



## Gas and Electric Utilities

Price:	\$34.57
Fair Value Estimate:	\$43.00
52-Week Range:	\$30.27 - \$39.75
Market Cap (MM):	\$5,974
Shr.O/S-Diluted (mm):	172.8
Average Daily Volume:	1,173,383
Dividend:	\$0.89
Yield:	2.6%
Cash/Share:	\$5.82
FCF Yield:	8.3%
Debt/Cap:	50%

FYE: Sept	2014A	2015E	2016E
EPS:	\$1.99A	\$1.91E	\$2.25E
Prior EPS:		NC	NC
Consensus	NM	1.91	2.00
P/E Ratio:	17.4x	18.1x	15.4x

## Quarterly Adjusted EBITDA (\$M):

Q1	490.0A	401.0A	--
Q2	691.0A	665.0E	--
Q3	143.0A	139.0E	--
Q4	89.0A	170.0E	--
Year:	1,368.0A	1,385.0E	1,505.0E

## Quarterly EPS:

Q1	\$0.72A	\$0.66A	--
Q2	\$1.29A	\$1.23E	--
Q3	\$0.10A	\$0.13E	--
Q4	\$(0.08)A	\$(0.11)E	--



1 Year Price History for UGI

April 22, 2015

## UGI Corporation

(UGI) - BUY

## Initiating at Buy: Well positioned to benefit from shale revolution

## PORTFOLIO MANAGER BRIEF

UGI is one of the best positioned companies to take advantage of the hydrocarbon production increase in the US. We believe UGI will grow faster than the market expects due to better-than-expected performance from its midstream and international propane divisions. We also believe UGI is undergoing a transition from being viewed by investors as a low growth utility to that of a higher valued midstream energy infrastructure company. In our opinion, the recent pullback is a good buying opportunity. Our Fair Value Estimate is \$43 (25% upside).




## ANALYST NOTES

- UGI's strategic advantage as a large buyer of natural gas helps its midstream business. We expect that UGI will be able to invest considerably more in the next three years in its midstream business compared to the last decade.
- Lower propane prices result in better volume and margins. As one of the largest distributors of propane not only in the US but also in Europe, UGI should benefit as customers use more propane and switch less to competing fuels in both regions. UGI should also be able to retain a higher margin as prices fall. We see upside to expectations for this benefit in Europe.
- Our estimates are above consensus. We expect EPS to grow an average of 12% per annum, above consensus expectations of only 7%. Dividends should also increase at a faster pace than guidance or consensus expects.
- Better earnings and new pipeline project announcements over the next year should be positive catalysts.

## INVESTMENT THESIS

We believe UGI will grow earnings faster than the market expects driven by better-than-expected performance from its midstream and international propane divisions. Over the next two years, we are forecasting a 12% EPS CAGR, well above the 7% than consensus expects. In addition, we believe that dividends will rise at an 8% pace, faster than consensus (4%) and management's guidance of a 4% growth rate. At a high level, we believe UGI is undergoing a transition from being viewed by investors as a low growth utility to that of a higher valued midstream energy infrastructure company as it is one of the best positioned companies to take advantage of the wet shale gas phenomenon. In our opinion, the recent 13% pullback is a good buying opportunity as lower commodity prices intrinsically benefit UGI. Our Fair Value Estimate is \$43 (27% upside) with upside potential of \$54 (53%) and a downside risk of \$26 (-25%).

## ISSUES TO CONSIDER

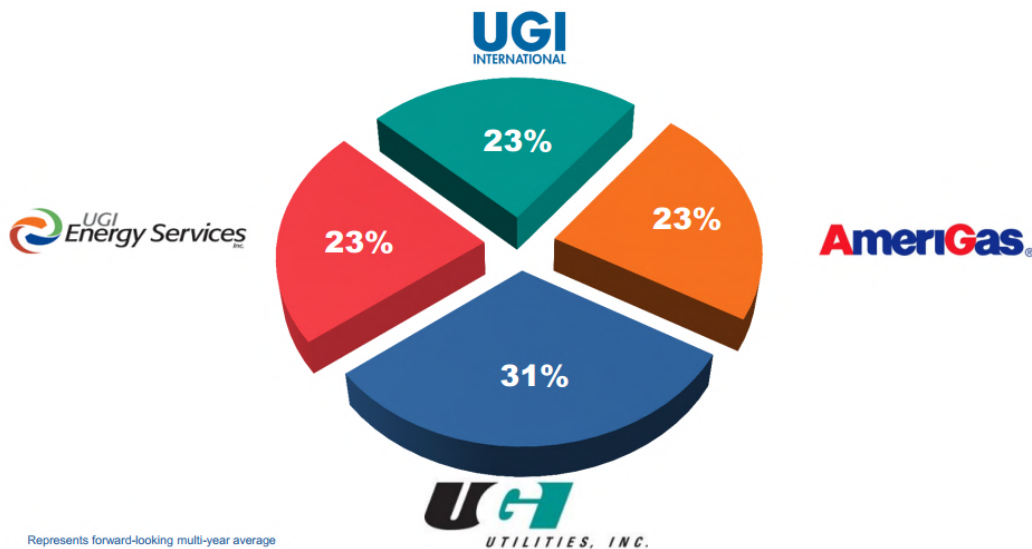
Key Issue	Our Position	Timing	Impact
Will Energy Services continue to grow?	<p><b>We believe so and we believe there is upside.</b></p> <ul style="list-style-type: none"> <li>UGI is benefiting from the intrinsic competitive advantage of being a customer of pipelines as well as its geographic proximity to a low cost source of supply, the Marcellus shale. We expect there will be new midstream projects announced that will sustain the segment's growth for the foreseeable future.</li> </ul>	12-18 months	
How will Europe fare with low LPG prices?	<p><b>Low LPG prices should improve margins and demand.</b></p> <ul style="list-style-type: none"> <li>European LPG prices have halved. As the largest distributor of LPG, we expect UGI to witness better margins as well as improved demand.</li> </ul>	12-18 months	
Will UGI form a pipeline MLP?	<p><b>It remains a possibility but as UGI is generating free cash flow, we do not expect this to occur in the near term.</b></p> <ul style="list-style-type: none"> <li>With the increasingly robust growth backlog and increasing scale, UGI's midstream business could become an MLP. However, UGI's cost of capital is low because funding for the projects are from free cash flow which is low cost.</li> </ul>	24+ months	
What is the bullish case?	A notable recovery in LPG demand, upside in margins from lower propane/LPG prices, and several new large midstream projects that propel growth into the double digits.		
What keeps us up at night?	We are concerned about project cost inflation across the industry. In addition, as an acquirer, there is a risk that UGI could make poor acquisitions, although past track record indicates this is unlikely.		
Valuation	UGI remains a good value especially considering the recent pullback. Our Fair Value Estimate is \$43 (27% upside) with a bull upside potential of \$54 (53%) and a bear downside risk of \$26 (-25%).		

## 1. Company description

### 1.1. Company description

UGI is comprised of four businesses: a US propane distributor (AmeriGas, APU: N), a European LPG/propane distributor (UGI International), a utility in eastern Pennsylvania (UGI Utilities), and a pipeline/marketing company (UGI Energy Services). Figure 1 shows the projected 2015 earnings by segment.

**Figure 1: UGI projected post 2015 earnings by segment**



Source: Company reports

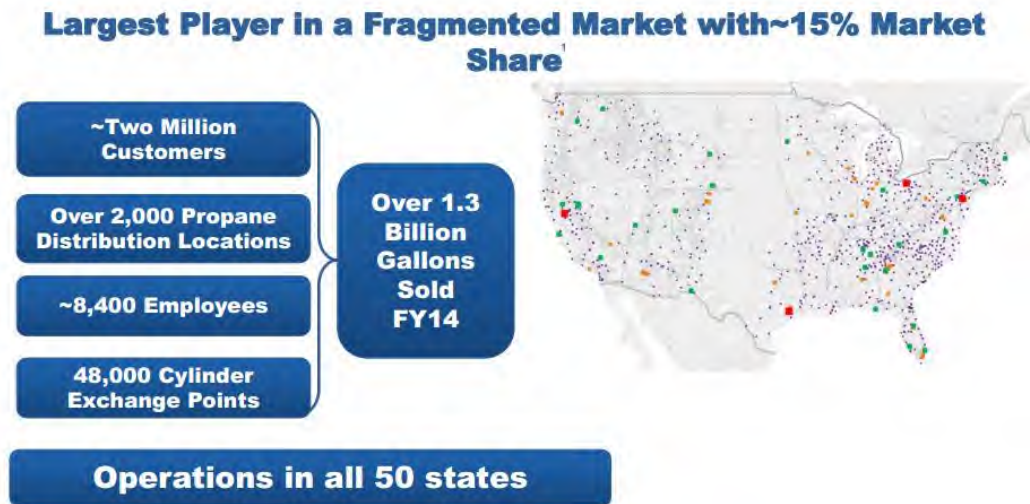
In more detail, the US propane segment represents ~25% of earnings and consists of UGI's ownership stake in AmeriGas Partners LP (APU, Neutral). The international propane segment, UGI International, represents ~25% of earnings. The UGI Utilities segment consists of several small, mainly natural gas local distribution companies (LDCs) in Eastern Pennsylvania, which represent another third of profits. The fourth business segment is UGI Energy Services and represents roughly a quarter of earnings. Energy Services consists of a natural gas and electricity retail marketing business (focused on small to medium size commercial and industrial customers) and midstream assets.

### 1.2. Operating segments

#### AmeriGas

UGI owns 26% of AmeriGas LLP, a master limited partnership (MLP) and is the general partner (i.e. operator). AmeriGas, which represents 18% of our 2015 earnings estimate, is the largest US propane distribution company in the US, with a 16% market share.

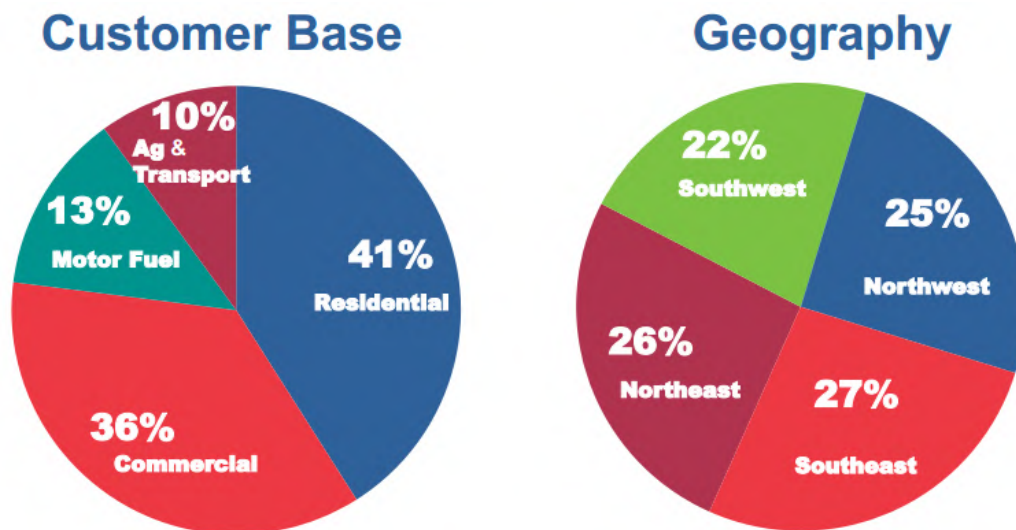
Figure 2: AmeriGas operational footprint



Source: Company reports

For AmeriGas, as seen on Figure 3, the largest use of propane (almost half) is for residential heating and cooking. Another third is for commercial and industrial customers, with transport, motor fuel and agriculture representing the remainder. AmeriGas is a national brand, with about equal exposure to all four major regions of the US.

Figure 3: AmeriGas customer base breakdown by type and geographic region



Source: Company reports

Many of AmeriGas's customers use storage tanks owned by AmeriGas, which strengthens brand loyalty as use of these tanks requires either a deposit or minimum volume contracts.

### International LPG (UGI International)

UGI International is one of the largest propane distributors in Europe. Figure 4 illustrates how UGI's international propane operations compare with its US business. We believe that there are a lot of strategic similarities between the European propane business and its US counterpart.

**Figure 4: UGI International Commonality with AmeriGas**

<b>CUSTOMER SEGMENTS</b>	<b>UNITED STATES</b>	<b>EUROPE</b>
Bulk delivery business (250 – 1,000 gallons)	✓	✓
Cylinder exchange	✓	✓
Motor fuel – forklifts	✓	✓
Motor fuel – over the road autogas		✓

<b>COMPETITIVE ADVANTAGES</b>	<b>UNITED STATES</b>	<b>EUROPE</b>
Scale	✓	✓
“Hub and spoke” truck-based delivery logistics	✓	✓
Risk management – credit and supply	✓	✓
Safety	✓	✓
Customer service	✓	✓

Source: Company reports

UGI International has three principal sub-companies: Antargaz, Flaga, and AvantiGas. UGI established its footprint in Europe when it purchased Flaga in 1999. Flaga generally enjoys a faster rate of growth than its sister companies, given the faster underlying economic growth rates of the countries it serves, principally in Eastern Europe. Through both organic growth and acquisitions, Flaga's volumes have grown at a 19% annual rate over the last 15 years. Acquired in 2001, Antargaz is one of the major suppliers of propane in France. In mid-2014, UGI announced that it reached an agreement in principle to acquire Totalgaz. The transaction is expected to close in the next couple of months and would double the volumes of propane UGI delivers in France.

AvantiGas provides bulk propane distribution in the UK and has a 13% market share in the country. The company has a particularly large market share in the aerosol market. Its growth strategy focuses on geographic market expansion within the UK and a potential re-entry into retail mass market propane distribution.

### UGI Utilities

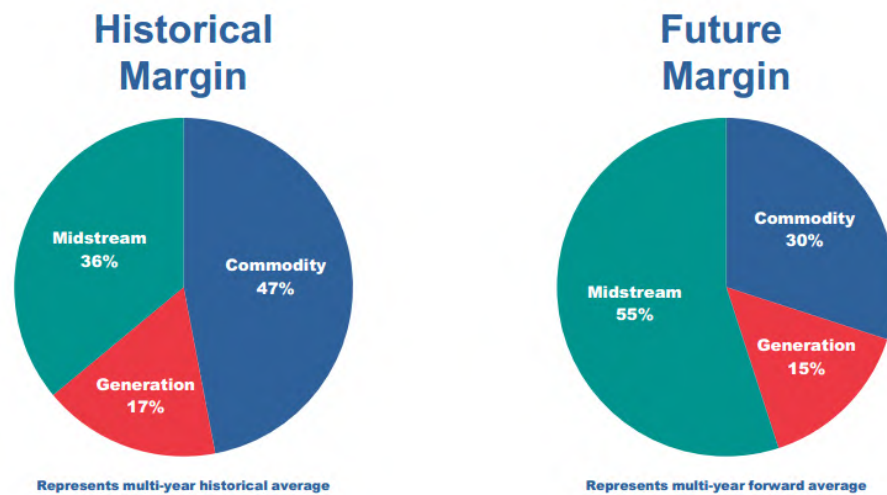
Roughly another third of UGI's profits are derived from Pennsylvania's largest natural gas local distribution company (LDC). In substantially all of its service territories, it is the only natural gas LDC. Unlike many utility groups across the US, UGI's natural gas utilities have seen increased net customer growth over the past several years, by 2% per annum on average. This impressive relative organic growth has been driven by three main factors: (a) UGI utilities service an area that has a high concentration of customers that use old heating oil furnaces, and conversions to UGI's natural gas LDCs have boosted sales; (b) the service territory is adjacent to the Marcellus shale, and economic activity here has begun to benefit from this; and (c) accelerated investment in pipe replacement.



## UGI Energy Services

Energy Services consists of a natural gas and electricity retail marketing business (focused on small to medium size commercial and industrial customers) and midstream assets (LNG storage, propane storage, natural gas pipelines). As shown in figure 5, management expects the earnings contributions in the segment to shift toward the midstream assets due to planned growth investments.

**Figure 5: Margin breakdown of Midstream and Marketing Energy Services segment**



Source: Company presentation

UGI's midstream assets are geographically well positioned between the Marcellus and the major load centres in Eastern Pennsylvania. Given the low cost of Marcellus natural gas, there has been a strong level of interest for infrastructure projects from natural gas customers and as a result, the company is ramping up midstream cap ex as a result.

### 1.3. Management

**John L. Walsh:** Mr. Walsh is Director and President (since 2005) and Chief Executive Officer (since 2013) of UGI Corporation. In addition, Mr. Walsh serves as a Director and Vice Chairman of AmeriGas Propane, Inc. (since 2005) and UGI Utilities, Inc. (since 2005), both of which are subsidiaries of UGI Corporation. Previously, he also served as Chief Operating Officer of UGI Corporation (2005 to 2013) and as President and Chief Executive Officer of UGI Utilities, Inc. (2009 to 2011). Mr. Walsh was the Chief Executive of the Industrial and Special Products Division of the BOC Group plc, an industrial gases company, a position he assumed in 2001. He was also an Executive Director of BOC (2001 to 2005). He joined BOC in 1986 as Vice President - Special Gases and held various senior management positions in BOC, including President of Process Gas Solutions, North America (2000 to 2001) and President of BOC Process Plants (1996 to 2000).

**Kirk R. Oliver:** Mr. Oliver is Chief Financial Officer of UGI (since October 2012). From December 2011 until September 2012, Mr. Oliver served as Senior Managing Director & Chief Operating Officer of InfraREIT Capital Partners, LLC, a partnership that invests in infrastructure assets, primarily electric transmission and gas pipeline assets. Prior to joining InfraREIT Capital, Mr. Oliver served as Senior Vice President and Chief Financial Officer of Allegheny Energy, Inc., an electric utility company, from 2008 to 2011, and as a Senior Executive at Hunt Power, LLC, a company that develops and invests in electric and gas utility projects, from 2007 to 2008. Mr. Oliver served in various positions at TXU Corp. (now Energy Future Holdings Corp.), an electricity distribution, generation and transmission company in Texas, from 1998 to 2006, including as Executive Vice President and Chief Financial Officer from 2004 to 2006, Senior Vice President, Finance from 2000 to 2003 and Vice President, Treasurer and Assistant Secretary from 1998 to 1999. Prior to

joining TXU Corp., Mr. Oliver spent eleven years as an investment banker in the Global Power and Energy Group at Lehman Brothers and six years at Motorola Inc.

**Jerry E. Sheridan:** Mr. Sheridan is President, Chief Executive Officer and a Director of AmeriGas Propane, Inc. (since March 2012). Previously, he served as Vice President - Operations and Chief Operating Officer (2011 to 2012) and as Vice President - Finance and Chief Financial Officer (2005 to 2011) of AmeriGas Propane, Inc. Mr. Sheridan served as President and Chief Executive Officer (2003 to 2005) of Potters Industries, Inc., a global manufacturer of engineered glass materials and a wholly-owned subsidiary of PQ Corporation, a global producer of inorganic specialty chemicals. In addition, Mr. Sheridan served as Executive Vice President (2003 to 2005) and as Vice President and Chief Financial Officer (1999 to 2003) of PQ Corporation. Mr. Sheridan also serves on the Management Board of CP Kelco (since 2013), a privately held company that provides innovative products and solutions through the use of nature-based chemistry.

**Robert F. Beard:** Mr. Beard is President and Chief Executive Officer of UGI Utilities, Inc. (since September 2011). He previously served as Vice President -Marketing, Rates and Gas Supply (2010 to 2011) and Vice President - Southern Region (2008 to 2010) of UGI Utilities, Inc. From 2006 until 2008, Mr. Beard served as Vice President - Operations and Engineering of PPL Gas Utilities Corporation and, from 2002 until 2006, he served as Director - Operations and Engineering of PPL Gas Utilities Corporation.

**Bradley C. Hall:** Mr. Hall is Vice President - New Business Development (since October 1994). He also serves as President of UGI Enterprises, Inc. (since 1994) and UGI Energy Services, LLC (formerly known as UGI Energy Services, Inc.) (since 1995). He joined the Company in 1982 and held various positions in UGI Utilities, Inc., including Vice President - Marketing and Rates.

**Eric Naddeo.** Antargaz Chief Executive Officer. Mr. Naddeo was appointed Director General of Antargaz effective October 12, 2011. Previously, he served as Deputy Managing Director since October 2009. From 2001 to 2009, he served as Logistics and Industrial Department Director. He joined Antargaz in 1990 and held various sales positions including Regional Manager.

**Reinhard Schödlbauer** Mr. Schödlbauer is the Chief Executive Officer of the FLAGA Group. Mr. Schödlbauer joined the FLAGA Group in 2001. He began his career with ELIN, one of the leading Austrian Engineering companies as a chief controller. Mr. Schödlbauer also held several management positions with VA-TECH and affiliates of VA-TECH as a financial director of a manufacturer of gas isolated switch gears (GIS).

