



**VECTREN**  
*Live Smart*

3<sup>rd</sup> Quarter 2017  
Financial Review

Nov. 3, 2017



# Management Representatives



**Carl Chapman**

Chairman, President & CEO



**Susan Hardwick**

Exec. Vice President & CFO



**Rick Schach**

Exec. Vice President & COO



**Ron Christian**

Exec. Vice President &  
Chief Legal and External Affairs Officer



**Dave Parker**

Director, Investor Relations

# Forward-Looking Statements

All statements other than statements of historical fact are forward-looking statements made in good faith by the company and are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. Such statements are based on management's beliefs, as well as assumptions made by and information currently available to management and include such words as "believe", "anticipate", "endeavor", "estimate", "expect", "objective", "projection", "forecast", "goal", "likely", and similar expressions intended to identify forward-looking statements.

Vectren cautions readers that the assumptions forming the basis for forward-looking statements include many factors that are beyond Vectren's ability to control or estimate precisely and actual results could differ materially from those contained in this document. Forward-looking statements speak only as of the date on which our statement is made, and we assume no duty to update them. More detailed information about these factors is set forth in Vectren's filings with the Securities and Exchange Commission, including Vectren's 2016 annual report on Form 10-K filed on February 23, 2017.

Vectren also uses non-GAAP measures to describe its financial results. More information can be found in the Appendix related to the use of such measures.

**Dave Parker – Director, Investor Relations**

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**812-491-4135**

# Consolidated Q3 2017 Results

## *Consistent Earnings Growth Remains the Focus*

*In millions, except per share amounts*

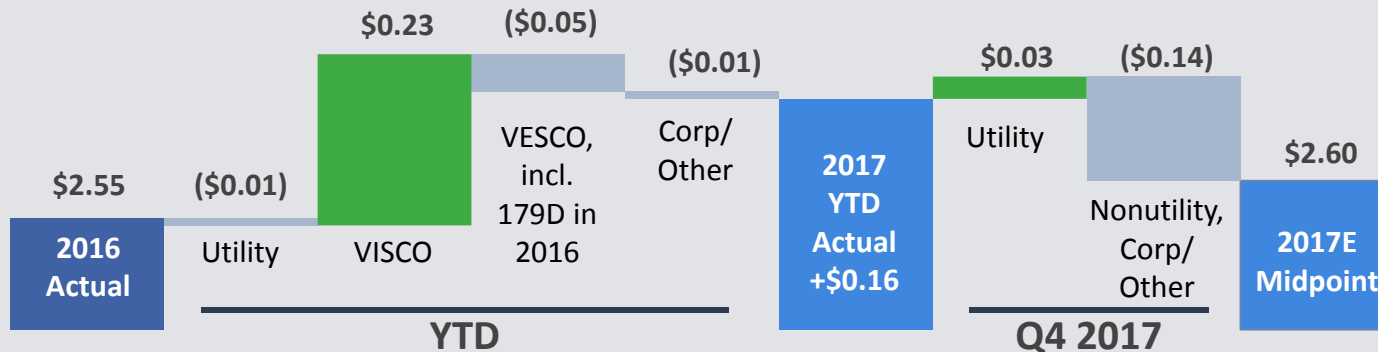
	3 Months Ended Sept 30		9 Months Ended Sept 30	
	2017	2016	2017	2016
<b>Utility Group</b>	\$ 30.8	\$ 34.9	\$ 122.2	\$ 122.3
<b>Nonutility Group</b>				
Infrastructure Services (VISCO)	26.6	18.2	28.6	9.8
Energy Services (VESCO)	4.9	6.2	4.9	8.7
Other Businesses	(0.2)	(0.1)	(0.5)	(0.3)
<b>Nonutility Group</b>	<b>31.3</b>	<b>24.3</b>	<b>33.0</b>	<b>18.2</b>
Corporate and Other	(0.2)	2.2	(0.4)	1.5
<b>Earnings</b>	<b>\$ 61.9</b>	<b>\$ 61.4</b>	<b>\$ 154.8</b>	<b>\$ 142.0</b>
<b>Utility Group</b>	<b>\$ 0.37</b>	<b>\$ 0.42</b>	<b>\$ 1.47</b>	<b>\$ 1.48</b>
<b>Nonutility Group</b>	<b>0.38</b>	<b>0.29</b>	<b>0.40</b>	<b>0.22</b>
Corporate and Other	-	0.03	-	0.01
<b>EPS</b>	<b>\$ 0.75</b>	<b>\$ 0.74</b>	<b>\$ 1.87</b>	<b>\$ 1.71</b>
Weighted Avg Shares Outstanding - Basic	83.0	82.8	83.0	82.8

# 2017 Guidance Affirmed

*Remain Confident in Achieving 2017 Earnings Target*

	<u>2017 EPS Guidance</u>	<u>2016 Actual</u>
Utility	\$2.10 - \$2.15	\$2.10
Nonutility/Corp	\$0.45 - \$0.50	\$0.45
<b>Consolidated</b>	<b>\$2.55 - \$2.65</b>	<b>\$2.55</b>

