



## COMPANY UPDATE / ESTIMATE CHANGE

### Key Metrics

HI - NYSE - as of	12/13/17	\$44.75
Price Target		--
52-Week Range	\$34.65 -	\$46.50
Shares Outstanding (mm)		63.0
Market Cap. (\$mm)		\$2,820.3
1-Mo. Average Daily Volume		391,376
Institutional Ownership		79.8%
Net Debt/Total Capital	Q4'17	33.9%
ROE	TTM	18.6%
Book Value / Share	Q4'17	\$11.99
Price / Book Value		3.7x
Dividend Yield		1.9%
Adj EBITDA Margin	TTM	17.3%

### EPS Fiscal Year 9/30

	Prior	Current	Prior	Current	
2017A	2018E	2018E	2019E	2019E	
1Q	*0.42	\$0.51	\$0.51	--	--
2Q	*0.53	\$0.62	\$0.62	--	--
3Q	*0.53	\$0.50	\$0.50	--	--
4Q	*0.62	\$0.63	\$0.64	--	--
Year	\$2.10	\$2.25	\$2.27	\$2.39	\$2.39
P/E	21.3x		19.7x		18.7x

\* adjusted for special items

### Revenue (\$MM)

	Prior	Current	Prior	Current	
2017A	2018E	2018E	2019E	2019E	
1Q	\$356	\$390	\$391	--	--
2Q	\$395	\$426	\$428	--	--
3Q	\$396	\$403	\$405	--	--
4Q	\$443	\$436	\$437	--	--
Year	\$1,590	\$1,655	\$1,661	\$1,706	\$1,711

**Company Description:** *The Process Equipment Group makes precision material handling systems, bulk material handling systems, extrusion equipment, size reduction equipment, and screening systems. Through its Batesville Casket unit, Hillenbrand is the largest U.S. producer of burial caskets, both metal and wood, providing Batesville caskets and other products to funeral homes across the country.*

### Industrials

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## Hillenbrand, Inc.

HI – NYSE – Neutral – 2

### Thoughts from Investor Day; Reiterating Neutral.

- We attended HI's 2017 Investor Day in NYC on December 12<sup>th</sup>. Presenters included CEO Joe Raver, CFO Kristina Cerniglia, SVPs Chris Trainor (Batesville) and Kim Ryan (Coperion), and newly hired VP of the Hillenbrand Operating Model Jim Hooven. We had lunch with Board Chairman Joseph Loughrey.
- Hillenbrand initiated stretch guidance (thru-2020) that included 2% to 4% organic sales growth; Process Equipment (PEG) growth is expected to be offset by declines for Batesville. Adj. EPS are expected to grow at a 'double digit' CAGR (or 5% to 7% ex-M&A), and EBITDA margin is projected to expand by 250 bps.
- Key Takeaway #1: Maturation and Optimization.** A self-described 'Transformation Story', HI acquired its way to diversifying itself from a casket manufacturer in a short timeframe; this came with growing pains. As partially evidenced by Jim Hoover's hiring, HI looks to leverage its long standing lean operating model, a theme we believe to be a driver behind the 2020 EBITDA goal.
- Key Takeaway #2: A Mixed Message on M&A.** Additional M&A is material to the above mentioned EPS guidance, but the company seems content with its current verticals. We expect a narrow acquisition focus moving forward, with HI bolstering existing platforms: Plastics & Chemicals, Food/Pharma, Separation, and Flow Control.
- Key Takeaway #3: Flow Control has Potential.** Of the 4 markets noted above, flow control has the largest addressable market for HI at ~\$38B. As the newest platform in the portfolio, building scale here has the potential to materially influence the next few years.
- With fiscal 2018 guidance unchanged, our model years 2018/2019 are little changed, although updating our FX model does push our estimates a tad higher. Our 2018 expectations are somewhat aggressive, but attainable, in our view, based on backlog and the economic backdrop.
- We are reiterating our Neutral rating. We like the refinements HI offered at the Investor Day, but continue to look for a more compelling entry point.