**Neil Murphy** AvantiGas Managing Director. Mr. Murphy joined AvantiGas as the new Managing Director in August 2012. He most recently served as Director & General Manager at Air Products Electronics Division, Europe and Middle East. Prior to this, he has served in various senior management roles throughout Europe and North America.

**1.4.**  
Stock ownership

UGI is largely held by institutional investors (79.3% of float). The majority of the institutions that own shares of UGI are traditional investment managers and hedge funds. Insiders own 0.8% of UGI. The top 10 largest owners of UGI are listed on Figure 6.

**Figure 6: Top 10 holders**

<b>Holder Name</b>	<b>% of Outstanding</b>	<b>Holder Total Shares (000)</b>
1 Wellington Management Co. LLP	9.9%	17,093
2 The Vanguard Group	8.1%	14,020
3 BlackRock Fund Advisors	5.9%	10,180
4 SSgA Funds Management	5.7%	9,835
5 Alliance Bernstein	2.8%	4,821
6 Deutsche Asset Management	2.1%	3,569
7 BMO Asset Management	1.7%	2,859
8 Dimensional Fund Advisors	1.6%	2,826
9 Clear Bridge Investments	1.5%	2,631
10 JP Morgan Investment Management	1.3%	2,324

Source: Factset



## 2. Catalysts and growth opportunities

### 2.1. Catalysts and Stock Performance

We are bullish on UGI because we do not believe the market is adequately reflecting the opportunities for growth in the Energy Services (pipeline, midstream) and European LPG distribution businesses. As a result, we believe the company's dividend growth will exceed expectations and grow at an 8% per annum rate on average, rather than the 4% the market expects.

Figure 7 highlights the catalysts that we expect in the next year. Specifically, we are looking for announcements of additional pipeline projects and that overall, results have exceeded expectations partly due to strong European LPG results. We believe that better than expected results should also result in faster dividend growth than consensus expects.

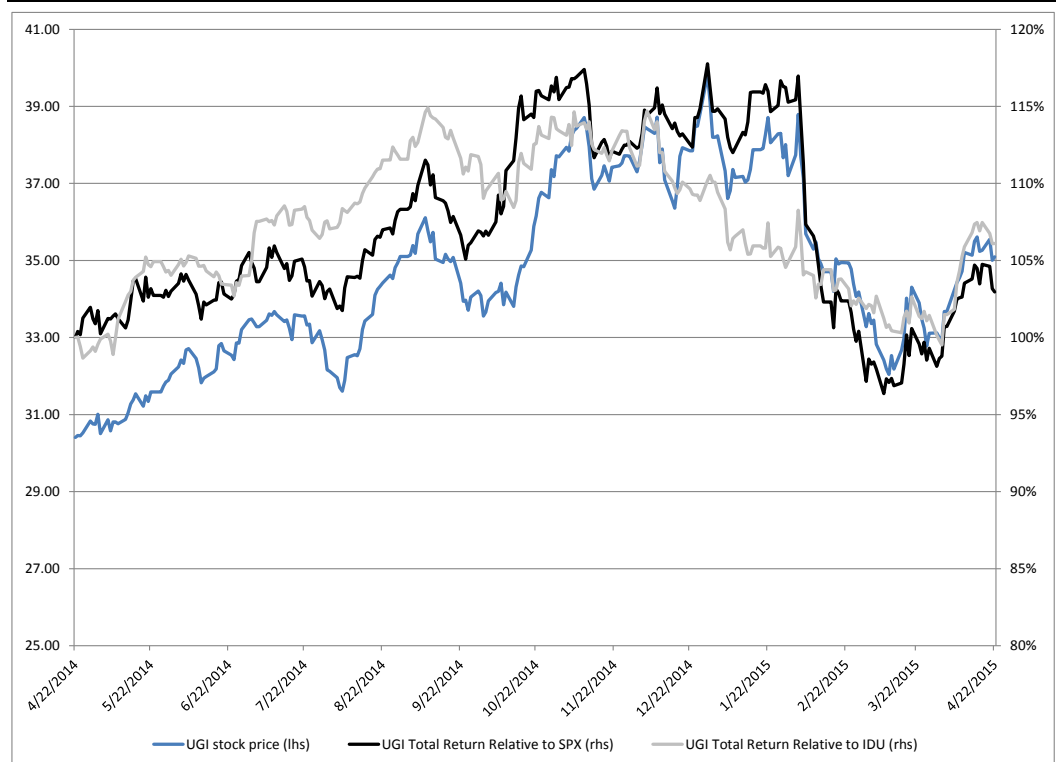
**Figure 7: Catalysts**

Timing	Catalyst	Comments
Quarterly	Better than expected results	Better weather and better margins from Europe
2016/2017	New midstream projects	New LNG and PennEast expansion projects
2017	Larger than expected dividend	We expect a dividend increase of 15% in 2017

Source: Janney Montgomery Scott

UGI has pulled back 15% since the company reported 2Q results on 6<sup>th</sup> February. We believe that the stock was weak following a disappointing quarter due to weak volumes in the European and US propane distribution businesses; however, after evaluating the quarter, we don't believe that the weakness is persisting, rather it reflected poor weather.

**Figure 8: Stock price (one year absolute and relative performance)**



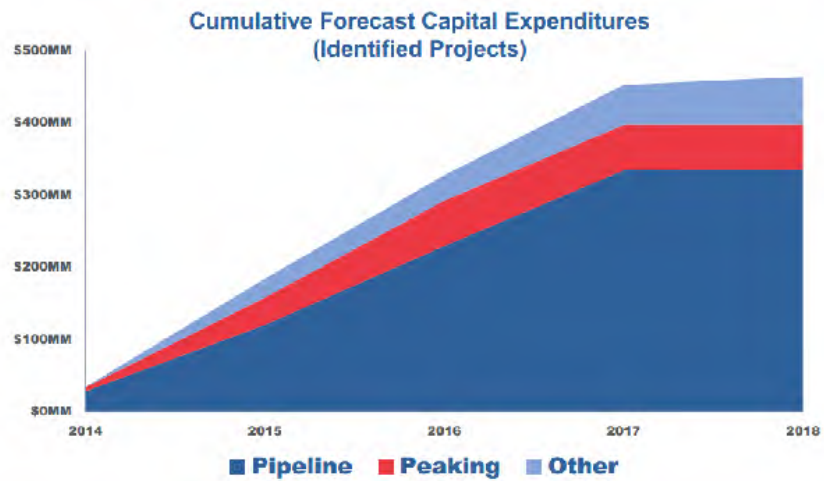
Source: Factset Janney Montgomery Scott

### 2.2. Energy Services

A good portion of UGI's growth is being driven by the expansion of midstream assets in its Energy Services segment. We expect UGI will spend about \$600m in cap ex in the segment, or about

50% more than what UGI is guiding to (see figure 9), by 2017. We calculate that this will contribute about \$0.28 (15%) in incremental EPS by 2017.

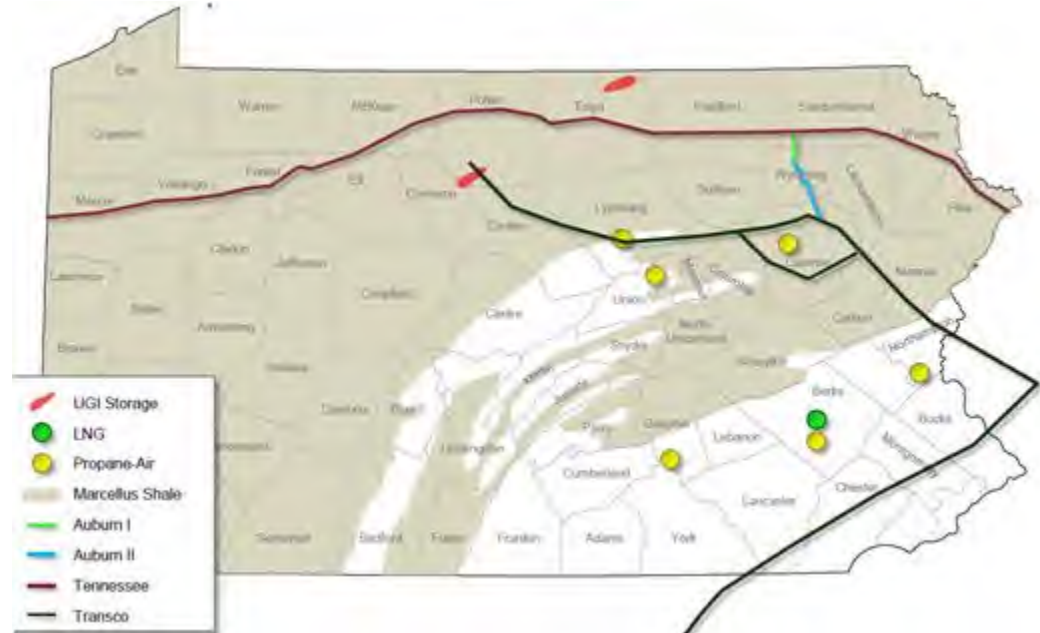
**Figure 9: Cumulative Midstream Cap Ex projects (2014-2018)**



Source: Company presentation

UGI’s midstream growth should be greater than many companies due to its geographic location and its inherent position as a large buyer of natural gas, both for the utility and also for its natural gas marketing division. As can be seen on Figure 10 below, its assets are geographically well positioned between the Marcellus and the major load centres in Eastern Pennsylvania.

**Figure 10: UGI midstream assets (Pennsylvania)**



Source: Company presentation

Given the low cost of Marcellus natural gas, there has been a strong level of interest for infrastructure projects from natural gas customers and suppliers. For example, the Auburn I project linked up a Procter & Gamble manufacturing plant to Marcellus gas. The Auburn II expansion was to export gas from the P&G facility to market and was anchored by UGI’s regulated LDCs, to get

gas from the Northeast portion of the Marcellus to its customers as an effort to reduce their energy costs. Auburn III was an additional supplier push project.

One of the most notable of UGI's large projects is the PennEast pipeline, which will bring natural gas to southeast PA and New Jersey. UGI has a 20% equity stake in the project and will operate the pipeline.

**Figure 11: PennEast Pipeline**



Source: Company presentation

The PennEast pipeline is likely the base on which many further projects will be announced. The project is well positioned since most of the utilities in the region signed up for capacity on the pipe. In addition, PennEast provides access to very cheap natural gas in the dry gas region of the Marcellus play.

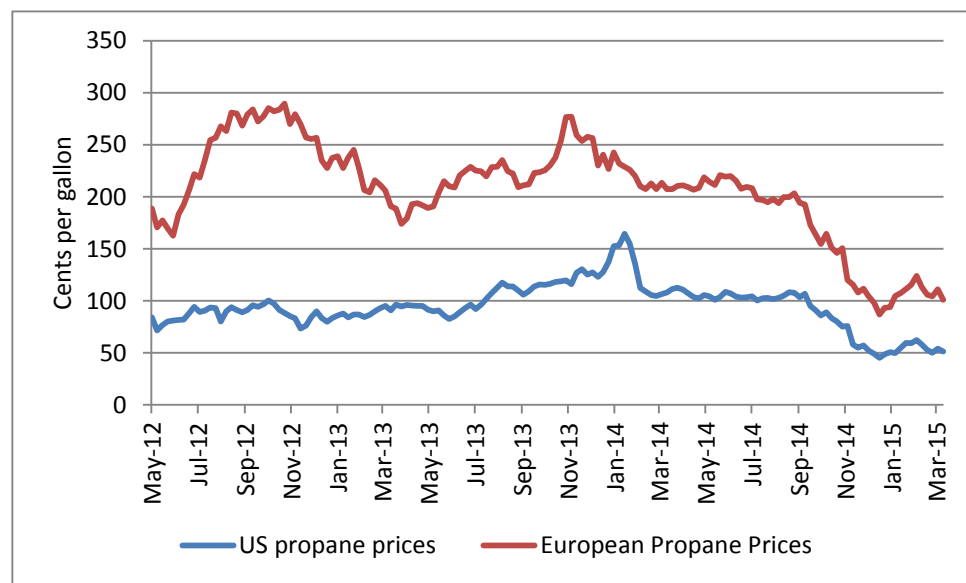
### 2.3. International Propane

There is a growing bull case for UGI's international LPG/propane business. As the US propane market becomes saturated with excess supply, US propane prices have decoupled from world propane prices making propane exports attractive. As a result, there are several large US propane export facility expansions that have been completed or are underway. Already, European propane prices have collapsed as a result of the increased supply from the US. UGI's distribution business

naturally benefits from lower fuel costs and therefore we expect UGI's European businesses to post better than expected results over the next several years. As the higher international margins become evident over the next 18 months, we would expect earnings estimates to rise by 5 – 15% and the shares to respond positively.

As a start to the discussion, it is well documented how US propane prices have collapsed over the past couple of years as can be seen on figure 12 below. The significant increase in NGL production in the US following the pursuit of oil and wet gas shales by E&Ps has increased the supply of propane by about 50% in the last four years. Higher supply, mostly stagnant demand and lower oil prices have caused the US benchmark propane prices to drop considerably from levels 4 years ago.

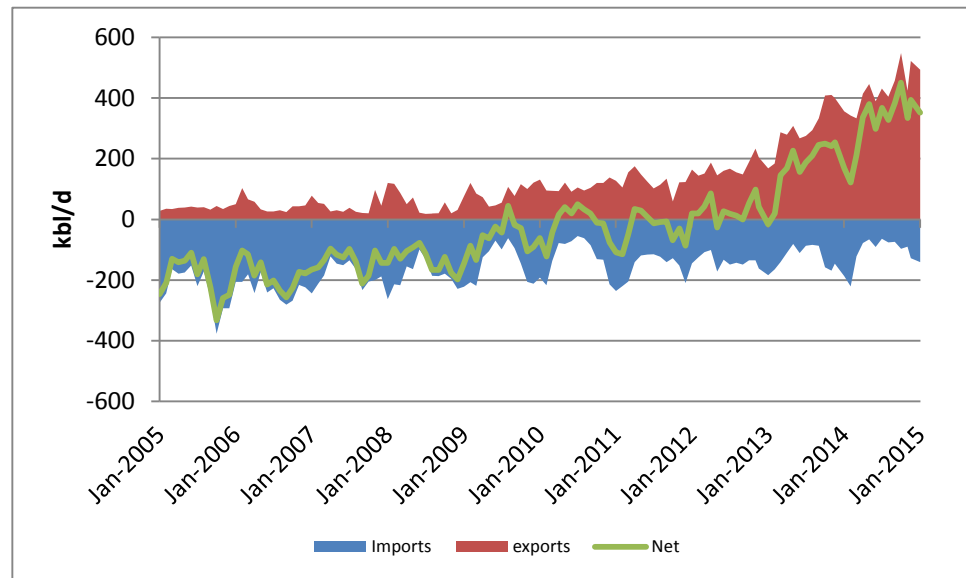
**Figure 12: North West Europe, US propane prices, 2012 – present**



Source: Bloomberg

Unsurprisingly, the US has shifted from a net importer of propane to a net exporter, as can be seen on figure 13 below. Since 2005, the US has gone from importing about 200,000 bbl/d to exporting about 400,000 bbl/d at the beginning of this year. Just as in America, the increased cheap supply of LPG, stagnant demand and falling oil prices have caused European propane prices to plummet 2/3rds in about a year.

**Figure 13: Imports and Exports of propane and propylene, 2005 – present (kbb/d)**



Source: EIA

Even though there has been significant increases in export capacity, several companies are in the process of further expansion. As can be seen on figure 14, peak export capacity for propane looks to rise from 200,000 bbl/d in 2012 to as much as 1.7 million bbl/d by the end of 2016 (current peak exports are about 500,000 bbl/d).

**Figure 14: US propane export capacity expansions through 2015**

Company	Location	Completion target date	Additional monthly capacity (MMbbl)	Total monthly capacity (MMbbl)
Enterprise Products Partners	Houston Ship Channel	In place	7.5	7.5
Targa Resources	Galena Park, Texas	In place	6.5	14.0
Petrogas	Ferndale, Wash.	In place	0.9	14.9
Sunoco Logistics (Mariner East)	Marcus Hook, Pa.	In place	0.6	15.5
Enterprise Products Partners	Houston Ship Channel	Q1'15	1.5	17.0
Sunoco Logistics (Mariner South)	Nederland, Texas	Q1'15	6.0	23.0
Occidental Petroleum	Ingleside, Texas	Q2'15	1.8-3.0	24.8-26.0
Sunoco Logistics (Mariner East)*	Marcus Hook, Pa.	Mid-2015	1.5	26.3-27.5
Enterprise Products Partners	Houston Ship Channel	Q4'15	7.0	33.3-34.5
Phillips 66	Freeport, Texas	Q4'16	4.4	37.7-38.9
Sunoco Logistics (Mariner East 2)*	Marcus Hook, Pa.	Q4'16	8.3	46.0-47.2
Pembina Pipeline	Port of Portland, Ore.	Q1'18	1.1	47.1-48.3

\* These projects will export ethane in addition to liquefied petroleum gas.

Source: SNL, Company reports

Most of the first tranche of US export increases, nearly all of which are slated to be shipped from Gulf of Mexico ports, will likely go to Latin America, which has been the case historically (of US propane exports in 2012, about 70% was shipped to Latin America). However, considering the significant ramp up of further US supply, the Latin America market looks to become over saturated, similar to the US.

After satisfying Latin America's LPG import demand, we estimate there will be about 10 - 12 million tonnes of low-cost US LPG looking for a home. The next lowest cost location to send LPG will be Europe. The US exports, combined with the redirect shipments from the North Sea and



West Africa (being redirected from being sent to Latin America), should create an influx of low cost LPG supply of around 13 – 15 million tons by the end of 2015 into Europe. Europe only uses about 30 million tonnes annually.

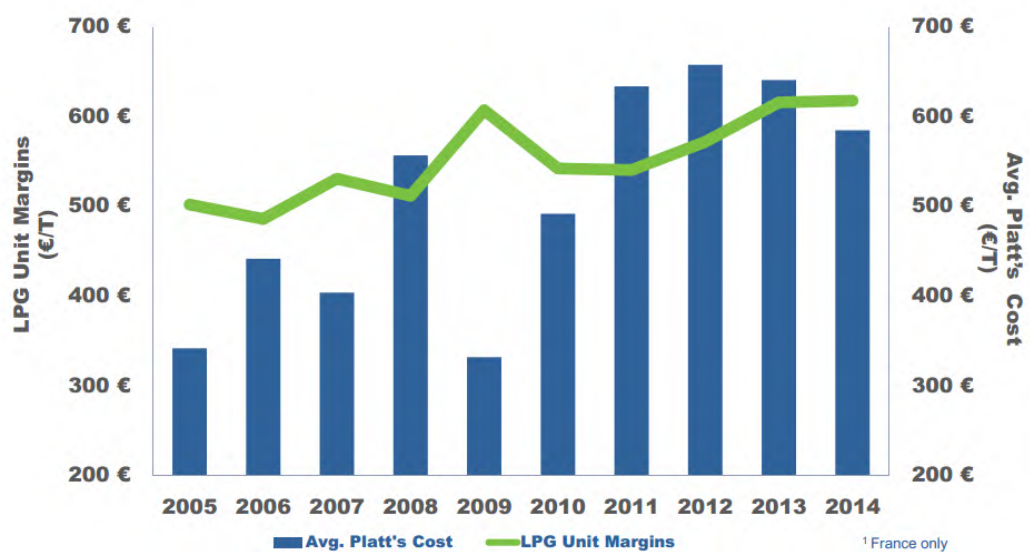
Therefore, we would increasingly expect European propane prices to begin clearing at US benchmark prices plus shipping. This would equate to about today's price, or \$350/mt if the current Mont Belvieu forward curve was used. This is about half of the \$758/mt average price quoted in Northwest Europe last year.

We would note that our outlook does not take into consideration the impact of increased supply from the Marcellus which may be increasingly shipped out of Philadelphia. Based on commentary from MarkWest and some E&P companies in the area, the cost of producing and shipping propane to Europe could be as low as \$250/mt.

The net impact of propane exports from the US looks to be positive for UGI as it should materially enhance their international propane margins. As a result, our 2017 EPS estimate is about 8% higher than consensus.

To help gauge the impact of a 50% drop in European propane prices on UGI's profitability, we look at history. Fortunately, there appears to be several instances in the recent past to provide some insight. Following a sharp slowdown in the global economy during the 2008/2009 winter, European propane prices dropped by around 40% as seen on figure 15. Following this move, UGI's margin at its large French propane distribution company, Antargaz, saw margins jump by around 20%. Propane prices rebounded significantly the following year resulting in margin compression (albeit still better than 2008 levels).

**Figure 15: European Propane prices and UGI's French subsidiary's margin (2005 – 2014)**



Source: SNL, Company reports

One difference this time though is that we expect prices will remain low. This should allow UGI to retain most of the uplift in margins going forward unlike in the 2010 period when 3/4 of the improvement in margins during 2009 was given up after propane prices spiked 50% in the following year.

