



COMPANY UPDATE / ESTIMATE CHANGE

Key Metrics

NI - NYSE (Price as of 8/2/17)	\$26.67
Price Target	NA
52-Week Range	\$26.67 - \$21.17
Shares Outstanding (mm)	325.1
Market Cap. (\$mm)	\$8,670
3-Mo. Average Daily Volume	2,420,000
Institutional Ownership	81.0%
Debt/Total Capital	57.1%
ROE (ttm)	8.5%
Book Value/Share	\$12.03
Price/Book Value	2.2x
Indicated Dividend / Yield	\$0.70 2.6%
Dividend Cycle	Feb., May, Aug., Nov.

EPS FY 12/31

	2016	Prior 2017E	Curr. 2017E	Prior 2081E	Curr. 2018E
1Q		--		--	--
2Q		--		--	--
3Q		--		--	--
4Q		--		--	--
Year	\$1.09	\$1.17	\$1.19	\$1.24	\$1.26
P/E	24.5x		22.4x		21.2x
Payout	62%		59%		56%

Note: Figures exclude non-recurring items

Revenue (\$mm)

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q		--		--	--
2Q		--		--	--
3Q		--		--	--
4Q		--		--	--
Year	\$3,102		\$3,215	--	\$3,365

Company Description: Based in Merrillville, Ind., NiSource Inc. is one of the largest fully-regulated utility companies in the United States, serving approximately 3.5 million natural gas customers and 500,000 electric customers across seven states through its local Columbia Gas and NIPSCO brands.

NiSource Inc.

NI -- NYSE -- Neutral -- 2

Company reports higher second quarter results and raises 2017 earnings guidance

Investment Highlights

- **NiSource reported second quarter operating earnings of \$0.10 per share versus \$0.08 per share in 2016's second quarter.** Earnings were in line with expectations. The company's gas distribution business saw its earnings contribution decline in the quarter while NI's electric operations segment posted an increase in earnings. Earnings from gas distribution were \$55.7 million, a decrease of \$17.6 million from last year's second quarter. This business was negatively impacted by higher operating expenses, led by higher employee and administrative costs. These offset the positive effects of new rates. The company's electric business added \$84.3 million to second quarter earnings versus \$60.1 million in the same time period last year. This segment benefited from both new rates and the benefits of higher regulatory and depreciation trackers.
- **Management raises 2017 earnings guidance.** NiSource now expects 2017 operating earnings to be in a range of \$1.17 to \$1.20 per share. The company's previous guidance had been a range between \$1.12 to \$1.18 per share. We are raising our 2017 and 2018 EPS estimates to \$1.19 and \$1.26, respectively. In addition, NiSource expects to grow both its earnings and dividends by 5% to 7% annually off the revised 2017 base.
- **Company continuing to make investments.** NI anticipates it will make approximately \$1.6 to \$1.7 billion in planned utility infrastructure investments in 2017. In addition, NI expects to invest between \$1.6 to \$1.8 billion each year through 2020.
- **We have a Neutral rating on NiSource due to valuation.** However, we continue to believe the company has a positive long-term fundamental outlook. We believe NI's ongoing infrastructure investments will allow for consistent earnings and dividend growth and would thus maintain positions in the stock.

**Note Important Disclosures on Pages 2 and 3.
Note Analyst Certification on Page 2.**

Suitability

We assign a 2 suitability rating to NiSource. This company generates 100% of its earnings from its regulated electric and natural gas utility businesses, which provides consistency to financial results. Earnings and dividends are expected to trend steadily higher. Thus, we regard NiSource as a suitable holding for utility investors seeking total return.

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.

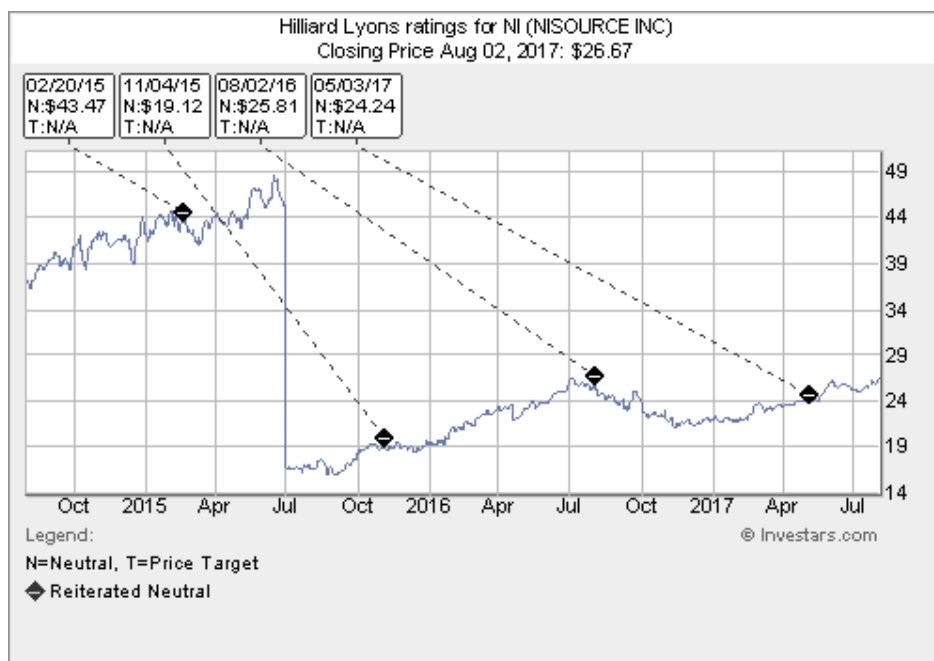
Suitability Ratings

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



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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