**Note Important Disclosures on Pages 6-7.**

**Note Analyst Certification on Page 6.**

**ADDITIONAL DISCUSSION—FINAL THOUGHTS**

On a net basis, our takeaways from the Investor Day are positive. Backing away from new platform acquisitions (the most expensive in absolute dollar terms) leaves greater potential for capital return over the next few years (namely, increased buybacks), and in our view, it also eases the path to margin improvement that could support valuation multiples. Discussion regarding recent personnel moves, including the positioning of seven Hillenbrand Operating Model ‘leads’ that report to business unit presidents, is constructive, but hard to quantify in our financial model; we did not expect to see stretch guidance, but for us it implies incremental visibility toward growth.

Having said that, we do not necessarily see a major catalyst having emerged from the events this week, and are thus content to reiterate our Neutral rating.

**SUITABILITY**

We assign HI a suitability rating of ‘2.’ A complete description of our suitability scale can be found on page 6 in the Important Disclosures section of this report. HI’s SMID-cap status, along with cyclicality and a relatively short history for the growth-oriented Process Equipment Group, push Hillenbrand below our most conservative ‘1’ suitability rating. Resilient cash flows and a dominant market position for the casket business, manageable leverage, and a modestly diversified end-market mix for the consolidated entity keep Hillenbrand above our more aggressive ‘3’ rating.

**CONSIDERATIONS AND RISKS**

Recent acquisitions have boosted industrial exposure and have increased the cyclicality of HI’s results. These inherently more cyclical industries expose Hillenbrand to oscillations in the global economy, which can be beyond management’s ability to influence and difficult to predict.

Particularly in developing the Process Equipment Group, HI has been an active recent acquirer, and we expect HI could remain active in the future. Integration of large acquisitions and the merging of corporate cultures is not always successful, and varied pitfalls can inhibit the realization of expected synergies and undermine the value obtained from transactions, while simultaneously diverting managerial attention and energy away from existing businesses. Overpayment for assets could result in asset impairments/writedowns, weakening HI’s capital position and potential ability to make further acquisitions.

HI has settled a couple of legal actions in the casket business in recent years, and similar to most sizeable companies, could be the target of litigation in the future. An unfavorable decision or large monetary award could adversely affect the company’s perceived value or ability to compete in certain geographies.

Competitive forces could be particularly problematic for Batesville, which holds a leading position in a flat, to slightly declining, business. Consumers may purchase caskets outside of Batesville channels, and lower priced and/or imported caskets, of presumed lower average quality, compete with Batesville’s products on an on-going basis. Cremation has also increased its penetration of the funeral market.

Large funeral home operators have become more competitive recently in contract negotiations, particularly as consolidation has occurred in the space. This has been a recent issue with a large national customer, and in our view, has the potential to pressure margins from time to time in the future.

Our Suitability rating is 2 on a 1-to-4 scale (1 = most conservative, 4 = most aggressive).

*Additional information is available upon request.*

**Hillenbrand (HI)**

(\$'s in millions)

