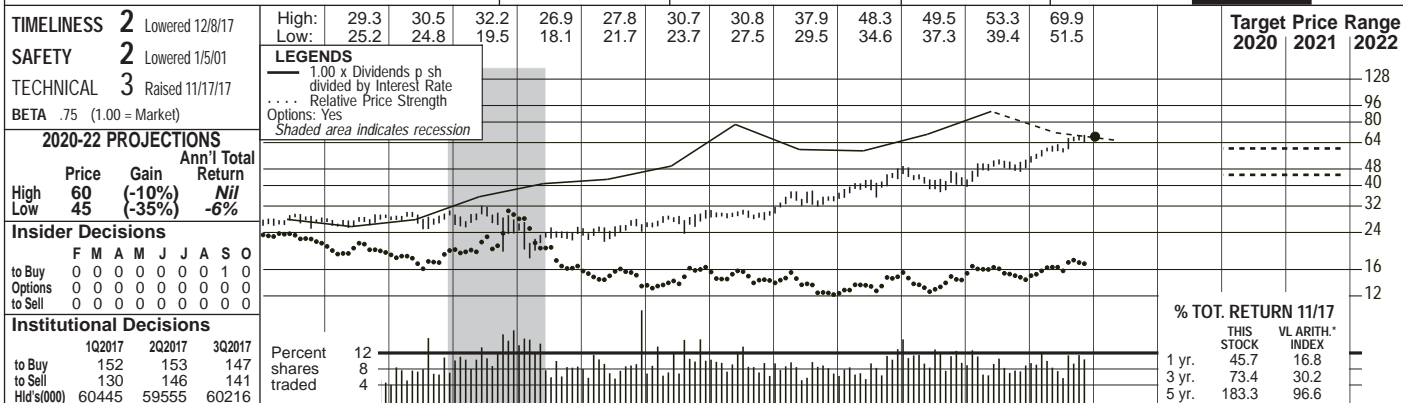


VECTREN CORP. NYSE-VVC

RECENT PRICE **68.28** P/E RATIO **25.2** (Trailing: 25.2 Median: 16.0) RELATIVE P/E RATIO **1.24** DIV'D YLD **2.7%** VALUE LINE



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	© VALUE LINE PUB. LLC 20-22
Revenues per sh	29.88	30.67	25.76	26.06	28.39	27.16	30.23	31.62	29.40	29.53	31.75	32.75	38.95
"Cash Flow" per sh	4.29	3.97	4.40	4.44	4.71	5.03	5.03	5.33	5.48	5.69	5.85	6.20	7.75
Earnings per sh ^A	1.83	1.63	1.79	1.65	1.73	1.94	1.66	2.02	2.39	2.55	2.65	2.80	3.35
Div'd Decl'd per sh ^{B=†}	1.27	1.31	1.35	1.37	1.39	1.41	1.43	1.46	1.54	1.62	1.71	1.83	2.10
Cap'l Spending per sh	4.38	4.83	5.33	3.39	3.92	4.45	4.77	5.43	5.76	6.54	7.20	7.60	9.30
Book Value per sh ^C	16.16	16.68	17.23	17.61	17.89	18.57	18.86	19.45	20.34	21.33	22.05	23.10	27.90
Common Shs Outst'g ^D	76.36	81.03	81.10	81.70	81.90	82.20	82.40	82.60	82.80	82.90	83.50	84.00	86.00
Avg Ann'l P/E Ratio	15.3	16.8	12.9	15.0	15.8	15.0	20.7	20.0	17.9	19.2	Bold figures are Value Line estimates		16.0
Relative P/E Ratio	.81	1.01	.86	.95	.99	.95	1.16	1.05	.90	1.01			1.00
Avg Ann'l Div'd Yield	4.5%	4.8%	5.9%	5.5%	5.1%	4.8%	4.2%	3.6%	3.6%	3.3%			3.9%

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	© VALUE LINE PUB. LLC 20-22
Revenues (\$mill)	2281.9	2484.7	2088.9	2129.5	2325.2	2232.8	2491.2	2611.7	2434.7	2448.3	2650	2750	3350
Net Profit (\$mill)	143.1	129.0	145.0	133.7	141.6	159.0	136.6	166.9	197.3	211.6	220	235	290
Income Tax Rate	34.7%	37.1%	26.5%	35.8%	37.9%	34.2%	32.9%	32.7%	33.6%	34.8%	35.0%	35.0%	35.0%
AFUDC % to Net Profit	2.8%	2.9%	4.1%	--	--	--	--	--	4.1%	4.0%	4.0%	4.0%	4.0%
Long-Term Debt Ratio	50.2%	48.0%	52.4%	49.9%	51.6%	50.4%	53.3%	46.7%	50.6%	47.3%	47.5%	47.5%	45.5%
Common Equity Ratio	49.8%	52.0%	47.6%	50.1%	48.4%	49.6%	46.7%	53.3%	49.4%	52.7%	52.5%	52.5%	54.5%
Total Capital (\$mill)	2479.1	2599.5	2937.7	2874.1	3025.1	3079.5	3331.4	3013.9	3406.6	3358.0	3490	3690	4400
Net Plant (\$mill)	2539.7	2720.3	2878.8	2955.4	3032.6	3119.6	3224.3	3439.0	4089.5	4406.8	4700	4950	5750
Return on Total Cap'l	7.2%	6.5%	6.3%	6.1%	6.2%	6.4%	5.4%	6.8%	7.0%	7.4%	7.5%	7.5%	7.5%
Return on Shr. Equity	11.6%	9.5%	10.4%	9.3%	9.7%	10.4%	8.8%	10.4%	11.7%	12.0%	12.0%	12.0%	12.0%
Return on Com Equity ^E	11.6%	9.5%	10.4%	9.3%	9.7%	10.4%	8.8%	10.4%	11.7%	12.0%	12.0%	12.0%	12.0%
Retained to Com Eq	3.8%	2.0%	2.6%	1.6%	1.9%	2.9%	1.2%	2.9%	4.2%	4.4%	4.0%	4.5%	5.0%
All Div'ds to Net Prof	67%	80%	75%	83%	80%	73%	86%	72%	65%	63%	65%	65%	62%

