



COMPANY UPDATE / ESTIMATE CHANGE

Key Metrics

NJR - NYSE - as of	5/4/17	\$39.75
Price Target		--
52-Week Range	\$30.46 -	\$42.65
Shares Outstanding (mm)		86.3
Market Cap. (\$mm)		\$3,430.9
1-Mo. Average Daily Volume		492,188
Institutional Ownership		64.5%
Debt/Total Capital	Q1'17	51.6%
ROE	TTM	10.8%
Book Value / Share	Q1'17	\$13.65
Price / Book Value		2.9x
Dividend Yield		2.6%
EBITDA Margin		-

EPS (adjusted for unrealized margins) FY 9/30

		Prior	Current	Prior	Current
	2016A	2017E	2017E	2018E	2018E
1Q	\$0.57	--	\$0.46	A --	--
2Q	\$0.90	--	\$1.20	A --	--
3Q	\$0.13	\$0.12	\$0.10	--	--
4Q	(\$0.02)	\$0.03	\$0.00	--	--
Year	\$1.57	\$1.68	\$1.76	\$1.77	\$1.83
P/E	25.3x		22.6x		21.7x

Utility Gross Margin (\$MM)

		Prior	Current	Prior	Current
	2016A	2017E	2017E	2018E	2018E
1Q	\$89.8	--	\$97.9	A --	--
2Q	\$121.8	--	\$143.2	A --	--
3Q	\$55.4	\$62.1	\$60.6	--	--
4Q	\$42.3	\$48.8	\$46.7	--	--
Year	\$309.4	\$346.4	\$348.3	\$357.4	\$359.4

Company Description: *NJR is a holding company that provides retail and wholesale energy services to customers across the Eastern US and Canada. Its regulated subsidiary, New Jersey Natural Gas, is a local gas distribution company that provides energy service to more than 500,000 customers in central and northern New Jersey. Its unregulated operations provide fuel management and wholesale marketing services, and build/own/operate wind and solar clean energy generation assets.*

Natural Gas Utilities

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New Jersey Resources Corp.

NJR – NYSE – Neutral – 3

Strong Q2'17 Results for NJR.

Investment Highlights

- NJR reported fiscal Q2'17 (January-March) net financial earnings (NFE) per share of \$1.20 versus \$0.90 in Q2'16. Results beat our estimate for \$1.06, which was in turn above consensus for \$1.00. Increased Investment Tax Credits (ITCs) and utility margin growth substantially drove Q1 EPS growth.
- Utility gross margin grew 17.2% to \$143.2MM in Q2, which was about \$5MM ahead of our model. New base rates in New Jersey were the primary driver, and should remain a factor over 2H'17. Customers grew ~1.7% yr/yr, as NFE for the segment grew \$11MM.
- Energy Services (NJRES) recorded NFE of \$15.7MM in Q2'17 versus \$17.0MM in Q2'16, slightly below our model but still setting up the company for a healthy full year, in our view. We expect fiscal 2017 to be a nearly 'normal' year for NJRES.
- Clean Energy Ventures (NJRCEV) generated NFE of \$22.7MM in the quarter, also higher by about \$11MM year/year. The incremental profits are substantially attributable to ITCs that were higher by ~\$20MM.
- Upside to our EPS estimate was driven by ITCs (+\$0.13) and upside at the utility, offset somewhat by Energy Services. Some of the ITC item represents a pull forward however, and our 2017E EPS delta exiting Q2 is somewhat muted. Our 2018E EPS rises primarily on the utility segment's strong Q2.
- NJR reiterated 2017 basic NFE per share guidance in a range of \$1.65-\$1.75.
- We are reiterating our Neutral rating. Nonetheless, we like this quarter from NJR, primarily on the magnitude of increased profitability at the utility (which lagged our Q1 expectations). We continue to look for a more compelling entry point.