	FY'16				FY'17				FY'18E				FY'19E			
	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June	Sept
<b>Income Statement Analysis</b>	<b>FY'14</b>	<b>FY'15</b>	<b>FY'16</b>	<b>Q1'17</b>	<b>Q2'17</b>	<b>Q3'17</b>	<b>Q4'17</b>	<b>FY'17</b>	<b>Q1'18E</b>	<b>Q2'18E</b>	<b>Q3'18E</b>	<b>Q4'18E</b>	<b>FY'18E</b>	<b>FY'19E</b>		
Revenues	\$ 1,667.2	\$ 1,596.8	\$ 1,538.4	\$ 356.1	\$ 395.3	\$ 395.9	\$ 442.9	\$ 1,590.2	\$ 391.3	\$ 428.2	\$ 404.6	\$ 437.4	\$ 1,661.5	\$ 1,711.3		
Cost of Revenues	1,078.0	1,026.4	967.8	230.1	246.7	243.5	278.6	998.9	244.8	265.3	251.5	272.8	1,034.5	1,066.0		
Gross Profit	589.2	570.4	570.6	126.0	148.6	152.4	164.3	591.3	146.5	162.9	153.1	164.6	627.0	645.3		
%	35.3%	35.7%	37.1%	35.4%	37.6%	38.5%	37.1%	37.2%	37.4%	38.0%	37.8%	37.6%	37.7%	37.7%		
Operating Expenses	414.7	348.3	346.5	82.8	85.6	86.3	89.7	344.4	84.3	91.7	92.7	91.5	360.2	371.9		
%	24.9%	21.8%	22.5%	23.3%	21.7%	21.8%	20.3%	21.7%	21.6%	21.4%	22.9%	20.9%	21.7%	21.7%		
Amortization Expense		28.1	33.0	7.2	7.2	7.3	7.5	29.2	7.2	7.2	7.3	7.5	29.2	29.2		
Operating Inc.	174.5	194.0	191.1	36.0	55.8	58.8	67.1	217.7	54.9	64.0	53.1	65.6	237.6	244.2		
%	10.5%	12.1%	12.4%	10.1%	14.1%	14.9%	15.2%	13.7%	14.0%	14.9%	13.1%	15.0%	14.3%	14.3%		
Interest (Expense)	(23.3)	(23.8)	(25.3)	(6.1)	(6.3)	(6.5)	(6.3)	(25.2)	(6.2)	(5.9)	(5.5)	(5.5)	(23.0)	(18.6)		
Other Income (Expense)	8.7	(7.9)	(1.7)	(1.3)	(0.6)	(1.1)	(1.2)	(4.2)	(1.3)	(0.6)	(1.1)	(1.2)	(4.2)	(4.2)		
Pre Tax Inc.	159.9	162.3	164.1	28.6	48.9	51.2	59.6	188.3	47.5	57.5	46.5	58.9	210.4	221.4		
Income Tax (Expense)	(48.7)	(49.1)	(47.3)	(6.7)	(14.9)	(16.6)	(21.7)	(59.9)	(14.5)	(17.5)	(14.2)	(18.0)	(64.2)	(67.5)		
Tax Rate	30.5%	30.3%	28.8%	23.4%	30.5%	32.4%	36.4%	31.8%	30.5%	30.5%	30.5%	30.5%	30.5%	30.5%		
Net Income--Cont'd Ops	111.2	113.2	116.8	21.9	34.0	34.6	37.9	128.4	33.0	40.0	32.3	40.9	146.2	153.9		