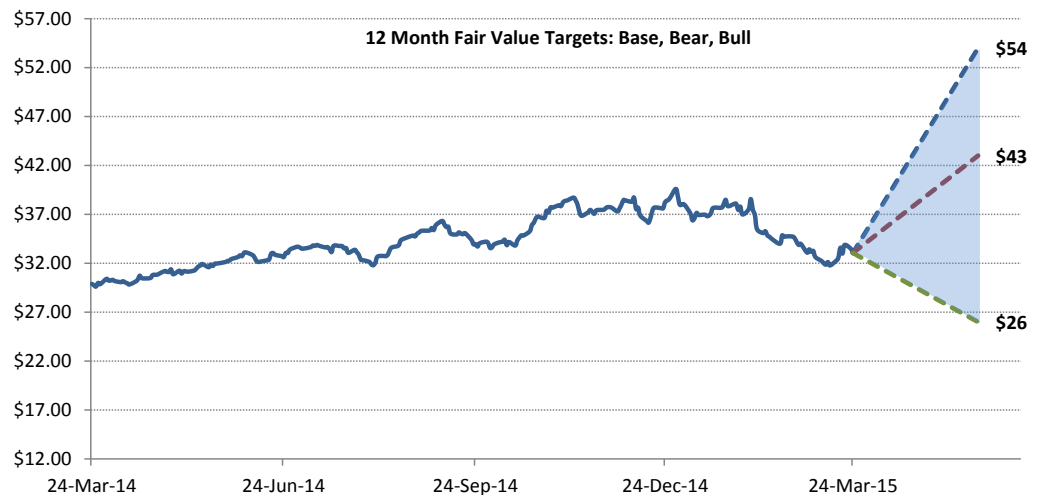


### 3. Valuation

We believe UGI is undergoing a transition from being viewed by investors as a low growth utility to that of a higher valued midstream energy infrastructure company as it is one of the best positioned companies to take advantage of the increase in NGL rich gas production globally.

Based on our analysis, we place a fair value estimate on UGI of \$43 per unit. On the bullish side, we would expect it could trade as high as \$54, although if growth investments/acquisitions are not executed on, it could slip to \$26 or less. Figure 16 shows the fair value ranges.

**Figure 16: Historical price and 12 month fair value estimates: base, bear, bull**



Source: Factset, Janney Montgomery Scott

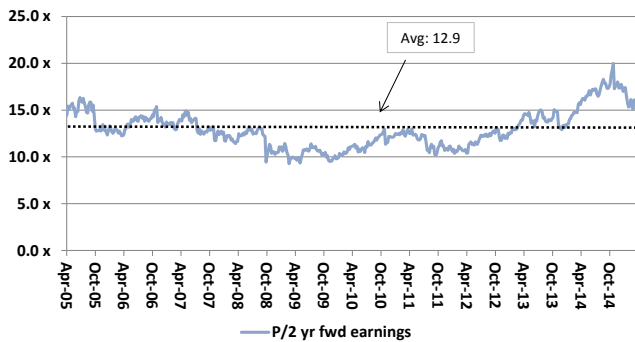
To derive our fair value estimates, we utilise a variety of valuation metrics including evaluating relative and historical P/E, EV/EBITDA, and utilising intrinsic valuation like DDM. We also look at a sum of the parts value as well.

Our fair value does not assume multiple expansion. Rather, we assume the current multiple FY15 PE multiple will be also placed on 2017 EPS a year from now.

#### 3.1. Historic absolute and relative valuation multiples

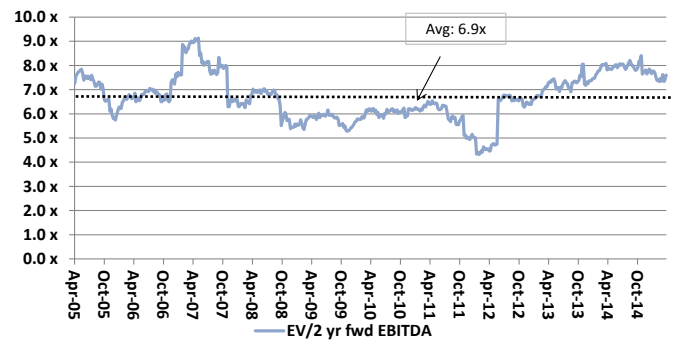
On a historical basis, UGI is trading at the upper third of its historical range. Figures 17 and 18 below show the historic forward P/E and EV/EBITDA multiples for UGI. The stock currently trades at a premium to historic multiples. We believe this reflects investors increasing understanding of the growth opportunities coming from the higher valued midstream assets. We note that there are numerous companies similar to UGI that have begun to witness higher valuations as the market reflects the growth prospects. Figures 17 and figure 18 show UGI's historical P/E and EV/EBITDA.

Figure 17: Price/forward 24 month earnings



Source: Factset

Figure 18: EV/forward 24 month EBITDA



Source: Factset

On a relative basis, UGI is notably cheaper than peers on a forward P/E and EV/EBITDA as shown in figure 19.

Figure 19: Peer valuation table

Company Name/Sector	Ticker	Rating	Stock Price	Market Cap	EBITDA Growth CAGR 2014 - 2017e	EV/EBITDA			Yield 2015e	P/E			Net Debt/EBITDA 2015e
						2015e	2016e	2017e		2015e	2016e	2017e	
UGI Corporation	UGI	Buy	34.66	5,973	7%	7.6x	7.0x	6.8x	2.5%	18.3x	15.8x	14.7x	2.4
Spectra Energy Corp	SE		37.88	25,215	5%	14.8x	13.4x	11.9x	4.0%	31.0x	27.5x	24.3x	5.1
Dominion Resources, Inc.	D		72.59	42,416	9%	12.0x	11.0x	10.4x	3.5%	19.6x	18.6x	17.8x	4.5
Kinder Morgan Inc Class P	KMI		44.16	93,962	11%	12.3x	11.3x	10.5x	4.5%				5.7
Williams Companies, Inc.	WMB		52.50	38,606	17%	16.0x	15.9x	14.7x	4.6%				4.9
CenterPoint Energy, Inc.	CNP		20.87	8,883	2%	8.8x	8.3x	7.8x	4.8%	19.4x	17.9x	16.8x	4.2
Energen Corporation	EGN		70.79	5,034	4%	8.3x	8.3x	5.7x	0.1%				1.0
OGE Energy Corp.	OGE		32.35	6,465	2%	10.4x	10.0x	10.2x	3.2%		15.9x	15.0x	3.2
Questar Corporation	STR		24.00	4,208	3%	9.4x	9.1x	8.6x	3.5%	18.6x	17.9x	17.3x	2.6
National Fuel Gas Company	NFG		63.63	5,360	5%	7.9x	7.3x	6.4x	2.4%	23.1x	21.9x	17.5x	1.9
<b>Average</b>						<b>11.2x</b>	<b>10.6x</b>	<b>9.6x</b>	<b>3.4%</b>	<b>22.7x</b>	<b>20.4x</b>	<b>18.7x</b>	<b>3.8x</b>

Source: Company reports

3.2. Sum of the Parts

Our sum-of-the-parts analysis (Figure 20) indicates that a \$50+ per share fair value target is appropriate which indicates our \$43 fair value price is conservative.

**Figure 20: Sum of the Parts Analysis**

Business	EV	Ownership	Methodology	Multiple	Comment
Amerigas LP units	1,776	26%	EV/EBITDA	10.0	Ownership of 26% of common units
Amerigas GP units	640	2%	Cash flow multiple	20.0	2% general partner
International	2,826	100%	EV/EBITDA	9.0	Discounted multiple to US business
Utility	3,385	100%	EV/EBITDA	7.0	Average for utility
Marketing and Midstream	3,768	100%	EV/EBITDA	12.0	Discounted multiple to pipeline companies/MLPs
Total EV	12,395				
Net Debt YE 2015	3,609				
Equity Value	<b>8,786</b>				
Shares Outstanding	173				
Share Price	<b>50.85</b>				

Source: Factset, Janney Montgomery Scott

**3.3.**  
Dividend discount model

Utilising a dividend discount model (figure 21), UGI also screens as cheap based on our base case of a discount rate of 5.6% and a long-term (post 2021) growth rate of 2%.

**Figure 21: DDM valuation matrix**

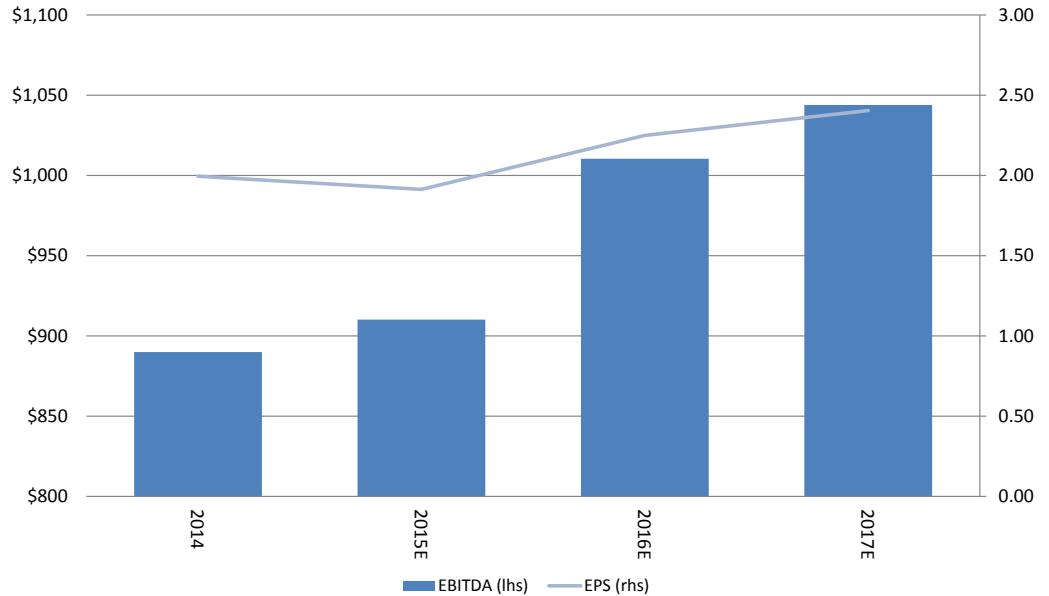
	2015	2016	2017	2018	2019	2020	2021	2022
Dividend	0.87	0.91	1.13	1.41	1.55	1.71	1.88	2.07
Discounted DPS	0.9	0.9	1.01	1.19	1.24	1.29	1.34	1.40
Risk free rate	5.0%							
Equity Risk premium	2.5%							
Beta	0.80							
Company-Specific Risk	2.0%							
Cost of Equity	9.00%							
CAPM weighting	50%							
Yield Cost of Equity	2.5%							
Yield COE weighting	50%							
<b>Cost of Equity</b>	<b>5.8%</b>							
Medium term growth rate	10.0%							
Terminal growth rate	2.0%							
Terminal multiple	27.2							
Terminal discount factor	0.68							
Discounted DPS -> 2022	9.21							
Terminal value of DPS (\$/share)	38.03							
<b>Value per share (\$)</b>	<b>\$ 47.25</b>							

Source: Capital IQ, Janney Montgomery Scott

## 4. Financials

Over the next two years, we are forecasting a 12% EPS CAGR, well above the 7% than consensus expects. We are expecting EBITDA to rise 9% in 2015 from 2014 levels principally because of investment in the energy services businesses and the addition of the Total LPG distribution business in France.

**Figure 22: Historical and earnings per share & EBITDA (2014 – 2017e)**



Source: Company Reports, Janney Montgomery Scott

We forecast that the company will grow dividends by 7% on average over the 2015 – 2017 (see figure 23). However, we believe that the growth will be lumpy and the dividend growth will be around 4% for the next two years with a large step up in 2017. We note that management’s guidance is for 4% and consensus also expects similar levels of growth.

Figure 23: Earnings model (2013 – 2017e)

	2013A	2014A	1Q15a	2Q15e	3Q15e	4Q15e	2015e	2016e	2017e										
<b>EBITDA</b>																			
Amerigas	591	655	11%	189	356	55	51	650	-1%	678	4%	707	4%						
Int'l propane	234	201	-14%	75	80	21	30	206	3%	286	39%	299	4%						
Utilities	250	290	16%	86	99	30	47	272	-6%	280	3%	288	3%						
Midstream & Marketing	108	222	105%	52	130	33	42	256	15%	261	2%	266	2%						
Corporate																			
Total EBITDA	3%	1,183	36%	1,368	16%	401	665	139	170	1,385	1%	1,505	9%	1,560	4%				
EBITDA ex minority		752		890				910		1,010		1,044							
<b>DD&amp;A</b>																			
Amerigas	-206	-197		-49	-49	-48	-55	-201		-205		-209							
Int'l propane	-82	-83		-21	-21	-21	-30	-93		-131		-136							
Utilities	-52	-54		-14	-14	-14	-15	-57		-60		-63							
Midstream & Marketing	-18	-18		-4	-4	-4	-6	-18		-18		-18							
Corporate	-6.2																		
Total DD&A	-363	-352		-89	-88	-87	-105	-369		-414		-426							
<b>Operating Income</b>																			
Amerigas	-12%	392		472	140	306	7	-4	449		473		497						
Int'l propane	30%	152		118	54	59	0	1	113		156		163						
Utilities		198		236	72	85	16	42	215		220		225						
Midstream & Marketing		91		199	46	126	29	38	238		271		299						
Corporate		-1		-19	-145	105	1	4	-35	0%	-20.0		-20.0	0%					
Total EBIT		833	48%	1,006	21%	165	682	53	81	981	-2%	1,100	12%	1,165	6%				
Loss fom equity investees		-0.4		-0.1	-1.0	0.0	0.0	1	0.0		0.0		0.0						
<b>Interest Expense</b>																			
Amerigas	-165	-166		-41	-42	-41	-40	-164		-169		-172							
Int'l propane	-30	-30		-7	-8	-8	-11	-33		-48		-48							
Utilities	-37	-37		-10	-9	-10	-7	-36		-35		-35							
Midstream & Marketing	-3	-3		-1	-1	-1	-1	-3		-3		-3							
Corporate	-3	-3		-1	-1	-1	0	-2		0		0							
Interest Expense	-239	-238		-59	-59	-60	-59	-237		-255		-258							
Pretax income	593	768		105	622	-7	24	743		844		906							
Income taxes	-162	-235		-23	-193	0	-7	-189		-215		-231							
Tax rate	27%	31%		22%	31%	31%	31%	25%		25%		25%							
Adjusted Earnings	431	533		82	429	-7	16	554		629		675							
Noncontrolling interests	-150	-195		34	-212	31	-35	-217		-231		-246							
Adjusted income	282	337		116	217	23	-19	337		399		429							
After Tax Adjustment	-7	12		82	0	0	0	0		0		0							
Net Income	-14%	282	41%	350	24%	116	-6%	217	-2%	21	-21	337	-4%	399	18%	429	8%		
Amerigas	-60%	47	198%	65	36%	19	-26%	52	22%	-4	1	68	5%	71	5%	75	5%		
Int'l propane	59%	86	33%	54	-38%	32	-3%	31	-20%	-8	-10	48	-11%	65	35%	69	7%		
Utilities	-23%	95	17%	119	25%	37	-15%	77	3%	16	189%	-13	182%	117	-2%	120	3%	123	3%
Midstream & Marketing	-31%	53	46%	123	131%	26	48%	75	-6%	17	70%	23	49%	141	15%	161	14%	178	10%
Corporate		0		-11		2		-18	35%	-1		-21		-37		-18		-16	
<b>EPS</b>	-27%	<b>1.63</b>	-8%	<b>1.99</b>	23%	<b>0.66</b>	-8%	<b>1.23</b>	-4%	<b>0.13</b>	33%	<b>-0.11</b>		<b>1.91</b>	-4%	<b>2.25</b>	18%	<b>2.40</b>	7%
Shares Out		173.3		175.2		175.8		176.1		176.4		176.7		176.2		177.4		178.6	
Dividend/share		0.7450		0.8200	10%	0.2175	15%	0.218	11%	0.226	4%	0.226	4%	0.887	8%	0.923	4%	1.012	10%

Source: Company reports

Figure 24 Balance Sheet statement

	2014	2015	2016	2017
<b>BALANCE SHEET SUMMARY</b>				
+ Current assets	1,537	1,537	1,537	1,537
- Current liabilities	1,040	1,040	1,040	1,040
<b>Total Working Capital</b>	<b>497</b>	<b>497</b>	<b>497</b>	<b>497</b>
Property, plant, and equipment, net	4,410	4,492	4,590	4,691
Total non-current assets	3,926	3,926	3,926	3,926
<b>Total Invested Capital</b>	<b>8,833</b>	<b>8,915</b>	<b>9,014</b>	<b>9,114</b>
- Cash & equiv	30	30	30	30
+ Current maturities of debt	0	0	0	0
+ Long-term debt	3,775	3,974	4,224	4,465
<b>Net debt</b>	<b>3,745</b>	<b>3,944</b>	<b>4,193</b>	<b>4,435</b>
Avg net debt	3,649	3,844	4,069	4,314
Non-current liabilities	1,242	1,301	1,360	1,419
Preferred securities	0	0	0	0
Total stockholders equity	4,686	5,080	5,580	6,099
<b>Total liabilities and stockholder equity</b>	<b>10,742</b>	<b>11,395</b>	<b>12,203</b>	<b>13,023</b>
Assets	9,873	9,955	10,054	10,154
<b>CASH FLOW SUMMARY</b>				
<b>Uses of Cash</b>				
Net Interest expense (includes AFUDC)	-238	-237	-255	-258
Taxes				
Income taxes	-235	-189	-215	-231
<b>Total cap ex</b>	<b>-456</b>	<b>-451</b>	<b>-512</b>	<b>-527</b>
Short term debt maturing	-110	0	0	0
Acquisitions				
Common Dividends	-374	-405	-500	-520
<b>Total Uses of Cash</b>	<b>-1,413</b>	<b>-1,282</b>	<b>-1,482</b>	<b>-1,536</b>
<b>Sources of Cash pre financing</b>				
EBIT	1,006	981	1,100	1,165
Unconsolidated interests	-195	-217	-231	-246
DD&A	352	369	414	426
Working capital	-50	-50	-50	-50
	1,113	1,083	1,232	1,295
<b>Financing requirements</b>	<b>-300</b>	<b>-199</b>	<b>-250</b>	<b>-241</b>
Free Cash Flow	217	205	250	278
Distributable Cash Flow	383	384	447	479
Net Debt	3,745	3,944	4,193	4,435
Shareholder Equity	4,686	5,080	5,580	6,099
<b>Capital Employed</b>	<b>8,430</b>	<b>9,024</b>	<b>9,773</b>	<b>10,534</b>
ROIC	6.8%	6.4%	6.7%	6.5%
Book Value per Share at end of period	26.74	28.83	31.45	34.14
Avg Book Value per share	25.82	27.78	30.14	32.79
EBITDA/interest	5.8	5.8	5.9	6.0
FFO/interest	3.7	3.9	4.1	4.3
Discretionary Cash flow interest cover	1.6	1.6	1.8	1.9
FFO to debt	18%	18%	19%	19%
Net debt to total capital	44%	44%	43%	42%

Source: Company Reports, Janney Montgomery Scott



## 5. Risks

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### **Propane to natural gas conversions.**

Natural gas as a fuel for heating, cooking, etc. is significantly cheaper than other fuels, including propane. There are other benefits as well, including reliability. Clearly, there is every incentive for not only those using heating oil but also propane to convert to natural gas. Therefore, there is a risk that propane to natural gas conversions will threaten volumes.

However, we think that this risk is: 1) already discounted in the valuation, and 2) a bit overblown. It is worth bearing in mind that the economics have been extremely attractive for some time. In fact, they were even more attractive a year or two ago than currently. So, if customers were likely to convert, we would expect that they would have switched already. If anything, the pace of conversions is probably decelerating.

Here are some stats that support our thesis that the risk is somewhat overblown. AmeriGas loses only about 0.15% of customers annually to natural gas conversions. In addition, of the customers that UGI converted to natural gas from other fuels in the past year, only 1.7% were propane customers.

Why are there not more conversions if the economics are so attractive? Most propane customers are not close to a gas main, and therefore they cannot get access to natural gas. Indeed, most propane customers are in rural, low-density locations, and utilities do not expand the natural gas distribution network out given the significant costs.

### **Oil price collapse.**

While this sounds counter-intuitive (most investors think of propane prices as being tied to oil prices), lower oil prices mean lower propane prices, which is good for UGI. Actually, the amount of drilling for oil, given the high prices, is the reason why propane is cheap in the US. A drastic drop in the number of oil rigs/well completed would likely put pressure on propane supply, pushing up prices, which tends to suppress margin expansion and volume increases.

### **Warm winter weather.**

Warm winter weather likely results in reduction to guidance. As seen following the most recent quarterly results which were shy of expectations mostly due to warm weather, investors don't take kindly to reductions in expectations even it is for temporary things such as weather.