## Vectren YTD EPS; Bridge to 2017E

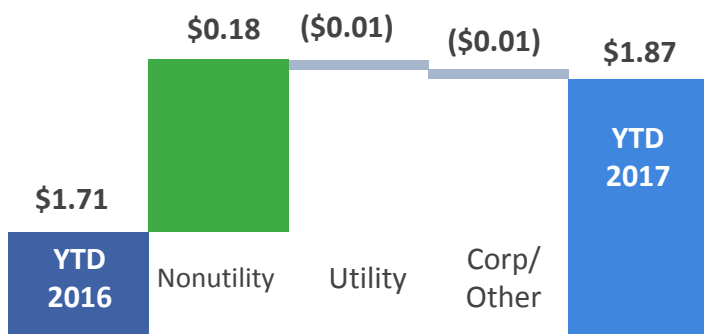


- Note that the majority of large pipeline activity occurred in Q2 & Q3 in 2017 and in Q4 in 2016

# Key Drivers of 2017 Guidance Remain Unchanged

**Utility Growth Expected Even with Lower SABIC Margin**  
**VISCO Growth Driven by Distribution, Pipeline Projects**

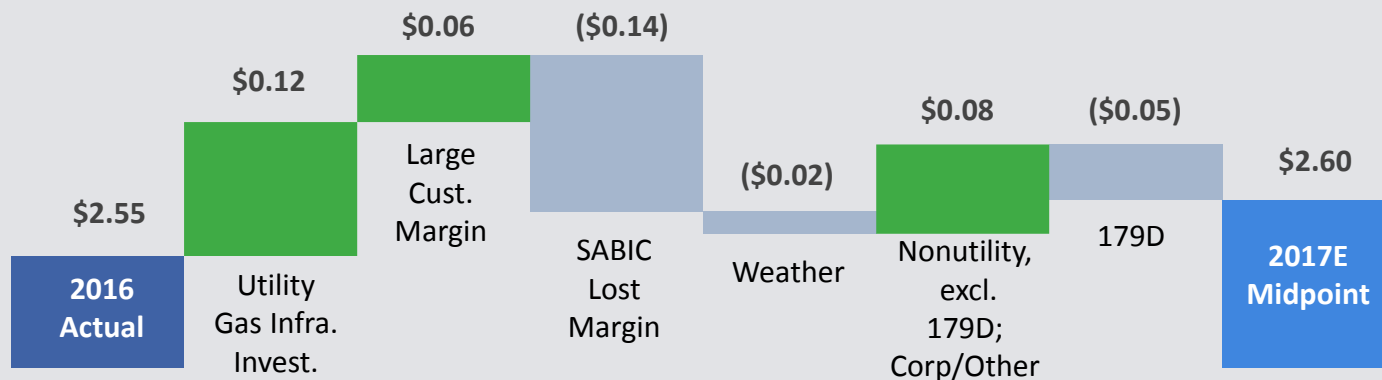
Vectren Consolidated – YTD



**To Achieve Midpoint of 2017E Guidance**

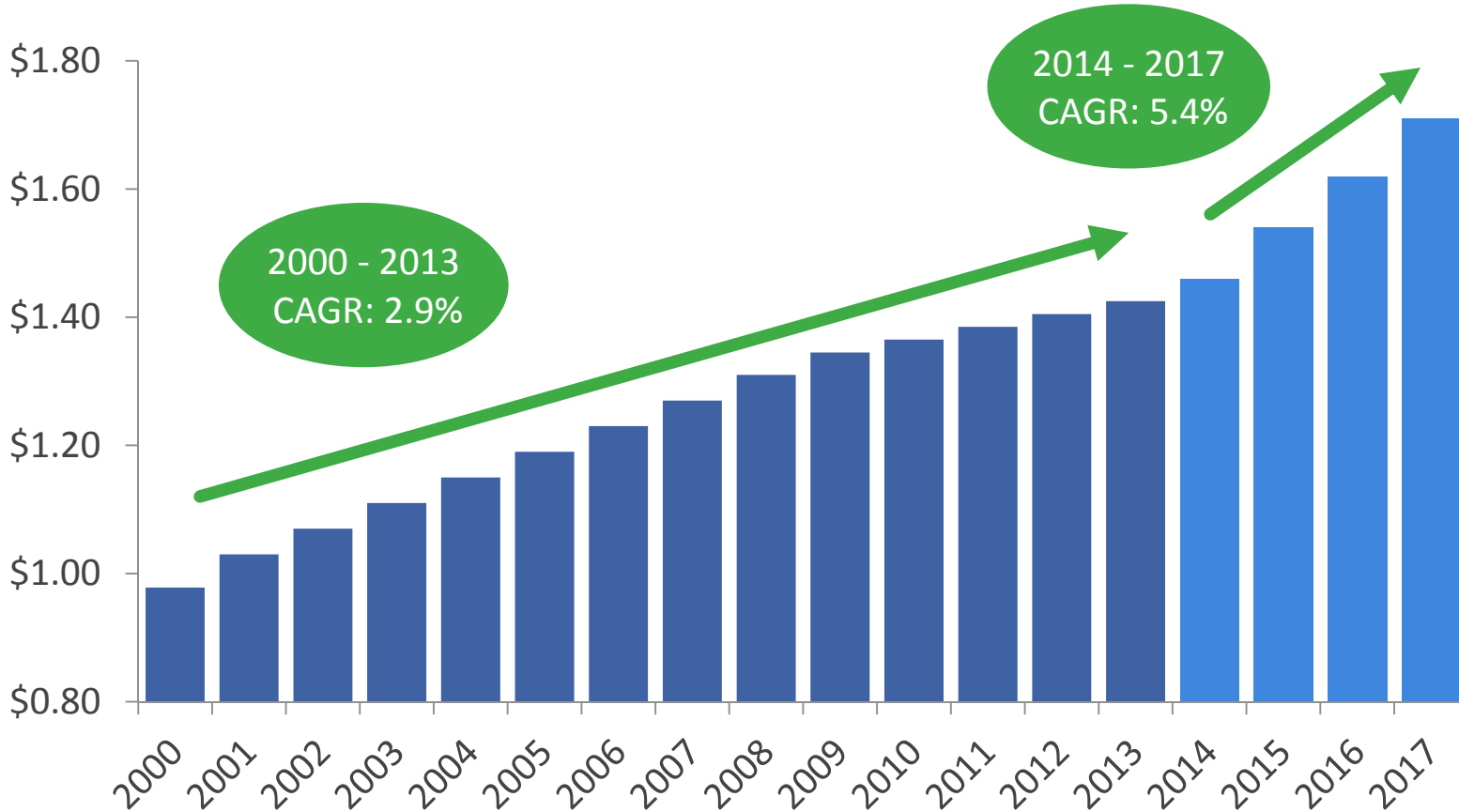
- Utility up 2 cents from 2016; EPS drivers highlighted below
- Nonutility, Corp. & Other up 3 cents from 2016; Timing of pipeline projects moved expected EPS improvement to first three quarters of 2017

2017 EPS Drivers Provided in Feb. 2017 with Guidance Rollout