Less: (NI)/Loss Attrib to non-CI	(1.5)	(1.8)	(4.0)	(0.2)	(0.6)	(1.7)	0.3	(2.2)	(0.4)	(0.4)	(0.4)	(0.4)	(1.6)	(1.6)		
Net Income att to HI (ctd ops)	109.7	111.4	112.8	21.7	33.4	32.9	38.2	126.2	32.6	39.6	31.9	40.5	144.6	152.3		
%	6.6%	7.0%	7.3%	6.1%	8.4%	8.3%	8.6%	7.9%	8.3%	9.2%	7.9%	9.3%	8.7%	8.9%		
Shares Out.	63.8	63.9	63.8	64.2	64.4	63.9	63.9	64.1	63.9	63.9	63.8	63.8	63.8	63.6		
Diluted EPS (cont'd ops)	\$ 1.72	\$ 1.74	\$ 1.77	\$ 0.34	\$ 0.52	\$ 0.51	\$ 0.60	\$ 1.97	\$ 0.51	\$ 0.62	\$ 0.50	\$ 0.64	\$ 2.27	\$ 2.39		
Adjusted EPS (cont'd ops)	\$ 1.94	\$ 2.05	\$ 2.00	\$ 0.42	\$ 0.53	\$ 0.53	\$ 0.62	\$ 2.10	\$ 0.51	\$ 0.62	\$ 0.50	\$ 0.64	\$ 2.27	\$ 2.39		
EPS from disc ops																
Dividends Paid	\$ 0.790	\$ 0.800	\$ 0.810	\$ 0.2050	\$ 0.2050	\$ 0.2050	\$ 0.2050	\$ 0.820	\$ 0.2050	\$ 0.2050	\$ 0.2050	\$ 0.2050	\$ 0.820	\$ 0.8300		
Rate of Change Analysis																
Sales	7.3%	-4.2%	-3.7%	1.3%	2.1%	6.7%	3.3%	3.4%	9.9%	8.3%	2.2%	-1.2%	4.5%	3.0%		
Operating Income	47.8%	11.2%	-1.5%	-0.8%	19.2%	19.8%	13.9%	13.9%	52.6%	14.7%	-9.7%	-2.3%	9.1%	2.8%		
EPS--Adj if necessary	3.8%	5.5%	-2.2%	1.6%	9.9%	0.3%	7.5%	5.0%	21.3%	16.1%	-5.2%	2.3%	7.7%	5.7%		
Adjusted EBITDA	11.3%	-2.5%	-0.6%	-2.4%	3.7%	7.7%	19.8%	13.6%	36.4%	20.0%	0.8%	-3.9%	5.4%	-0.5%		
Working Cap.	-26.6%	55.3%	-20.2%	-17.6%	-25.5%	-7.4%	-73.0%	-73.0%	-9.5%	4.4%	3.2%	263.1%	263.1%	1.6%		
Inventory	-5.1%	-8.8%	-0.3%	-7.3%	-7.3%	-2.4%	-1.0%	-1.0%	9.9%	8.3%	3.5%	0.1%	0.1%	3.9%		
**Adjustments not mentioned are likely minor Restructuring charges or Acquisition/Integration costs				*About \$0.08 net Restructure Chgs	*Raising low end of EPS guide by \$0.05			*Adjusted EPS Guide \$2.00-\$2.10 **Total Rev Guide +1% to +3%					*Adjusted EPS Guide \$2.16-\$2.28 **Total Rev Guide +2% to +4%			