Note Important Disclosures on Pages 5-6
Note Analyst Certification on Page 5

ADDITIONAL DISCUSSION—Q2 RESULTS & FORWARD OUTLOOK

We are quite pleased with NJR's fiscal second quarter, and look forward to closing out a year that we expect will lend a relatively clean and fair base/comp year for fiscal 2018 and 2019. Contribution from Energy Services has been down year-to-date, as expected, though with New Jersey Natural Gas' (utility segment) strong second quarter, the drawdown has been more than offset by core utility regulated profits. A meaningful portion of overall firm profits continue to be driven by investment tax credits; however, this vertical too seems to be at a 'steady state' with relatively low uncertainty over the next few years.

With this in mind, we like really like the qualitative narrative at NJR at this point, with meaningful progress on both the PennEast and Southern Reliability Link, and some of our concerns alleviated as to how much incremental profitability might be driven by the base rate case. Having said that, we expect much of our opinion is understood by the market, and we await a more attractive entry point.

SUITABILITY

We assign NJR a suitability rating of '3.' A complete description of our suitability scale is on page 5. Size versus the broad Utility sector and significant exposure to non-regulated and/or more cyclical market-based and renewable energy businesses keep NJR below our '2' suitability rating. Below-sector leverage, a long history of capital return, and a strong core regulated utility franchise keep NJR well above our most aggressive '4' rating.

CONSIDERATIONS AND RISKS

Utility operations are weather sensitive, and gas utilities face competition from alternative fuels. In the industrial market, many customers have the capability of using both natural gas as well as another source of energy. Increases in the price of natural gas can negatively impact a competitive position by decreasing the price benefits of natural gas to the end user. The cost of natural gas from non-domestic sources may play a greater role in establishing the market price of natural gas in the future.

Gas utilities are subject to regulation at the federal and state levels. The makeup of regulatory commissions can vary and have a significant bearing on the profitability of gas utilities. There are a number of items that can create volatility in the earnings results for the marketing segment, including weather, customer demand, supply/storage levels, gas price volatility, customer growth/retention, and accounting treatment.

Our Suitability rating is 3 on a 1-to-4 scale (1 = most conservative, 4 = most aggressive).

Additional information is available upon request.

