



COMPANY UPDATE / ESTIMATE CHANGE

Key Metrics

MMM - NYSE - as of	1/24/18	\$247.69
Price Target		\$285.00
52-Week Range	\$173.55 -	\$249.00
Shares Outstanding (mm)		595.6
Market Cap. (\$mm)		\$147,526.2
1-Mo. Average Daily Volume		2,042,191
Institutional Ownership		68.4%
Net Debt/Total Capital	Q4'17	52.5%
ROE	TTM	42.9%
Book Value / Share	Q4'17	\$18.85
Price / Book Value		13.1x
Dividend Yield		1.9%
Adj EBITDA Margin	TTM	29.1%

EPS Fiscal Year 12/31

		Prior	Current	Prior	Current
	2017A	2018E	2018E	2019E	2019E
1Q	\$2.16	--	\$2.70	--	--
2Q	*\$2.25	--	\$2.67	--	--
3Q	*\$2.39	--	\$2.72	--	--
4Q	*\$2.22	--	\$2.44	--	--
Year	\$9.03	\$10.44	\$10.53	\$11.19	\$11.36
P/E	27.4x		23.5x		21.8x

* adjusted for special items

Revenue (\$mm)

		Prior	Current	Prior	Current
	2017A	2018E	2018E	2019E	2019E
1Q	\$7,685	--	\$8,530	--	--
2Q	\$7,810	--	\$8,550	--	--
3Q	\$8,172	--	\$8,630	--	--
4Q	\$7,990	--	\$8,300	--	--
Year	\$31,657	\$33,760	\$34,010	\$33,760	\$34,850

Company Description: 3M Company applies science in collaborative ways to improve lives daily. With over \$30 billion in annual sales and nearly 90,000 employees globally, MMM connects with customers around the world. The St. Paul, MN, based company holds 5 segments: Industrial, Safety & Graphics, Electronics & Energy, Health Care and Consumer.

Industrials

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3M Company

MMM – NYSE – Buy – 1

Record Q4'17 at MMM; Hike to 2018 Guidance.

- MMM reported HL-adjusted Q4'17 EPS of \$2.22 versus \$1.88 in the year-ago period, results beat our estimate by a nickel. Consensus was looking for \$2.01, but to some extent, we expect this was inclusive of special items we calculate to impact EPS by a net -\$0.12, implying in our view, an adjusted Q4 EPS beat of about \$0.09.
- We calculate FY adjusted EPS of \$9.03, up 11.0% from \$8.13 in 2016. 2017 GAAP EPS were \$7.93 vs \$8.16, but include a -\$1.25 one-time adjustment compelled by the US Tax Cut and Jobs Act (TCJA). All business groups grew across all regions in 2017; core operations were bolstered by 1.0% fewer shares outstanding and slightly lower taxes (ex-TCJA adjustment).
- Revenue grew 9.0% and 5.1% in Q4 and FY 2017, respectively, with growth accelerating in 2H. Q4 sales of \$7.99B beat our call for \$7.82B and consensus. In 2017, organic drivers contributed +5.5% consolidated revenue impact; FX/M&A drove +2.3%/-0.6%.
- Gross margin slipped 50bps in both Q4 and for the full year; productivity and rationalization efforts should aide 2018, but we expect raw cost inflation to accelerate. We calculate FY adj. operating margin of 24.1%, up 20bps.
- Total revenue growth fell between 4% and 5% in 2017 for the Industrial, Safety & Graphics and Health Care segments; on strong electronics demand and what we view as some normalization of results, the Electronics & Energy segment grew 11.1%. Consumer grew 2.3%.
- MMM raised FY'18 EPS guidance to \$10.20-\$10.70, a mid-point hike of \$0.65 driven mostly by tax; we believe organic and forex assumptions are conservative at this point. Our 2018/2019 EPS estimates rise \$0.09/\$0.17 to \$10.53 and \$11.36, respectively.
- We are reiterating our Buy rating. A likely forthcoming cycle of estimate revisions marks a near-term catalyst for us; more broadly, we like owning the shares based on current execution and a constructive global economy.
- Our \$285 target continues to suggest MMM holds its TTM P/E of ~27x, based on our 2018 financial model.