Source: Company reports and Hilliard Lyons estimates

**Hillenbrand (HI)**

Summary Cash Flow	FY'14	FY'15	FY'16	Q1'17	Q2'17	Q3'17	Q4'17	FY'17	Q1'18E	Q2'18E	Q3'18E	Q4'18E	FY'18E	FY'19E
Net Income--Cr'd Ops to HI	109.7	111.4	112.8	21.7	33.4	32.9	38.2	126.2	32.4	39.4	31.9	40.5	144.3	152.1
D & A	58.4	54.3	60.4	15.0	13.6	13.5	14.5	56.6	14.8	13.2	12.5	12.6	53.0	44.7
Deferred Income Tax	(8.2)	(0.5)	(4.7)	11.4	5.9	13.0	6.8	37.1					0.0	0.0
Share-base Compensation	7.5	12.0	8.5	2.6	3.1	2.4	2.4	10.5					0.0	0.0
Forethought, net // special Pension				(82.9)	(2.4)	(2.7)	(2.60)	(90.6)						
(Increase) Decrease in Wrkg. Cap.	37.5	(57.3)	32.6	(16.4)	11.7	15.9	82.5	93.7	(96.3)	(8.0)	18.0	(5.0)	(91.3)	(2.0)
Operating CF	204.9	119.9	209.6	(48.6)	65.3	75.0	141.8	233.5	(49.1)	44.6	62.4	48.1	106.0	194.8
Cap Ex	(23.6)	(31.0)	(21.2)	(4.6)	(4.5)	(5.1)	(6.0)	(22.0)	(6.0)	(6.0)	(6.0)	(6.0)	(24.0)	(34.2)
Acquisitions, net of cash acq	-	-	(235.4)	-	-	-	-	0.0					0.0	0.0
Dispositions (PP&E, Investmt's)	15.3	1.5	1.1	-	2.2	0.1	-	3.2		1.0	1.0		2.0	2.0
Dividends	(49.7)	(50.4)	(51.1)	(13.0)	(13.0)	(13.0)	(13.1)	(51.9)	(13.1)	(13.1)	(13.1)	(13.1)	(52.4)	(52.8)
Free Cash Flow	146.9	40.0	(97.0)	(66.2)	50.0	57.0	122.7	162.8	(68.2)	26.5	44.3	29.0	31.7	109.8
FCF / Share	\$ 2.30	\$ 0.63	\$ (1.52)	\$ (1.03)	\$ 0.78	\$ 0.89	\$ 1.92	\$ 2.54	\$ (1.07)	\$ 0.42	\$ 0.69	\$ 0.45	\$ 0.50	\$ 1.73
FCF as % of NI	133.9%	35.9%	-86.0%					126.8%					21.7%	71.4%
FCF Yield	7.5%	2.4%	-4.8%					6.5%					1.1%	3.9%
FCF Conversion (Margin)	8.81%	2.51%	-6.31%					10.24%					1.91%	6.42%
Term Loan Proceeds (Pmts)	(10.0)	(9.0)	(9.0)	(3.4)	(3.3)	(3.4)	(3.4)	(13.5)	(2.5)	(2.5)	(2.5)	(2.5)	(10.0)	(10.0)
Revolver Proceeds (Pmts)	(94.1)	(116.8)	92.6	56.2	(29.3)	(31.2)	(129.4)	(133.7)	15.0	(25.0)	(40.0)	0.0	(50.0)	(70.0)
Sr. Unsecured Notes	-	99.6	-	-	-	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0
Stock (Repurchases)	(16.5)	(11.2)	(21.2)	-	(17.0)	(11.0)	-	(28.0)	(2.0)	(2.0)	(2.0)	(2.0)	(8.0)	(32.0)
Stock Plan Proceeds (Pmts)	14.6	3.4	11.1	8.6	1.6	1.2	2.3	13.7	1.0	1.0	1.0	1.0	4.0	4.0
Net C.F.	40.9	6.0	(23.5)	(4.8)	2.0	12.6	(7.8)	1.3	(56.7)	(2.0)	0.8	25.5	(32.3)	1.8
Net CF--Disc Ops														
Reported I/S EBITDA	232.9	248.3	251.5	51.0	69.4	72.3	81.6	274.3	69.7	77.2	65.6	78.1	290.6	288.9
Adj Batesville	150.8	145.5	143.5	31.0	42.7	33.5	34.7	141.9						
Adj Process Group	150.4	160.5	160.9	32.7	37.3	50.3	57.4	177.7						
Adj Corporate	(25.7)	(37.3)	(37.3)	(7.3)	(9.7)	(11.5)	(10.1)	(38.6)						
Adjusted EBITDA	275.5	268.7	267.1	56.4	70.3	72.3	89.1	303.5	76.9	84.4	72.9	85.6	319.8	318.1
TTM Adj EBITDA Margin	16.5%	16.8%	17.4%	17.2%	17.3%	17.3%	18.1%	18.1%	19.0%	19.5%	19.4%	19.2%	19.2%	19.1%

