



COMPANY UPDATE / ESTIMATE CHANGE

**Key Metrics**

NI - NYSE (Price as of 10/31/17)	\$26.37
Price Target	NA
52-Week Range	\$21.27 - \$27.29
Shares Outstanding (mm)	331.1
Market Cap. (\$mm)	\$8,731
3-Mo. Average Daily Volume	1,926,000
Institutional Ownership	81.0%
Debt/Total Capital	57.1%
ROE (ttm)	8.1%
Book Value/Share	\$12.66
Price/Book Value	2.1x
Indicated Dividend / Yield	\$0.70 2.7%
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		\$1.19	\$1.26	\$1.29
P/E	24.2x		22.2x		20.4
Payout	62%		59%		54%

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 reaffirms 2017 expectations and initiates 2018 earnings guidance**

**Investment Highlights**

- **NiSource reported third quarter operating earnings of \$0.07 per share versus \$0.06 per share in 2016's third quarter.** Earnings were in line with expectations. This was a seasonally light quarter for NI but another solid one, in our view. Through the first nine months of the year, NiSource has earned \$0.88 per share compared to \$0.76 per share. Results this year have benefitted from the company's long-term infrastructure investments, which have been supported by regulatory outcomes and established infrastructure trackers.
- **Management reaffirms 2017 earnings guidance.** NiSource continues to expect 2017 operating earnings to be in a range of \$1.17 to \$1.20 per share. In addition, the company initiated 2018 earnings guidance of \$1.26 to \$1.32 per share. We are maintaining our 2017 EPS estimate of \$1.19 and raising our 2018 estimate to \$1.29. In addition, NiSource expects to grow both its earnings and dividends by 5% to 7% annually through 2020.
- **NI files rate case in Indiana.** In September NIPSCO filed its first base rate case in more than 25 years. Inclusive of various tracker programs, the case seeks an annual revenue increase of \$143.4 million. A final rate order is expected in the second half of 2018.
- **Company continuing to make investments.** NI still expects to make \$1.6 to \$1.7 billion in planned utility infrastructure investments in 2017. Next year's projected capital spending is anticipated to be between \$1.7 to \$1.8 billion. In addition, NI expects to invest between \$1.6 to \$1.8 billion in both 2019 and 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.

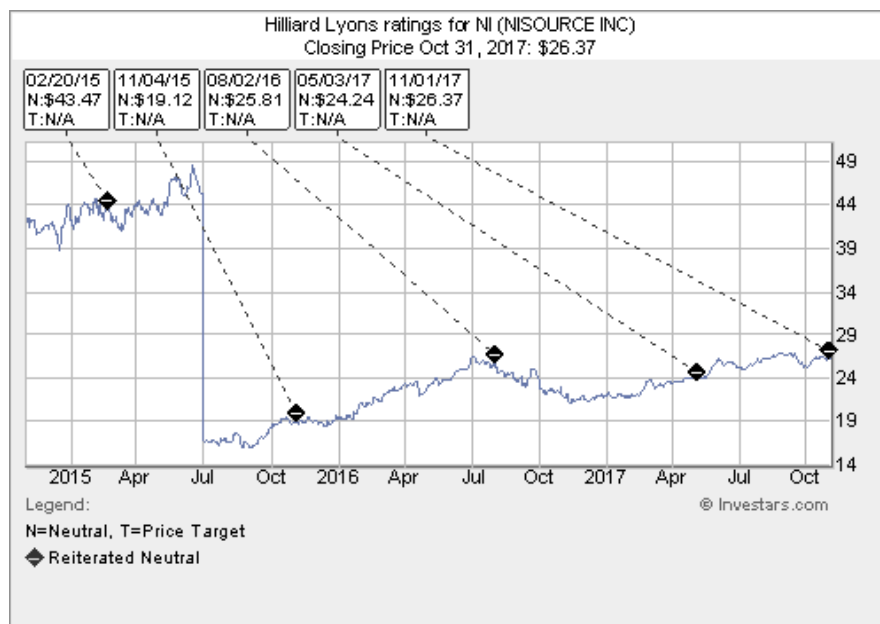
**Suitability Ratings**

**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



Hilliard Lyons Recommended Issues			Investment Banking Provided in Past 12 Mo.	
	# of	% of		
<u>Rating</u>	<u>Stocks Covered</u>	<u>Stocks Covered</u>	<u>Banking</u>	<u>No Banking</u>
Buy	39	32%	8%	92%
Hold/Neutral	74	60%	9%	91%
Sell	8	7%	0%	100%
Restriction	2	2%	100%	0%

As of 5 October 2017

### Other Disclosures

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