### **Forex exposure.**

Approximately 23% of UGI's earnings and, more importantly, about 13% of its cash flow come from European operations. However, UGI rateably hedges its FX exposure over a three-year period. Therefore, every 10% move in the €/ \$ relationship (we currently assume €1.07/\$1 through 2017) has an impact of less than 1% on 2015 and 2016 EPS. By 2017, the impact could be as high as \$0.06/share (~2%).

### **Southern Europe economic malaise spreads to Eastern Europe.**

Most of the growth in UGI's international propane business is in the faster-growing Eastern European markets. While these markets have held up, a slowdown in their economic expansion would likely reduce UGI profit expectations.

## IMPORTANT DISCLOSURES

### Research Analyst Certification

I, Nathan Judge, the Primarily Responsible Analyst for this research report, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers. No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views I expressed in this research report.

### Janney Montgomery Scott LLC ("Janney") Equity Research Disclosure Legend

Janney Montgomery Scott LLC intends to seek or expects to receive compensation for investment banking services from UGI Corporation in the next three months.

The research analyst is compensated based on, in part, Janney Montgomery Scott's profitability, which includes its investment banking revenues.

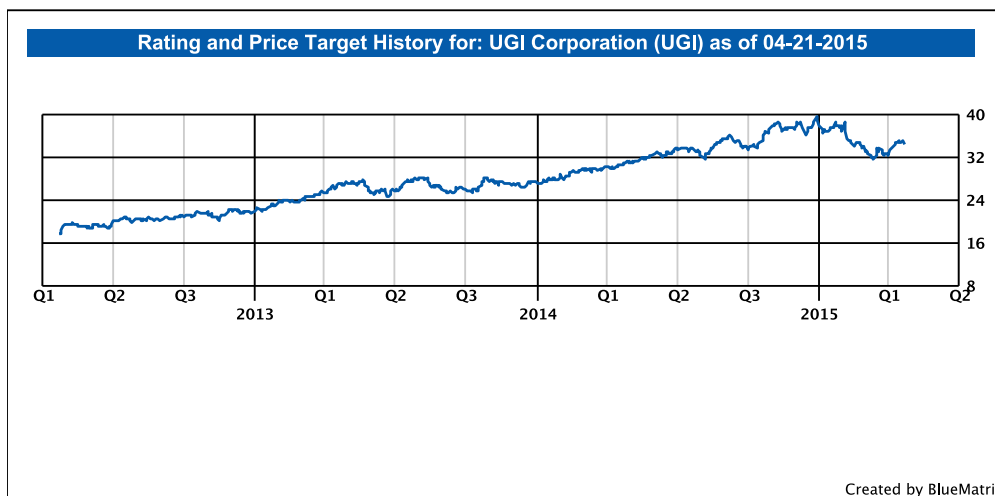
### Definition of Ratings

**BUY:** Janney expects that the subject company will appreciate in value. Additionally, we expect that the subject company will outperform comparable companies within its sector.

**NEUTRAL:** Janney believes that the subject company is fairly valued and will perform in line with comparable companies within its sector. Investors may add to current positions on short-term weakness and sell on strength as the valuations or fundamentals become more or less attractive.

**SELL:** Janney expects that the subject company will likely decline in value and will underperform comparable companies within its sector.

### Price Charts



### Janney Montgomery Scott Ratings Distribution as of 3/31/15

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
<b>BUY [B]</b>	140	50.36	21	15.00
<b>NEUTRAL [N]</b>	137	49.28	14	10.22
<b>SELL [S]</b>	1	0.36	0	0.00

\*Percentages of each rating category where Janney has performed Investment Banking services over the past 12 months.

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Investment opinions are based on each stock's 6-12 month return potential. Our ratings are not based on formal price targets, however, our analysts will discuss fair value and/or target price ranges in research reports. Decisions to buy or sell a stock should be based on the investor's investment objectives and risk tolerance and should not rely solely on the rating. Investors should read carefully the entire research report, which provides a more complete discussion of the analyst's views. Supporting information related to the recommendation, if any, made in the research report is available upon request.

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Gas and Electric Utilities

Price:	\$35.61
Fair Value Estimate:	\$43.00
52-Week Range:	\$30.75 - \$39.75
Market Cap (MM):	\$6,153
Shr.O/S-Diluted (mm):	172.8
Average Daily Volume:	1,169,132
Dividend:	\$0.89
Yield:	2.5%
Cash/Share:	\$5.82
FCF Yield:	8.1%
Debt/Cap:	50%

FYE: Sept	2014A	2015E	2016E
EPS:	\$1.99A	\$1.91E	\$2.25E
Prior EPS:		NC	NC
Consensus	NM	1.92	2.03
P/E Ratio:	17.9x	18.6x	15.8x

Quarterly Adjusted EBITDA (\$M):

	Q1	Q2	Q3	Q4	Year:
	490.0A	691.0A	143.0A	89.0A	1,368.0A
	401.0A	665.0E	139.0E	170.0E	1,385.0E
	--	--	--	--	1,505.0E

Quarterly EPS:

	Q1	Q2	Q3	Q4
	\$0.72A	\$1.29A	\$0.10A	\$(0.08)A
	\$0.66A	\$1.23E	\$0.13E	\$(0.11)E
	--	--	--	--

April 29, 2015

UGI Corporation

(UGI) - BUY

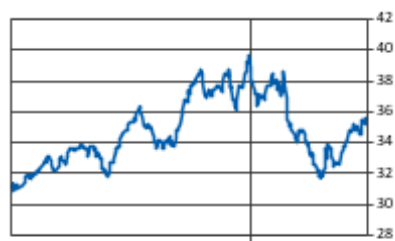
UGI increases dividend 4.6%, expecting acceleration of growth in 18 months

Flash Takeaways

Last night, UGI increased its dividend 4.6%, which was a bit faster than expectations. Looking further out, we expect the dividend to be increased meaningfully in the medium term, providing a catalyst for the stock. We reiterate our Buy rating.

Analysts Notes

- Dividend increase slightly better than consensus expected. We had expected the dividend to rise by 4% while consensus forecast a more modest 2.3% increase.
- Strong record of dividend increases. The annual increase over the past three years has been 8.1% on average. Last year, the company initially raised the dividend 4.5% in the 2nd quarter but raised it a further 10.5% the following quarter, a 15.5% YoY increase.
- We expect another step up in the dividend in the next 24 months. We expect earnings growth to accelerate, reflecting robust improvement in its international propane operations as well as strong growth in its midstream energy services segment. All told, our 2017 EPS estimate is about 10% above consensus. This higher level of profit should lead to a step up in the dividend.
- Valuation does not reflect growth opportunities. We observe that UGI's PE and EV/EBITDA ratios are +20% lower than its peers despite having faster growth and a better balance sheet. We expect this will normalize as investors increasingly perceive UGI as a higher-valued energy infrastructure company rather than as a utility.



1 Year Price History for UGI

## IMPORTANT DISCLOSURES

### Research Analyst Certification

I, Nathan Judge, the Primarily Responsible Analyst for this research report, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers. No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views I expressed in this research report.

### Janney Montgomery Scott LLC ("Janney") Equity Research Disclosure Legend

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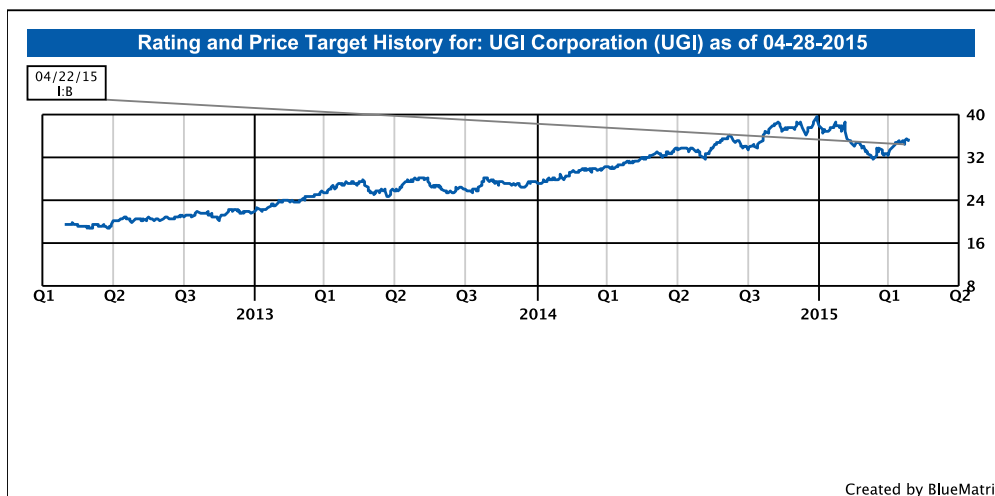
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### Price Charts



### Janney Montgomery Scott Ratings Distribution as of 3/31/15

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
<b>BUY [B]</b>	140	50.36	21	15.00
<b>NEUTRAL [N]</b>	137	49.28	14	10.22
<b>SELL [S]</b>	1	0.36	0	0.00

\*Percentages of each rating category where Janney has performed Investment Banking services over the past 12 months.

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Nathan Judge, CFA

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Gas and Electric Utilities

Price:	\$35.40
Fair Value Estimate:	\$43.00
52-Week Range:	\$30.75 - \$39.75
Market Cap (MM):	\$6,117
Shr.O/S-Diluted (mm):	172.8
Average Daily Volume:	1,170,104
Dividend:	\$0.89
Yield:	2.5%
Cash/Share:	\$5.82
FCF Yield:	8.1%
Debt/Cap:	50%

FYE: Sept	2014A	2015E	2016E
EPS:	\$1.99A	\$2.05E	\$2.25E
Prior EPS:		\$1.91	NC
Consensus	NM	1.91	2.04
P/E Ratio:	17.8x	17.3x	15.7x

Quarterly Adjusted EBITDA (\$M):

	2014A	2015E	2016E
Q1	490.0A	401.0A	--
Q2	691.0A	661.5A	--
Q3	143.0A	193.5E	--
Q4	89.0A	148.4E	--
Year:	1,368.0A	1,404.4E	1,505.0E

Quarterly EPS:

	2014A	2015E	2016E
Q1	\$0.72A	\$0.66A	--
Q2	\$1.29A	\$1.23A	--
Q3	\$0.10A	\$0.17E	--
Q4	\$(0.08)A	\$(0.01)E	--

May 5, 2015

UGI Corporation

(UGI) - BUY

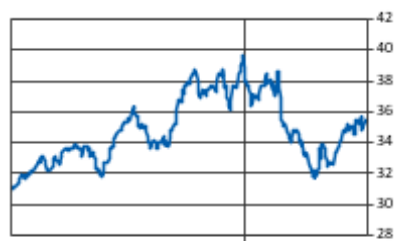
2Q15 above consensus, Raises FY15 guidance midpoint 6%

Flash Takeaways

UGI's 2Q15 EPS was \$1.23, 3% above consensus (in line with our expectations). Given strong business momentum, management raised its 2015 EPS guidance from \$1.88 to \$1.98 (consensus: \$1.91) to \$2.00 - \$2.10. We are raising our FY15 EPS estimate to \$2.05, or 7%. Overall, we believe this bolsters our longer term bullish view that UGI's results will be better than expected and investors should Buy.

Analysts Notes

- 2Q15 results above consensus. Relative to our expectations, the areas that stood out most to us were the improvement in the Utilities segment and the 879bp gross margin improvement in the international propane segment, despite FX and severe weather headwinds.
- Our 2015 EPS estimate increases 7% to \$2.05 from \$1.91. We have raised our estimates at the utilities and the international propane segments.
- Our 2016 and beyond estimates appear increasingly conservative. As a reminder, our 2017 EPS estimate is 10% above consensus, and we believe that our estimate may not reflect the full upside earnings power of the company.
- Please refer to our note published on 22 April 2014 titled "UGI: Initiating at Buy; Well positioned to benefit from shale revolution" for a full report on our investment thesis.



1 Year Price History for UGI

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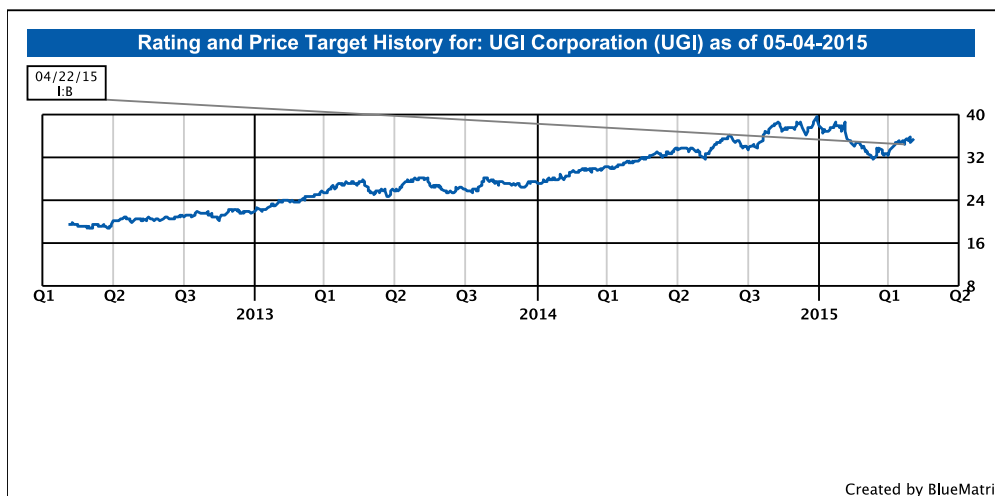
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## Gas and Electric Utilities

Price:	\$36.47
Fair Value Estimate:	\$43.00
52-Week Range:	\$31.41 - \$39.75
Market Cap (MM):	\$6,291
Shr.O/S-Diluted (mm):	172.5
Average Daily Volume:	1,150,004
Dividend:	\$0.89
Yield:	2.4%
Cash/Share:	\$5.82
FCF Yield:	11.3%
Debt/Cap:	50%

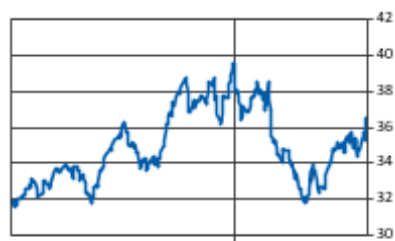
FYE: Sept	2014A	2015E	2016E
EPS:	\$1.99A	\$2.05E	\$2.25E
Prior EPS:		NC	NC
Consensus	NM	1.98	2.09
P/E Ratio:	18.3x	17.8x	16.2x

## Quarterly Adjusted EBITDA (\$M):

Q1	490.0A	401.0A	--
Q2	691.0A	661.5A	--
Q3	143.0A	193.5E	--
Q4	89.0A	148.4E	--
Year:	1,368.0A	1,404.4E	1,505.0E

## Quarterly EPS:

Q1	\$0.72A	\$0.66A	--
Q2	\$1.29A	\$1.23A	--
Q3	\$0.10A	\$0.17E	--
Q4	\$(0.08)A	\$(0.01)E	--



1 Year Price History for UGI

May 15, 2015

## UGI Corporation

(UGI) - BUY

## New midstream investment bolsters our investment thesis

## Flash Takeaways

UGI announced that it will invest \$60m in a new midstream investment. As a reminder, part of our bullish thesis on UGI is that earnings will likely exceed consensus partly because the midstream segment will be able to invest \$150m more than guidance over the 2015-2017 time frame. This announcement bolsters our confidence, and we would expect that consensus expectations will continue to increase. We reiterate our Buy rating.

## Analysts Notes

- UGI will invest \$60m in building a new LNG facility in Pennsylvania. We expected that the company would likely build a new LNG facility (although most investors unlikely included this in their forecasts) given the strong economics underpinning the LNG assets in the region.
- The investment bolsters our thesis that midstream investment would be above guidance and consensus expectations. Management had previously guided to a total of \$450m of investment in the Midstream segment by 2017. We are more bullish, with expectations of \$600m over the same time period. We still see investment opportunity at the Auburn line, PennEast expansions as well as new lines to service electricity generators.
- We expect that consensus will continue to move higher towards our 2017 EPS estimate of \$2.40 (consensus is \$2.23). We also believe there is upside to our outlook if the company is able to capture more margin expansion than expected in Europe due to lower LGP prices.
- With a 20%+ discount to its nearest peers, we believe valuation is attractive.

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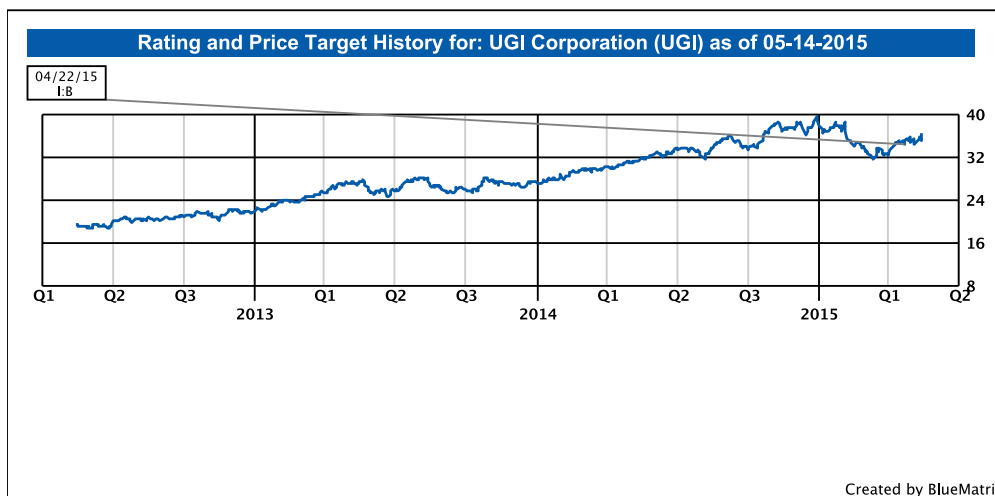
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### Price Charts



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Rating	Count	Percent	IB Serv./Past 12 Mos.	
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<b>BUY [B]</b>	140	50.36	21	15.00
<b>NEUTRAL [N]</b>	137	49.28	14	10.22
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Gas and Electric Utilities

Price:	\$37.17
Fair Value Estimate:	\$43.00
52-Week Range:	\$31.44 - \$39.75
Market Cap (MM):	\$6,412
Shr.O/S-Diluted (mm):	172.5
Average Daily Volume:	1,145,318
Dividend:	\$0.89
Yield:	2.4%
Cash/Share:	\$5.82
FCF Yield:	11.1%
Debt/Cap:	50%

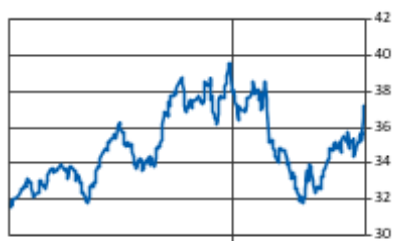
FYE: Sept	2014A	2015E	2016E
EPS:	\$1.99A	\$2.05E	\$2.25E
Prior EPS:		NC	NC
Consensus	NM	1.98	2.09
P/E Ratio:	18.7x	18.1x	16.5x

Quarterly Adjusted EBITDA (\$M):

	2014A	2015E	2016E
Q1	490.0A	401.0A	--
Q2	691.0A	661.5A	--
Q3	143.0A	193.5E	--
Q4	89.0A	148.4E	--
Year:	1,368.0A	1,404.4E	1,505.0E

Quarterly EPS:

	2014A	2015E	2016E
Q1	\$0.72A	\$0.66A	--
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Q4	\$(0.08)A	\$(0.01)E	--



1 Year Price History for UGI

May 18, 2015

## UGI Corporation

(UGI) - BUY

### Totalgaz acquisition approval sets stage for margin upside

#### Flash Takeaways

On Friday after the close, UGI announced that it had received final regulatory approval for its acquisition of Totalgaz (a European propane distribution business). We believe the closing of this acquisition sets the stage for margin upside in UGI's European propane business relative to consensus expectations. Our 2017 EPS estimate of \$2.40 is 6% higher than consensus.

#### Analysts Notes

- Acquisition recap: The purchase price of Totalgaz is expected to be 400-450m Euros. Totalgaz distributed 265 million retail gallons of LPG in 2013; the acquisition will increase UGI Europe retail LPG volumes by ~45%. While we (and we believe consensus) have included Totalgaz in our estimates, the completion of the deal increases clarity around growth.
- Margin upside from European LPG business: As we noted in our April 22nd note 'Initiating at Buy: Well positioned to benefit from shale revolution', we expect greater margin expansion in UGI's European business than consensus expects. As the US propane market becomes saturated with excess supply, US propane is being exported. This is putting downward pressure on European LPG prices which naturally benefits UGI's European propane distribution business. The lower fuel costs results in higher margins. As the higher international margins become evident over the next 18 months, we would expect consensus earnings estimates to rise by 5 – 15% and the shares to respond positively.
- Additional upside from Totalgaz synergies: Management has noted that there is the potential for synergies in the European business but they've downplayed how (or when) this would occur. Our estimates do not include acquisition synergies but we note that UGI is a top tier management team with a history of under promising and over delivering. The most recent example of this is the recent 6% raise in the midpoint in 2015 EPS guidance following the strong fiscal 2Q15 results.