New Jersey Resources Corp.		dec				mar				jun				sep			
Income Statements (000's), FYE Sept.		FY'14	FY'15	Q1'16	Q2'16	Q3'16	Q4'16	FY'16	Q1'17	Q2'17	Q3'17E	Q4'17E	FY'17E	FY'18E			
Operating Rev																	
Utility	\$819,415	\$781,970	\$151,606	\$242,536	\$119,206	\$80,998	\$594,346	\$185,556	\$295,546				481,102	-			
Non Utility	2,918,730	1,952,017	292,652	331,657	274,007	388,243	1,286,559	355,472	438,000	321,364	385,700		1,500,536	1,507,802			
Total Revenues	3,738,145	2,733,987	444,258	574,193	393,213	469,241	1,880,905	541,028	733,546								
Utility Gross Margin										60,553	46,681		107,235	359,393			
Operating Exp																	
Utility--Gas Purch	319,897	304,953	46,665	82,374	45,700	30,295	205,034	61,320	112,445				173,765				
Non Utility--Gas Purch	2,807,008	1,767,841	254,088	287,883	288,510	308,820	1,139,301	337,932	367,328	289,703	347,172		1,342,135	1,344,444			
Related Parties--Gas Purch	12,620	12,851	2,074	2,077	2,108	2,092	8,351	2,111	2,072				4,183				
O & M	215,180	209,453	46,233	53,125	51,467	57,596	208,421	52,228	52,342	50,960	56,920		212,450	209,810			
Regulatory Rider Expense	72,164	75,779	9,628	21,215	6,360	2,097	39,300	12,601	19,893				32,494	-			
D & A	52,742	61,399	16,482	17,744	18,671	19,851	72,748	19,260	20,328	20,670	22,110		82,368	89,810			
Energy and Otr Tax	57,344	53,260	9,637	15,842	8,726	6,010	40,215	14,101	19,485	1,200	1,180		35,966	5,050			
Total Op Exp	3,536,955	2,485,536	384,807	480,260	421,542	426,761	1,713,370	499,553	593,893			19,384	5,000	205,512			
Operating Income	201,190	248,451	59,451	93,933	(28,329)	42,480	167,535	41,475	139,653					218,081			
Other Income (Loss)	7,551	6,545	1,924	2,202	2,306	2,764	9,196	3,776	5,338	2,310	2,760		14,184	11,190			
Interest Charges, Net	25,463	27,721	6,777	7,369	7,787	9,111	31,044	10,615	11,436	11,620	11,870		45,541	49,770			
Income Before Tax [EBT]	183,278	227,275	54,598	88,766	(33,810)	36,133	145,687	34,636	133,555	10,074	(4,110)		174,155	179,501			
Income Tax Provision	51,840	59,724	8,357	17,840	(14,190)	13,183	23,530	2,018	23,932	3,730	(1,690)		27,990	30,290			
Equity in Earnings, Net of Tax	10,532	13,409	2,406	2,402	2,257	2,450	9,515	2,311	5,079	2,370	2,570		12,330	12,950			
Net Income	\$141,970	\$180,960	\$48,647	\$73,328	(\$17,363)	\$25,400	\$131,672	\$34,929	\$114,702	\$8,714	\$150		\$158,495	\$162,161			
Average Shares Outstanding (FD)	84,922	86,265	86,676	86,858	85,960	86,940	86,731	86,855	87,101	88,233	88,283		87,618	89,566			
GAAP EPS	\$ 1.67	\$ 2.10	\$ 0.56	\$ 0.84	\$ (0.20)	\$ 0.29	\$ 1.52	\$ 0.40	\$ 1.32								
EPS--dil., excl. nonrecurring items																	
Add: (non-GAAP)																	
Unrlzd (Gain) / Loss on Derivs	28,534	(38,682)	(1,135)	3,170	55,875	(11,027)	46,883	28,302	(54,855)								
Rlzd (loss) gain from derivatives																	
Tax Adjustment, net all	(20,286)	17,449	(1,693)	2,436	(16,160)	11,763	(15,654)	(4,909)	9,931								
Econ Eff of Nat Gas Hedging	26,639	(8,225)	3,813	(1,054)	(11,380)	(28,195)	(36,816)	(17,939)	34,328								
Net Financial Earnings (NFE)	\$176,856	\$151,503	\$49,632	\$77,880	\$10,972	(\$2,059)	\$136,425	\$40,383	\$104,106	\$8,714	\$150		\$153,353	\$162,161			
EPS--NFE	\$ 2.08	\$ 1.76	\$ 0.57	\$ 0.90	\$ 0.13	\$ (0.02)	\$ 1.57	\$ 0.46	\$ 1.20	\$ 0.10	\$ 0.00		\$ 1.76	\$ 1.83			
EX CEV Financial Earnings--approx	\$ 1.94	\$ 1.53	\$ 0.49	\$ 0.76	\$ 0.10	\$ (0.10)	\$ 1.25										
Dividend / Sh	\$ 0.855	\$ 0.915	\$ 0.240	\$ 0.240	\$ 0.240	\$ 0.240	\$ 0.960	\$ 0.255	\$ 0.255	\$ 0.255	\$ 0.255		\$ 1.020	\$ 1.080			
Rate of Change Analysis:																	
Utility Gross Margin	7.3%	3.4%	3.1%	1.1%	-2.6%	-1.4%	0.6%	9.0%	17.6%	9.3%	10.3%		12.6%	3.2%			
EPS--Net Financial Earnings	53.6%	-15.6%	-11.1%	-21.9%	340.3%	nm	-10.6%	-18.8%	33.3%	-22.6%	nm		11.9%	4.0%			
O&M Expense	24.0%	-2.7%	3.3%	0.7%	5.9%	-9.0%	-0.5%	13.0%	-1.5%	-1.0%	-1.2%		1.9%	-1.2%			
Margin Analysis:																	
Utility O&M / Utility GM	42.0%	42.2%	33.0%	27.8%	58.9%	81.4%	42.2%	30.9%	24.1%	54.9%	75.3%		38.2%	37.1%			
Tax Rate [Tax/EBT]	28.3%	26.3%	15.3%	20.1%	42.0%	36.5%	16.2%	5.8%	17.9%	37.0%	41.1%		16.1%	16.9%			
*Utility Gas Purchases, Regulatory Rider Expenses and a portion of Energy and other taxes incorporated into Utility gross margin projection			*GRC filed 11/2015 **KS wind on line 12/2015 ***\$9.6MM ITC	*ITC \$12.3	*YTD ITC \$2.6 *6/21-- \$125MM LTD at 3.6%		*Basic NFE EPS Guidance \$1.55-\$1.65	*New Base Rates NJNG Online ***\$7.1MM NFE ITC	*\$32.7MM NFE ITC				*New NJNG base rates 10/1/2016 **EPS Guide \$1.65-\$1.75				