# Dividend Increased 7.1% in November 2017

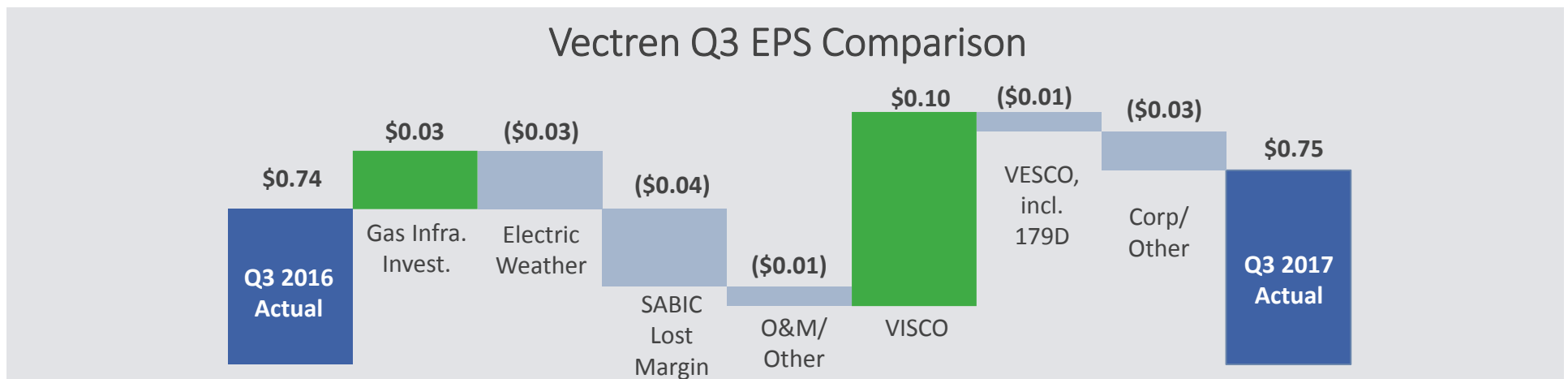
## 58 Consecutive Years of Dividend Increases



Annualized dividend increased 7.1% to \$1.80 per share in Nov. 2017

# Q3 2017 Results and Highlights

- Vectren Q3 consolidated EPS of \$0.75
  - Utility EPS of \$0.37, down \$0.05 compared to 2016
    - Gas infrastructure investment continues to grow quarter to quarter (+\$0.03), offset by favorable weather realized in 2016 (-\$0.03) and, as expected, large customer margin lost due to cogeneration (-\$0.04)
  - Nonutility EPS improved by \$0.09 from 2016
    - VISCO’s performance continues to benefit from strong utility demand and activity at a large Ohio project, as well as other pipeline projects
  - 2016 Corporate/Other reflects proceeds received on company-owned life insurance