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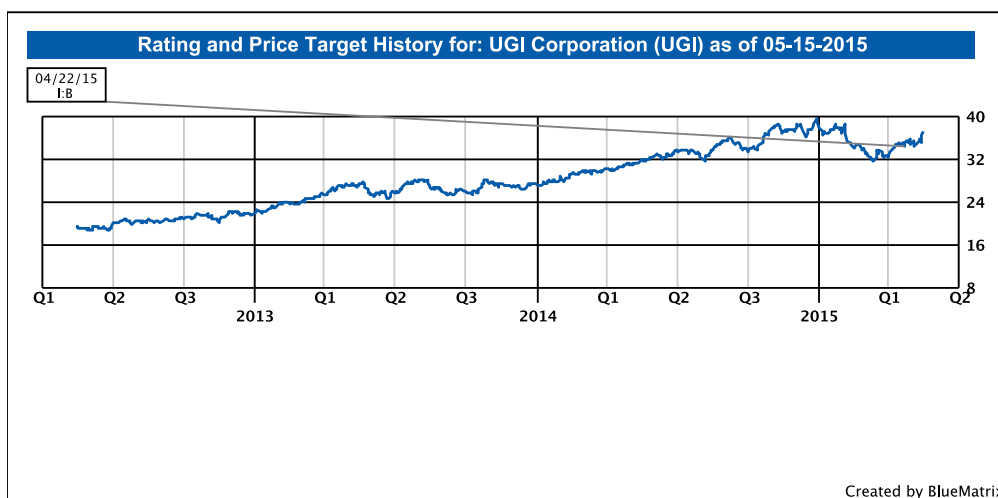
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Gas and Electric Utilities

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Fair Value Estimate:	\$43.00
52-Week Range:	\$31.53 - \$39.75
Market Cap (MM):	\$6,320
Shr.O/S-Diluted (mm):	172.5
Average Daily Volume:	868,710
Dividend:	\$0.89
Yield:	2.4%
FCF Yield:	11.5%

FYE: Sept	2014A	2015E	2016E
EPS:	\$1.99A	\$2.05E	\$2.25E
Prior EPS:		NC	NC
Consensus	NM	1.95	2.13
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Q1	\$0.72A	\$0.66A	--
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August 4, 2015

UGI Corporation

(UGI) - BUY

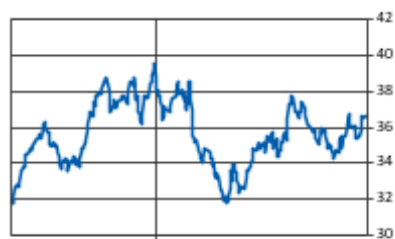
3Q15 weak on weather

Flash Takeaways

UGI's 3Q15 EPS was \$0.09 compared to the consensus expectation of \$0.16/share and our estimate of \$0.17. 2015 EPS guidance of \$2.00 - \$2.10 was reiterated although management now expects to be at the lower end of the range. We and consensus are already at the low end (\$2.05 and \$2.00, respectively) so we do not expect any change in consensus full year estimates. Weather was much worse than we expected, although the improvement in international margins was a bright spot.

Analysts Notes

- 3Q15 results missed due to weather. Relative to our expectations, APU and the Antargaz division of International Propane's results suffered from worse than expected weather (18.5% and 23.7% worse than normal, respectively). APU lowered its full year guidance as a result of weather.
- International margins and Midstream were ahead. The international propane margin rose by 11% points from last year, some 350bp more than we expected. In addition, Midstream and Marketing posted earnings ahead of our expectations.
- Our 2015 and beyond estimates remain unchanged. We see a stronger fourth quarter to offset the poor weather in Q315 due to better international margins and Midstream profits so we are retaining our 2015 EPS estimate. As a reminder, our 2017 EPS estimate is above consensus, and we believe that our estimate may not reflect the full upside earnings power of the company.
- Conference call at 9:00am (dial in: 877-201-0168). We expect positive commentary on the call around the midstream business. UGI's strategic advantage as a large buyer of natural gas helps its midstream business. We will also be looking for updates on the Total acquisition, which closed in fiscal 3Q15.






1 Year Price History for UGI

## INVESTMENT THESIS

We believe UGI will grow earnings faster than the market expects driven by better-than-expected performance from its midstream and international propane divisions. Over the next two years, we are forecasting a 12% EPS CAGR, well above the 7% than consensus expects. In addition, we believe that dividends will rise at an 8% pace, faster than consensus (4%) and management's guidance of a 4% growth rate. At a high level, we believe UGI is undergoing a transition from being viewed by investors as a low growth utility to that of a higher valued midstream energy infrastructure company as it is one of the best positioned companies to take advantage of the wet shale gas phenomenon. Our Fair Value Estimate is \$43 with upside potential of \$54 and a downside risk of \$26.

## ISSUES TO CONSIDER

Key Issue	Our Position	Timing	Impact
Will Energy Services continue to grow?	<b>We believe so and we believe there is upside.</b> <ul style="list-style-type: none"> <li>UGI is benefiting from the intrinsic competitive advantage of being a customer of pipelines as well as its geographic proximity to a low cost source of supply, the Marcellus shale. We expect there will be new midstream projects announced that will sustain the segment's growth for the foreseeable future.</li> </ul>	12-18 months	
How will Europe fare with low LPG prices?	<b>Low LPG prices should improve margins and demand.</b> <ul style="list-style-type: none"> <li>European LPG prices have halved. As the largest distributor of LPG, we expect UGI to witness better margins as well as improved demand.</li> </ul>	12-18 months	
Will UGI form a pipeline MLP?	<b>It remains a possibility but as UGI is generating free cash flow, we do not expect this to occur in the near term.</b> <ul style="list-style-type: none"> <li>With the increasingly robust growth backlog and increasing scale, UGI's midstream business could become an MLP. However, UGI's cost of capital is low because funding for the projects are from free cash flow which is low cost.</li> </ul>	24+ months	
What is the bullish case?	A notable recovery in LPG demand, upside in margins from lower propane/LPG prices, and several new large midstream projects that propel growth into the double digits.		
What keeps us up at night?	We are concerned about project cost inflation across the industry. In addition, as an acquirer, there is a risk that UGI could make poor acquisitions, although past track record indicates this is unlikely.		
Valuation	Our Fair Value Estimate is \$43 with a bull upside potential of \$54 and a bear downside risk of \$26.		

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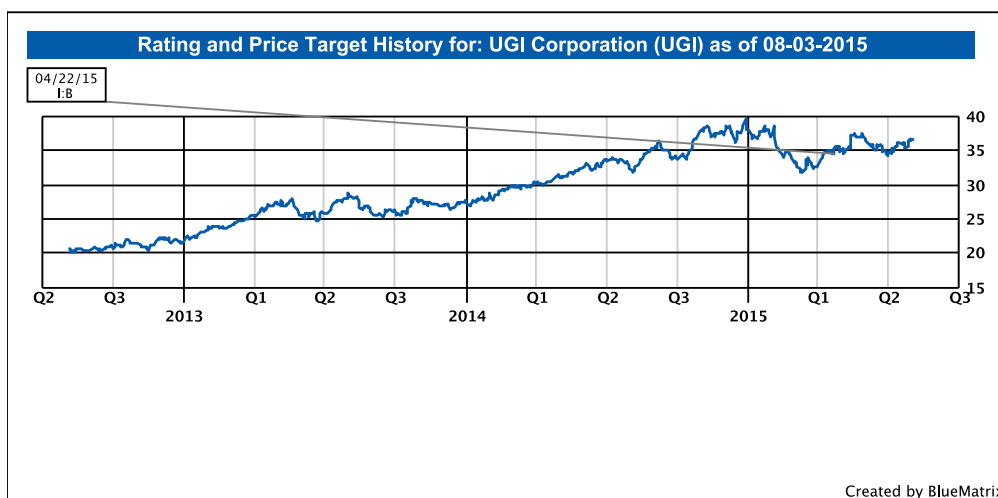
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			Count	Percent
<b>BUY [B]</b>	112	54.34	31	27.68
<b>NEUTRAL [N]</b>	94	45.63	13	13.83
<b>SELL [S]</b>	0	0.00	0	0.00

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Master Limited Partnership

Price:	\$36.81
Fair Value Estimate:	\$43.00
52-Week Range:	\$31.54 - \$39.75
Market Cap (MM):	\$6,361
Shr.O/S-Diluted (mm):	172.8
Average Daily Volume:	764,938
Dividend:	\$0.89
Yield:	2.4%

FYE: Sept	2014A	2015E	2016E
EPS:	\$1.99A	\$2.00E	\$2.25E
Prior EPS:		\$2.05	NC
P/E Ratio:	18.5x	18.4x	16.4x

Quarterly Adjusted EBITDA (\$M):

Q1	490.0A	401.0A	--
Q2	691.0A	690.0A	--
Q3	143.0A	124.0A	--
Q4	89.0A	128.0E	--
Year:	1,368.0A	1,342.0E	1,456.0E

Quarterly EPS:

Q1	\$0.72A	\$0.66A	--
Q2	\$1.29A	\$1.26A	--
Q3	\$0.10A	\$0.03A	--
Q4	\$(0.08)A	NA	--



November 4, 2015

UGI Corporation

(UGI) - BUY

Falling European LPG prices should benefit UGI

Flash Takeaways

During the past couple of weeks, there has been commentary from other companies indicating that European LPG prices could fall further. We believe that lower LPG prices could result in higher than expected margins and better demand growth in UGI's European business over the medium term. Consensus earnings estimates could rise by 5 – 15% from the benefit of lower LPG prices. We would note that we do not expect much impact on UGI's fiscal 4Q15 (out on Nov 10th) as it is summer, the low demand period, but rather 2016. We reiterate our Buy rating.

Analysts Notes

- Lower shipping costs increase likelihood of increased LPG exports and thus downward pressure on global LPG prices. On EPD's (No Rating) third quarter earnings call, the company noted a downward trend in LPG shipping costs that would improve economics to ship US LPG to global markets. As an example, the company noted that shipping cost from Houston to Europe have fallen ~50% since July as a result of the increase in shipping carriers available to transport LPG, and EPD expects them to fall further. In public presentations, both Antero Resources (No Rating) and Targa Resources (No Rating) have also indicated the potential for lower shipping cost due to this trend. Lower shipping costs have the potential to reduce European LPG prices by another 20%+.
- Low LPG prices are good for UGI's European operations. As the US propane market has become saturated with excess supply, US propane is being exported. This is putting downward pressure on European LPG prices, which naturally benefits UGI's European propane distribution business. The lower fuel costs results in higher margins. As the higher international margins become evident over the next 18 months, we would expect consensus earnings estimates to rise by 5%+ and the shares to respond positively.
- FY16 Guidance likely in line with consensus. We would expect management to provide guidance of \$2.10 - \$2.20 compared to consensus of \$2.15. While this is below our estimate of \$2.25, we would point out that management has a strong history of beating expectations and raising guidance. We also include some of the tailwind of falling European LPG prices in our expectations.
- Additional upside in Europe from Totalgaz synergies: Management has noted that there is the potential for synergies in the European business, but they've downplayed how (or when) this would occur. Our estimates do not include acquisition synergies, but we note that UGI is a top tier management team with a history of under promising and over delivering.

## IMPORTANT DISCLOSURES

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### Janney Montgomery Scott LLC ("Janney") Equity Research Disclosure Legend

Enterprise Products Partners, LP currently is, or during the past 12 months was, a Janney Montgomery Scott LLC client. Janney Montgomery Scott LLC, provided investment banking related services.

Janney Montgomery Scott LLC currently acts as a market-maker in the securities of Enterprise Products Partners, LP.

Janney Montgomery Scott LLC managed or co-managed a public offering of securities for Enterprise Products Partners, LP in the past 12 months.

Janney Montgomery Scott LLC received compensation for investment banking services from Enterprise Products Partners, LP in the past 12 months.

Janney Montgomery Scott LLC intends to seek or expects to receive compensation for investment banking services from UGI Corporation and Enterprise Products Partners, LP in the next three months.

The research analyst is compensated based on, in part, Janney Montgomery Scott's profitability, which includes its investment banking revenues.

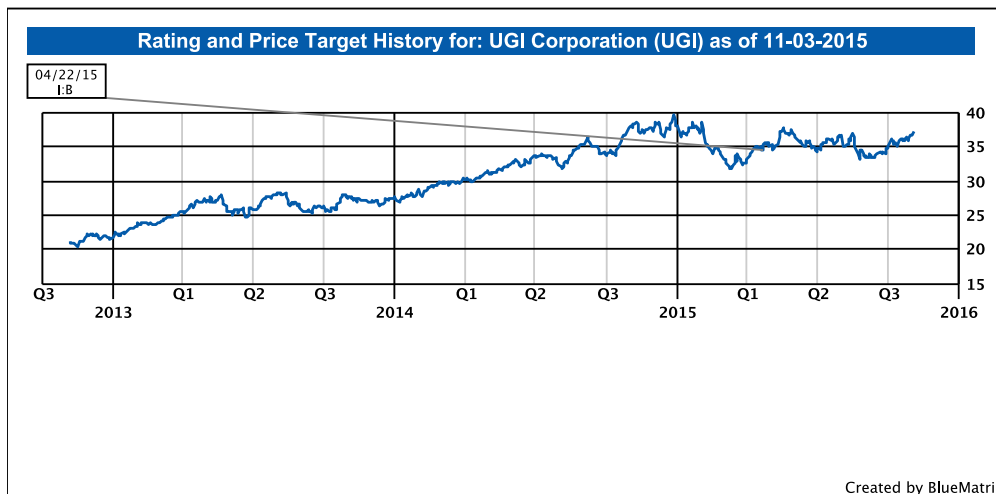
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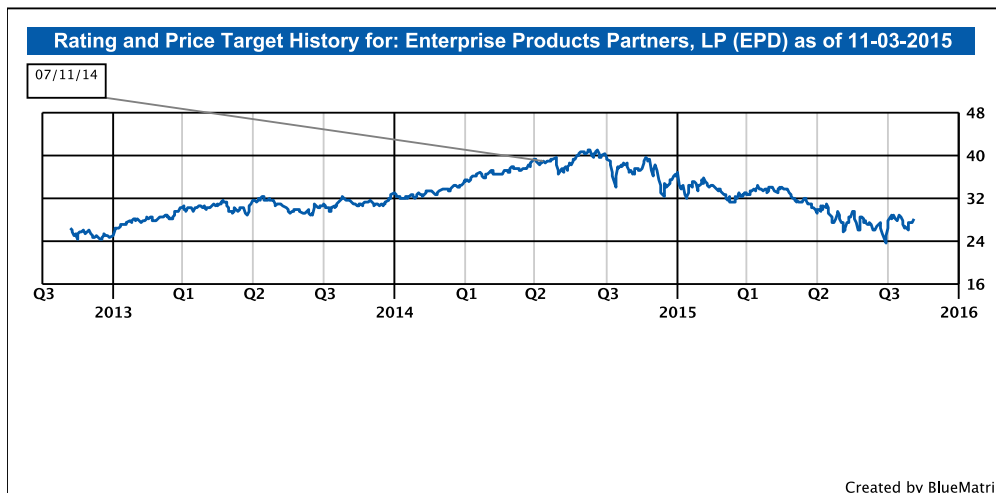
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### Price Charts





Janney Montgomery Scott Ratings Distribution as of 9/30/15

Rating	Count	Percent	IB Serv./Past 12 Mos.*	
			Count	Percent
<b>BUY [B]</b>	93	51.67	14	15.05
<b>NEUTRAL [N]</b>	86	47.78	13	15.12
<b>SELL [S]</b>	1	0.56	0	0.00

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Nathan Judge, CFA

215-665-4475 njudge@janney.com

Master Limited Partnership

Price:	\$34.80
Fair Value Estimate:	\$43.00
52-Week Range:	\$31.54 - \$39.75
Market Cap (MM):	\$6,013
Shr.O/S-Diluted (mm):	172.8
Average Daily Volume:	747,963
Dividend:	\$0.89
Yield:	2.6%

FYE: Sept	2014A	2015E	2016E
EPS:	\$1.99A	\$2.01A	\$2.25E
Prior EPS:		\$2.00	NC
P/E Ratio:	17.5x	17.3x	15.5x

Quarterly Adjusted EBITDA (\$M):

Q1	490.0A	401.0A	--
Q2	691.0A	690.0A	--
Q3	143.0A	124.0A	--
Q4	89.0A	128.0E	--
Year:	1,368.0A	1,342.0E	1,456.0E

Quarterly EPS:

Q1	\$0.72A	\$0.66A	--
Q2	\$1.29A	\$1.26A	--
Q3	\$0.10A	\$0.03A	--
Q4	\$(0.08)A	\$0.01A	--

November 10, 2015

## UGI Corporation

(UGI) - BUY

### UGI 4Q15 & FY16 guidance above consensus

#### Flash Takeaways

UGI reported fiscal 2015 results ahead of consensus and in line with our estimate. EPS came in at \$2.01 vs consensus at \$1.94; (Janney \$2.00). Even more bullish is that initial 2016 EPS guidance of \$2.15- \$2.30 was above consensus (\$2.15) and translates to 11% YoY growth at the midpoint. Our bullish thesis has been partly due to our expectations that UGI will be growing faster than consensus expects (Janney 2016 EPS: \$2.25). We would also note that UGI has a strong history of beating its beginning-of-year guidance. We reiterate our Buy rating.

#### Analysts Notes

- 4Q15 results. UGI reported a 4Q15 EPS \$0.01 compared to consensus expectations for a \$0.03/share loss. Relative to our expectations, better than expected performance in the Midstream & Marketing segment and UGI International more than offset lower than expected earnings in the AmeriGas segment (warmer than normal weather).
- Fiscal 2016 outlook better than we and likely consensus expected. Management expects FY16 EPS to be between \$2.15 and \$2.30. We were expecting \$2.10 - \$2.20 and for this to rise over time to our estimate of \$2.25. Consensus, excluding our estimate, is \$2.12 and at the bottom end of guidance range. We would note that UGI's actual full year EPS has exceeded the midpoint of guidance at the beginning of the year for several years now.
- Conference call at 9:00am (dial in: 877-201-0168

).



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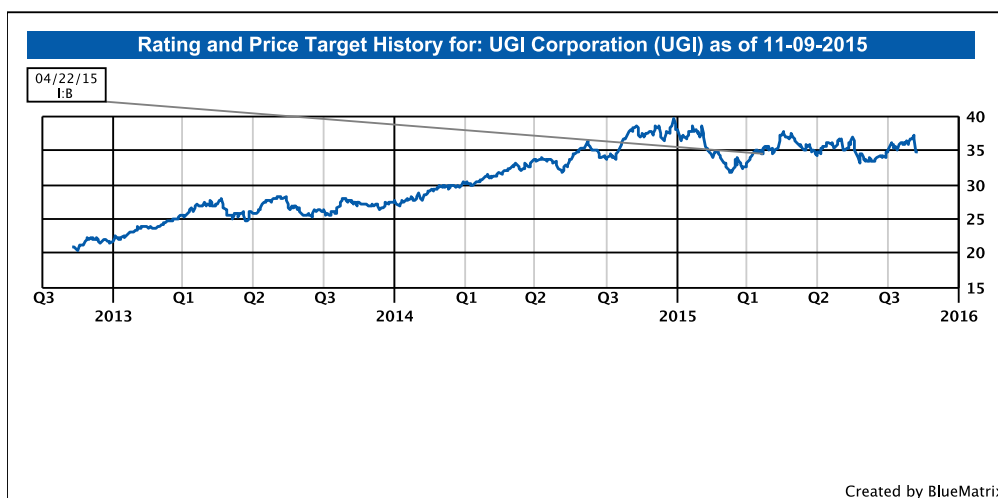
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Akil Marsh, CFA

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215-665-6457 amarsh@janney.com

Gas and Electric Utilities

Price:	\$34.00
Fair Value Estimate:	\$43.00
52-Week Range:	\$31.51 - \$38.60
Market Cap (MM):	\$5,865
Shr.O/S-Diluted (mm):	172.5
Average Daily Volume:	1,081,320
Dividend:	\$0.89
Yield:	2.6%

FYE: Sept	2014A	2015A	2016E
EPS:	\$1.99A	\$2.01A	\$2.15E
Prior EPS:			\$2.25
P/E Ratio:	17.1x	16.9x	15.8x

Quarterly Adjusted EBITDA (\$M):

	Q1	Q2	Q3	Q4	Year:
Q1	490.0A	401.0A	338.5E		
Q2	691.0A	690.0A	--		
Q3	143.0A	124.0A	--		
Q4	89.0A	128.0A	--		
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Quarterly EPS:

	Q1	Q2	Q3	Q4
Q1	\$0.72A	\$0.66A	\$0.62E	
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February 1, 2016

UGI Corporation

(UGI) - BUY

1Q16 Outlook: poor weather

Flash Takeaways

Our fiscal 1Q16 EPS estimate of \$0.62, down from \$0.66 a year ago, reflects the impact of very warm weather in the October - December time frame both in the US and in Europe. We are also reducing our full year 2016 estimate by \$0.10/share to reflect the very warm weather. All other estimates remain constant. The company reports after the close tonight and will host a conference call tomorrow morning.