Note Important Disclosures on Pages 8-9.
Note Analyst Certification on Page 8

ADDITIONAL DISCUSSION—US TAX CUT AND JOBS ACT (TCJA)

As noted in our bullet points, MMM booked a net charge of \$1.25/share in the fourth quarter relating to tax code changes from the recently-passed US TCJA. In a somewhat rare move for the company, management primarily framed commentary on Q4/FY in terms that exclude this charge, which we believe was useful. The charge is primarily a mix of levying an assessment on previously unremitted foreign earnings, and net remeasurement of certain deferred tax assets and liabilities. We see nothing in the charge that holds much implication moving forward, and it does not alter our long-term projections for the company.

More meaningful in our view, MMM dropped its expected 2018 tax rate from a range of 26% to 27%, to a range of 20% to 22%, which we believe represents a ‘new normal’ moving forward. Our assumption for a consolidated effective tax rate moves from 23% to 21% at this time. Seemingly in at least partial deference to tax items, MMM hiked buyback guidance for ‘18 to a range of \$2B-\$5B from \$2B-\$4B, a move we suggested was likely in our upgrade note published just yesterday. MMM also hiked its quarterly dividend by 16% effective with the Q1’18 payment, moving the annualized payout to \$5.44/share; although in line with our model from a timing standpoint, the hike more than doubled the magnitude of our prior suggestion.

Aside from these tweaks to the capital return program, we believe the TCJA has not yet compelled major shifts in MMM’s broader capital allocation strategy, its execution ‘Playbook,’ or its attainable growth trajectory and/or strategy.

ADDITIONAL DISCUSSION—Q4/FY RESULTS AND OUTLOOK

Organic revenue growth of 6.9% from Q3’17 was not quite matched by Q4’17’s +6.4%; however, we are nonetheless pleased with overall results as forex moves over the past year grow as a tailwind (contributed 2.7 percentage points of growth in Q4). Over the past several quarters we have oscillated between regional performances and segment-level performances being our most noteworthy takeaways, but to close the year, identify a mix. Fourth quarter sales in Asia Pacific grew a robust 14.4%, underpinned by 12.0% volume gains and likely reflective of 12.4% growth from Electronics & Energy (+11.0% organic). Even more surprising versus our model was the Safety & Graphics segment, which posted 10.7% organic sales growth versus our expectation for mid-to-low single digits.

Comps get tougher for Electronics & Energy moving into 2018, in our view, but we expect each of the aforementioned trends bode well for the year. Management has been quoted in recent quarters as tabbing Safety & Graphics as the next ‘breakout’ segment. Organic sales for the Consumer business group accelerated across each quarter in 2017, rising from -1.3% in Q1 to +5.4% in Q4, which in our view, adds incremental support for our broader position that consumer activity could be poised for a pickup this year.

By our calculation, operating margin has improved yr/yr each annual period since year-end 2013, punctuated at this point by what we view as strong performance in 2017. Our outlook for 2018 is somewhat subdued on this front, but with incremental gains from the global ERP rollout and footprint rationalization still multi-year themes, we believe any conversation of ‘peak margins’ is likely premature. Furthermore, we expect M&A to be beneficial to margins (at least on a net basis) over time.

At this time, our 2018 and 2019 financial outlook improves incrementally, although most of our changes here were reflected in preliminary tax-based adjustments we made earlier this week. We believe raw cost inflation (particularly late in the year) is likely underestimated in current guidance, but this is more than offset for us by what we view as conservative organic revenue guide for the year. During the Q&A portion of this morning’s call, management cited a reticence to adjust organic expectations in January, but we believe current momentum would suggest performance toward the top end of guidance laid out in late-’17.

ADDITIONAL DISCUSSION—M&A UPDATE AND RECAP

After the market close on October 4, MMM announced the completion of its \$2B purchase of Scott Safety, formerly part of Johnson Controls (JCI—\$40.60, Not Rated), which had some revenue impact in Q4, but in our view, should be a more meaningful contributor in 2018. Also in Q4, 3M completed the sale of its electronic monitoring business, which as expected drove a \$0.12/share gain on sale in Q4 that we remove from our calculation of adjusted EPS.

