or co-manager of an offering of securities of Gladstone Capital Corp. in the past 12 months.

Hilliard Lyons has received investment banking compensation from Gladstone Capital Corp. in the past 12 months.

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



Rating	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	31	28%	10%	90%
Hold/Neutral	75	67%	9%	91%
Sell	6	5%	0%	100%

As of 8 January 2018

Other Disclosures

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