



COMPANY UPDATE/ ESTIMATES CHANGE / TARGET PRICE CHANGE/ RATING CHANGE

Key Metrics

PNFP - NASDAQ (as of 08/22/17)	\$60.60
Price Target	\$71.00
52-Week Range	\$49.40-\$71.85
Shares Outstanding (mm)	77.7
Market Cap. (\$mm)	\$4,706
3-Mo. Average Daily Volume (000)	726.7
Institutional Ownership	67.1%
Tangible Equity / Tangible Assets	9.5%
ROE	9.5%
Tangible Book Value Per Share	\$22.58
Price/Tangible Book Value	268.3%
Dividend Yield	0.9%
Price/LTM Earnings	19.5x

Operating EPS CY 12/31

		Prior	Curr.	Prior	Curr.
	2016A	2017E	2017E	2018E	2018E
1Q	\$0.71	\$0.83A	\$0.83A	\$1.04	\$1.02
2Q	\$0.75	\$0.84	\$0.84A	\$1.10	\$1.07
3Q	\$0.78	\$0.88	\$0.89	\$1.23	\$1.19
4Q	\$0.82	\$0.92	\$0.91	\$1.27	\$1.22
Year	\$3.06	\$3.47	\$3.46	\$4.64	\$4.49
P/E	19.8x		17.5x		13.5x

Numbers may not add due to rounding

Common Dividends

		Curr.	Prior	Curr.
	2016A	2017E	% chg.	2018E
1Q	\$0.14	\$0.14A	0.0	\$0.15
2Q	\$0.14	\$0.14A	0.0	\$0.17
3Q	\$0.14	\$0.14	0.0	\$0.17
4Q	\$0.14	\$0.14	0.0	\$0.17
Year	\$0.56	\$0.56	0.0	\$0.66

Company Description - Founded in 2000, Pinnacle Financial Partners (PNFP) is a growth-oriented commercial banking organization with operations primarily in metropolitan Chattanooga, Knoxville, Memphis and Nashville. It is the second largest banking institution headquartered in Tennessee. In addition to traditional banking services, PNFP offers wealth management, insurance and trust services.

Banks

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August 23, 2017

Pinnacle Financial Partners

PNFP -- NASDAQ -- Buy -- 2

Twinking Estimates & Raising to Buy on Valuation

- We are reducing our 2017 and 2018 operating EPS estimates to \$3.46 and \$4.49 from \$3.47 and \$4.64, respectively, on a variety of assumptions, including lower revenues and higher noninterest expense. Our model incorporates NIM pressure stemming from the flattening of the yield curve.
- As a result of our lower estimates, we are reducing our 12-month price target by \$3 to \$71. We derive our price target through our discounted dividend model and the application of a forward multiple of approximately 16.5X to our 3Q18-2Q19 EPS estimates. The forward multiple that we employ is appropriate relative to the company's risk/reward profile, in our opinion.
- PNFP's share price has declined 7.1% since our last report dated August 19. We think the pullback presents a compelling entry point for one of the great growth stories in the banking sector. PNFP generated linked-quarter annualized organic loan growth of 22% in 2Q17. Growth is also supported by the company's investment in Bankers Healthcare Group, which should generate 2017 revenue growth of approximately 20%, according to PNFP management.
- Politico reported yesterday that Republicans have achieved "broad consensus" within the party regarding tax reform. With a TTM effective tax rate of 31.1%, PNFP would realize a meaningful boost in earnings should there be a material reduction in the corporate tax rate.
- With our price target suggesting an 18.2% return, including dividends, we are upgrading our rating to Buy from Neutral.

Note Important Disclosures on pages 4 and 5
Note Analyst Certification on page 4

SUITABILITY

Our suitability rating on PNFP is 2 on our scale of 1 to 4 (1 = most conservative, 4 = most aggressive). Factors contributing to our suitability rating include the company's market capitalization, liquidity and trading volume, diversity of revenues and the geographic diversification of its footprint.