In early December, MMM announced the planned sale of its communication markets division for \$900MM. This transaction continues to be reflected in our financial model as closing on 10/1/2018, although the deal was not much discussed on 3M's call this morning. Losing this division for 2019 (TTM sales of ~\$400MM) weighs on our sales growth assumptions for the out year, but in line with most recent divestures by our interpretation, should be incrementally supportive to consolidated margins.

ADDITIONAL DISCUSSION—BALANCE SHEET SNAPSHOT

3M exited Q4'17 with \$12.1B in long-term debt, which grew sequentially from \$10.8B at Q3'17 and the year-ago read of \$10.7B. We calculate that total net debt represents just over 50% of the capital structure, versus 46.5% in Q4'16 and 43.1% in Q4'15. 3M continues to execute a multi-year strategic leveraging plan, which we support; we calculate gross debt at just 1.7x TTM adjusted EBITDA. 3M ended the fourth quarter with \$3.1B in cash and equivalents, and another ~\$1B in marketable securities.

SUITABILITY

We assign MMM a suitability rating of '1.' A complete description of our suitability scale is on page 8. With annual revenues in excess of \$30B and nearly 100,000 employees, 3M Company manufactures a diverse set of products across a broad set of end-markets; we view the '3M' brand as a difficult-to-replicate competitive advantage, and believe the company meets our standards for a large-cap core holding. Acceptable debt metrics, a 100-year history of paying dividends and a similar history of innovation, along with the size/scope to move past individual setbacks keep MMM well above our more aggressive '2' rating.

CONSIDERATIONS AND RISKS

3M Company services end-markets across most sectors of the economy, ranging for example from Energy to Healthcare, meaning a range of negative economic occurrences could have a direct impact to MMM.

MMM has been active on both sides of the M&A market in recent years, including the recent purchase of Scott Safety for \$2B. Failure to effectively integrate any purchase and/or overpayment for assets could result in impairments and a reduced capital position. Expected cost synergies may not materialize, and could cause 3M to fall short of investor expectations. The sale of quality assets could disappoint investors, result in reduced profitability, or impact morale moving forward.

Tangible book value is currently negative, and we expect this to persist.

3M generates approximately 60% of revenue from non-US operations. International operations may carry a higher risk profile from items such as: intellectual property issues, political uncertainty, forex rates, nationalization/seizure of assets, terrorism threats, judicial uncertainty and/or more volatile economies.

We believe the '3M' brand/trademark holds substantial value, and is to an extent, a competitive advantage. Impairment to this brand equity could result in lasting losses in shareholder value.

Much of MMM's growth is attributable to product and technological innovation. An inability to innovate in the future could impair the firm's ability to grow, and could also weigh on investor sentiment.

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

Additional information is available upon request.

3M Company (MMM)

(\$'s in MM)