# Achieving Key Regulatory Initiatives

## Successful Execution Continues on our Utility Growth Strategies

- ✓ Completed
- In Progress

### Gas Infrastructure

- ✓ Work continues on ~\$1.2 billion of approved IN/OH gas investments
- ✓ IN Commission approved our 6th semi-annual gas infrastructure filing

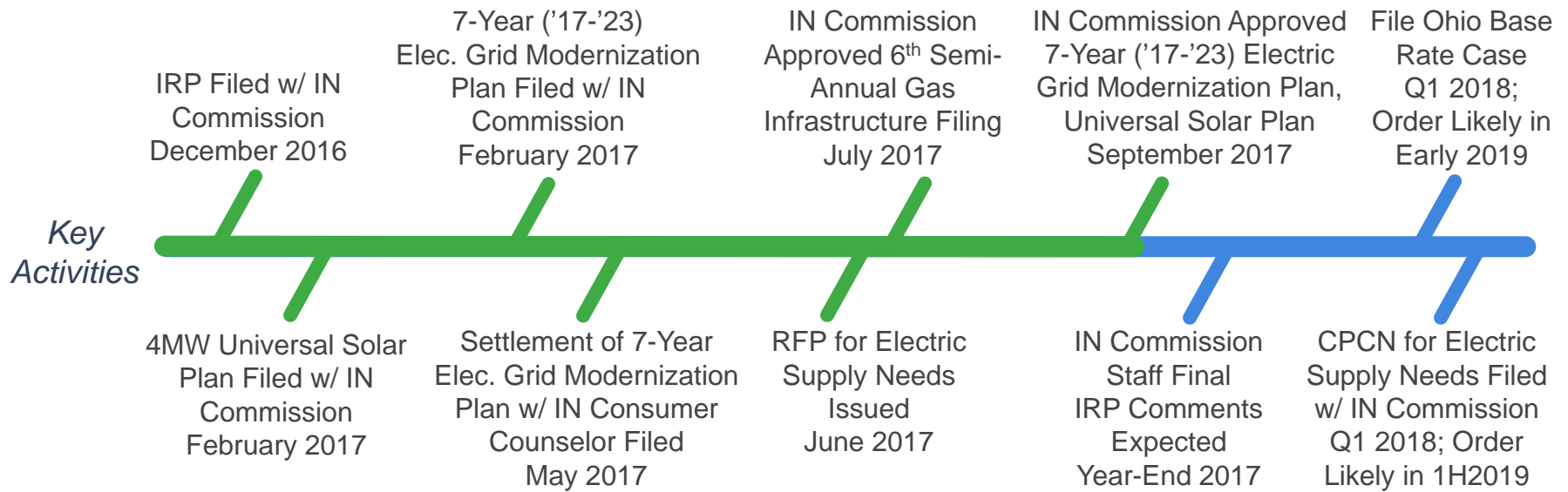
- ✓ Commission approved our 7-year grid modernization plan; supports ~\$500M CapEx
- ✓ First semi-annual electric infrastr. filing made

### Grid Modernization

### Generation Diversification

- ✓ Draft IRP comments received; No significant Issues
- ✓ RFP issued and responses received
- ✓ Joint-ownership of 300MW unit with Alcoa extended through 2023
- CPCN filing for electric supply needs in Q1 '18

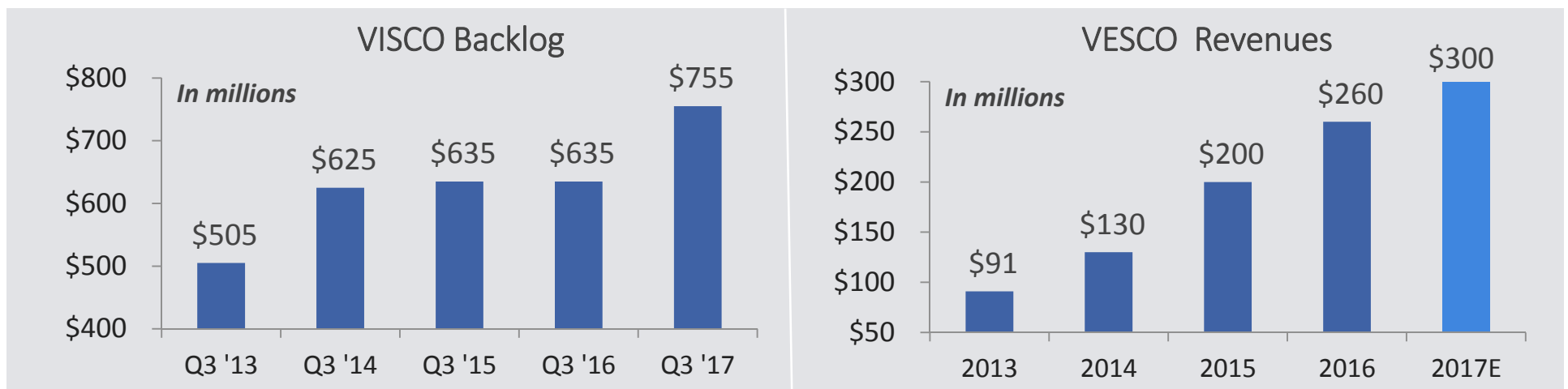
# Timeline of Near-Term Regulatory Milestones



