



## COMPANY UPDATE / ESTIMATE CHANGE

### Key Metrics

WTR - NYSE - as of	2/22/17	\$30.47
Price Target		\$27.00
52-Week Range	\$28.03 -	\$35.83
Shares Outstanding (mm)		177.4
Market Cap. (\$mm)		\$5,404.1
1-Mo. Average Daily Volume		522,762
Institutional Ownership		52.9%
LTD / Total Capital	Q4'16	48.4%
ROE--Adj	TTM	13.1%
Book Value / Share	Q4'16	\$10.40
Price / Book Value		2.9x
Dividend Yield		2.5%
LTM EBITDA Margin		-

### EPS (continuing ops) FY 12/31

		Prior	Current	Prior	Current
	2016A	2017E	2017E	2018E	2018E
1Q	\$0.29	--	\$0.30	--	--
2Q	\$0.33	--	\$0.35	--	--
3Q	\$0.41	--	\$0.41	--	--
4Q	\$0.28	--	\$0.31	--	--
Year	\$1.32	\$1.37	\$1.37	\$1.41	\$1.41
P/E	23.1x		22.2x		21.6x

\*Adjusted for special items

### Revenue (\$MM)

		Prior	Current	Prior	Current
	2016A	2017E	2017E	2018E	2018E
1Q	\$193	--	\$194	--	--
2Q	\$204	--	\$205	--	--
3Q	\$227	--	\$229	--	--
4Q	\$197	--	\$203	--	--
Year	\$820	\$831	\$831	\$859	\$861

**Company Description:** *Aqua America is a water and wastewater utility holding company with operating subsidiaries serving ~3MM people. WTR provides regulated service to customers in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Indiana, Virginia. The company's history spans over 125 years.*

### Water Utilities

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## Aqua America, Inc.

WTR – NYSE – Underperform-2

### Q4 Punctuates Another Year of Subdued Growth; Reiterating Underperform Rating.

#### Investment Highlights

- Aqua America reported Q4'16 EPS of \$0.28, down fractionally from adjusted results in the prior year and missing our target by \$0.02. FY 2016 EPS grew 4.8% to \$1.32, marking a third consecutive year of growth in the 4% to 5% range.
- Revenue grew -0.1% in Q4 and +0.7% in FY 2016. A substantial pivot away from upwards of 10 non-regulated business lines at the end of 2015 created a revenue drag in 2016, although no rate activity in PA made topline growth difficult as well.
- By our count, Aqua closed on 18 individual regulated deals last year, but just Superior Water in PA (closed 1/4/16) represented more than a couple hundred customers. We believe the narrative for WTR shares would benefit from a sizable 'win' in the M&A arena.
- O&M expense fell 0.4% in Q4 and slipped 1.4% during the full year, a function of both non-reg divestitures, and in our view, good operational execution. Same system O&M guidance for +1% to +2% in 2017 is achievable, in our view.
- FY 2016 Cap Ex of \$338MM was modestly above 2015 spend, although 2017 is projected to spike to \$450MM. M&A spend would be additive to this.
- Aqua reiterated EPS guidance for 2017 in the range of \$1.34 to \$1.39. Our EPS estimates are unchanged, with 2017/2018 targets of \$1.37/\$1.41. Ramping Cap Ex should help alleviate over earning more quickly; however, with TTM ROE still at 13.1%, we believe the issue persists into 2018 at a minimum.
- We are reiterating our Underperform rating and 1-year \$27 price target. At our target, WTR would trade ~20x our 2017E EPS, which we view as fair value given continued expectations for ROE compression.

**Note Important Disclosures on Pages 6-7**  
**Note Analyst Certification on Page 6**

**ADDITIONAL DISCUSSION—Q4 RESULTS & FORWARD OUTLOOK**

We view both the fourth quarter and (more so) the full year 2016 as adequate operationally for Aqua, highlighted by a string of non-regulated divestitures and good control of O&M costs. During the past year, WTR decided to liquidate or harvest its Field Service, Cross-Connect, and Consulting/Training businesses, while also deciding to flip Tri-State Grouting (sewer rehab), which was a strategic point of emphasis just ~18 months ago. We like the flexibility of management on this front, and like the read through that effort and resources are more likely to be focuses on core regulated growth, including pursuing M&A. Although difficult to pinpoint drivers at times, we remain impressed by the culture of efficiency at Aqua, which we assert at this point has thrived through the executive transition to current-CEO Christopher Franklin.