Income Statement Analysis	FY'15	FY'16	Q1'17	Q2'17	Q3'17	Q4'17	FY'17	Q1'18E	Q2'18E	Q3'18E	Q4'18E	FY'18E	FY'19E
Net Sales	\$ 30,274	\$ 30,109	\$ 7,685	\$ 7,810	\$ 8,172	\$ 7,990	\$ 31,657	\$ 8,530	\$ 8,550	\$ 8,630	\$ 8,300	\$ 34,010	\$ 34,850
Cost of Sales	15,383	15,040	3,869	4,007	4,045	4,080	16,001	4,265	4,266	4,306	4,200	17,038	17,415
Gross Profit	14,891	15,069	3,816	3,803	4,127	3,910	15,656	4,265	4,284	4,324	4,100	16,972	17,435
%	49.2%	50.0%	49.7%	48.7%	50.5%	48.9%	49.5%	50.0%	50.1%	50.1%	49.4%	49.9%	50.0%
SG & A	6,182	6,111	1,571	1,607	1,623	1,742	6,572	1,640	1,680	1,700	1,720	6,740	6,760
Gain on Sale				(461)	-	(96)	(586)						
R & D	1,763	1,735	471	473	463	443	1,850	490	490	490	470	1,940	1,990
Operating Inc.	6,946	7,223	1,774	2,184	2,041	1,821	7,820	2,135	2,114	2,134	1,910	8,292	8,685
%	22.9%	24.0%	23.1%	28.0%	25.0%	22.8%	24.7%	25.0%	24.7%	24.7%	23.0%	24.4%	24.9%
Interest (Expense)	(149)	(199)	(45)	(54)	(57)	(61)	(217)	(64)	(70)	(70)	(70)	(272)	(278)
Interest Income (Expense)	26	29	8	12	13	13	46	13	13	13	13	52	52
Other Income (Expense)						(101)	(101)						
Pre Tax Inc.	6,823	7,053	1,737	2,142	1,997	1,672	7,548	2,084	2,057	2,077	1,854	8,072	8,458
Income Tax (Expense)	(1,982)	(1,995)	(411)	(557)	(564)	(1,147)	(2,679)	(438)	(432)	(436)	(389)	(1,695)	(1,776)
Tax Rate	29.0%	28.3%	23.7%	26.0%	28.2%	68.6%	35.5%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Net Income incl Non-CI	4,841	5,058	1,326	1,585	1,433	525	4,869	1,647	1,625	1,641	1,464	6,377	6,682
Less: (NI)/Loss Attrib to non-CI	(8)	(8)	(3)	(2)	(4)	(2)	(11)	(2)	(2)	(2)	(2)	(8)	(8)
Net Income att to MMM	4,833	5,050	1,323	1,583	1,429	523	4,858	1,645	1,623	1,639	1,462	6,369	6,674
%	16.0%	16.8%	17.2%	20.3%	17.5%	6.5%	15.3%	19.3%	19.0%	19.0%	17.6%	18.7%	19.2%
Shares Out.	637.2	618.7	612.0	612.8	612.7	613.4	612.7	610.2	606.7	603.5	599.5	605.0	587.3
Diluted EPS (cont'd ops)	\$ 7.58	\$ 8.16	\$ 2.16	\$ 2.58	\$ 2.33	\$ 0.85	\$ 7.93	\$ 2.70	\$ 2.67	\$ 2.72	\$ 2.44	\$ 10.53	\$ 11.36
Adjusted EPS (cont'd ops)	\$ 7.72	\$ 8.13	\$ 2.16	\$ 2.25	\$ 2.39	\$ 2.22	\$ 9.03						
EPS from disc ops													
Dividends Paid	\$ 4.100	\$ 4.440	\$ 1.175	\$ 1.175	\$ 1.175	\$ 1.175	\$ 4.700	\$ 1.360	\$ 1.360	\$ 1.360	\$ 1.360	\$ 5.440	\$ 5.760
Rate of Change Analysis													
Net Sales	-4.9%	-0.5%	3.7%	1.9%	6.0%	9.0%	5.1%	11.0%	9.5%	5.6%	3.9%	7.4%	2.5%
SG & A	-4.4%	-1.1%	2.5%	3.0%	6.0%	14.1%	7.5%	4.4%	4.5%	4.7%	-1.3%	2.6%	0.3%
R & D	-0.4%	-1.6%	4.7%	8.2%	8.4%	5.2%	6.6%	4.0%	3.6%	5.8%	6.1%	4.9%	2.6%
Operating Income	-2.6%	4.0%	-0.8%	17.0%	7.2%	9.4%	8.3%	20.3%	-3.2%	4.5%	4.9%	6.0%	4.7%
EPS--Adj if necessary	3.2%	5.3%	7.0%	8.4%	11.2%	18.1%	11.0%	24.7%	18.7%	13.7%	186.1%	16.6%	7.9%
EBITDA--Adj if necessary	-0.2%	1.6%	3.2%	2.2%	8.3%	11.7%	6.2%	17.3%	9.8%	3.0%	3.1%	8.1%	4.6%
Working Capital	28.5%	-4.9%	5.6%	-5.5%	15.2%	0.2%	0.2%	7.7%	6.4%	2.9%	6.3%	6.3%	1.2%
Inventory	-5.1%	-3.8%	-0.4%	6.2%	10.1%	19.2%	19.2%	11.0%	9.4%	5.7%	3.9%	3.9%	3.3%
			*EPS guide +\$0.25; Org Rev guide +1% to +2%	*5/1 sale of IdnMgm't, +\$0.33/sh *EPS guide +\$0.10 low-end *Org Rev guide	*EPS guide \$0.20/+05 low/high-ends *Org sales +1 low-end	*\$1.25 TCJA chg *othr items: GoS, tender chg & strat inv	*EPS guide \$9.00-\$9.10 **org rev guide +4% to 5%	1/25: hiked mid-point EPS guide by \$0.65				*EPS guide \$10.20-\$10.70 **Rev guide +5% to 7%	