Source: Company reports and Hilliard Lyons estimates

**Hillenbrand (HI)**

Summary Balance Sheet	FY'14	FY'15	FY'16	Q1'17	Q2'17	Q3'17	Q4'17	FY'17	Q1'18E	Q2'18E	Q3'18E	Q4'18E	FY'18E	FY'19E
Cash and Equivalents	58.0	48.3	52.0	46.6	51.4	71.5	66.0	66.0	9.3	7.4	8.2	33.7	33.7	35.4
Trade Receivables, net	191.0	187.9	205.0	178.9	193.2	188.2	206.1	206.1	176.1	192.7	169.9	205.6	205.6	210.9
Unbilled Receivables, net	149.3	144.9	125.8	138.2	139.1	144.3	125.2	125.2	151.9	150.7	147.5	123.6	123.6	126.9
Inventory	168.5	153.6	153.1	153.9	150.2	159.3	151.6	151.6	169.1	162.7	164.8	151.7	151.7	157.7
Other Current Assets	71.0	69.4	64.4	42.6	43.5	46.2	44.7	44.7	43.5	44.4	47.1	45.6	45.6	46.5
Total Current Assets	637.8	604.1	600.3	560.2	577.4	609.5	593.6	593.6	549.9	557.8	537.5	560.2	560.2	577.4
Net PP&E	159.5	158.3	152.5	146.0	145.4	147.6	150.4	150.4	141.6	134.4	127.9	121.4	121.4	110.9
Intangible Assets	510.5	459.6	541.5	519.9	516.2	524.3	523.9	523.9	523.9	523.9	523.9	523.9	523.9	523.9
Goodwill	570.7	544.0	634.3	616.3	620.0	639.1	647.5	647.5	647.5	647.5	647.5	647.5	647.5	647.5
Other Non-Current Assets	40.0	42.1	32.3	35.3	34.2	33.6	41.1	41.1	41.9	42.8	43.6	44.5	44.5	48.2
Total Assets	1,918.5	1,808.1	1,960.9	1,877.7	1,893.2	1,954.1	1,956.5	1,956.5	1,904.8	1,906.4	1,880.5	1,897.4	1,897.4	1,907.9
Trade A/P	192.6	104.3	135.7	120.3	132.3	141.7	158.0	158.0	117.4	119.9	125.4	131.2	131.2	134.6
LT Ctrs and Advances	76.1	79.7	78.6	77.5	90.6	97.9	132.3	132.3	133.6	135.0	136.3	137.7	137.7	143.3
CP of LT Debt	15.0	9.4	13.8	16.4	16.2	16.9	18.8	18.8	18.8	18.8	18.8	18.8	18.8	18.8
Accrued Comp & Othr	207.4	210.8	205.6	171.0	170.0	181.2	202.6	202.6	174.4	173.4	184.8	206.7	206.7	210.8
Total Current Liabilities	491.1	404.2	433.7	385.2	409.1	437.7	511.7	511.7	444.2	447.0	465.4	494.3	494.3	507.5
Long-Term Debt	543.5	518.7	596.3	637.9	606.4	578.4	446.9	446.9	459.2	431.7	389.2	386.7	386.7	306.7
Accrued Pension and Retirement	200.9	218.7	232.7	139.6	132.9	137.4	129.6	129.6	130.2	130.9	131.6	132.2	132.2	134.9
Deferred Income Tax	55.4	29.4	22.6	36.8	45.4	61.6	75.7	75.7	75.7	75.7	75.7	75.7	75.7	75.7
Other LT Liabilities	33.8	31.3	29.4	27.7	27.6	28.1	26.7	26.7	28.3	28.2	28.7	27.2	27.2	27.8
Total Liabilities	1,324.7	1,202.3	1,314.7	1,227.2	1,221.4	1,243.2	1,190.6	1,190.6	1,137.6	1,113.5	1,090.5	1,116.2	1,116.2	1,052.5
Stockholders' Equity	583.3	594.1	632.3	636.5	656.9	696.1	765.9	765.9	752.6	778.4	775.5	766.7	766.7	840.8
Noncontrolling Interest	10.5	11.7	13.9	14.0	14.9	14.8	14.5	14.5	14.5	14.5	14.5	14.5	14.5	14.5
Book Value	\$ 9.14	\$ 9.31	\$ 9.88	\$ 9.91	\$ 10.20	\$ 10.89	\$ 11.99	\$ 11.99	\$ 11.78	\$ 12.19	\$ 12.15	\$ 12.02	\$ 12.02	\$ 13.25
Tangible Book Value	\$ (7.80)	\$ (6.42)	\$ (8.49)	\$ (7.78)	\$ (7.44)	\$ (7.31)	\$ (6.35)	\$ (6.35)	\$ (6.56)	\$ (6.16)	\$ (6.20)	\$ (6.34)	\$ (6.34)	\$ (5.21)
Current Ratio	1.3x	1.5x	1.4x	1.5x	1.4x	1.4x	1.2x	1.2x	1.2x	1.2x	1.2x	1.1x	1.1x	1.1x
Net LT Debt / Total Cap	45.0%	43.7%	45.7%	47.6%	45.2%	41.6%	32.8%	32.8%	37.0%	34.9%	32.5%	31.1%	31.1%	24.1%
Net Total Debt / Total Cap	45.7%	44.2%	46.3%	48.3%	46.0%	42.4%	33.9%	33.9%	37.9%	35.9%	33.6%	32.2%	32.2%	25.3%
Gross Debt / TTM Adj EBITDA	2.0x	2.0x	2.3x	2.5x	2.3x	2.2x	1.6x	1.6x	1.5x	1.4x	1.3x	1.3x	1.3x	0.6x
TTM ROE--unadjusted	18.4%	19.0%	18.5%	18.5%	19.2%	19.1%	18.6%	18.6%	19.5%	19.6%	18.8%	18.8%	18.8%	32.2%