# Q3 2017 Nonutility Results

## *Nonutility's Results Reflect Strong VISCO Performance*

- VISCO EPS – Q3 2017 up \$0.10 compared to 2016
  - Improved Q3 results were driven by continued work related to the large transmission project in Ohio as well as other pipeline projects
    - Record YTD revenues driven by pipeline projects and Distribution growth
- VESCO EPS – Q3 2017 down \$0.01 from 2016
  - Continued strong margins in the quarter offset by higher operating costs reflecting growth in the sales and development functions; year-over-year net income comparisons will reflect 2016 expiration of 179D tax deductions
  - Sales funnel of ~\$475M at 9/30/17 was at record level
    - Q4 2017 new contract signings expected to be strong, similar to 2016, driving higher backlog



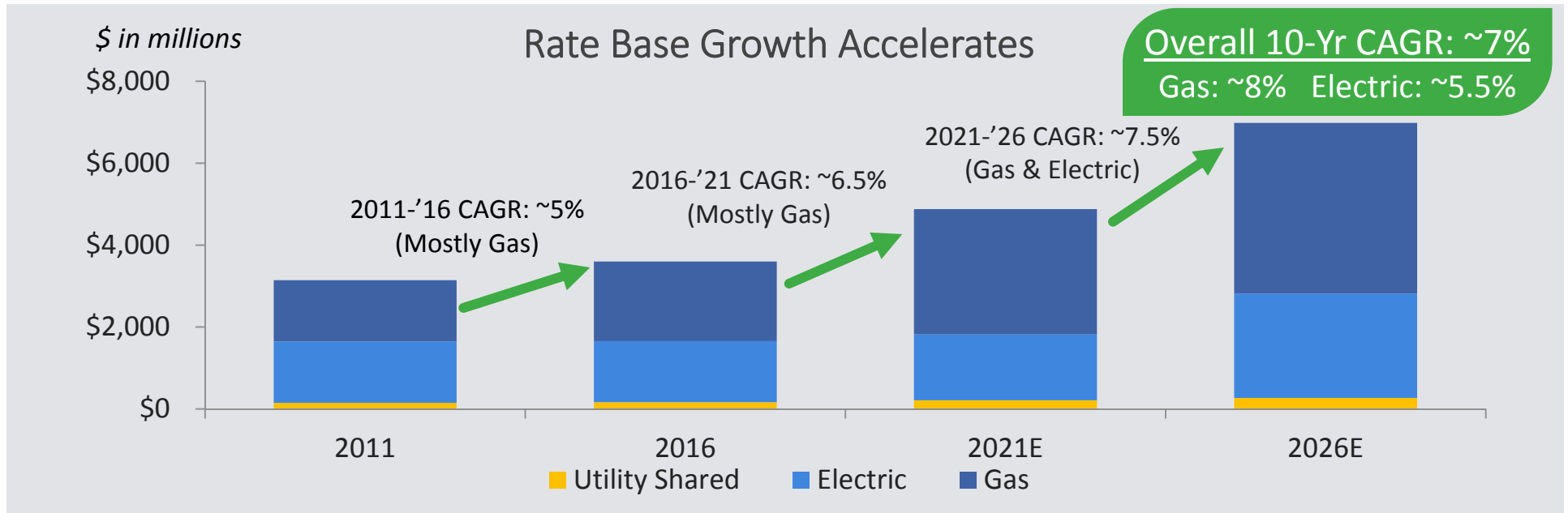
# Vectren's Long-Term Outlook Remains Strong

## *EPS and Dividend Growth Targets Reflect Long-Term Utility Capital Investment Plan of \$6.5 Billion*

### Long-Term Targets

Consolidated EPS growth	6-8%
Dividend growth	6-8%
Consolidated payout ratio	60-65%
Utility EPS growth	5-7%

