



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

Key Metrics

PNFP - NASDAQ (as of 11/07/17)	\$64.70
Price Target	\$73.00
52-Week Range	\$50.65-\$71.85
Shares Outstanding (mm)	77.7
Market Cap. (\$mm)	\$5,029
3-Mo. Average Daily Volume (000)	407.8
Institutional Ownership	68.0%
Tangible Equity / Tangible Assets	9.5%
ROE	9.5%
Tangible Book Value Per Share	\$23.32
Price/Tangible Book Value	277.4%
Dividend Yield	0.9%
Price/LTM Earnings	20.0x

Operating EPS CY 12/31

	Prior		Curr.	
	2016A	2017E	2017E	2018E
1Q	\$0.71	\$0.83A	\$0.83A	\$1.04
2Q	\$0.75	\$0.84A	\$0.84A	\$1.11
3Q	\$0.78	\$0.90A	\$0.90A	\$1.18
4Q	\$0.82	\$0.95	\$0.95	\$1.25
Year	\$3.06	\$3.52	\$3.52	\$4.58
P/E	21.1x		18.4x	14.2x

Numbers may not add due to rounding

Common Dividends

	2016A	Curr.	Prior	Curr.
		2017E	% chg.	2018E
1Q	\$0.14	\$0.14A	0.0	\$0.15
2Q	\$0.14	\$0.14A	0.0	\$0.17
3Q	\$0.14	\$0.14A	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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Pinnacle Financial Partners

PNFP -- NASDAQ -- Buy -- 2

Tweaking Estimates; Raising to Buy on Valuation

- With the 4% decline in the share price of PNFP since our last note, our revised price target of \$73 suggests an attractive potential return of 14%, including dividends. Accordingly, we are raising our rating to Buy from Neutral.
- Pinnacle realized annualized sequential loan growth of 13.6% on a linked-quarter annualized basis. While the company is blessed with attractive markets, its ability to generate such outsized growth is largely attributable to its proven capacity to take market share from large regional banks in its footprint. Accordingly, PNFP is not dependent on the economy to generate meaningful growth.
- A key to the company's ability to gain market share is its success in luring talent from competitors. Pinnacle hired 21 lenders and other revenue producers in Q3, including six in the Carolinas and Virginia, which PNFP recently entered through the acquisition of BNC Bancorp. From a credit quality perspective, this is an excellent way to grow given that lenders can bring over their healthier relationships, while leaving the dregs with their former employers.
- With a YTD effective tax rate of 32%, PNFP would realize a meaningful boost in earnings should there be a material reduction in the corporate tax rate.
- We are maintaining our 2017 operating EPS estimate at \$3.52 and trimming our 2018 estimate by \$0.03 to \$4.55. We are reducing 12-month price target by \$1.00 to \$73.00, which we derive through our discounted dividend model and the application of a forward multiple of 16.5X to our 4Q18-3Q19 EPS estimates. The forward multiple that we employ is appropriate relative to the company's risk/reward profile, in our opinion.

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

BNC BANCORP SYNERGIES

Pinnacle Financial has identified the following synergies associated with the acquisition of BNC Bancorp that should spur additional EPS growth:

- \$40 million in expense reductions, the bulk of which will be realized in 1Q18.
- PNFP intends to continue hiring commercial lenders in the Carolinas and Virginia to drive additional loan growth and reduce BNC's concentration in commercial real estate loans.
- Revenue synergies include cross-selling Pinnacle's more robust array of treasury management products to BNC's customers, the rollout of commercial mortgage brokerage services and enhanced mortgage banking capabilities. These fee income enhancements should help PNFP reach its long-term target for Noninterest Income/Average Assets of 0.90%-1.10% versus 0.80% in 3Q17.