Source: Company reports and Hilliard Lyons estimates

New Jersey Resources Corp.

Balance Sheet Analysis	FY'14	FY'15	Q1'16	Q2'16	Q3'16	Q4'16	FY'16	Q1'17	Q2'17E	Q3'17E	Q4'17E	FY'17E	FY'18E
Cash	\$2,151	\$4,928	\$1,683	\$1,880	\$94,808	\$37,546	\$37,546	\$46,875	\$76,842	\$52,428	\$60,974	\$60,970	\$100,450
A/R	189,970	155,273	168,729	148,822	144,077	142,658	142,658	252,755	156,260	151,280	149,790	149,790	157,280
Gas in storage	277,516	163,905	189,907	117,490	159,073	206,251	206,251	220,097	123,360	167,030	216,560	216,560	227,390
Other CAs	213,094	164,109	228,620	191,669	206,760	220,809	220,809	295,336	195,500	210,900	225,230	225,230	229,730
Total Current Assets	682,731	488,215	588,939	459,861	604,718	607,264	607,264	815,063	551,962	581,638	652,554	652,550	714,850
Net PP&E	1,884,110	2,128,261	2,196,099	2,242,658	2,304,024	2,407,652	2,407,652	2,451,749	2,482,320	2,566,080	2,591,210	2,591,210	2,854,190
Other LT Assets	591,963	722,562	692,200	717,075	724,048	712,166	712,166	682,694	752,930	760,250	747,770	747,770	785,160
Total Assets	\$3,158,804	\$3,339,038	\$3,477,238	\$3,419,594	\$3,632,790	\$3,727,082	\$3,727,082	\$3,949,506	\$3,787,212	\$3,907,968	\$3,991,534	\$3,991,530	\$4,354,200
Gas Purchases Payable	205,901	151,375	144,349	120,091	123,752	139,452	139,450	187,219	122,490	126,230	142,240	142,240	145,080
A/P	104,005	99,651	69,563	67,649	70,408	107,184	107,180	72,776	71,030	73,930	112,540	112,540	118,170
Short-Term Debt	301,000	66,350	211,000	152,500	244,625	121,700	121,700	284,600	209,600	402,600	477,600	477,600	688,600
Other CLs	180,180	118,724	150,070	137,627	162,687	203,272	203,270	278,337	144,510	170,820	213,440	213,440	224,110
Total Current Liabilities	791,086	436,100	574,982	477,867	601,472	571,608	571,608	822,932	547,630	773,580	945,820	945,820	1,175,960
LTD	598,209	843,595	848,206	844,391	967,802	1,063,550	1,063,550	1,026,682	1,066,602	947,902	972,202	972,202	1,113,400
Def Inc Taxes	423,213	444,935	491,522	464,343	469,119	473,847	473,847	490,017	495,020	500,020	505,020	505,020	555,020
Other LT Liabilities	380,130	507,452	418,584	425,511	423,515	451,486	451,486	424,514	424,510	424,510	424,510	424,510	424,510
Shareholders' Equity	966,166	1,106,956	1,143,944	1,207,482	1,170,882	1,166,591	1,166,591	1,185,361	1,253,450	1,261,956	1,143,982	1,143,980	1,085,310
Total Liab & SE	\$3,158,804	\$3,339,038	\$3,477,238	\$3,419,594	\$3,632,790	\$3,727,082	\$3,727,082	\$3,949,506	\$3,787,212	\$3,907,968	\$3,991,534	\$3,991,530	\$4,354,200
Book Value / Share	\$11.45	\$12.96	\$13.20	\$13.90	\$13.62	\$13.42	\$13.42	\$13.65	\$14.39	\$14.30	\$12.96	\$12.96	\$11.95