Projecting into 2017, we unfortunately do not see much potential for a material reacceleration of revenue growth, excluding the removal of divestitures that should anniversary over the course of this year. Although WTR has already received ~\$4MM in regulatory awards thus far this year (NC and OH), we just do not see sufficient pipeline to drive a major uptick from a consolidated base of \$800MM+. We would be remiss not mention management's expectation to file for a surcharge in PA this year; however, we expect it will be of little impact to 2017 results. The narrative gets a bit better for 2018, which in our view, is likely to be a bigger beneficiary of M&A, and could much more plausibly see material benefit from rate activity in Pennsylvania and/or benefit from the presumed spike in 2017 Cap Ex.

**ADDITIONAL DISCUSSION—M&A UPDATE**

Aqua's Q4 release cited 4 pending municipal acquisitions, each of which is expected to close in 2017, although this is stable from guidance given back in January. The collective \$114MM investment for ~9,000 customers (or 12,000 adjusted customer equivalents) would represent as much purchase consideration as the prior 5 years of WTR activity combined. Depending on certain other conditions (i.e. accretion timeline), this activity could be sufficient to reinvigorate the narrative, in our view, although our sense is a further build of the pipeline may be necessary, given what we view as long-term execution risk stemming from competition with the larger-American Water Works (AWK—\$74.92, Long-term Buy, \$84TP). AWK and WTR share a NJ/PA-centric footprint.

**SUITABILITY**

We assign WTR a suitability rating of '2.' A complete description of our suitability scale is on page 5. We view Aqua America as a strong operator in the water space, and flag consistent cash flow and earnings predictability due to entrenched regulated monopoly franchises. High sensitivity to a single state (PA) versus some larger utility peers is the primary factor that pushes WTR just below our most conservative '1' suitability rating. A strong history of returning capital to shareholders, low cyclicalities and industry-appropriate leverage keep the company well above our more aggressive '3' rating.

**CONSIDERATIONS AND RISKS**

We view all companies in the Water Utilities industry as being subject to significant regulatory and political risk. Utility operations are heavily regulated; negative rate-making climates and/or new environmental restrictions may affect the company's ability to earn a sufficient return on invested capital. Weather, natural disaster, and availability of water supplies could negatively impact sources of water, demand for water services, and a utility's ability to supply water to customers. Risks associated with the collection, treatment, and disposal of wastewater could also impose significant costs.

Significant Cap Ex are required to maintain infrastructure and expand rate base. Should WTR suffer from the lack of ability to secure appropriate funding to make investments, or if delays are incurred in completing projects, operating results could be negatively affected. Contamination of water could result in service interruptions or cause enforcement actions. Assets can be subject to condemnation through eminent domain. The company's non-reg businesses provide performance guarantees and have long-term contracts. Additionally, WTR is subject to all other risks that result from operating as a public company.

Our Suitability rating is 2 on a 1-to-4 scale (1 = most conservative, 4 = most aggressive).

