



COMPANY UPDATE

Key Metrics

VVC - NYSE (Price as of (11/2/17))	\$67.74
Price Target	NA
52-Week Range	46.52 - \$68.84
Shares Outstanding (mm)	83.0
Market Cap. (\$mm)	\$5,622
3-Mo. Average Daily Volume	421,000
Institutional Ownership	64.0%
Debt/Total Capital	50.0%
ROE	12.8%
Book Value/Share	\$21.62
Price/Book Value	3.1x
Indicated Dividend / Yield	\$1.80 2.7%
Dividend Cycle	March, June, Sept., Dec.

EPS FY 12/31

	Prior 2016	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	--	--	--	--
2Q	--	--	--	--
3Q	--	--	--	--
4Q	--	--	--	--
Year	\$2.55	\$2.60	\$2.80	\$2.80
P/E	26.6x	26.1x	24.2x	24.2x
Payout	63%	65%	64%	64%

Note: Figures exclude non-recurring items

Revenue (\$mm)

	Prior 2016	Curr. 2017E	Prior 2018E	Curr. 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 third quarter results and raises dividend

Investment Highlights

- **Vectren reported third quarter 2017 earnings of \$0.75 per share versus \$0.74 per share in the third quarter of 2016.** Earnings were ahead of consensus expectations. The primary driver of the year-over-year earnings growth was an increased earnings contribution from its Nonutility Group operations. VVC's Nonutility Group contributed second quarter earnings of \$31.3 million, or \$0.38 per share, compared to \$24.3 million, or \$0.29 per share in 2016's third quarter. Third quarter results benefited from strong results in VVC's Infrastructure Services business. Utility Group earnings were \$30.8 million, or \$0.37 per share, compared to \$34.9 million, or \$0.42 per share, in 2016's third quarter. Results were impacted by mild weather.
- **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 maintaining our 2017 and 2018 EPS estimates of \$2.60 and \$2.80, respectively. Also, the company anticipates long-term annual earnings and dividend growth of 6% to 8%. Expected utility growth should come from VVC's long-term capital investment plan of \$6.5 billion, which could drive rate base growth.
- **Dividend raised by 7.1% to \$1.80 per share.** The new annual rate is \$1.80 per share. This marked the 58th consecutive year in which the dividend has been raised.
- **We would maintain positions in Vectren as we believe it has a positive fundamental outlook.** Our Neutral rating is based on valuation as the stock trades at just over 24x estimated 2018 earnings and at a premium to the group. We believe some of the premium is due to a story in August that the company may have received takeover interest. Whether an offer emerges or not, we feel Vectren is well positioned for the future.

**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 58 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.

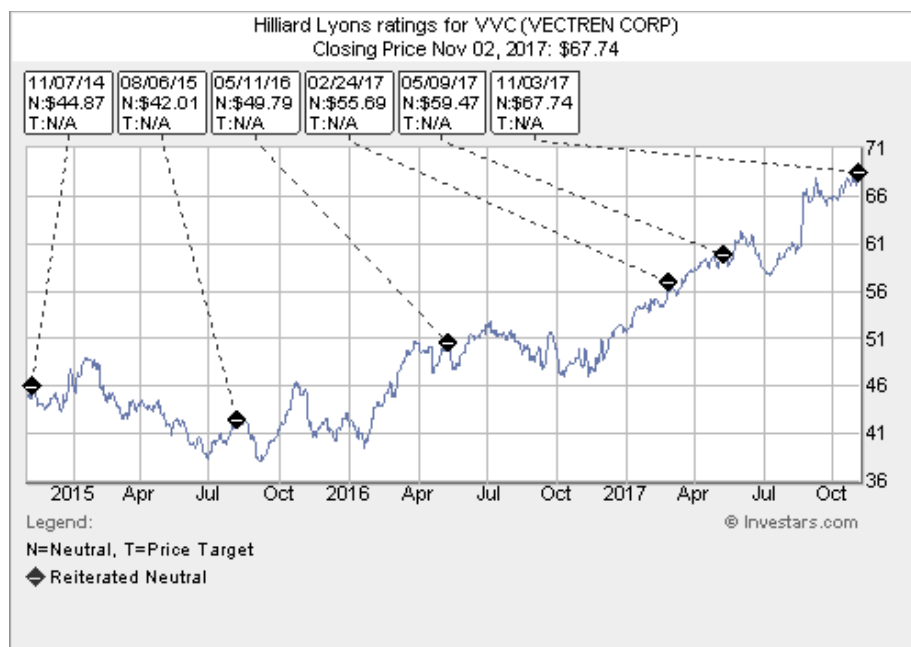
Suitability Ratings

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



Hilliard Lyons Recommended Issues			Investment Banking Provided in Past 12 Mo.	
Rating	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
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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