RISK FACTORS

- **Economy** – If the economy softens, loan demand could wane and credit quality could deteriorate.
- **Geography** – The company's operations are clustered in one state. Accordingly, its earnings are more vulnerable to any regional shock and/or slowdown.
- **Real Estate** – A significant percentage of the company's loans are real estate oriented. Any deterioration in real estate values would impair the value of the underlying real estate collateral.
- **Competition** – The industry is highly competitive and many of the company's competitors have greater resources.
- **Sector Rotation** – The share price of the company's common stock may be vulnerable to any sector rotation that might occur.
- **Regulatory Environment** – Banks operate in a highly regulated environment. Consequently, the company is vulnerable to regulatory uncertainties that could negatively impact shareholders.
- **Other** – Please see the company's financial statements for a further discussion of risks and considerations.

	PINNACLE FINANCIAL PARTNERS, INC.										PNFP:BUY				
	\$Millions, Except for Per Share Data	1Q16 A	2Q16 A	3Q16 A	4Q16 A	1Q17 A	2Q17 A	3Q17 A	4Q17 E	FY 2015 A	FY 2016 A	FY 2017 E	FY 2018 E	FY 2017 E	FY 2018 E
Balance Sheet Data:														YOY Change	
Assets	9,262.3	9,735.7	10,978.4	11,194.6	11,724.6	20,866.2	21,617.2	22,373.8	25,278.5	6,314.3	11,194.6	22,373.8	25,278.5	77.3%	99.9%
Gross Loans	6,873.9	7,153.8	8,312.5	8,520.2	8,728.0	14,860.4	15,380.5	15,918.8	17,985.6	4,672.1	8,520.2	15,918.8	17,985.6	82.4%	86.8%
Average Earning Assets	8,018.6	8,362.7	9,794.1	9,884.7	10,262.0	11,885.1	18,170.2	18,806.1	20,259.8	6,480.8	9,008.2	14,780.8	20,259.8	39.0%	64.1%
Deposits	7,080.2	7,292.8	8,670.1	8,759.3	9,280.6	15,757.5	16,309.0	16,879.8	19,071.3	6,971.4	8,759.3	16,879.8	19,071.3	25.6%	92.7%
Equity	1,228.8	1,262.2	1,475.6	1,496.7	1,723.1	3,615.3	3,673.9	3,672.8	3,987.6	1,155.6	1,496.7	3,672.8	3,987.6	29.5%	145.4%
Statement of Operations:															
Net Interest Income	73.9	75.0	86.6	89.4	88.8	106.6	169.8	174.4	236.6	236.6	325.0	539.6	739.4	37.3%	66.0%
Provision for Loan Losses	3.9	5.3	6.1	3.0	3.7	6.8	9.0	9.3	9.2	9.2	18.3	28.8	40.8	99.5%	57.3%
Non-Interest Income:															
Service Charges on Deposits	3.4	3.4	3.8	3.9	3.9	4.2	6.8	6.8	12.7	12.7	14.5	21.7	28.1	13.8%	49.4%
Investment Services	2.3	2.5	2.6	3.3	2.8	3.1	2.9	3.0	10.0	10.0	10.8	11.8	12.2	7.9%	9.8%
Insurance	1.7	1.2	1.2	1.2	1.9	1.5	1.3	1.2	4.8	4.8	5.3	5.8	6.0	10.0%	9.5%
Gain on Sale of Mortgage Loans	3.6	4.2	5.1	2.9	4.2	4.7	7.2	6.1	7.7	7.7	15.8	22.2	28.6	105.5%	40.8%
Trust Fees	1.6	1.5	1.5	1.7	1.7	1.7	3.3	3.4	5.5	5.5	6.3	10.1	14.2	15.9%	59.5%
Income from Equity Method Investment	5.1	9.6	8.5	8.1	7.8	8.8	10.5	10.5	20.6	20.6	31.4	37.6	43.2	52.5%	19.7%
Other	8.1	10.2	9.0	9.3	8.2	11.2	11.6	11.7	24.7	24.7	36.6	42.6	47.9	47.9%	16.5%
Securities Gains	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.6	0.6	0.4	0.0	0.0	-28.4%	-100.0%