Analysts Notes

- Weather ~ 20% warmer than normal. Winter weather can have a temporary negative impact on results given UGI's exposure to propane distribution in the US and Europe and natural gas distribution in Eastern Pennsylvania. Based on our calculations, weather was very warm in the fiscal 1Q16 period, about 20% warmer than normal. This has a negative impact of about \$0.10/share.



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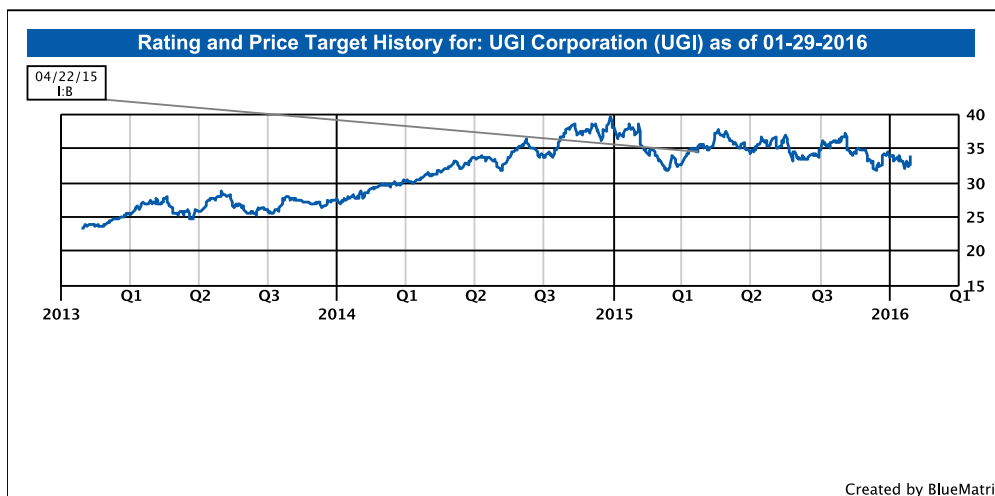
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### Price Charts



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Rating	Count	Percent	IB Serv./Past 12 Mos.*	
			Count	Percent
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<b>NEUTRAL [N]</b>	95	45.24	15	15.79
<b>SELL [S]</b>	2	0.95	0	0.00

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Q3	\$0.10A	\$0.03A	--
Q4	\$(0.08)A	\$0.01A	--

February 2, 2016

UGI Corporation

(UGI) - BUY

UGI exceeds our expectations in 1Q16; Look at International Propane

PORTFOLIO MANAGER BRIEF

UGI reported 1Q16 EPS of \$0.64, ahead of our estimate of \$0.62 (above consensus of \$0.60, excluding one estimate that skewed the average). More importantly, how UGI beat our estimates was impressive. Despite a worse than anticipated warm weather impact (1Q16 was one of the warmest winter quarters on record), margins were much better than expected, particularly in the International propane division. Overall, had weather been normal, results would have been significantly better than last year.

ANALYST NOTES

- Consensus is skewed. FactSet reports consensus estimated 1Q16 EPS at \$0.74; however, we would note that consensus is comprised of 4 estimates. One of these estimates hasn't been updated in a while and may not reflect the very warm weather in 1Q16. Excluding this singular estimate, consensus would be \$0.60.
- International propane total margin rose 52% despite an only 2.8% rise in revenues. On a per gallon basis, total margins were \$1.06 compared to \$1.00 a year ago. We have been highlighting the positive impact of LNG imports into Europe and it appears this is notably lifting UGI's results.
- Weather was very challenging. Not only did APU post volumes much worse than expected due to the warm weather (albeit better margins), UGI's Pennsylvania utility had results below expectations due to weather.
- Rate case filed, as expected. UGI Utilities (~1/3 of profits) filed its first rate case in 21 years. UGI has begun to under earn due to increased investment in pipeline integrity and customer hook ups, while revenues have not kept up. The rate case should allow UGI Utilities to implement riders (DSC) that reduce regulatory lag. A decision should be reached by the end of this year.
- Conference call at 9:00am (dial in: 647-788-4901)



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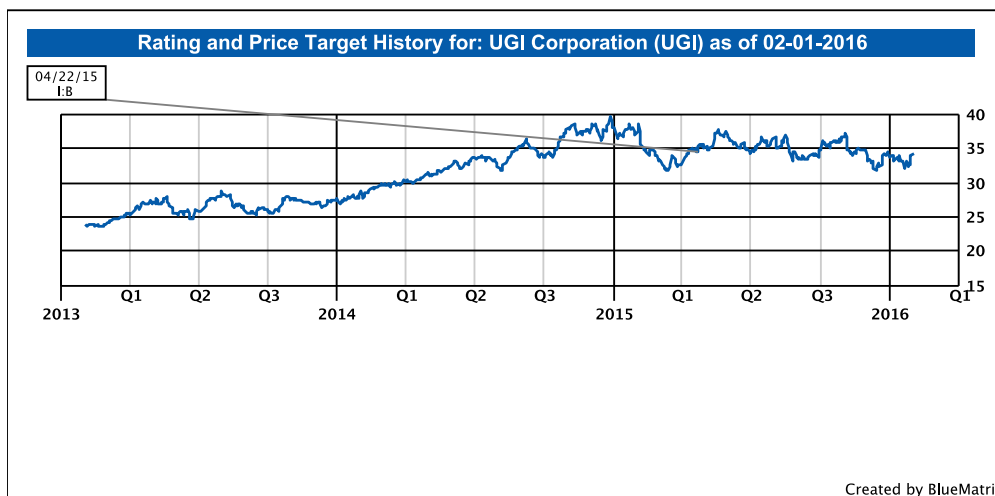
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Gas and Electric Utilities

Price:	\$40.35
Fair Value Estimate:	\$43.00
52-Week Range:	\$31.51 - \$41.43
Market Cap (MM):	\$6,937
Shr.O/S-Diluted (mm):	171.9
Average Daily Volume:	875,029
Dividend:	\$0.91
Yield:	2.3%

FYE: Sept	2015A	2016E	2017E
EPS:	\$2.01A	\$1.90E	\$2.35E
Prior EPS:		\$2.15	\$2.40
P/E Ratio:	20.1x	21.2x	17.2x

Quarterly Adjusted EBITDA (\$M):

Q1	401.0A	401.0A	--
Q2	690.0A	634.0E	--
Q3	124.0A	124.0E	--
Q4	128.0A	122.0E	--
Year:	1,342.0A	1,343.0E	1,502.0E

Quarterly EPS:

Q1	\$0.66A	\$0.64A	--
Q2	\$1.26A	\$1.14E	--
Q3	\$0.03A	\$0.04E	--
Q4	\$0.01A	\$0.08E	--

April 29, 2016

UGI Corporation

(UGI) - NEUTRAL

Downgrading to Neutral

Flash Takeaways

We are downgrading our rating on UGI to reflect 1) Valuation given the stock's strong performance, 2) concerns about PennEast pipeline delays, 3) and lower FY16 estimates due to continued warm weather both in the US and Europe in the latest quarter. We are retaining our fair value estimate of \$43.

Analysts Notes

- Valuation is now more expensive relative to history. The current next year PE is 17.1x compared to a 10 year average of 13.2x. In fact, it is at the highest PE in the past 10 years. EV/EBITDA metrics show similar results indicating that the stock, while warranted, is expensive relative to history.
- PennEast regulatory hurdles may spell potential delays to the pipeline. We would note that we have concerns about the project due to potential regulatory delays.
- We expect management to lower FY16 guidance next week, albeit this is mostly anticipated. It has been a very warm winter so we are reducing our FY16 EPS estimate to \$1.90 from \$2.15 (consensus: \$2.01). Current guidance is for \$2.15 - \$2.30, but this has not been updated for weather.



## INVESTMENT THESIS

We are downgrading UGI to Neutral to principally reflect valuation given the strong performance over the past year. On the margin, we are also increasingly aware of negative headline risk, specifically potential regulatory delays to the PennEast project and lowered FY16 guidance when the company reports results on May 3. We still believe this should be a core holding and is one of the best positioned companies to take advantage of the wet shale gas phenomenon. Our Fair Value Estimate remains \$43 (6% upside).

## ISSUES TO CONSIDER

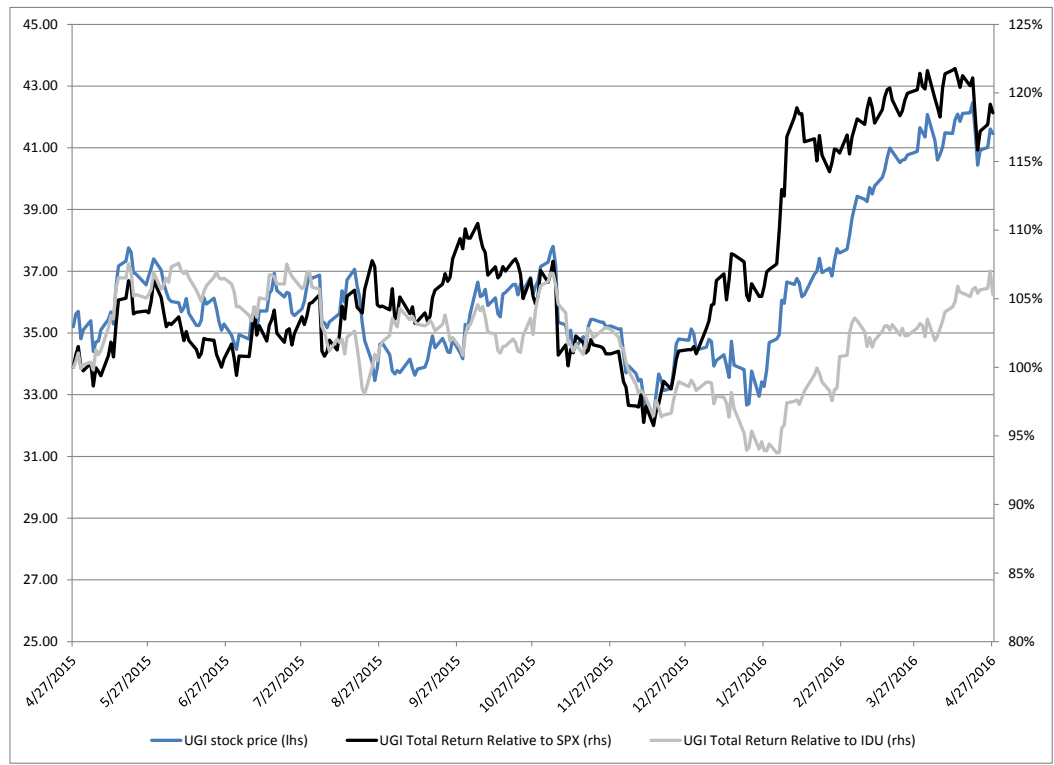
Key Issue	Our Position	Timing	Impact
How has the warm winter impacted results?	<p><b>We expect management to reduce guidance, albeit this is somewhat expected.</b></p> <ul style="list-style-type: none"> <li>A near record warm winter in both the US and Europe has likely resulted in lower profits. Consensus expects EPS of \$2.01 for FY16 which is well below management guidance of \$2.15 - \$2.30. However, we believe guidance (which wasn't updated after the record warm Sept-Dec quarter) will likely come in even below consensus. Our new FY16 estimate is \$1.90/share.</li> </ul>	3-6 months	
How is the PennEast pipeline progressing?	<p><b>Active protesting of the PennEast pipeline appears to have ratcheted up political tension which could delay the project.</b></p> <ul style="list-style-type: none"> <li>On Monday, the Delaware River Basin Commission has decided to take the unusual step of conducting its own hearings on whether to give a permit to the PennEast pipeline. We have seen other transmission projects blocked by the Federal-State agency. We would also note that FERC's hearings is about six months later than we originally expected. The company has said that the project remains on time and on budget even with these changes in the regulatory schedules.</li> </ul>	12-18 months	
Will UGI benefit from lower propane prices?	<p><b>Propane prices have continued to fall/stay low which positions UGI very well in the long run.</b></p> <ul style="list-style-type: none"> <li>Following near historic low prices for propane in the US, there has been a significant increase in the amount of LPG exported. This, along with lower oil prices, has pushed European propane/LPG prices lower. Lower propane prices benefit UGI in many ways and we expect this will continue.</li> </ul>	24+ months	
What is the bullish case?	Notable upside in margins from lower propane/LPG prices, and several new large midstream projects that propel growth into the double digits.		
What keeps us up at night?	We are increasingly concerned about the PennEast pipeline and potential negative headlines related to this. In the broad scope of things, PennEast is a relatively small investment for UGI. However, given that valuation is near historical highs, we don't believe any disappointment is priced in.		
Valuation	UGI is now trading at its historical high. Our Fair Value Estimate remains \$43 (6% upside).		

## 1. Valuation, PennEast and Earnings

### 1.1. Valuation

UGI has performed very well in the past year. The shares have risen from the low \$30s to over \$40/share which is about 17% outperformance compared to the S&P 500, 8% better than other utilities and a 50%+ better performance than other energy infrastructure companies.

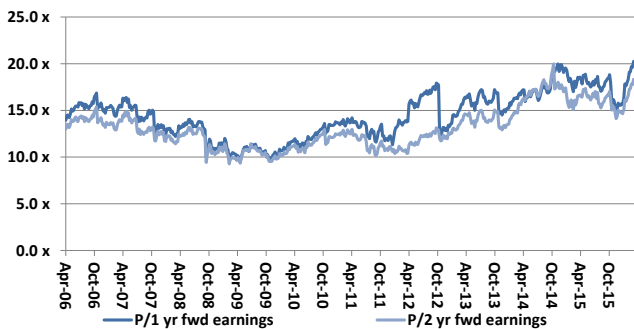
**Figure 8: Stock price (one year absolute and relative performance)**



Source: Factset Janney Montgomery Scott

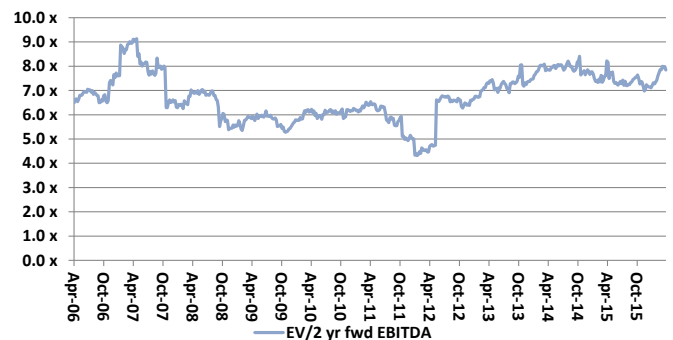
However, UGI is now trading at or near record high valuation levels relative to history. Figures 2 and 3 below show the historic forward P/E and EV/EBITDA multiples for UGI. We would note that most companies in our coverage currently trade at near record cheap levels. We agree that UGI deserves a premium but are unsure that this premium will rise even further.

**Figure 2: Price/forward 24 month earnings**



Source: Factset

**Figure 3: EV/forward 24 month EBITDA**

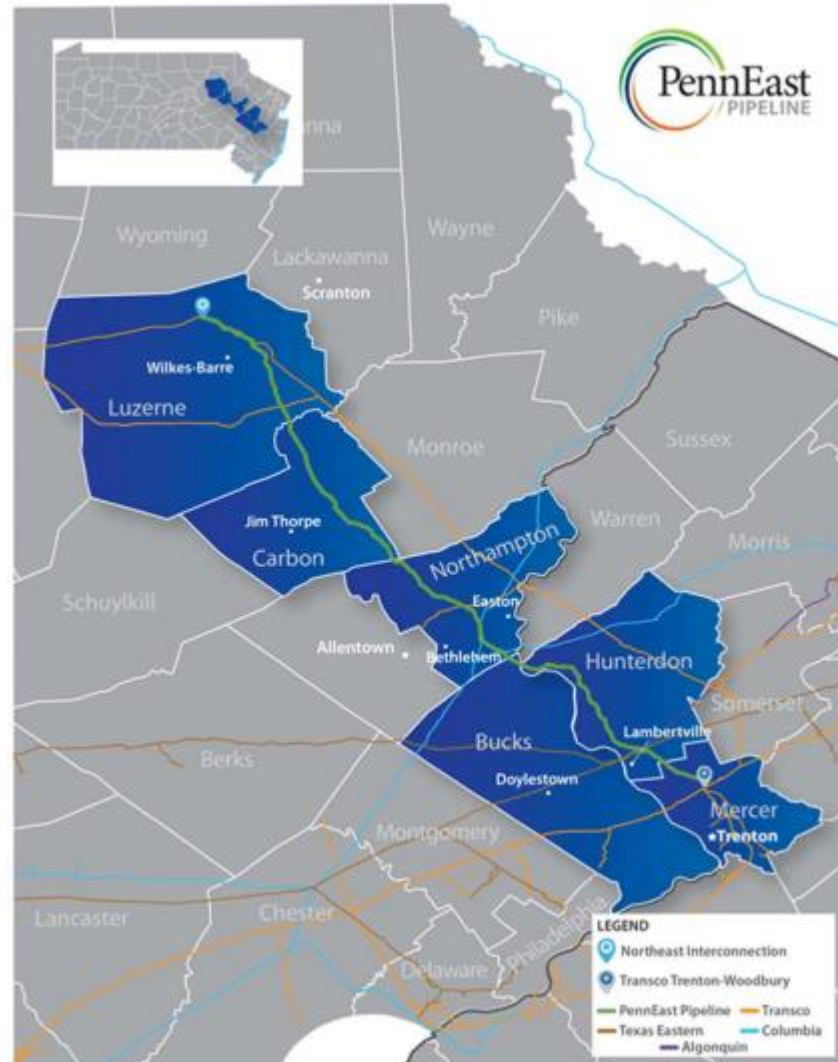


Source: Factset

1.2.  
PennEast pipeline  
update

One of the most notable of UGI's large projects is the \$1bn PennEast pipeline. UGI has a 20% equity stake in the project. The company will build and operate the pipeline. Figure 4 below shows the proposed route.

**Figure 4: PennEast Pipeline**



Source: Company presentation

The PennEast pipeline is designed to bring low-cost natural gas from the northeast portion of the Marcellus into the higher cost Philadelphia Pennsylvania/ Trenton New Jersey region. The economic benefits appear to be sizable. The economic impact statement estimates that customers in the area would have saved an estimated \$893m if the pipeline was in place during the 2013-2014 winter.

However, there has been an increased level of resistance to pipelines that would transport hydrocarbons from areas that use fracking. There have been numerous protests outside of federal and state agencies lobbying against the PennEast project in particular.

Some level of protesting is expected and does not doom a project. However, on Monday, the Delaware River Basin Commission decided to host its own hearings, not in conjunction with FERC. We have seen this commission delay many other electric and pipeline transmission projects. Therefore, in our opinion, it is not good news.



Again, we would note that 1) this is a relatively small investment for UGI, 2) the company has stated recently that the project remains on time and on budget, and 3) our concerns about the Delaware River Basin Commission could be overblown.

However, given that the project was in our base case outlook for more midstream growth and UGI's valuation is near its historical peak, we have decided that this is one reason of many to take a more neutral stance on the shares.

**1.3.**  
Lowering 2016  
estimates

---

Weather has been very warm and that is bad for UGI's propane distribution and utility businesses. For the 2<sup>nd</sup> Fiscal quarter (Jan – Mar), weather was about 12% warmer than last year for APU and about 32% warmer than a year ago for its utilities. As a result, we are lowering our FY2016 EPS to \$1.90 (consensus: \$2.01) from \$2.15 to reflect this impact. We would expect guidance of \$2.15 - \$2.30 to be lowered when they report on 3<sup>rd</sup> May. We would note that there has only been one negative revision to estimates since early February despite the warm weather.