Source: Company reports and Hilliard Lyons estimates

3M Company (MMM)

Summary Cash Flow	FY15	FY16	Q1'17	Q2'17	Q3'17	Q4'17p	FY17p	Q1'18E	Q2'18E	Q3'18E	Q4'18E	FY18E	FY19E
Net Income	4,833	5,050	1,323	1,583	1,429	523	4,858	1,645	1,623	1,639	1,462	6,369	6,674
D & A	1,435	1,474	438	380	377	380	1,575	460	390	400	410	1,660	1,730
Pension Contributions/(Expense)	289	(132)	(167)	329	82	(744)	(500)	25	25	25	25	100	100
Deferred Income Tax	395	7	(84)	(36)	15	50	(55)	50	50	50	50	200	200
Share-base Compensation	276	298	147	59	60	50	316	50	50	50	50	200	200
(Increase) Decrease in Wrkg. Cap.	(887)	195	(841)	139	(559)	1,250	(9)	(1,190)	210	(420)	1,160	(240)	(50)
Operating CF	6,341	6,892	816	2,454	1,404	1,509	6,185	1,040	2,348	1,744	3,157	8,289	8,854
Cap Ex	(1,461)	(1,420)	(287)	(302)	(325)	(459)	(1,373)	(375)	(410)	(410)	(400)	(1,595)	(1,600)
Acquisitions, net of cash acq	(2,914)	(16)	-	-	(12)	(2,011)	(2,023)	(250)	(250)	(500)	(500)	(1,500)	(1,500)
Mrktbl Sec (Purch)/Sale	1,300	(163)	64	72	(446)	(488)	(798)	-	-	-	-	-	-
Divestitures [PP&E, Business]	156	200	54	808	-	203	1,065	10	10	10	900	930	40
Dividends	(2,561)	(2,678)	(702)	(701)	(701)	(699)	(2,803)	(830)	(825)	(821)	(815)	(3,291)	(3,383)
Free Cash Flow	861	2,815	(55)	2,331	(80)	(1,945)	253	(405)	873	23	2,342	2,833	2,411
FCF / Share	\$ 1.35	\$ 4.55	\$ (0.09)	\$ 3.80	\$ (0.13)	\$ (3.17)	\$ 0.41	\$ (0.66)	\$ 1.44	\$ 0.04	\$ 3.91	\$ 4.68	\$ 4.11
FCF as % of NI	17.8%	55.7%					5.2%					44.4%	36.1%
TTM FCF Yield (inc Acqs)	0.9%	2.6%	2.1%	3.5%	2.8%	0.2%	0.2%	-0.1%	-1.0%	-1.0%	1.9%	1.9%	1.7%
TTM FCF Conversion (Margin)	2.8%	9.3%	8.2%	14.6%	11.6%	0.8%	0.8%	-0.3%	-4.7%	-4.3%	8.3%	8.3%	6.9%
Changes in Short-Term Debt	860	(797)	(68)	(45)	173	1,253	1,313	750	200	(500)	(500)	(50)	150
Repayment of Debt >90 days	(800)	(992)	-	(650)	-	(320)	(970)			(1,050)		(1,050)	(625)
Proceeds from Debt >90 days	3,422	2,832	-	-	-	1,200	1,200		1,250	1,050		2,300	1,875
Stock (Repurchases)/Proceeds	(4,603)	(2,949)	(375)	(313)	(294)	(500)	(1,482)	(800)	(850)	(800)	(1,000)	(3,450)	(4,700)
Net C.F.	(260)	909	(498)	1,323	(201)	(312)	314	(455)	1,473	(1,277)	842	583	(889)
Net CF--Disc Ops													
Reported I/S EBITDA	8,381	8,697	2,212	2,564	2,418	2,201	9,395	2,595	2,504	2,534	2,320	9,952	10,415
Adjustments	144	(34)	0	(284)	42	49	(192)	0	0	0	0	0	0
Adjusted EBITDA	8,525	8,663	2,212	2,280	2,460	2,250	9,203	2,595	2,504	2,534	2,320	9,952	10,415
TTM Adj EBITDA Margin	28.2%	28.8%	28.7%	28.8%	28.9%	29.1%	29.1%	29.5%	29.5%	29.3%	29.3%	29.3%	29.9%