Price / Book	1.9x	1.9x	2.5x	2.6x	2.8x	2.4x	2.4x	2.6x	2.8x	2.8x	3.1x	3.1x	3.3x
LT Debt / Total Capital	38.2%	43.2%	42.6%	41.2%	45.3%	47.7%	47.7%	46.4%	46.0%	42.9%	45.9%	45.9%	50.6%
Net Total Debt / Total Cap	48.1%	45.0%	48.0%	45.2%	48.8%	49.6%	49.6%	51.6%	48.9%	50.7%	54.8%	54.8%	61.1%
Cash Flow Analysis	FY'14	FY'15	Q1'16	Q2'16	Q3'16	Q4'16	FY'16	Q1'17	Q2'17E	Q3'17E	Q4'17E	FY'17E	FY'18E
Net Financial Earnings	\$176,856	\$151,503	\$49,632	\$77,880	\$10,972	(\$2,059)	\$136,425	\$40,383	\$104,106	\$8,714	\$150	\$153,350	\$162,160
D&A	52,742	61,399	16,482	17,744	18,671	19,851	72,748	19,260	20,328	20,670	22,110	82,370	89,810
Deferred Income Tax	18,421	45,934	46,166	(28,186)	3,675	6,066	27,721	16,262	5,000	5,000	5,000	31,262	50,000
Contribution to Employee Plans	(4,953)	(5,778)	(30,144)	(2,023)	(158)	(1,034)	(33,359)	(1,712)	(2,023)	(158)	(1,034)	(4,927)	(4,927)
(Inc)/Dec Wrk Cap	66,202	76,957	(109,737)	90,660	(20,449)	33,253	(6,273)	(110,046)	92,766	(21,140)	33,830	(4,590)	(5,830)
Operating C.F.	309,268	330,015	(27,601)	156,075	12,711	56,077	197,262	(35,853)	220,177	13,086	60,056	257,465	291,213
Utility Cap Ex	(128,254)	(140,797)	(42,465)	(33,861)	(35,425)	(64,316)	(176,067)	(31,396)	(35,000)	(90,000)	(90,000)	(246,396)	(390,000)
Solar/Wind Cap Ex	(135,543)	(151,002)	(45,006)	(25,876)	(44,854)	(33,327)	(149,063)	(46,785)	(60,000)	(45,000)	(41,000)	(192,785)	(220,000)
Dividends	(70,664)	(76,532)	(20,524)	(20,591)	(20,660)	(20,670)	(82,445)	(21,931)	(22,210)	(22,500)	(22,510)	(89,150)	(96,730)
Free C.F.	(25,193)	(38,316)	(135,596)	75,747	(88,228)	(62,236)	(210,313)	(135,965)	102,967	(144,414)	(93,454)	(270,866)	(415,517)
Payments of LT Debt	(82,586)	(37,039)	(2,676)	(3,131)	(1,993)	(5,489)	(13,289)	(2,716)	-	-	(50,000)	(52,716)	(150,000)
Proceeds from LT Debt	125,000	250,000	-	-	125,000	150,000	275,000	-	-	-	50,000	50,000	150,000
Proceeds (Payments) ST Debt	(64,600)	(234,650)	144,650	(58,500)	92,125	(122,925)	55,350	162,900	(75,000)	75,000	100,000	262,900	355,000
Stock Issued	15,373	37,299	3,807	4,413	3,953	3,837	16,010	4,616	2,000	45,000	2,000	53,616	100,000
Stock Repurchased	(5,522)	(10,589)	(1,008)	-	-	-	(1,008)	(6,355)	-	-	-	(6,355.00)	-
Net Cash Flow	(37,528)	(33,295)	9,177	18,529	130,857	(36,813)	121,750	22,480	29,967	(24,414)	8,546	36,579	39,483
EBITDA	\$253,932	\$309,850	\$75,933	\$111,677	(\$9,658)	\$62,331	\$240,283	\$60,735	\$159,981	\$40,054	\$27,110	\$287,880	\$307,891
EV / TTM EBITDA	9.7x	9.7x	18.3x	18.5x	20.9x	16.2x	16.2x	18.1x	16.3x	13.6x	15.4x	15.4x	15.0x
ROE (TTM)	18.5%	13.9%	13.0%	10.9%	11.6%	11.8%	11.8%	10.8%	12.8%	12.5%	12.8%	12.8%	13.9%