*Additional information is available upon request.*

## Aqua America, Inc.

Income Statements (000's)	FY'14	FY'15	Q1'16	Q2'16	Q3'16	Q4'16	FY'16	Q1'17E	Q2'17E	Q3'17E	Q4'17E	FY'17E	FY'18E
<b>Operating Revenues</b>	<b>\$779,903</b>	<b>\$814,204</b>	\$192,607	\$203,876	\$226,593	\$196,799	<b>\$819,875</b>	\$194,420	\$204,950	\$229,010	\$202,580	<b>\$830,960</b>	<b>\$860,560</b>
<b>Operating Expenses</b>													
O & M	288,560	309,310	73,541	73,994	79,812	77,550	304,897	70,820	70,290	74,310	74,510	289,930	294,270
Depreciation	123,050	125,290	32,145	31,619	33,881	33,342	130,987	34,290	33,810	36,380	36,810	141,290	151,630
Amortization	3,480	3,447	450	528	389	654	2,021	560	520	390	660	2,130	2,130
Taxes other than Income	50,450	55,057	14,140	14,242	14,712	13,291	56,385	11,470	13,120	13,970	13,780	52,340	54,200
Operating Income	314,363	321,100	72,331	83,493	97,799	71,962	325,585	77,280	87,210	103,960	76,820	345,270	358,330
%	40.3%	39.4%	37.6%	41.0%	43.2%	36.6%	39.7%	39.7%	42.6%	45.4%	37.9%	41.6%	41.6%
Other Expense / (Income):													
Interest, net	76,400	76,536	19,853	20,115	20,168	20,458	80,594	19,230	19,230	19,380	19,510	77,350	81,030
AFUDC	(5,130)	(6,219)	(2,308)	(1,871)	(2,267)	(2,369)	(8,815)	(1,250)	(1,250)	(950)	(750)	(4,200)	(4,200)
(Gain) on Asset Sale	0	(468)	(207)	(121)	(62)	12	(378)	(100)	(100)	(100)	(110)	(410)	(410)
(Gain) on Debt Extinguish	0	(678)											
Equity (Earnings) / Loss from JV	3,990	35,177	249	229	(1,621)	167	(976)	200	150	150	200	700	(200)
Income Before Tax	239,103	216,752	54,744	65,141	81,581	53,694	255,160	59,200	69,180	85,480	57,970	271,830	282,110
Income Tax	25,219	14,962	3,007	5,515	8,411	4,045	20,978	5,100	7,520	13,320	3,140	29,080	33,080
%	10.5%	6.9%	5.5%	8.5%	10.3%	7.5%	8.2%	8.6%	10.9%	15.6%	5.4%	10.7%	11.7%
Net Income--Cont'd Ops	213,884	201,790	51,737	59,626	73,170	49,649	234,182	54,100	61,660	72,160	54,830	242,750	249,030
Net Income Avail to Common	\$233,239	\$201,790	\$51,737	\$59,626	\$73,170	\$49,649	\$234,182	\$54,100	\$61,660	\$72,160	\$54,830	\$242,750	\$249,030
EPS Disc Ops	\$0.11												
EPS Continuing Ops	\$1.20	\$1.14	\$0.29	\$0.33	\$0.41	\$0.28	\$1.32	\$0.30	\$0.35	\$0.41	\$0.31	\$1.37	\$1.41
<b>EPS--Cont'd Ops; Ex-NonRecur</b>	<b>\$1.20</b>	<b>\$1.26</b>	<b>\$0.29</b>	<b>\$0.33</b>	<b>\$0.41</b>	<b>\$0.28</b>	<b>\$1.32</b>	<b>\$0.30</b>	<b>\$0.35</b>	<b>\$0.41</b>	<b>\$0.31</b>	<b>\$1.37</b>	<b>\$1.41</b>
Diluted Avg Shares	177,763	177,763	177,819	178,084	177,817	177,880	177,846	177,778	177,675	177,573	177,471	177,624	177,215
Dividend	\$0.634	\$0.686	\$0.178	\$0.178	\$0.1913	\$0.1913	\$0.739	\$0.1913	\$0.1913	\$0.2000	\$0.2000	\$0.7826	\$0.7826
<b>Rate of Change Analysis:</b>													
Revenues	2.4%	4.4%	1.2%	-0.9%	2.5%	-0.1%	0.7%	0.9%	0.5%	1.1%	2.9%	1.4%	3.6%
Op Income	4.2%	2.1%	1.6%	4.0%	2.9%	-3.6%	1.4%	6.8%	4.5%	6.3%	6.8%	6.0%	3.8%
EPS--Cont'd Ops; Ex-Items	4.8%	4.5%	6.6%	3.8%	8.3%	-0.7%	4.8%	4.6%	3.6%	-1.2%	10.7%	3.8%	2.8%
EBITDA	3.6%	2.0%	2.4%	3.0%	3.3%	-1.2%	1.9%	6.9%	5.1%	6.6%	7.9%	6.6%	4.8%
O&M Expense	1.8%	7.2%	0.5%	-7.2%	1.6%	-0.4%	-1.4%	-3.7%	-5.0%	-6.9%	-3.9%	-4.9%	1.5%
<b>Margin Analysis:</b>													
O&M	37.0%	38.0%	38.2%	36.3%	35.2%	39.4%	37.2%	36.4%	34.3%	32.4%	36.8%	34.9%	34.2%
Taxes other than Income	6.5%	6.8%	7.3%	7.0%	6.5%	6.8%	6.9%	5.9%	6.4%	6.1%	6.8%	6.3%	6.3%
Op Income	40.3%	39.4%	37.6%	41.0%	43.2%	36.6%	39.7%	39.7%	42.6%	45.4%	37.9%	41.6%	41.6%
Net Income	27.4%	24.8%	26.9%	29.2%	32.3%	25.2%	28.6%	27.8%	30.1%	31.5%	27.1%	29.2%	28.9%
Tax Rate	10.5%	6.9%	5.5%	8.5%	10.3%	7.5%	8.2%	8.6%	10.9%	15.6%	5.4%	10.7%	11.7%
							*FY 2016 EPS guide \$1.30-\$1.35					*FY 2017 EPS guide \$1.34-\$1.39	