*Note: Long-term EPS growth of approx. \$0.06-0.10/yr. for Nonutility*





Appendix

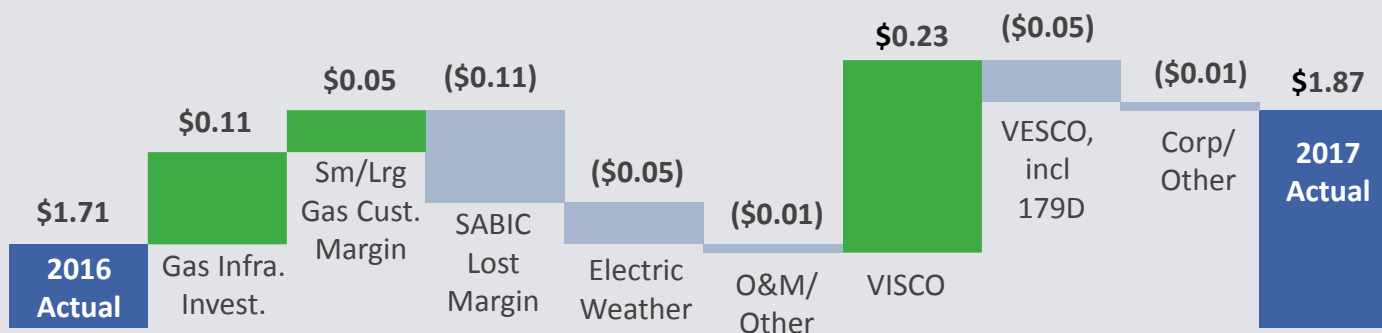


# 2017 YTD EPS Drivers

## *Gas Infrastructure Continues to Drive Utility EPS; Pipeline Project Activity Boosted Nonutility*

- Vectren YTD 2017 consolidated EPS of \$1.87
  - Utility EPS of \$1.47 down \$0.01 compared to 2016
    - Gas infrastructure investment continues to drive Utility EPS (+\$0.11), offset by favorable weather realized in 2016 (-\$0.05) and, as expected, large customer margin lost due to cogeneration (-\$0.11)
  - Nonutility EPS improved by \$0.18 from 2016
    - VISCO’s performance continues to benefit from strong utility demand and activity at a large Ohio project, as well as other pipeline projects

Vectren 2017 YTD EPS



# Favorable Utility Environments

## *Constructive Regulatory and Legislative Environments in Indiana & Ohio Support Required Capital Investment*

		Gas			Electric
		IN-South	IN-North	Ohio	IN-South
Infrastructure	Infrastructure Investment Recovery (1)	✓	✓	✓	✓
	Recovery of Federal Mandates Under SB 251	✓	✓		✓
	Environmental CapEx Recovery Under SB 29				✓
	Non-DRR CapEx Deferral Under House Bill 95			✓	
Margin	Decoupling or Lost Margin Recovery	✓	✓		✓
	Straight Fixed Variable Rate Design			✓	
	Normal Temperature Adjustment	✓	✓		
	Gas Cost and Fuel Cost Recovery	✓	✓	✓	✓
Costs	Unaccounted for Gas	✓	✓	✓	
	Bad Debt Expense	✓	✓	✓	
	DSM/Energy Efficiency/MISO Transmission Costs	✓	✓		✓

DRR: Distribution Replacement Rider

DSM: Demand Side Management

(1) Under SB 560 in Indiana; Under DRR in Ohio

# Utility Metrics

\$ in millions	2017E Guidance Midpoint (unchanged)	3 Months Ended Sept 30		9 Months Ended Sept 30		Trailing 12 Months Ended Sept 30	
		2017	2016	2017	2016	2017	2016
Gross Margin	\$ 957	\$ 211.7	\$ 211.3	\$ 687.6	\$ 679.4	\$ 935.6	\$ 905.4
O&M - Non-Pass thru	280	70.5	67.3	214.6	209.3	283.3	275.5
O&M - Pass thru	62	11.6	12.1	37.5	41.5	51.6	53.6
Depreciation & Amortization	233	59.0	55.2	174.3	162.8	230.6	215.0
Other Taxes	64	12.6	12.7	40.1	42.9	55.5	57.0
Other Income	30	8.2	6.7	23.1	20.1	29.3	25.4
Interest	74	18.3	17.2	53.5	52.2	71.0	69.0
Income Taxes	98	17.1	18.6	68.5	68.5	99.5	91.8
Net Income	176	30.8	34.9	122.2	122.3	173.4	168.9
<b>Earnings Per Share</b>	<b>\$ 2.12</b>	<b>\$ 0.37</b>	<b>\$ 0.42</b>	<b>\$ 1.47</b>	<b>\$ 1.48</b>	<b>\$ 2.09</b>	<b>\$ 2.04</b>