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.

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 revenues, volatility, low trading volume or a narrow customer or product base

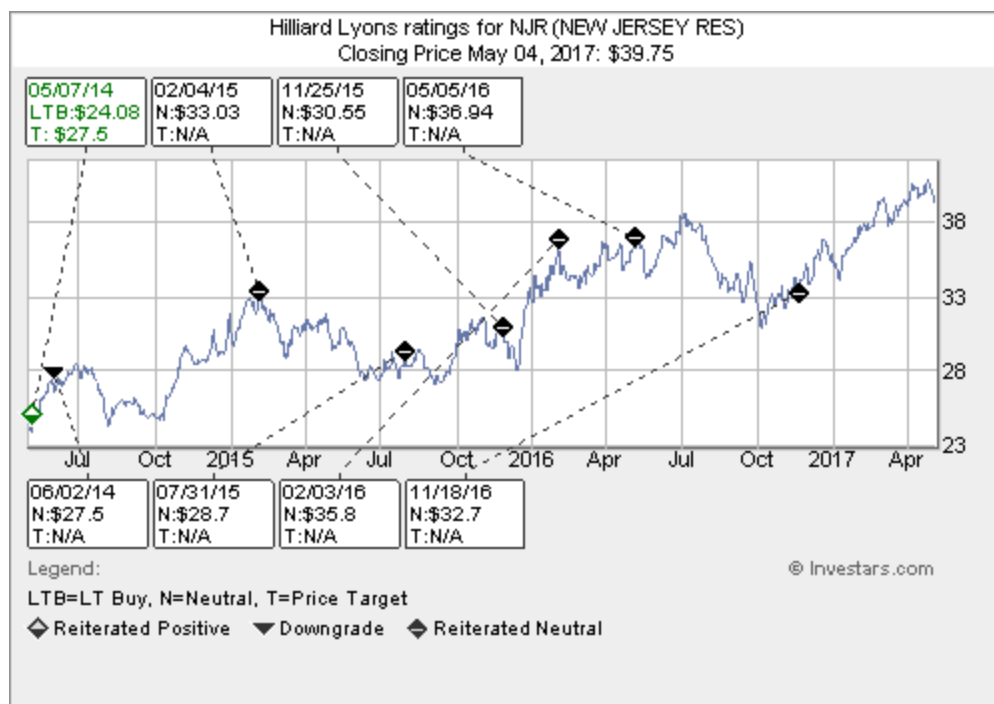
Investment Ratings

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 setback in the next 12 months.



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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