Source: Company reports and Hilliard Lyons estimates

Summary Balance Sheet	FY'15	FY'16	Q1'17	Q2'17	Q3'17	Q4'17	FY'17	Q1'18E	Q2'18E	Q3'18E	Q4'18E	FY'18E	FY'19E
Cash & Equivalents	\$ 1,916	\$ 2,678	\$ 2,173	\$ 2,654	\$ 2,831	\$ 3,053	\$ 3,053	\$ 2,598	\$ 4,071	\$ 2,794	\$ 3,636	\$ 3,636	\$ 2,747
Accounts Receivable, net	4,154	4,392	4,722	4,919	5,156	4,911	4,911	5,120	5,040	5,090	4,570	4,570	4,630
Inventories	3,518	3,385	3,612	3,838	3,975	4,034	4,034	4,010	4,200	4,200	4,190	4,190	4,330
Other	1,398	1,271	1,394	1,230	1,694	2,279	2,279	1,420	1,250	1,730	2,320	2,320	2,370
Total Current Assets	10,986	11,726	11,901	12,641	13,656	14,277	14,277	13,148	14,561	13,814	14,716	14,716	14,077
Net PP&E	8,515	8,516	8,551	8,566	8,658	8,866	8,866	8,870	8,980	9,170	9,340	9,340	9,750
Goodwill	9,249	9,166	9,258	9,105	9,221	11,069	11,069	11,210	11,350	11,630	11,910	11,910	12,750
Intangible Assets	2,601	2,320	2,269	2,201	2,175	2,380	2,380	2,410	2,440	2,490	2,540	2,540	2,700
Other Non-Current Assets	1,367	1,178	1,313	1,444	1,527	1,395	1,395	1,410	1,420	1,430	1,440	1,440	1,480
Total Assets	\$ 32,718	\$ 32,906	\$ 33,292	\$ 33,957	\$ 35,237	\$ 37,987	\$ 37,987	\$ 37,048	\$ 38,751	\$ 38,534	\$ 39,946	\$ 39,946	\$ 40,757
ST & CP of LTD	2,044	972	909	213	835	3,798	3,798	3,360	3,560	2,630	2,130	2,130	2,830
Accounts Payable, net	1,694	1,798	1,701	1,782	1,824	1,945	1,945	2,050	1,910	1,790	1,970	1,970	2,060
Other	3,380	3,449	3,385	3,702	3,939	1,944	1,944	3,450	3,780	4,020	1,980	1,980	2,020
Total Current Liabilities	7,118	6,219	5,995	5,697	6,598	7,687	7,687	8,860	9,250	8,440	6,080	6,080	6,910
LTD	8,753	10,678	10,802	11,088	10,828	12,096	12,096	12,100	13,300	13,720	13,720	13,720	13,170
Accrued Pension & Retirement	3,520	4,005	3,764	3,761	3,748	3,770	3,770	3,790	3,810	3,830	3,850	3,850	3,930
Other LT Liabilities	1,580	1,661	1,691	1,767	1,861	2,812	2,812	1,720	1,800	1,900	2,870	2,870	2,930
Total Liabilities	20,971	22,563	22,252	22,313	23,035	26,365	26,365	26,470	28,160	27,890	26,520	26,520	26,940
Stockholders' Equity	11,708	10,298	10,989	11,591	12,146	11,562	11,562	10,518	10,531	10,584	13,366	13,366	13,757
Noncontrolling Interest	39	45	51	53	56	60	60	60	60	60	60	60	60
Book Value	\$ 18.72	\$ 16.78	\$ 17.96	\$ 18.91	\$ 19.82	\$ 18.85	\$ 18.85	\$ 17.24	\$ 17.36	\$ 17.54	\$ 22.30	\$ 22.30	\$ 23.70
Tangible Book Value	\$ (0.23)	\$ (1.94)	\$ (0.88)	\$ 0.47	\$ 1.22	\$ (3.08)	\$ (3.08)	\$ (5.08)	\$ (5.37)	\$ (5.86)	\$ (1.81)	\$ (1.81)	\$ (2.92)
Current Ratio	1.5x	1.9x	2.0x	2.2x	2.1x	1.9x	1.9x	1.5x	1.6x	1.6x	2.4x	2.4x	2.0x
Net LT Debt / Total Cap	36.8%	43.6%	43.9%	42.0%	39.6%	43.8%	43.8%	47.3%	46.6%	50.7%	42.9%	42.9%	43.0%
Net Total Debt / Total Cap	43.1%	46.5%	46.4%	42.6%	42.0%	52.5%	52.5%	54.9%	54.7%	56.0%	47.6%	47.6%	49.0%
Gross Debt / TTM Adj EBITDA	1.3x	1.3x	1.3x	1.3x	1.3x	1.7x	1.7x	1.6x	1.7x	1.7x	1.6x	1.6x	1.5x
TTM ROE—unadjusted	37.8%	43.8%	44.8%	47.5%	48.1%	42.9%	42.9%	45.6%	46.3%	49.1%	56.3%	56.3%	53.6%

