



COMPANY UPDATE

Key Metrics

PPL - NYSE (8/3/17)	\$39.11
Price Target	NA
52-Week Range	\$32.08 - \$42.20
Shares Outstanding (mm)	683.8
Market Cap. (\$mm)	\$26,743
3-Mo. Average Daily Volume	3,379,000
Institutional Ownership	48.0%
Debt/Total Capital	63.4%
ROE (ttm)	18.1%
Book Value/Share	\$14.81
Price/Book Value	2.6x
Indicated Dividend / Yield	\$1.58 4.0%
Dividend Cycle	Jan., April, July, Oct.

EPS FY 12/31

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q		--		--	--
2Q		--		--	--
3Q		--		--	--
4Q		--		--	--
Year	\$2.45		\$2.15		\$2.31
P/E	16.0x		18.2x		16.9x
Payout	62%		73%		68%

Revenue (\$mm)

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q		--		--	--
2Q		--		--	--
3Q		--		--	--
4Q		--		--	--
Year	\$7,517		\$7,725		\$8,110

Company Description: Based in Allentown, PA, PPL Corporation is one of the largest companies in the U.S. utility sector. PPL's seven utilities serve 10 million customers in the United States and the United Kingdom. The company's U.S. utility operations include PPL Electric Utilities Corporation, Louisville Gas & Electric, and Kentucky Utilities Company. Coal is the company's primary generation source.

PPL Corporation

PPL -- NYSE -- Neutral -- 2

Company reports solid second quarter earnings and reaffirms 2017 guidance

- PPL reported second quarter earnings of \$0.52 per share versus \$0.56 per share in 2016's second quarter.** Earnings were modestly above the consensus \$0.50 per share estimate. The decline in year over year earnings was driven primarily by expected lower foreign currency exchange rates. The company's United Kingdom operations saw its earnings contribution decline by \$0.05 per share in the second quarter. Lower foreign currency exchange rates were partially offset by lower operations and maintenance expense. PPL's Kentucky segment saw its earnings contribution rise by \$0.01 per share due to lower operations and maintenance expense. The company's Pennsylvania's results were flat in the period. In sum, we believe it was a solid quarter for PPL.
- Company reaffirms 2017 earnings guidance.** PPL continues to expect this year's earnings to be in a range of \$2.05 to \$2.25 per share. As a reminder, this year's earnings are anticipated to be lower due to actions the company took following June 2016's Brexit vote in the U.K., which prompted a decline in the country's currency. With over half of the company's earnings coming from the U.K., PPL took measures to lower its future currency risk. This step will negatively impact 2017 earnings. We are maintaining our 2017 and 2018 EPS estimates of \$2.15 and \$2.31, respectively. While earnings will be lower this year, PPL expects per-share earnings to grow by a 5% to 6% compound annual growth rate from 2017 through 2020 with this year as a base. The dividend is expected to grow by 4% annually.
- We maintain our Neutral rating on PPL.** While Brexit has delayed PPL's growth story, we still believe the company has a positive long-term fundamental outlook. PPL has \$16 billion in planned capital expenditures through 2021 that are expected to drive rate base growth. We would maintain positions in the stock and note the stock's attractive 4.0% dividend yield.

Note Important Disclosures on Pages 2-3.

Note Analyst Certification on Page 2.

Suitability

We assign a suitability rating of 2 to PPL Corporation. All of the company's earnings come from its core regulated utility businesses, both in the U.S. and the U.K. However, approximately 60% of PPL's earnings come from the U.K. With June 2016's unexpected Brexit vote, we are reminded having foreign exposure can increase risk and uncertainty. However, the company has adopted a hedging strategy that should sharply lower currency risk for the next several years. We believe PPL remains a suitable holding for income oriented investors seeking modest capital appreciation.

Risks

Risks include weak economic growth both in the U.S. and the United Kingdom. There could also be long-term negative impacts from the currency weakness in Great Britain following that country's vote on June 23, 2016 to leave the European Union. Other factors include changing regulatory conditions at the federal or state level, potentially new onerous legislation, or stricter Environmental Protection Agency standards; unplanned plant outages; higher fuel costs; higher interest rates; and unfavorable weather. The company's credit outlook is stable.

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.		
Rating	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	36	29%	14%	86%
Hold/Neutral	79	63%	5%	95%
Sell	10	8%	0%	100%

As of 7 July 2017

Other Disclosures

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