Source: Company reports and Hilliard Lyons estimates

## Aqua America, Inc.

<b>Balance Sheet Analysis</b>	<b>FY'14</b>	<b>FY'15</b>	<b>Q1'16</b>	<b>Q2'16</b>	<b>Q3'16</b>	<b>Q4'16p</b>	<b>FY'16p</b>	<b>Q1'17E</b>	<b>Q2'17E</b>	<b>Q3'17E</b>	<b>Q4'17E</b>	<b>FY'17E</b>	<b>FY'18E</b>
Cash	\$4,138	\$3,229	\$3,981	\$4,923	\$3,712	\$2,000	\$2,000	\$5,240	\$5,340	\$890	\$720	\$720	\$18,960
A/R	96,999	99,146	91,761	99,718	109,986	101,130	101,130	93,600	101,710	112,190	103,150	103,150	105,210
Other	51,385	25,995	26,991	27,791	27,703	25,520	25,520	27,530	28,350	28,260	26,030	26,030	26,550
Total Current Assets	152,522	128,370	122,733	132,432	141,401	128,650	128,650	126,370	135,400	141,340	129,900	129,900	150,720
Net PP&E	4,401,990	4,688,925	4,752,881	4,823,487	4,901,486	5,001,615	5,001,615	5,081,770	5,179,940	5,338,170	5,430,700	5,430,700	5,691,940
Regulatory Assets	725,591	830,118	859,830	887,135	911,455	911,460	911,460	913,460	913,460	913,460	913,460	913,460	915,460
Goodwill	31,184	33,866	42,304	42,234	41,921	41,920	41,920	42,020	42,020	42,020	42,020	42,020	42,120
Other	95,465	59,759	37,695	37,551	39,762	75,346	75,346	38,450	38,300	40,560	76,850	76,850	78,390
<b>Total Assets</b>	<b>5,406,752</b>	<b>5,741,038</b>	<b>5,815,443</b>	<b>5,922,839</b>	<b>6,036,025</b>	<b>6,158,991</b>	<b>6,158,991</b>	<b>6,202,070</b>	<b>6,309,120</b>	<b>6,475,550</b>	<b>6,592,930</b>	<b>6,592,930</b>	<b>6,878,630</b>
CP of LTD	58,615	35,593	29,096	38,212	83,777	79,216	79,216	103,092	103,092	103,092	54,051	54,051	94,797
Loans Payable	18,398	16,721	28,041	26,239	47,990	77,990	77,990	152,990	227,990	242,990	272,990	272,990	287,990
A/P	63,035	56,452	33,971	40,651	44,073	58,710	58,710	35,330	42,280	45,840	61,060	61,060	63,500
Other	85,287	84,433	83,235	74,118	76,158	85,620	85,620	84,900	75,600	77,680	87,330	87,330	89,080
Total Current Liab	225,335	193,199	174,343	179,220	251,998	301,536	301,536	376,312	448,962	469,602	475,431	475,431	535,367
LTD	1,560,655	1,743,612	1,744,108	1,775,874	1,726,493	1,737,605	1,737,605	1,713,729	1,713,729	1,663,729	1,712,770	1,712,770	1,692,024
Shareholders' Equity	1,655,383	1,725,930	1,760,707	1,791,163	1,832,200	1,850,068	1,850,068	1,915,910	1,946,240	2,137,870	2,155,140	2,155,140	2,422,650
<b>Total Liab &amp; SE</b>	<b>5,406,752</b>	<b>5,741,038</b>	<b>5,815,443</b>	<b>5,922,839</b>	<b>6,036,025</b>	<b>6,158,991</b>	<b>6,158,991</b>	<b>6,202,070</b>	<b>6,309,120</b>	<b>6,475,550</b>	<b>6,592,930</b>	<b>6,592,930</b>	<b>6,878,630</b>
<b>Cash Flow Analysis</b>	<b>FY'14</b>	<b>FY'15</b>	<b>Q1'16</b>	<b>Q2'16</b>	<b>Q3'16</b>	<b>Q4'16E</b>	<b>FY'16E</b>	<b>Q1'17E</b>	<b>Q2'17E</b>	<b>Q3'17E</b>	<b>Q4'17E</b>	<b>FY'17E</b>	<b>FY'18E</b>
Net Income--Cont'd Ops	\$213,884	\$201,790	\$51,737	\$59,626	\$73,170	\$49,649	\$234,182	\$54,100	\$61,660	\$72,160	\$54,830	\$242,750	\$249,030
D&A	126,535	128,737	32,595	32,147	31,377	33,996	130,115	34,850	34,330	36,770	37,470	143,420	153,760
Deferred Income Tax	31,477	16,506	1,436	3,615	10,294	10,000	25,350	10,000	10,000	10,000	10,000	40,000	40,000