Figure 5: Earnings model (2013 – 2017e)

	2014A		2015a		1Q16a		2Q16e		3Q16e		4Q16e		2016e		2017e	
<b>EBITDA</b>																
Amerigas	665	12%	619	-7%	172		326		54		55		607	-2%	698	15%
Int'l propane	201	-14%	206	3%	116		105		21		22		264	28%	276	4%
Utilities	290	16%	283	-2%	63		103		30		15		211	-26%	292	38%
Midstream & Marketing	222	105%	256	15%	50		100		18		29		261	2%	266	2%
Corporate																
Total EBITDA	1,378	16%	1,365	-1%	401		634		124		122		1,343	-2%	1,532	14%
EBITDA ex minority	892		913										900		1,023	
<b>DD&amp;A</b>																
Amerigas	-197		-195		-49		-47		-47		-47		-190		-194	
Int'l propane	-83		-93		-28		-28		-28		-39		-122		-131	
Utilities	-54		-57		-15		-14		-14		-17		-60		-63	
Midstream & Marketing	-18		-18		-4		-4		-4		-6		-18		-18	
Corporate																
Total DD&A	-352		-363		-96		-93		-93		-109		-390		-406	
<b>Operating Income</b>																
Amerigas	472		428		130		278		7		2		417		504	
Int'l propane	118		113		85.1		66		0		-9		142		145	
Utilities	236		227		48.3		89		16		-2		151		229	
Midstream & Marketing	199		185		42.9		95.9		14.4		27		180		199	
Corporate	-19		-117		0		0.0		0.0		0.4		0.0		0.0	0%
Total EBIT	1,006	21%	835	-17%	306		529		37		19		890	7%	1,077	21%
Loss fom equity investees	-0.1		-1.2		-0.1		0.0		0.0		0		0.0		0.0	
<b>Interest Expense</b>																
Amerigas	-166		-163		-41		-42		-41		-43		-168		-171	
Int'l propane	-30		-35		-7		-8		-8		-8		-32		-32	
Utilities	-37		-39		-10		-10		-10		-7		-37		-38	
Midstream & Marketing	-3		-2		-1		-1		-1		0		-2		-2	
Corporate	-3		-3		0		-1		0		1		0		0	
Interest Expense	-238		-242		-58		-63		-60		-58		-238		-243	
Pretax income	768		592		247		466		-23		-39		651		835	
Income taxes	-235		-178		80		-82		-7		11		-158		-195	
Tax rate	31%		30%		32%		31%		31%		31%		24%		23%	
Earnings	533		414		168		384		-30		-28		494		640	
Noncontrolling interests	-195		-133		-53		-183		37		42		-157		-225	
Net income	337		281		115		201		7		14		336		415	
After Tax Adjustment	12		73		-2		0		0		0		-2		0	
<b>Adjusted EPS</b>	<b>1.99</b>	23%	<b>2.01</b>	1%	<b>0.64</b>	-3%	<b>1.14</b>	-7%	<b>0.04</b>	41%	<b>0.08</b>		<b>1.90</b>	-6%	<b>2.35</b>	23%
Shares Out	175.2		175.7		175.2		175.5		175.8		176.1		175.7		176.9	

Source: Company reports, JMS estimates

## 2. Risks

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### **Propane to natural gas conversions.**

Natural gas as a fuel for heating, cooking, etc. is significantly cheaper than other fuels, including propane. There are other benefits as well, including reliability. Clearly, there is every incentive for not only those using heating oil but also propane to convert to natural gas. Therefore, there is a risk that propane to natural gas conversions will threaten volumes.

However, we think that this risk is: 1) already discounted in the valuation, and 2) a bit overblown. It is worth bearing in mind that the economics have been extremely attractive for some time. In fact, they were even more attractive a year or two ago than currently. So, if customers were likely to convert, we would expect that they would have switched already. If anything, the pace of conversions is probably decelerating.

Here are some stats that support our thesis that the risk is somewhat overblown. AmeriGas loses only about 0.15% of customers annually to natural gas conversions. In addition, of the customers that UGI converted to natural gas from other fuels in the past year, only 1.7% were propane customers.

Why are there not more conversions if the economics are so attractive? Most propane customers are not close to a gas main, and therefore they cannot get access to natural gas. Indeed, most propane customers are in rural, low-density locations, and utilities do not expand the natural gas distribution network out given the significant costs.

### **Warm winter weather.**

Warm winter weather could result in a reduction to guidance. As seen following the most recent set of quarterly results (which were shy of expectations mostly due to warm weather), investors don't take kindly to reductions in expectations even if it is for temporary things such as weather.

### **Forex exposure.**

Approximately 23% of UGI's earnings and, more importantly, about 13% of its cash flow come from European operations. However, UGI rateably hedges its FX exposure over a three-year period. Therefore, every 10% move in the €/ \$ relationship (we currently assume €1.07/\$1 through 2017) has an impact of less than 1% on 2015 and 2016 EPS. By 2017, the impact could be as high as \$0.06/share (~2%).

### **Southern Europe economic malaise spreads to Eastern Europe.**

Most of the growth in UGI's international propane business is in the faster-growing Eastern European markets. While these markets have held up, a slowdown in their economic expansion would likely reduce UGI profit expectations.

## IMPORTANT DISCLOSURES

### Research Analyst Certification

I, Nathan Judge, the Primarily Responsible Analyst for this research report, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers. No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views I expressed in this research report.

### Janney Montgomery Scott LLC ("Janney") Equity Research Disclosure Legend

Janney Montgomery Scott LLC intends to seek or expects to receive compensation for investment banking services from UGI Corporation in the next three months.

The research analyst is compensated based on, in part, Janney Montgomery Scott's profitability, which includes its investment banking revenues.

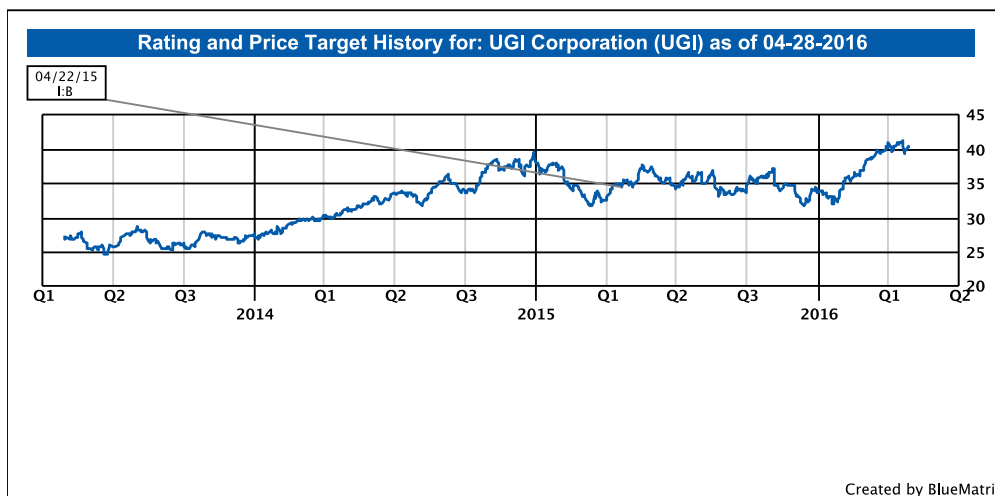
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**BUY:** Janney expects that the subject company will appreciate in value. Additionally, we expect that the subject company will outperform comparable companies within its sector.

**NEUTRAL:** Janney believes that the subject company is fairly valued and will perform in line with comparable companies within its sector. Investors may add to current positions on short-term weakness and sell on strength as the valuations or fundamentals become more or less attractive.

**SELL:** Janney expects that the subject company will likely decline in value and will underperform comparable companies within its sector.

### Price Charts



### Janney Montgomery Scott Ratings Distribution as of 03/31/16

Rating	Count	Percent	IB Serv./Past 12 Mos.*	
			Count	Percent
<b>BUY [B]</b>	116	52.73	26	22.41
<b>NEUTRAL [N]</b>	84	38.18	7	8.33
<b>SELL [S]</b>	2	0.91	0	0.00
<b>EXTENDED REVIEW [S]</b>	18	8.18	8	44.44

\*Percentages of each rating category where Janney has performed Investment Banking services over the past 12 months.

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Investment opinions are based on each stock's 6-12 month return potential. Our ratings are not based on formal price targets, however, our analysts will discuss fair value and/or target price ranges in research reports. Decisions to buy or sell a stock should be based on the investor's investment objectives and risk tolerance and should not rely solely on the rating. Investors should read carefully the entire research report, which provides a more complete discussion of the analyst's views. Supporting information related to the recommendation, if any, made in the research report is available upon request.



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215-665-6457 amarsh@janney.com

Gas and Electric Utilities

Price:	\$40.09
Fair Value Estimate:	\$43.00
52-Week Range:	\$31.51 - \$41.43
Market Cap (MM):	\$6,891
Shr.O/S-Diluted (mm):	171.9
Average Daily Volume:	895,901
Dividend:	\$0.95
Yield:	2.4%

FYE: Sept	2015A	2016E	2017E
EPS:	\$2.01A	\$2.00E	\$2.35E
Prior EPS:		\$1.90	NC
P/E Ratio:	19.9x	20.0x	17.1x

Quarterly Adjusted EBITDA (\$M):			
Q1	401.0A	401.0A	--
Q2	690.0A	634.0E	--
Q3	124.0A	124.0E	--
Q4	128.0A	122.0E	--
Year:	1,342.0A	1,343.0E	1,502.0E

Quarterly EPS:			
Q1	\$0.66A	\$0.64A	--
Q2	\$1.26A	\$1.24A	--
Q3	\$0.03A	\$0.04E	--
Q4	\$0.01A	\$0.08E	--

May 3, 2016

UGI Corporation

(UGI) - NEUTRAL

Fiscal 2Q16 in line; lowers guidance to consensus

PORTFOLIO MANAGER BRIEF

UGI reported 2Q16 EPS of \$1.24, ahead of our estimate of \$1.14 but in line with consensus of \$1.25. Weather was much warmer than normal, which led to worse than anticipated results from AmeriGas and Midstream & Marketing; however, this was more than offset by a very impressive 71% jump in operating income in its international segment reflecting improved margins and acquisitions. Utilities did better than our outlook as well. Management reduced full year guidance to \$1.95-\$2.05 (Consensus: \$2.01). We are raising our FY16 EPS estimate to \$2.00 from \$1.90 to reflect the \$0.10/share beat in the quarter.

ANALYST NOTES

- Consistent with the past couple of quarters, International propane did very well. Margins per gallon rose a stunning 24% YoY, while total margin jumped 57% and revenue increased only 11%. We have been highlighting the positive impact of LNG imports into Europe and it appears this is notably lifting UGI's results.
- Weather was very challenging, particularly at APU. APU's EBITDA was \$295.4m (consensus: \$330m, Janney \$312m), down 14% YoY. Volumes were 13% lower versus our expectations of only a 10% decline. We would note that most consensus estimates had not been adjusted since early February which, to us, indicates they had not been adjusted for the notable warm weather in 2Q16. Operating income for UGI utilities was 20% lower YoY, although this did come in ahead of our outlook due to better than expected cost controls.
- Conference call at 9:00am today. We are interested in hearing more about the improvement in the International Propane margin, as well as updates on the PennEast Pipeline.



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Janney Montgomery Scott LLC intends to seek or expects to receive compensation for investment banking services from UGI Corporation and AmeriGas Partners, LP in the next three months.

The research analyst is compensated based on, in part, Janney Montgomery Scott's profitability, which includes its investment banking revenues.

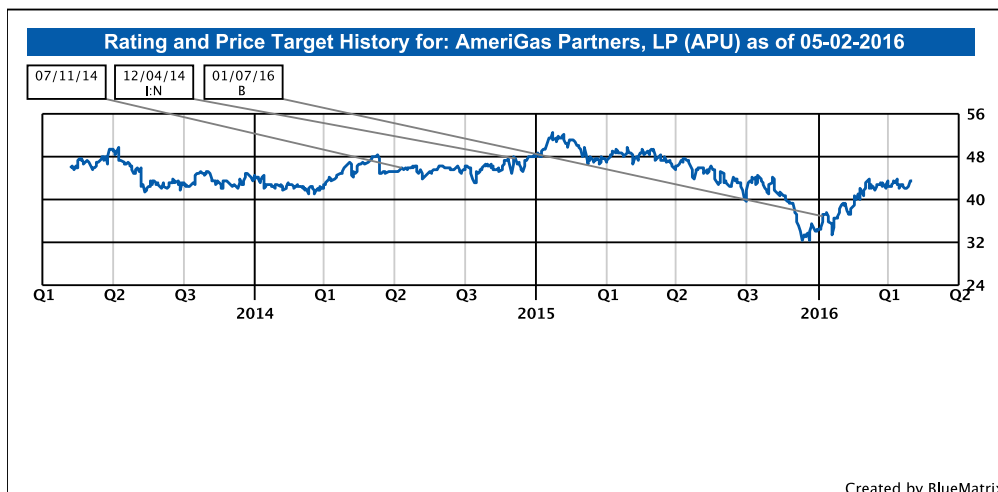
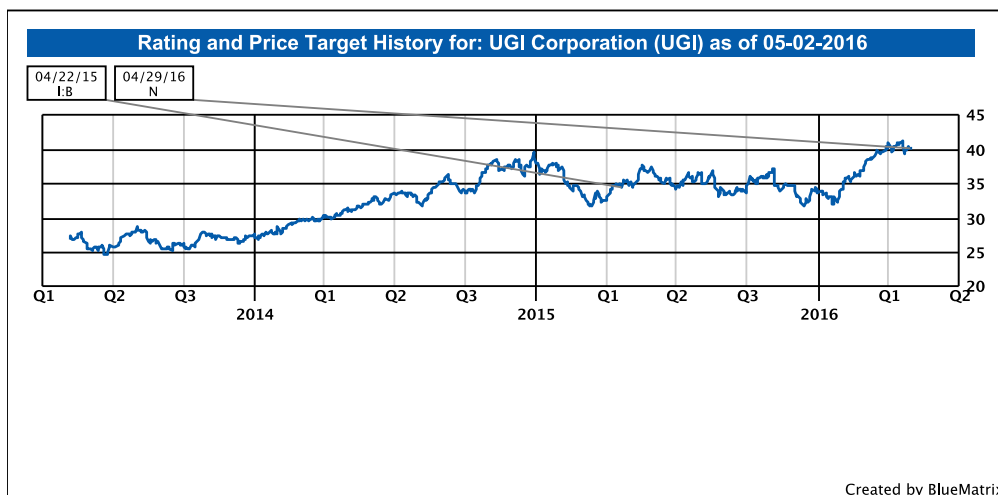
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Gas and Electric Utilities

Price:	\$43.31
Fair Value Estimate:	\$44.00
52-Week Range:	\$31.51 - \$43.37
Market Cap (MM):	\$7,480
Shr.O/S-Diluted (mm):	172.7
Average Daily Volume:	936,240
Dividend:	\$0.95
Yield:	2.2%

FYE: Sept	2015A	2016E	2017E
EPS:	--	\$1.98E	\$2.37E
Prior EPS:	NC	\$2.00	\$2.35
P/E Ratio:	21.5x	21.9x	18.3x

Quarterly Revenue (M):

Q1	--	\$1,607A	\$1,838E
Q2	--	\$1,972A	\$2,298E
Q3	--	\$1,306E	\$1,403E
Q4	--	\$1,271E	\$1,370E
Year:	--	\$6,155E	\$6,908E

Quarterly EPS:

Q1	--	\$0.64A	\$0.73E
Q2	--	\$1.24A	\$1.28E
Q3	--	\$0.05E	\$0.17E
Q4	--	\$0.06E	\$0.19E
EPS: Adjusted			



May 25, 2016

UGI Corporation

(UGI) - NEUTRAL

UGI - Assuming Coverage with NEUTRAL Rating, \$44 Fair Value

Flash Takeaways

We are resuming coverage of UGI Corporation with a NEUTRAL rating and \$44 Fair Value estimate (previously \$43), based on our sum-of-the-parts (SOTP) valuation methodology. UGI is a key player in the Mid-Atlantic region with a strong balance sheet, cash flow generation, and a diversified platform for growth. We view the shares as fully valued at current price levels based on our FY18 forecasts, but we'll look opportunistically to revisit our rating with a favorable bias given our positive view of the company's future growth prospects.

Analysts Notes

- **Growth profile robust.** Within our coverage universe of energy/utility companies within the Mid-Atlantic region, UGI Corporation has, in our opinion, the most varied and robust opportunities for future growth. Whether it's moving Marcellus Shale gas via new pipeline projects, or leveraging its strong balance sheet for acquisitions, UGI sits in the proverbial "driver's seat", and we expect continued strategic investments to augment organic growth throughout our published forecasts.
- **Strong regulated utility operations.** UGI Corporation has three regulated utilities: UGI Utilities, Central Penn Gas, and Penn Natural Gas that cover over 28% of the total square miles in Pennsylvania with around 12,000 miles of gas mains in service (UGI also serves one county in Maryland). The company operates in relatively favorable regulatory environments, and has opportunities for growth as cast iron and bare steel pipes are replaced through 2027 and 2041, respectively. Customer conversions have also contributed 1% to 2% to earnings growth.
- **Midstream & Marketing segment remains a strength.** While the regulated utility operations provide a strong base business, the Midstream & Marketing segment takes advantage of UGI's fortunate location to the Marcellus Shale. The Midstream & Marketing business includes natural gas peaking, storage and pipelines, electric generation, and UGI energy services. A recent project to add potential future growth to UGI is the PennEast pipeline, which is currently in the development phase awaiting regulatory review.
- **Summary/Valuation** - UGI is a name we've followed from afar for quite some time, given the key location of its assets in the Mid-Atlantic region. It's disappointing to assume coverage with a NEUTRAL rating, given the strong growth prospects we see developing over the next several years. Unfortunately

the shares already reflect much of that upside, rallying substantially since early in the year, and confirmed by our SOTP. That said, we'll be looking for any opportunity market conditions may present to become more positive from a ratings perspective.

- | <b>UGI CORP FY18 SUM-OF-THE-PARTS VALUATION</b> |               |            |                |
|---|---------------|------------|----------------|
| <b>Segment</b>                                  | <b>EPS</b>    | <b>P/E</b> | <b>VALUE</b>   |
| AmeriGas Propane                                | \$0.35        | 17         | \$5.97         |
| Gas Utility                                     | \$0.63        | 18         | \$11.35        |
| Midstream & Marketing                           |               |            |                |
| Energy Services                                 | \$0.57        | 18         | \$10.24        |
| Electric Generation                             | \$0.05        | 17         | \$0.89         |
| UGI International                               |               |            |                |
| UGI France                                      | \$0.73        | 17         | \$12.37        |
| Flaga & Other                                   | \$0.18        | 16         | \$2.91         |
| Corporate                                       | (\$0.06)      | 0          | \$0.00         |
| Eliminations                                    | \$0.00        | 0          | \$0.00         |
| <b>Total</b>                                    | <b>\$2.45</b> |            | <b>\$43.72</b> |

## INCOME STATEMENT

UGI Corporation		Quarterly Income Statement, 2016E									
(Millions of dollars, except per share data)											
Fiscal year ends September 30											
	Dec. 31	% Rev or	Mar. 31	% Rev or	Jun. 30	% Rev or	4Q16E	% Rev or	2016E	% Rev or	
	1Q16	Margin	2Q16	Margin	3Q16E	Margin		Margin		Margin	
<b>Revenues</b>	1,606.6		1,972.1		1,305.5		1,270.5		6,154.7		
Cost of sales - total	734.0	45.7%	776.9	39.4%	718.8	55.1%	705.9	55.6%	2,935.6	47.7%	
<b>Gross income</b>	<b>872.6</b>		<b>1,195.2</b>		<b>586.7</b>		<b>564.6</b>		<b>3,219.1</b>		
Total operating expenses	1,301.1	81.0%	1,356.7	68.8%	1,273.6	97.6%	1,254.7	98.8%	5,186.1	84.3%	
<b>Operating income</b>	<b>305.5</b>	<b>19.0%</b>	<b>615.4</b>	<b>31.2%</b>	<b>31.9</b>	<b>2.4%</b>	<b>15.8</b>	<b>1.2%</b>	<b>968.6</b>	<b>15.7%</b>	
Income (loss) from equity investees	-0.1	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	(0.1)	0.0%	
Interest expense	(57.9)	-3.6%	(57.3)	-2.9%	(58.8)	-4.5%	(58.9)	-4.6%	(232.9)	-3.8%	
Income before income taxes	247.5	15.4%	558.1	28.3%	(26.9)	-2.1%	(43.1)	-3.4%	735.6	12.0%	
Income taxes	79.6	32.2%	150.1	26.9%	(5.8)	21.7%	(1.1)	2.5%	222.8	30.3%	
<b>Net Income</b>	<b>167.9</b>	<b>10.5%</b>	<b>408.0</b>	<b>20.7%</b>	<b>(21.0)</b>	<b>-1.6%</b>	<b>(42.0)</b>	<b>-3.3%</b>	<b>512.9</b>	<b>8.3%</b>	
Less: net income attributable to noncontrolling interests (APU)	(53.3)	-3.3%	(174.8)	-8.9%	24.4	1.9%	45.7	3.6%	(158.0)	-2.6%	
<b>Net Income attributable to UGI</b>	<b>114.6</b>	<b>7.1%</b>	<b>233.2</b>	<b>11.8%</b>	<b>3.3</b>	<b>0.3%</b>	<b>3.7</b>	<b>0.3%</b>	<b>354.9</b>	<b>5.8%</b>	
<b>EPS (Diluted)</b>	<b>\$0.65</b>		<b>\$1.33</b>		<b>\$0.02</b>		<b>\$0.02</b>		<b>\$2.03</b>		
Adjustments	(2.2)		(17.0)		5.0		6.0		(8.2)		
Adjusted Net Income	112.4		216.2		8.3		9.7		346.7		
<b>ADJUSTED EPS</b>	<b>\$0.64</b>		<b>\$1.24</b>		<b>\$0.05</b>		<b>\$0.06</b>		<b>\$1.98</b>		
Average shares outstanding (diluted)	175.2		174.8		175.3		175.8		175.8		

