



COMPANY UPDATE

Key Metrics

NI - NYSE (Price as of 5/2/17)	\$24.24
Price Target	NA
52-Week Range	\$26.94 - \$21.17
Shares Outstanding (mm)	323.7
Market Cap. (\$mm)	\$7,481
3-Mo. Average Daily Volume	2,847,000
Institutional Ownership	81.0%
Debt/Total Capital (3/31)	57.1%
ROE (ttm)	8.3%
Book Value/Share	\$12.03
Price/Book Value	2.0x
Indicated Dividend / Yield	\$0.70 2.9%
Dividend Cycle	Feb., May, Aug., Nov.

EPS FY 12/31

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q		--		--	--
2Q		--		--	--
3Q		--		--	--
4Q		--		--	--
Year	\$1.09		\$1.17		\$1.24
P/E	25.8x		20.7x		19.5x
Payout	62%		60%		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 first quarter results and reaffirms 2017 earnings guidance

Investment Highlights

- **NiSource reported first quarter operating earnings of \$0.71 per share versus \$0.62 per share in 2016's first quarter, an increase of over 14%.** Earnings were above the consensus estimate of \$0.67 per share. Both of the company's major segments, gas distribution and electric distribution, contributed higher year-over-year earnings. NI's gas distribution business posted first quarter earnings of \$363.8 million compared to \$330.2 million in last year's first quarter. Earnings were helped by both continued investments in its business along with progress from regulatory initiatives. The company's electric business added \$84.4 million to first quarter earnings versus \$72.2 million in the same time period last year. This segment benefited from cost recovery of an electric modernization program. Given the mild winter weather experienced in NiSource's service territory, we believe this was a fine quarter for the company.
- **Management reaffirmed 2017 earnings guidance.** NiSource expects 2017 operating earnings to be in the upper half of a range between \$1.12 to \$1.18 per share. We are maintaining our 2017 EPS estimate of \$1.17 per share and initiating a 2018 estimate of \$1.24. The company 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. These ongoing investments are expected to generate ongoing annual earnings and dividend increases of 5% to 7%, up from 4% to 6% previously.
- **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 feel NI has an attractive mix of regulated gas and electric assets. In our view, NI's ongoing infrastructure investments will allow for consistent earnings and dividend growth. We view NI as a quality holding.

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.

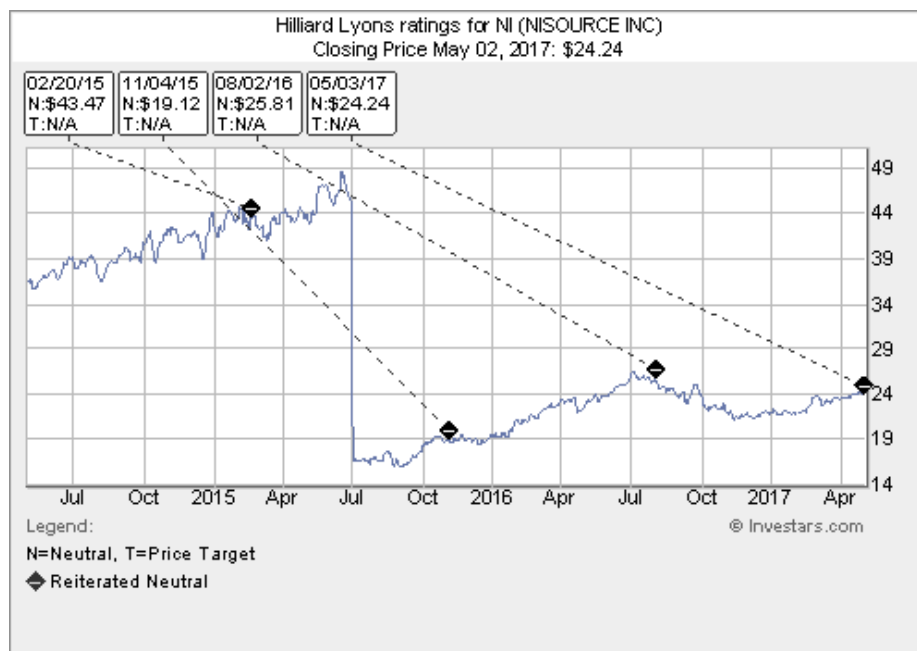
Suitability Ratings

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	30%	14%	86%
Hold/Neutral	71	58%	6%	94%
Sell	15	12%	7%	93%

As of 5 April 2017

Other Disclosures

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