Total Non-Interest Income	25.9	32.7	31.7	30.7	30.4	35.1	43.6	42.7	86.5	86.5	121.0	151.7	180.2	39.8%	25.4%
Non-Core Adjustment	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0	(1.2)	(1.2)	(0.4)	0.0	0.0	-65.7%	-100.0%
Adjusted Non-Interest Income	25.9	32.7	31.7	30.3	30.4	35.1	43.6	42.7	85.4	85.4	120.6	151.7	180.2	41.3%	25.8%
Non-Interest Expense:															
Salaries & Benefits	32.5	34.3	36.1	38.0	38.4	43.7	57.6	58.1	105.9	105.9	140.8	197.7	227.6	32.9%	40.4%
Occupancy & Equipment	8.1	8.3	9.4	9.2	9.7	10.7	15.4	15.5	27.2	27.2	35.1	51.3	61.7	28.7%	46.2%
OREO Expense	62.3	13.1	18.1	15.5	13.8	17.3	29.0	29.2	38.0	38.0	62.0	89.3	117.4	-20465.5%	-99.1%
Other	13.3	55.9	63.5	62.8	62.1	71.8	102.2	102.9	170.9	170.9	236.3	338.9	407.2	57.8%	48.9%
Total Non-Interest Expense	-1.8	-1.0	-5.7	-3.3	-0.7	-3.2	0.0	0.0	(4.8)	(4.8)	(11.7)	(3.9)	0.0	144.9%	-66.9%
Adjusted Non-Interest Expense	52.2	55.0	57.9	59.5	51.4	68.6	102.2	102.9	166.1	166.1	224.5	335.0	407.2	35.2%	49.2%
Pretax Income	43.6	47.5	54.4	57.2	54.1	66.3	102.2	104.9	146.7	146.7	202.7	327.5	471.6	38.2%	61.5%
Income Taxes	15.7	16.7	22.0	21.1	14.5	23.2	32.7	33.6	51.2	51.2	75.5	104.0	119.6	47.4%	37.7%
Net Income Available to Common	28.0	30.8	32.4	36.1	39.7	43.1	69.5	71.3	95.5	95.5	127.2	223.5	352.1	33.2%	75.7%
Share & Per Share Data:														YOY Change - BPS	
Diluted EPS	0.68	0.73	0.71	0.78	0.82	0.80	0.89	0.91	2.53	2.53	3.06	3.42	4.49	20.9%	11.7%
Operating EPS	0.71	0.75	0.78	0.82	0.83	0.84	0.89	0.91	2.59	2.59	3.06	3.46	4.49	18.3%	13.1%
Dividends Per Share	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.48	0.48	0.56	0.56	0.66	16.7%	0.0%
Tangible Book Value	18.75	19.58	19.69	20.06	23.25	22.58	10.78	10.81	17.46	17.46	20.06	10.81	15.01	14.9%	-46.1%
Common Shares Outstanding	41,995	42,184	46,160	46,359	49,790	77,647	77,647	77,697	40,906	40,906	46,359	77,697	77,897	13.3%	67.6%
Average Diluted Shares	40,847	41,974	45,918	46,098	48,518	53,666	78,215	78,240	37,669	37,669	43,692	64,660	78,385	16.0%	48.0%
Key Financial Statistics:														YOY Change - BPS	
Return on Assets	1.26%	1.32%	1.19%	1.31%	1.39%	1.29%	1.30%	1.29%	1.35%	1.35%	1.27%	1.32%	1.48%	(8)	4
Return on Equity	9.41%	9.87%	8.98%	9.67%	9.57%	8.38%	7.56%	7.70%	10.17%	10.17%	9.48%	8.30%	9.19%	(68)	(118)
Net Interest Margin	3.78%	3.72%	3.60%	3.72%	3.60%	3.68%	3.79%	3.76%	3.71%	3.71%	3.71%	3.71%	3.73%	0	2
Operating Non-Int. Inc./Operating Rev.	25.92%	30.36%	26.78%	25.34%	25.50%	24.74%	20.42%	19.67%	26.49%	26.49%	27.10%	22.58%	19.60%	62	(452)
Efficiency Ratio	52.55%	50.05%	51.61%	50.19%	50.10%	48.80%	45.21%	44.76%	51.71%	51.71%	51.11%	47.22%	41.97%	(60)	(389)
Tangible Common Ratio	8.93%	8.88%	8.73%	8.75%	10.37%	9.22%	4.46%	4.30%	8.64%	8.64%	8.75%	4.30%	5.21%	11	(445)
Reserves/Gross Loans	0.91%	0.86%	0.72%	0.69%	0.67%	0.42%	0.42%	0.42%	0.99%	0.99%	0.69%	0.42%	0.43%	(30)	(28)
NCOs/Average Loans	0.42%	0.35%	0.35%	0.21%	0.20%	0.31%	0.18%	0.18%	0.20%	0.20%	0.33%	0.22%	0.18%	13	(12)