# Infrastructure Services (VISCO)

## Metrics

<i>\$ in millions</i>	3 Months		9 Months		Trailing 12 Months	
	Ended Sept 30		Ended Sept 30		Ended Sept 30	
	2017	2016	2017	2016	2017	2016
Gross Revenue	\$ 339.9	\$ 263.8	\$ 764.7	\$ 565.6	\$ 1,012.4	\$ 766.4
Gross Margin %	18.0%	17.0%	14.0%	13.0%	15.0%	14.0%
EBITDA <sup>(1)</sup>	\$ 55.8	\$ 42.3	\$ 87.2	\$ 57.1	\$ 123.7	\$ 87.8
Depreciation & Amortization	\$ 10.0	\$ 9.6	\$ 29.8	\$ 28.5	\$ 39.4	\$ 40.3
Earnings From Operations <sup>(1)</sup>	\$ 46.7	\$ 31.8	\$ 59.8	\$ 28.9	\$ 87.2	\$ 48.6
Interest	\$ 3.5	\$ 3.0	\$ 9.8	\$ 9.6	\$ 12.7	\$ 13.5
Net Income <sup>(1)</sup>	\$ 26.6	\$ 18.2	\$ 28.6	\$ 9.8	\$ 43.8	\$ 20.0
<b>Earnings Per Share <sup>(1)</sup></b>	<b>\$ 0.32</b>	<b>\$ 0.22</b>	<b>\$ 0.35</b>	<b>\$ 0.12</b>	<b>\$ 0.53</b>	<b>\$ 0.24</b>
Ending Backlog	\$ 755	\$ 635				

Footnotes:

1) After allocations

# Infrastructure Services (VISCO)

## Metrics – 8 year look <sup>(3)</sup>

\$ in millions	2017E Guidance Midpoint (unchanged)							
		2016	2015	2014	2013	2012	2011 <sup>(3)</sup>	2010
Gross Revenue	\$ 945	\$ 813.3	\$ 843.3	\$ 779.0	\$ 783.5	\$ 663.6	\$ 421.3	\$ 235.6
Gross Margin %	14.0%	14.0%	14.5%	17.5%	18.0%	18.0%	14.0%	9.0%
EBITDA <sup>(1)</sup>	\$ 115	\$ 93.6	\$ 109.2	\$ 118.6	\$ 122.0	\$ 98.2	\$ 47.9	\$ 17.8
Depreciation & Amortization <sup>(2)</sup>	\$ 40	\$ 38.2	\$ 44.5	\$ 36.2	\$ 28.8	\$ 20.7	\$ 14.9	\$ 8.8
Earnings From Operations <sup>(1)</sup>	\$ 75	\$ 56.2	\$ 67.1	\$ 82.6	\$ 92.8	\$ 77.8	\$ 36.6	\$ 9.7
Interest	\$ 12	\$ 12.5	\$ 15.3	\$ 10.2	\$ 9.9	\$ 7.4	\$ 7.2	\$ 3.2
Net Income <sup>(1)</sup>	\$ 35	\$ 25.0	\$ 29.7	\$ 43.1	\$ 49.0	\$ 40.5	\$ 14.9	\$ 3.1
<b>Earnings Per Share <sup>(1)</sup></b>	<b>\$ 0.42</b>	<b>\$ 0.30</b>	<b>\$ 0.36</b>	<b>\$ 0.52</b>	<b>\$ 0.60</b>	<b>\$ 0.49</b>	<b>\$ 0.18</b>	<b>\$ 0.04</b>
Ending Backlog		\$ 725	\$ 665	\$ 625	\$ 535	\$ 380	N/A	N/A

*Footnotes:*

1) After allocations

2) Lower D&A beginning in 2016 due to adjustments of depreciable lives; lower D&A is being reflected in bidding

3) Acquired Minnesota Limited, Inc. March 31, 2011; 8-year metrics provided to show impact of MLI acquisition

# Infrastructure Services (VISCO)

## *Estimated Backlog*

### ○ General Description of Types of Customer Contracts for Infrastructure Services

- Infrastructure Services operates primarily under two types of contracts – blanket contracts and bid contracts. Blanket contracts are ones which a customer is not committed to specific volumes of services, but where we have been or expect to be chosen to perform work needed by a customer in a given time frame (typically awarded on a yearly basis). Bid contracts are ones which a customer will commit to a specific service to be performed for a specific price, whether in total for a project or on a per unit basis (e.g., per dig or per foot).

### ○ General Description of Backlog for Infrastructure Services

- For blanket work, backlog represents an estimate of the amount of gross revenue that we expect to realize from work to be performed in the next 12 months on existing contracts or contracts we reasonably expect to be renewed or awarded based upon recent history or discussions with customers.
- For bid work, backlog represents the value remaining on contracts awarded or that we reasonably expect to be awarded, but are not yet completed.
- While there is a reasonable basis to estimate backlog, there can be no assurance as to our customers' eventual demand for our services each year or, therefore, the accuracy of our estimate of backlog.