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.

**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.

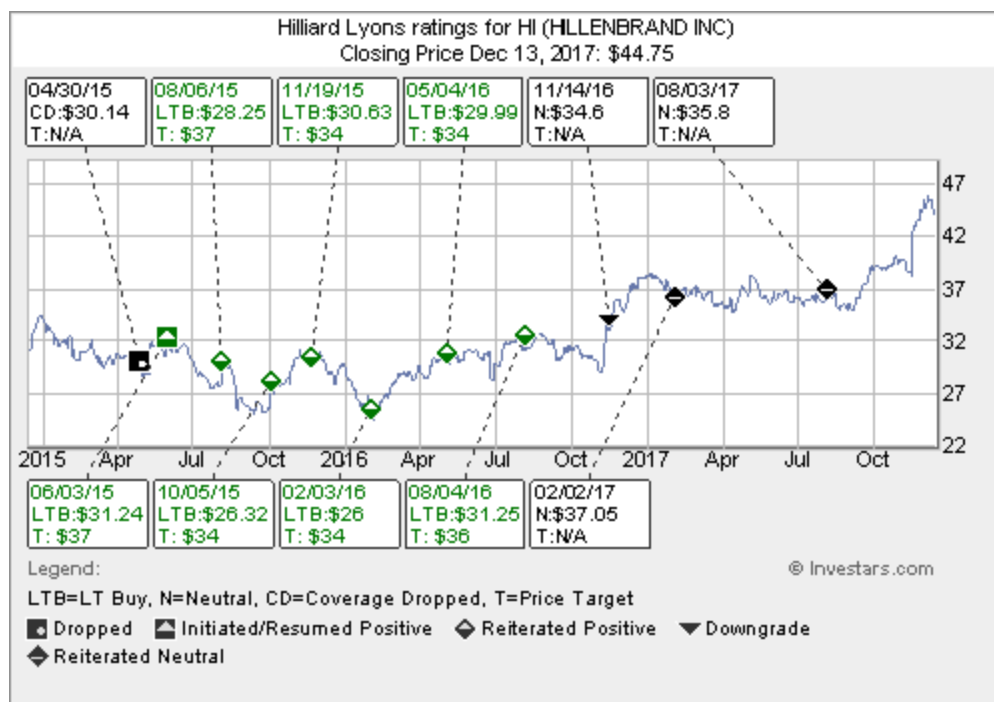
**Suitability Ratings**

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



Note: Price targets accompanying Buy ratings reflect a one year time period while price targets accompanying Long-term Buy ratings reflect a two to three year time period.

	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
Rating	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	31	28%	13%	87%
Hold/Neutral	74	66%	9%	91%
Sell	7	6%	0%	100%

As of 6 December 2017

**Other Disclosures**

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