Source: Company reports and Hilliard Lyons estimates

Analyst Certification

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.

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.

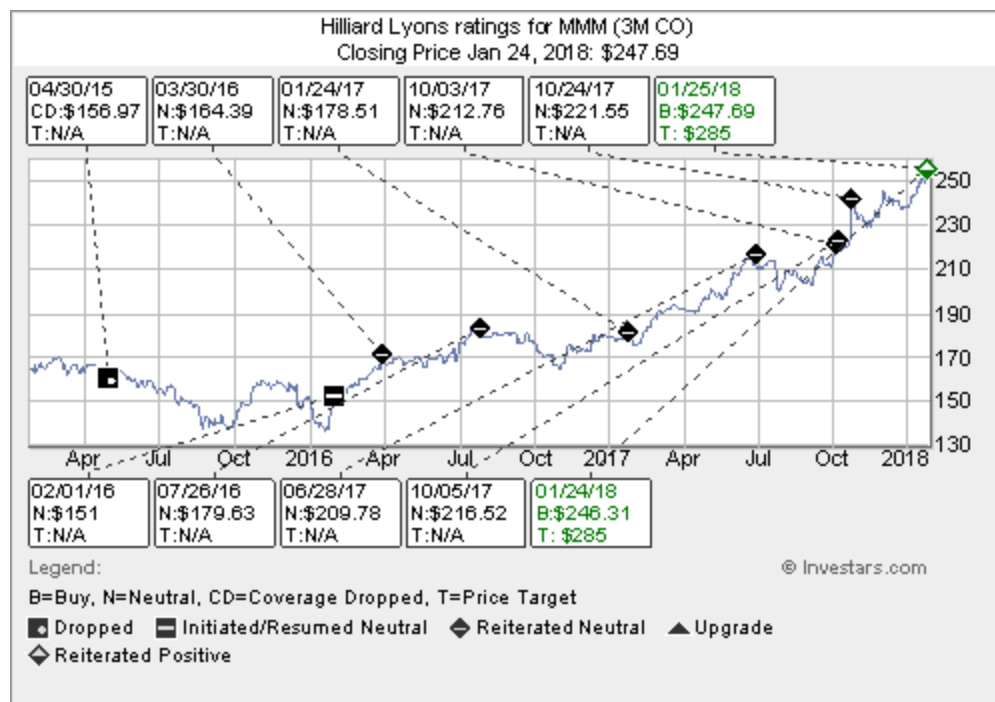
Suitability Ratings

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	31	28%	10%	90%
Hold/Neutral	75	67%	9%	91%
Sell	6	5%	0%	100%

As of 8 January 2018

Other Disclosures

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