BUSINESS: Vectren Corp. is a holding company formed through the merger of Indiana Energy and SIGCORP. Supplies electricity and gas to an area nearly two-thirds of the state of Indiana. Owns gas distribution assets in Ohio. Has a customer base exceeding 1.1 million. 2016 Electricity revenues: residential, 37%; commercial, 27%; industrial, 34%; other, 2%. 2016 Gas revenues: residential, 67%; commercial, 23%; other, 10%. Nonutility operations include Infrastructure Services and Energy Services. Est'd plant age: electric, 10 years. '16 depreciation rate: 4.0%. Has about 5,800 employees. Chairman, President, & CEO: Carl L. Chapman. Incorporated: Indiana. Address: One Vectren Square, Evansville, Indiana 47708. Telephone: 812-491-4000. Internet: www.vectren.com.

Shares of Vectren have traded in a fairly narrow range over the past three months. This has followed a nice rally that began in late 2016. The company reported solid top-line growth for the September period. Performance at the nonutility group benefited from strong results at the infrastructure services operation, reflecting large pipeline projects this year. But the utility group fared less well, owing to a decline in usage from a large electric customer that completed its transition to a co-generation facility and lower electric margins. Moreover, growth in total operating expenses outstripped that of revenue, and share net advanced just modestly, to \$0.75. Looking forward, we expect solid performance will continue in the fourth quarter, but earnings per share will probably not match the impressive figure generated in the year-ago period.

The board of directors has raised the dividend by 7%. Starting with the December payout, the quarterly dividend is now \$0.45 per share. Healthy dividend growth will probably continue. **Revenues and earnings should increase at a good pace from 2018 onward.** Performance at the utility group ought to be supported by investment in gas infrastructure programs in both Indiana and Ohio. Meanwhile, the nonutility group should further benefit from healthy demand for distribution services, as gas utilities continue to make significant investments in their infrastructure systems. The transmission business will likely be able to capitalize on high demand due to the need to replace aging infrastructure, though we do expect a measure of unevenness here going forward.

Short-term traders may want to take a closer look. This issue is well ranked for Timeliness. Moreover, Vectren earns good marks for Safety, Financial Strength, Price Stability, and Earnings Predictability. Volatility is subdued, as well. **But patient investors can probably find more-suitable choices elsewhere.** The stock presently trades at a price-to-earnings multiple that is well in excess of its historical average. As a result, this equity lacks long-term appreciation potential at this time. Also, the dividend yield does not stand out for a utility.

Michael Napoli, CFA December 15, 2017

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2014	796.8	542.5	595.6	676.8	2611.7
2015	706.2	551.0	573.5	604.0	2434.7
2016	584.8	533.7	631.0	699.0	2448.3
2017	624.5	630.7	691.2	703.6	2650
2018	655	655	710	730	2750

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2014	.62	.14	.57	.69	2.02
2015	.69	.43	.48	.79	2.39
2016	.58	.39	.74	.84	2.55
2017	.67	.45	.75	.78	2.65
2018	.70	.48	.76	.86	2.80

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2013	.355	.355	.355	.360	1.43
2014	.360	.360	.360	.380	1.46
2015	.380	.380	.380	.400	1.54
2016	.400	.400	.400	.420	1.62
2017	.420	.420	.420	.450	

(A) Diluted EPS. Excl. nonrecr. gain (loss): '09, 15c. Next eps report due late February. (B) Div'ds historically paid in early March, June, September, and December. †Div'd rein-vest. plan avail. † Shareholder invest. plan avail. (C) Incl. intang. In '16, \$7.27/sh. (D) In millions. (E) Electric rate base determination: fair value. Rates allowed on elect. common equity range from 10.15% to 10.4%. Regulatory Climate: Above Average. (F) Totals may not sum due to rounding.

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Company's Financial Strength	A
Stock's Price Stability	90
Price Growth Persistence	70
Earnings Predictability	75

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