### ○ Backlog for Infrastructure Services estimated as follows:

- For blanket work, estimated backlog as of 9/30/17 was \$530 million compared to \$445 million at 9/30/16. The estimate of the amount of gross revenue that we expect to realize from work to be performed in the next 12 months is multiplied by 80% to factor in such unknowns as weather and potential budgetary restrictions of customers.
- For bid work, estimated backlog as of 9/30/17 is \$225 million compared to \$190 million at 9/30/16.
- **Total estimated backlog as of 9/30/17: \$755 million compared to \$635 million at 9/30/16.**

# Energy Services (VESCO)

## Metrics

\$ in millions	3 Months Ended Sept 30		9 Months Ended Sept 30		Trailing 12 Months Ended Sept 30	
	2017	2016	2017	2016	2017	2016
Revenue	\$ 72.5	\$ 76.6	\$ 193.2	\$ 191.8	\$ 261.3	\$ 257.7
Gross Margin as % of Revenue	24%	25%	23%	24%	24%	24%
EBITDA <sup>(1)</sup>	\$ 4.9	\$ 8.2	\$ 6.3	\$ 11.9	\$ 7.6	\$ 13.7
Interest	\$ -	\$ 0.4	\$ 0.5	\$ 1.4	\$ 0.9	\$ 1.7
179D Tax Deductions <sup>(2)</sup>	\$ -	\$ 1.3	\$ -	\$ 2.7	\$ 2.9	\$ 8.8
Net Income <sup>(1)</sup>	\$ 4.9	\$ 6.2	\$ 4.9	\$ 8.7	\$ 8.7	\$ 16.4
<b>Earnings Per Share<sup>(1)</sup></b>	<b>\$ 0.06</b>	<b>\$ 0.07</b>	<b>\$ 0.06</b>	<b>\$ 0.11</b>	<b>\$ 0.10</b>	<b>\$ 0.20</b>
Ending Backlog <sup>(3)</sup>	\$ 179	\$ 182				
New Contracts <sup>(3)</sup>	\$ 64	\$ 65	\$ 118	\$ 126	\$ 231	\$ 234

*Footnotes:*

1) After allocations

2) Net income impact to VESCO, net of related expenses; 179D tax law expired in 2016

3) Represents signed construction contracts; does not include multi-year O&M agreements

# Energy Services (VESCO)

## *Metrics – 6 year look*

\$ in millions	2017E Guidance Midpoint (unchanged)					
		2016	2015	2014	2013	2012
Revenue	\$ 300	\$ 260.0	\$ 199.9	\$ 129.8	\$ 91.3	\$ 117.7
Gross Margin as % of Revenue	21%	24%	22%	24%	27%	27%
EBITDA <sup>(1)</sup>	\$ 13	\$ 13.3	\$ 3.5	\$ (5.9)	\$ (8.7)	\$ (1.1)
Interest	\$ 2	\$ 1.9	\$ 1.2	\$ 1.2	\$ 0.5	\$ 0.3
179D Tax Deductions <sup>(2)</sup>	\$ -	\$ 5.5	\$ 6.1	\$ 3.7	\$ 6.4	\$ 6.2
Net Income / (Loss) <sup>(1)</sup>	\$ 7	\$ 12.5	\$ 7.3	\$ (3.2)	\$ 1.0	\$ 5.7
<b>Earnings Per Share <sup>(1)</sup></b>	<b>\$ 0.09</b>	<b>\$ 0.15</b>	<b>\$ 0.09</b>	<b>\$ (0.04)</b>	<b>\$ 0.01</b>	<b>\$ 0.07</b>
Ending Backlog <sup>(3)</sup>	\$ 250	\$ 234	\$ 226	\$ 144	\$ 72	\$ 77
New Contracts <sup>(3)</sup>	\$ 290	\$ 239	\$ 258	\$ 189	\$ 86	\$ 104

*Footnotes:*

1) After allocations

2) Net income impact to VESCO, net of related expenses; 179D tax law expired in 2016

3) Represents signed construction contracts; does not include multi-year O&M agreements

# Use of Non-GAAP Performance Measures and Per Share Measures

## Contribution to Vectren's Basic EPS

Per share earnings contributions of the Utility Group, Nonutility Group, and Corporate and Other are presented and are non-GAAP measures. Such per share amounts are based on the earnings contribution of each group included in the Company's consolidated results divided by the Company's basic average shares outstanding during the period. The earnings per share of the groups do not represent a direct legal interest in the assets and liabilities allocated to the groups; instead they represent a direct equity interest in the Company's assets and liabilities as a whole. These non-GAAP measures are used by management to evaluate the performance of individual businesses. In addition, other items giving rise to period over period variances, such as weather, may be presented on an after tax and per share basis. These amounts are calculated at a statutory tax rate divided by the Company's basic average shares outstanding during the period. Accordingly, management believes these measures are useful to investors in understanding each business' contribution to consolidated earnings per share and in analyzing consolidated period to period changes and the potential for earnings per share contributions in future periods. Per share amounts of the Utility Group and the Nonutility Group are reconciled to the GAAP financial measure of basic EPS by combining the two. Any resulting differences are attributable to results from Corporate and Other operations. The non-GAAP financial measures disclosed by the Company should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and the financial results calculated in accordance with GAAP.