(Inc) / Dec in Working Cap	(25,333)	15,806	(17,290)	(11,194)	(4,718)	35,138	1,936	(18,580)	(11,280)	(4,750)	36,140	1,530	1,610
Operating CF	346,563	362,839	68,478	84,194	110,123	128,783	391,583	80,370	94,710	114,180	138,440	427,700	444,400
Cap ex	(328,605)	(364,689)	(72,984)	(95,603)	(101,432)	(112,981)	(383,000)	(105,000)	(115,000)	(120,000)	(105,000)	(445,000)	(395,000)
JV Investment	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	(112,106)	(121,248)	(31,513)	(31,558)	(33,923)	(34,028)	(131,022)	(34,009)	(33,989)	(35,515)	(35,494)	(139,007)	(138,687)
Release (Addition) of Const Funds	-	47	-	-	-	-	-	-	-	-	-	-	-
Free Cash Flow	(94,148)	(123,051)	(36,019)	(42,967)	(25,232)	(18,226)	(122,439)	(58,639)	(54,279)	(41,335)	(2,054)	(156,307)	(89,287)
FCF/Share													
Acquisitions	(14,616)	(28,989)	(4,461)	(1,165)	-	(2,000)	(7,630)	(10,000)	(17,500)	(75,000)	(25,000)	(127,500)	(20,000)
Divestitures	558	648	2,853	3,586	106	-	-	-	-	-	-	-	-
Proceeds from LT Debt	317,699	560,544	96,314	72,983	64,991	35,903	270,190	-	-	172,000	105,000	277,000	179,000
Repayments of LT Debt	(253,192)	(400,407)	(80,341)	(32,309)	(68,709)	(35,903)	(217,260)	-	-	(72,000)	(105,000)	(177,000)	(54,000)
Net Proceeds (Repayments) ST Debt	(18,342)	(1,677)	11,320	(1,802)	21,751	30,000	61,270	75,000	75,000	15,000	30,000	195,000	15,000
Net Change in Cash Overdraft	(322)	(739)	(17,250)	1,912	2,752	-	(12,590.00)	-	-	-	-	-	-
Repurchase of Common Stock	(15,756)	(25,247)	(2,827)	(32)	(46)	(7,618)	(10,523)	(7,618)	(7,618)	(7,618)	(7,618)	(30,470)	(30,470)
Net Cash Flow--Cont'd Ops	(70,823)	(10,056)	(25,911)	(55)	739	6,656	(25,117)	3,244	103	(4,452)	(172)	(1,277)	18,243
CF--Disc Ops	48,634	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net Cash Flow</b>	<b>(22,189)</b>	<b>(10,056)</b>	<b>(25,911)</b>	<b>(55)</b>	<b>739</b>	<b>6,656</b>	<b>(25,117)</b>	<b>3,244</b>	<b>103</b>	<b>(4,452)</b>	<b>(172)</b>	<b>(1,277)</b>	<b>18,243</b>
EBITDA	440,893	449,837	104,926	115,640	132,069	105,958	458,593	112,130	121,540	140,730	114,290	488,690	512,090
EBITDA margin	56.5%	55.2%	54.5%	56.7%	58.3%	53.8%	55.9%	57.7%	59.3%	61.5%	56.4%	58.8%	59.5%
EV / TTM EBITDA	14.4x	15.7x	16.4x	17.9x	15.7x	15.8x	15.8x	15.5x	15.3x	14.9x	14.7x	14.7x	14.0x
<b>Selected Financial Statistics</b>	<b>FY'14</b>	<b>FY'15</b>	<b>Q1'16</b>	<b>Q2'16</b>	<b>Q3'16</b>	<b>Q4'16</b>	<b>FY'16</b>	<b>Q1'17E</b>	<b>Q2'17E</b>	<b>Q3'17E</b>	<b>Q4'17E</b>	<b>FY'17E</b>	<b>FY'18E</b>
Book Value	\$9.32	\$9.74	\$9.90	\$10.06	\$10.30	\$10.40	\$10.40	\$10.78	\$10.95	\$12.04	\$12.14	\$12.14	\$13.68
Tangible BV	\$9.14	\$9.55	\$9.66	\$9.82	\$10.07	\$10.16	\$10.16	\$10.54	\$10.72	\$11.80	\$11.91	\$11.91	\$13.44
Cap Ex / Depreciation	2.6x	2.8x	2.2x	3.0x	3.2x	3.3x	2.9x	3.0x	3.3x	3.3x	2.8x	3.1x	2.6x
Price / Book	2.9x	3.1x	3.2x	3.5x	3.0x	2.9x	2.9x	2.8x	2.8x	2.5x	2.5x	2.5x	2.2x
Total Net Debt / Total Capital	49.7%	50.9%	50.5%	50.6%	50.3%	50.6%	50.6%	50.6%	51.2%	48.4%	48.6%	48.6%	45.9%
LT Debt / Total Capital	48.5%	50.3%	49.8%	49.8%	48.5%	48.4%	48.4%	47.2%	46.8%	43.8%	44.3%	44.3%	41.1%
ROE (TTM)--adj for Q4'15 JV chg	13.5%	13.1%	13.2%	13.1%	13.3%	13.1%	13.1%	12.9%	12.8%	12.3%	12.1%	12.1%	10.9%