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:															
Assets	9,262.3	9,735.7	10,978.4	11,194.6	11,724.6	20,886.2	21,790.4	22,514.9	25,285.5	6,314.3	11,194.6	22,514.9	25,285.5	77.3%	101.1%
Gross Loans	6,873.9	7,153.8	8,312.5	8,520.2	8,728.0	14,860.4	15,385.2	15,923.7	17,991.0	4,672.1	8,520.2	15,923.7	17,991.0	82.4%	86.9%
Average Earning Assets	8,018.6	8,362.7	9,794.1	9,884.7	10,262.0	11,885.1	18,137.9	18,942.7	20,331.7	6,480.8	9,008.2	14,806.9	20,331.7	37.3%	64.4%
Deposits	7,080.2	7,292.8	8,670.1	8,759.3	9,280.6	15,757.5	15,789.6	16,314.6	18,322.2	6,971.4	8,759.3	16,314.6	18,322.2	25.6%	86.3%
Equity	1,228.8	1,262.2	1,475.6	1,496.7	1,723.1	3,615.3	3,673.3	3,731.9	4,043.3	1,155.6	1,496.7	3,731.9	4,043.3	29.5%	149.3%
Statement of Operations:															
Net Interest Income	73.9	75.0	86.6	89.4	88.8	106.6	173.2	175.5	175.5	236.6	325.0	544.1	745.7	37.3%	67.4%
Provision for Loan Losses	3.9	5.3	6.1	3.0	3.7	6.8	6.9	8.0	8.0	9.2	18.3	25.4	40.7	99.5%	38.6%
Non-Interest Income:															
Service Charges on Deposits	3.4	3.4	3.8	3.9	3.9	4.2	5.9	6.0	6.0	12.7	14.5	19.9	24.1	13.8%	37.4%
Investment Services	2.3	2.5	2.6	3.3	2.8	3.1	3.7	3.8	3.8	10.0	10.8	13.3	15.5	7.9%	24.0%
Insurance	1.7	1.2	1.2	1.2	1.9	1.5	2.1	2.2	2.2	4.8	5.3	7.6	9.0	10.0%	43.2%
Gain on Sale of Mortgage Loans	3.6	4.2	5.1	2.9	4.2	4.7	6.0	5.3	5.3	7.7	15.8	20.1	25.3	105.5%	27.5%
Trust Fees	1.6	1.5	1.5	1.7	1.7	1.7	2.6	2.7	2.7	5.5	6.3	8.7	11.7	15.9%	37.5%
Income from Equity Method Investment	5.1	9.6	8.5	8.1	7.8	8.8	8.9	12.1	12.1	20.6	31.4	37.6	42.3	52.5%	19.7%
Other	8.1	10.2	9.0	9.3	8.2	11.2	13.7	13.8	13.8	24.7	36.6	46.9	54.7	47.9%	28.3%
Securities Gains	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0	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	43.0	45.8	45.8	86.5	121.0	154.2	182.5	39.8%	27.4%
Non-Core Adjustment	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0	(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	43.0	45.8	45.8	85.4	120.6	154.2	182.5	41.3%	27.8%
Non-Interest Expense:															
Salaries & Benefits	32.5	34.3	36.1	38.0	38.4	43.7	64.3	65.5	65.5	105.9	140.8	211.8	264.4	32.9%	50.4%
Occupancy & Equipment	8.1	8.3	9.4	9.2	9.7	10.7	16.6	16.8	16.8	27.2	35.1	53.7	64.7	28.7%	53.2%
OREO Expense	62.2	0.2	0.0	0.0	0.3	0.1	0.5	0.1	0.1	(0.3)	62.5	1.0	0.5	-20.465.5%	-98.5%
Other	13.3	13.1	18.1	15.5	13.8	17.3	28.3	19.7	19.7	38.0	60.0	79.2	75.0	57.8%	32.0%
Total Non-Interest Expense	54.1	55.9	63.5	62.8	62.1	71.8	109.7	102.1	102.1	170.9	236.3	345.7	404.7	38.3%	46.3%
Non-Core Adjustment	-1.8	-1.0	-5.7	-3.3	-0.7	-3.2	-8.8	0.0	0.0	(4.8)	(11.7)	(12.7)	0.0	144.9%	8.5%
Adjusted Non-Interest Expense	52.2	55.0	57.9	59.5	61.4	68.6	100.9	102.1	102.1	166.1	224.5	332.9	404.7	35.2%	48.3%
Pretax Income	43.6	47.5	54.4	57.2	54.1	66.3	108.4	111.1	111.1	146.7	202.7	339.9	482.8	38.2%	67.7%
Income Taxes	15.7	16.7	22.0	21.1	14.5	23.2	43.9	37.0	37.0	51.2	75.5	118.6	126.1	47.4%	57.0%
Net Income Available to Common	28.0	30.8	32.4	36.1	39.7	43.1	64.4	74.1	74.1	95.5	127.2	221.3	356.7	33.2%	73.9%
Share & Per Share Data:															
Diluted EPS	0.68	0.73	0.71	0.78	0.82	0.80	0.83	0.95	0.95	2.53	3.06	3.40	4.55	20.9%	33.8%
Operating EPS	0.71	0.75	0.78	0.82	0.83	0.84	0.90	0.95	0.95	2.59	3.06	3.52	4.55	18.3%	29.5%
Dividends Per Share	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.48	0.56	0.56	0.66	16.7%	17.9%
Tangible Book Value	18.75	19.58	19.69	20.06	23.25	22.58	23.32	24.10	24.10	17.46	20.06	24.10	28.19	14.9%	20.1%
Common Shares Outstanding	41,995	42,184	46,160	46,359	49,790	77,647	77,652	77,702	77,702	40,906	46,359	77,702	77,902	13.3%	67.6%
Average Diluted Shares	40,847	41,974	45,918	46,098	48,518	53,666	77,232	78,231	78,231	37,669	43,692	64,412	78,356	16.0%	47.4%
Key Financial Statistics:															
Return on Assets	1.26%	1.32%	1.19%	1.31%	1.39%	1.29%	1.22%	1.33%	1.33%	1.35%	1.27%	1.31%	1.50%	(8)	3
Return on Equity	9.41%	9.87%	8.98%	9.67%	9.57%	8.38%	7.05%	7.94%	7.94%	10.17%	9.48%	8.24%	9.19%	(68)	(125)
Net Interest Margin	3.78%	3.72%	3.60%	3.72%	3.60%	3.68%	3.87%	3.76%	3.76%	3.71%	3.71%	3.73%	3.75%	0	2
Operating Non-Int. Inc./Operating Rev	25.92%	30.36%	26.78%	25.34%	25.50%	24.74%	19.88%	20.68%	20.68%	26.49%	27.10%	22.70%	19.66%	62	(440)
Efficiency Ratio	52.55%	50.05%	51.61%	50.19%	50.10%	48.80%	44.02%	44.02%	44.02%	51.71%	51.11%	47.86%	19.66%	(60)	(325)
Tangible Common Ratio	8.93%	8.88%	8.73%	8.75%	10.37%	9.22%	9.09%	9.07%	9.07%	8.64%	8.75%	9.07%	9.37%	11	32
Reserves/Gross Loans	0.91%	0.86%	0.72%	0.69%	0.67%	0.42%	0.42%	0.42%	0.42%	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%	0.10%	0.18%	0.18%	0.20%	0.33%	0.20%	0.18%	13	(14)

