



COMPANY UPDATE / ESTIMATE CHANGE

Key Metrics

VVC - NYSE (Price as of (5/8/17))	\$59.47
Price Target	NA
52-Week Range	60.47 - \$46.52
Shares Outstanding (mm)	82.9
Market Cap. (\$mm)	\$4,930
3-Mo. Average Daily Volume	423,000
Institutional Ownership	64.0%
Debt/Total Capital	50.0%
ROE	10.8%
Book Value/Share	\$17.84
Price/Book Value	3.3x
Indicated Dividend / Yield	\$1.68 2.8%
Dividend Cycle	March, June, Sept., Dec.

EPS FY 12/31

	Prior	Curr.	Prior	Curr.
2016	2017E	2017E	2018E	2018E
1Q	--	--	--	--
2Q	--	--	--	--
3Q	--	--	--	--
4Q	--	--	--	--
Year	\$2.55	\$2.65	\$2.63	\$2.81
P/E	23.3x	22.6x		21.2x
Payout	635%	64%		60%

Note: Figures exclude non-recurring items

Revenue (\$mm)

	Prior	Curr.	Prior	Curr.
2016	2017E	2017E	2018E	2018E
1Q	--	--	--	--
2Q	--	--	--	--
3Q	--	--	--	--
4Q	--	--	--	--
Year	\$2,434	\$2,575	--	\$2,680

Company Description: Vectren Corporation is an energy holding company headquartered in Evansville, Indiana. Vectren's energy delivery subsidiaries provide gas and/or electricity to over one million customers in adjoining service territories that cover nearly two-thirds of Indiana and west central Ohio. Vectren's nonutility subsidiaries and affiliates currently offer energy-related products and services to customers throughout the U.S. through Infrastructure Services and Energy Services. Generation sources: 77% coal and 23% natural gas.

Vectren Corporation

VVC -- NYSE -- Neutral -- 2

Company reports positive first quarter results and reaffirms 2017 guidance

Investment Highlights

- **Vectren reported first quarter 2017 earnings of \$0.67 per share versus \$0.58 per share in the first quarter of 2016, an increase of 15.5%.** Earnings were above the consensus estimate of \$0.65 per share. The primary driver of the year-over-year earnings growth was an increased earnings contribution from its Utility Group operations. VVC's Utility Group contributed first quarter earnings of \$65.9 million, or \$0.80 per share, compared to \$61.1 million, or \$0.74 per share in 2016's first quarter. First quarter results were helped by returns earned on the Indiana and Ohio gas infrastructure investment programs and increased large gas customer margin. The increases were partially offset by mild winter weather. Nonutility Group seasonal losses were \$10.5 million compared to a loss of \$12.7 million in 2016's first quarter. Results improved year over year from a strong quarter for the company's distribution construction business.
- **Management reaffirmed 2017 earnings guidance.** The company continues to expect this year's earnings to be in a range of \$2.55 to \$2.65 per share. Utility earnings are expected to be in a range of \$2.10 to \$2.15 per share. Nonutility Group 2017 earnings are anticipated to be in a range of \$0.45 to \$0.50 per share. We are trimming our estimate by \$0.02 to \$2.63 per share and are initiating a 2018 earnings estimate of \$2.81 per share. Also, the company anticipates long-term annual earnings and dividend growth of 6% to 8%. Expected utility growth should come from VVC's capital investment plan, which could drive rate base growth.
- **We would maintain positions in Vectren.** Our Neutral rating is based on valuation as the stock trades at approximately 21x estimated 2018 earnings. We continue to regard Vectren as a well-managed, high quality core utility holding and would likely upgrade our opinion on an appropriate price pullback, assuming no change in fundamentals.

Note Important Disclosures on Pages 2 - 3.
Note Analyst Certification on Page 2.

Suitability

We assign a 2 suitability to Vectren Corporation. The company's regulated gas and electric utility operations generate the bulk of VVC's earnings. These operations provide strong earnings stability and offset potential volatility from nonregulated operations. With its exemplary record of 57 consecutive years of dividend growth, we regard Vectren as a suitable holding for investors seeking both capital appreciation and a rising dividend stream.

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.

Vectren is/was a client of Hilliard Lyons in the past 12 months, received non-investment banking securities-related services and Hilliard Lyons received compensation for those services.

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



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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