Source: Company reports and Hilliard Lyons estimates

### **Analyst Certifications**

I, Spencer E. Joyce, CFA, 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.

### **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 revenues, volatility, low trading volume or a narrow customer or product base

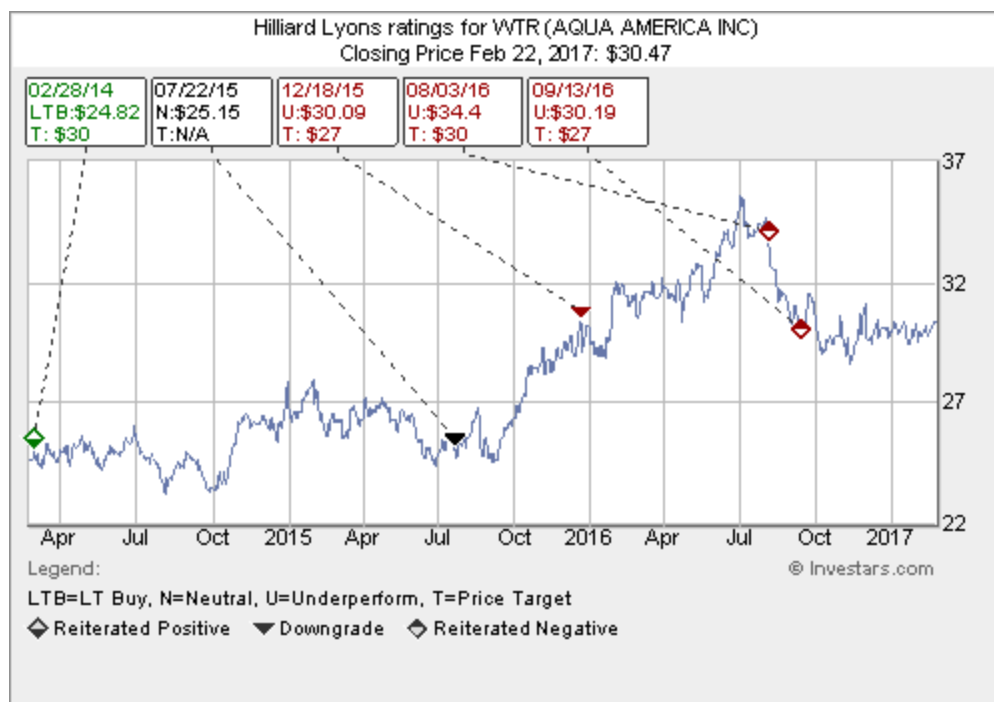
### **Investment Ratings**

**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 setback in the next 12 months.



Rating	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	36	30%	17%	83%
Hold/Neutral	76	62%	7%	93%
Sell	10	8%	0%	100%

As of 6 February 2017

### Other Disclosures

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