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.

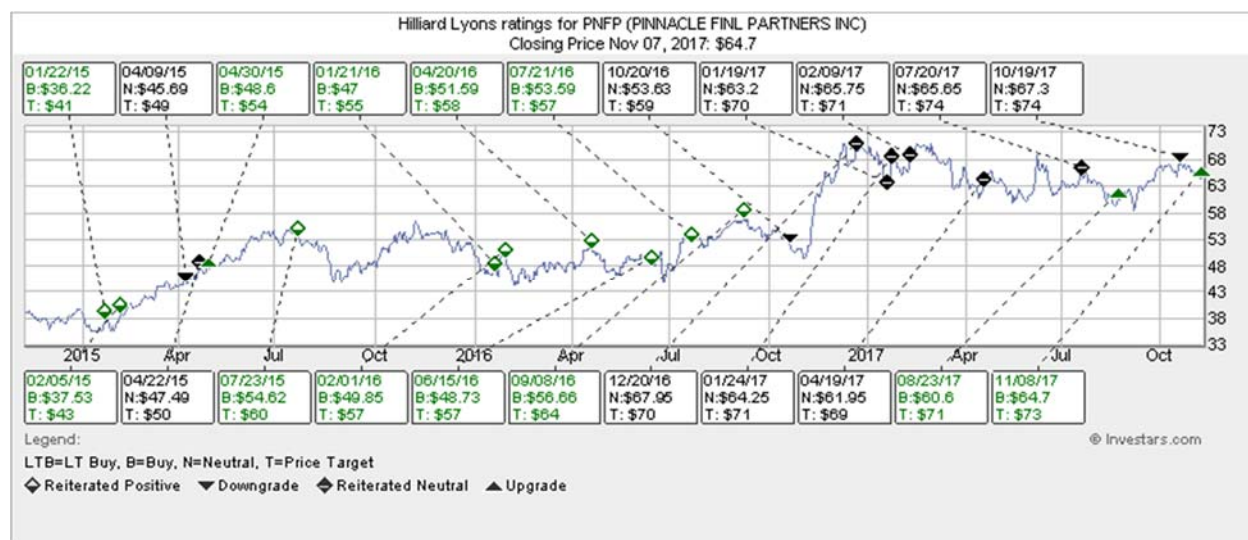
Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years.

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	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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