Source: Company reports and Hilliard Lyons estimates.

Additional information is available upon request.

Analyst Certification

I, Andrew W. Stapp, 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.

Definitions of Ratings:

Buy - We believe the stock has significant total return potential in the coming 12 months.

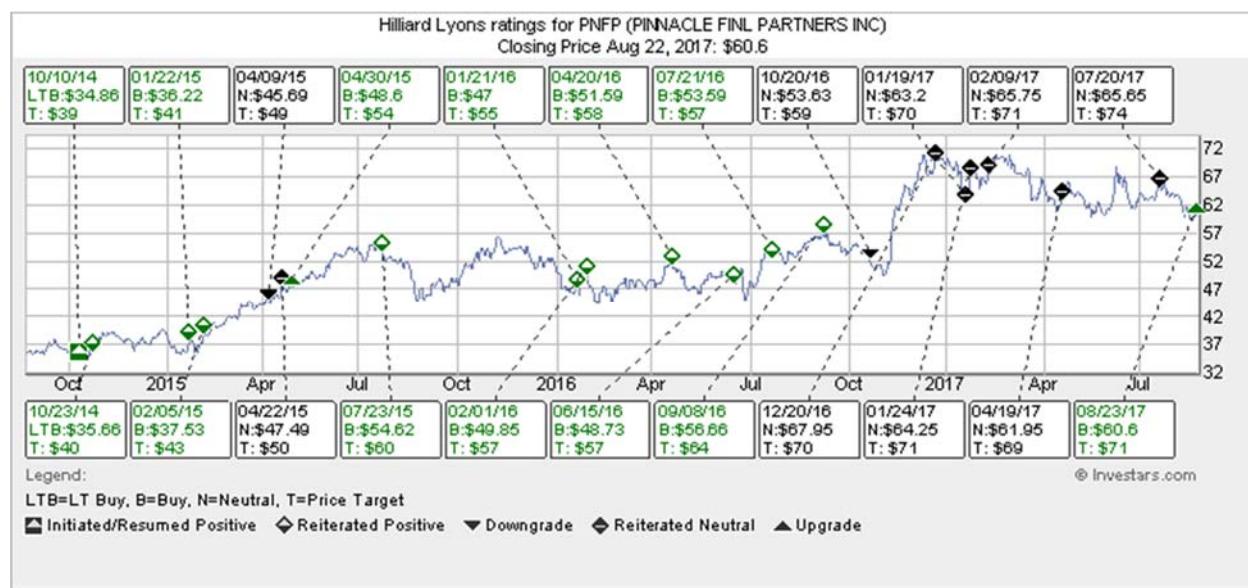
Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years.

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 decline in the next 12 months.

Definitions of Suitabilities:

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 Stocks Covered	% of Stocks Covered	Banking	No Banking
Rating				
Buy	38	30%	11%	89%
Hold/Neutral	77	61%	8%	92%
Sell	11	9%	0%	100%

As of 9 August 2017

Other Disclosures

Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation or needs of individual investors. Employees of J.J.B. Hilliard, W.L. Lyons, LLC or its affiliates may, at times, release written or oral commentary, technical analysis or trading strategies that differ from the opinions expressed here.

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