UGI Corporation		Quarterly Income Statement, 2017E									
(Millions of dollars, except per share data)											
Fiscal year ends September 30											
	Dec. 31	% Rev or	Mar. 31	% Rev or	Jun. 30	% Rev or	4Q17E	% Rev or	2017E	% Rev or	
	1Q17E	Margin	2Q17E	Margin	3Q17E	Margin		Margin		Margin	
<b>Revenues</b>	1,838.4		2,297.5		1,402.8		1,369.7		6,908.3		
Cost of sales - total	927.8	50.5%	1,088.2	47.4%	750.5	53.5%	765.0	55.9%	3,531.5	51.1%	
<b>Gross income</b>	<b>910.6</b>		<b>1,209.2</b>		<b>652.3</b>		<b>604.6</b>		<b>3,376.8</b>		
Total operating expenses	1,500.5	81.6%	1,679.8	73.1%	1,313.8	93.7%	1,322.0	96.5%	5,816.2	84.2%	
<b>Operating income</b>	<b>337.9</b>	<b>18.4%</b>	<b>617.6</b>	<b>26.9%</b>	<b>89.0</b>	<b>6.3%</b>	<b>47.7</b>	<b>3.5%</b>	<b>1,092.2</b>	<b>15.8%</b>	
Income (loss) from equity investees	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	
Interest expense	(58.5)	-3.2%	(58.6)	-2.6%	(58.9)	-4.2%	(59.3)	-4.3%	(235.3)	-3.4%	
Income before income taxes	279.4	15.2%	559.0	24.3%	30.1	2.1%	(11.6)	-0.8%	856.9	12.4%	
Income taxes	78.0	27.9%	134.9	24.1%	11.8	39.4%	(3.4)	28.9%	221.4	25.8%	
<b>Net Income</b>	<b>201.4</b>	<b>11.0%</b>	<b>424.1</b>	<b>18.5%</b>	<b>18.2</b>	<b>1.3%</b>	<b>(8.3)</b>	<b>-0.6%</b>	<b>635.5</b>	<b>9.2%</b>	
Less: net income attributable to noncontrolling interests (APU)	(72.5)	-3.9%	(199.3)	-8.7%	10.9	0.8%	42.5	3.1%	(218.3)	-3.2%	
<b>Net Income attributable to UGI</b>	<b>128.9</b>	<b>7.0%</b>	<b>224.8</b>	<b>9.8%</b>	<b>29.2</b>	<b>2.1%</b>	<b>34.3</b>	<b>2.5%</b>	<b>417.2</b>	<b>6.0%</b>	
<b>EPS (Diluted)</b>	<b>\$0.73</b>		<b>\$1.28</b>		<b>\$0.17</b>		<b>\$0.19</b>		<b>\$2.37</b>		
Average shares outstanding (diluted)	176.1		176.3		176.6		176.8		176.8		

UGI Corporation		Quarterly Income Statement, 2018E									
(Millions of dollars, except per share data)											
Fiscal year ends September 30											
	Dec. 31	% Rev or	Mar. 31	% Rev or	Jun. 30	% Rev or	4Q18E	% Rev or	2018E	% Rev or	
	1Q18E	Margin	2Q18E	Margin	3Q18E	Margin		Margin		Margin	
<b>Revenues</b>	1,935.1		2,401.1		1,474.6		1,426.8		7,237.7		
Cost of sales - total	978.8	50.6%	1,158.5	48.2%	797.0	54.0%	819.9	57.5%	3,754.1	51.9%	
<b>Gross income</b>	<b>956.3</b>		<b>1,242.6</b>		<b>677.7</b>		<b>606.9</b>		<b>3,483.6</b>		
Total operating expenses	1,564.2	80.8%	1,764.0	73.5%	1,373.0	93.1%	1,389.9	97.4%	6,091.1	84.2%	
<b>Operating income</b>	<b>370.9</b>	<b>19.2%</b>	<b>637.1</b>	<b>26.5%</b>	<b>101.7</b>	<b>6.9%</b>	<b>36.9</b>	<b>2.6%</b>	<b>1,146.6</b>	<b>15.8%</b>	
Income (loss) from equity investees	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	
Interest expense	(63.9)	-3.3%	(63.9)	-2.7%	(63.9)	-4.3%	(63.9)	-4.5%	(255.6)	-3.5%	
Income before income taxes	307.0	15.9%	573.2	23.9%	37.8	2.6%	(27.0)	-1.9%	891.0	12.3%	
Income taxes	84.8	27.6%	140.8	24.6%	13.6	36.1%	(4.0)	14.8%	235.3	26.4%	
<b>Net Income</b>	<b>222.2</b>	<b>11.5%</b>	<b>432.4</b>	<b>18.0%</b>	<b>24.1</b>	<b>1.6%</b>	<b>(23.0)</b>	<b>-1.6%</b>	<b>655.7</b>	<b>9.1%</b>	
Less: net income attributable to noncontrolling interests (APU)	(82.6)	-4.3%	(199.2)	-8.3%	4.9	0.3%	55.6	3.9%	(221.3)	-3.1%	
<b>Net Income attributable to UGI</b>	<b>139.6</b>	<b>7.2%</b>	<b>233.2</b>	<b>9.7%</b>	<b>29.1</b>	<b>2.0%</b>	<b>32.6</b>	<b>2.3%</b>	<b>434.4</b>	<b>6.0%</b>	
<b>EPS (Diluted)</b>	<b>\$0.79</b>		<b>\$1.32</b>		<b>\$0.16</b>		<b>\$0.18</b>		<b>\$2.45</b>		
Average shares outstanding (diluted)	177.1		177.3		177.6		177.8		177.8		

Source: Janney Montgomery Scott

## IMPORTANT DISCLOSURES

### Research Analyst Certification

I, Michael Gaugler, the Primarily Responsible Analyst for this research report, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers. No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views I expressed in this research report.

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Janney Montgomery Scott LLC intends to seek or expects to receive compensation for investment banking services from UGI Corporation in the next three months.

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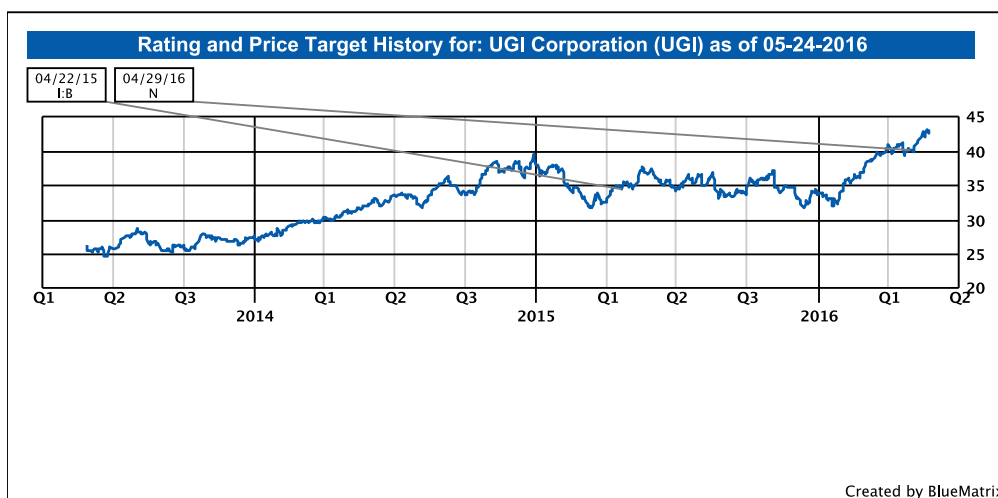
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**BUY:** Janney expects that the subject company will appreciate in value. Additionally, we expect that the subject company will outperform comparable companies within its sector.

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**SELL:** Janney expects that the subject company will likely decline in value and will underperform comparable companies within its sector.

### Price Charts



### Janney Montgomery Scott Ratings Distribution as of 03/31/16

Rating	Count	Percent	IB Serv./Past 12 Mos.*	
			Count	Percent
<b>BUY [B]</b>	116	52.73	26	22.41
<b>NEUTRAL [N]</b>	84	38.18	7	8.33
<b>SELL [S]</b>	2	0.91	0	0.00
<b>EXTENDED REVIEW [S]</b>	18	8.18	8	44.44

\*Percentages of each rating category where Janney has performed Investment Banking services over the past 12 months.

### Other Disclosures

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Investment opinions are based on each stock's 6-12 month return potential. Our ratings are not based on formal price targets, however, our analysts will discuss fair value and/or target price ranges in research reports. Decisions to buy or sell a stock should be based on the investor's investment objectives and risk tolerance and should not rely solely on the rating. Investors should read carefully the entire research report, which provides a more complete discussion of the analyst's views. Supporting information related to the recommendation, if any, made in the research report is available upon request.



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Gas and Electric Utilities

Price:	\$44.96
Fair Value Estimate:	\$44.00
52-Week Range:	\$31.51 - \$45.65
Market Cap (MM):	\$7,765
Shr.O/S-Diluted (mm):	172.7
Average Daily Volume:	1,157,070
Dividend:	\$0.95
Yield:	2.1%

FYE: Sept	2016E	2017E	2018E
EPS:	\$1.98E	\$2.37E	\$2.45E
Prior EPS:	NC	NC	NC
P/E Ratio:	22.7x	19.0x	18.4x

Quarterly Revenue (M):

Q1	\$1,607A	\$1,838E	\$1,935E
Q2	\$1,972A	\$2,298E	\$2,401E
Q3	\$1,306E	\$1,403E	\$1,475E
Q4	\$1,271E	\$1,370E	\$1,427E
Year:	\$6,155E	\$6,908E	\$7,238E

Quarterly EPS:

Q1	\$0.64A	\$0.73E	\$0.79E
Q2	\$1.24A	\$1.28E	\$1.32E
Q3	\$0.05E	\$0.17E	\$0.16E
Q4	\$0.06E	\$0.19E	\$0.18E

EPS: Adjusted



July 21, 2016

UGI Corporation

(UGI) - NEUTRAL

Notes From Road; Investment Optionality Continues to Impress

PORTFOLIO MANAGER BRIEF

We had the opportunity to sit in on several meetings recently between UGI and investors. Key topics of discussion in these meetings included 1) the PennEast Pipeline project, 2) the company's approach to investments across the platform, and 3) AmeriGas. We continue to admire the company's operating assets and opportunities for future growth, with valuation the only deterrent to a favorable rating.

ANALYST NOTES

- PennEast: FERC timeline remains intact. UGI continues to expect a decision from the FERC on its PennEast Pipeline project in December, 2016. We believe there's a high probability that PennEast will be approved; FERC's responsibilities include ensuring adequate infrastructure to meet energy needs, and PennEast's fully subscribed status with Gas LDC's comprising the majority of customers (and equity investors) in the PennEast Pipeline project should meet that criteria.
- A large platform for future investment. UGI's business segments afford the company with significant opportunities for investment on a go forward basis. Questions arose as to how the company ultimately decides where to invest. Although midstream is garnering the largest share of attention currently, UGI indicated it has the largest amount of organic investment opportunities ever in its long history. All proposed investments must meet internal hurdle return rates, and UGI is fairly agnostic as to which operating segments receive approval. In terms of capital allocation, UGI sees itself as a growth & income vehicle, and as such looks to maintain its 35% - 45% pay-out ratio while reinvesting the remainder of cash flows (approximately \$150MM - \$180MM currently) back into its businesses.
- AmeriGas - can it continue to grow? The topic of AmeriGas (APU - Buy) came up in all our meetings, with questions surrounding the ongoing attractiveness of the business and its future ability to grow. UGI expects to continue leveraging technology to remove costs and increase its competitiveness (and improve service) in the propane market. Examples offered include enhanced web portals for customers and more efficient routing of deliveries, employing practices utilized by package delivery companies. AmeriGas also has the financial wherewithal to invest alongside its larger commercial customers to increase sales and distribution. Removing costs, improving the cost structure, service

enhancements and targeted investments should allow AmeriGas to continue to provide distribution growth and investment returns.

- Summary/Valuation. UGI sits at the epicenter of Marcellus Shale energy nexus. Its geographic footprint and asset mix assure it a seat at the proverbial table of opportunities to leverage the shale opportunity to its fullest potential. Our view is that a lot more opportunities exist within the current (and proposed) assets in terms of extending UGI's reach into the Mid-Atlantic region. With the shares already trading at our Fair Value, discipline dictates we remain on the sidelines with a NEUTRAL rating until valuation becomes more compelling.

## IMPORTANT DISCLOSURES

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### Janney Montgomery Scott LLC ("Janney") Equity Research Disclosure Legend

AmeriGas Partners, LP currently is, or during the past 12 months was, a Janney Montgomery Scott LLC client. Janney Montgomery Scott LLC, provided investment banking related services.

Janney Montgomery Scott LLC intends to seek or expects to receive compensation for investment banking services from UGI Corporation and AmeriGas Partners, LP in the next three months.

The research analyst is compensated based on, in part, Janney Montgomery Scott's profitability, which includes its investment banking revenues.

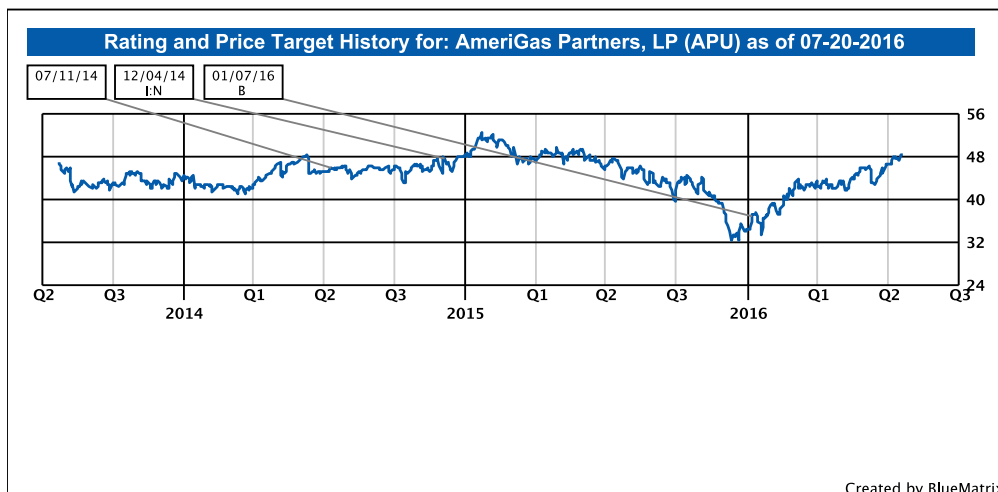
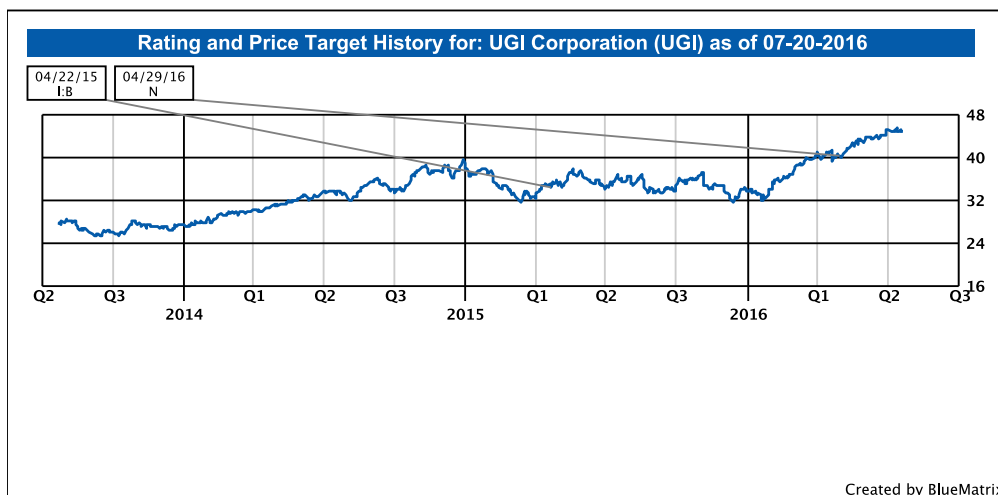
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**SELL:** Janney expects that the subject company will likely decline in value and will underperform comparable companies within its sector.

### Price Charts





Janney Montgomery Scott Ratings Distribution as of 06/30/16

Rating	Count	Percent	IB Serv./Past 12 Mos.*	
			Count	Percent
<b>BUY [B]</b>	109	52.15	26	23.85
<b>NEUTRAL [N]</b>	98	46.89	11	11.22
<b>SELL [S]</b>	2	0.95	0	0.00

\*Percentages of each rating category where Janney has performed Investment Banking services over the past 12 months.

Other Disclosures

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This report is for your information only and is not an offer to sell or a solicitation of an offer to buy the securities or instruments named or described in this report. Interested parties are advised to contact the entity with which they deal or the entity that provided this report to them, should they desire further information. The information in this report has been obtained or derived from sources believed by Janney Montgomery Scott LLC, to be reliable. Janney Montgomery Scott LLC, however, does not represent that this information is accurate or complete. Any opinions or estimates contained in this report represent the judgment of Janney Montgomery Scott LLC at this time and are subject to change without notice.

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Gas and Electric Utilities

Price:	\$45.04
Fair Value Estimate:	\$46.00
52-Week Range:	\$31.51 - \$45.65
Market Cap (MM):	\$7,778
Shr.O/S-Diluted (mm):	172.7
Average Daily Volume:	1,124,490
Dividend:	\$0.95
Yield:	2.1%

FYE: Sept	2016E	2017E	2018E
EPS:	\$2.05E	\$2.37E	\$2.45E
Prior EPS:	\$1.98	NC	NC
P/E Ratio:	22.0x	19.0x	18.4x

Quarterly Revenue (M):

Q1	\$1,607A	\$1,838E	\$1,935E
Q2	\$1,972A	\$2,298E	\$2,401E
Q3	\$1,131A	\$1,403E	\$1,475E
Q4	\$1,271E	\$1,370E	\$1,427E
Year:	\$5,981E	\$6,908E	\$7,238E

Quarterly EPS:

Q1	\$0.64A	\$0.73E	\$0.79E
Q2	\$1.24A	\$1.28E	\$1.32E
Q3	\$0.23A	\$0.17E	\$0.16E
Q4	\$(0.06)E	\$0.19E	\$0.18E
EPS: Adjusted			



August 2, 2016

UGI Corporation

(UGI) - NEUTRAL

FY3Q16 Results Indicate Momentum is Building;  
Raising Fair Value to \$46

PORTFOLIO MANAGER BRIEF

UGI's FY3Q16 results exceeded expectations, attributed primarily to strong results from its international operations. Adjusted EPS of \$0.23 was \$0.16 higher than the year ago period, and well above our \$0.05 forecast (consensus was \$0.07). Additionally, we note AmeriGas also had a strong quarter, modestly exceeding our forecasts. Looking forward, positive developments from the midstream operations, coupled with a recent settlement of the UGI Gas rate case and growing reach internationally, all point to earnings momentum for the next several years. We've made preliminary adjustments to our forward estimates, and raised our Fair Value on UGI shares to \$46.

ANALYST NOTES

- FY3Q16 results exceeded expectations by a significant amount. As we compared UGI's FY3Q16 results versus our forecasts, we noted all reporting segments outperformed. At the operating line, the strength in the International segment was unmistakable (Ex #1). The outperformance translated substantially to the bottom line, as adjusted EPS of \$0.23 was well above our \$0.05 estimate and the consensus forecast of \$0.07. We strive to model conservatively across our coverage universe, but it appears we'll need to spend some additional time on our UGI forecasts, given the wide spread between all our segment estimates and the actual results.
- Exhibit 1, UGI FY3Q16 Operating Income

Operating Income	JMS	Actual
AmeriGas Propane	\$7.6	\$18.3
Gas Utility	\$19.9	\$29.8
Midstream & Marketing		
Midstream & Marketing Total Operating Income	\$7.9	\$11.3
UGI International		
UGI International Total Operating Income	\$7.6	\$33.5

Sources: JMS Research, UGI Corp

- Positive updates for the utility and midstream operations. As we previously commented on in our U & I Weekly publication, UGI received a draft Environmental Impact Statement (EIS) from the Federal Energy Regulatory Commission (FERC) indicating that most adverse environmental impacts can be reduced to "less than significant levels" with additional measures on its PennEast Pipeline project. Given the sheer size and importance of the project

to the mid-Atlantic region, the commentary in the draft EIS provides greater visibility into the likelihood that PennEast is ultimately constructed. Additionally, UGI began construction of the Sunbury Pipeline, which has received all state and federal regulatory approvals. Then finally over at UGI Gas, a Joint Petition for Approval of Settlement was filed with the Pennsylvania Public Utility Commission (PAPUC). The terms would allow rates to increase \$27MM, effective October 19th, 2016.

- Guidance reaffirmed, with positive implications. UGI reaffirmed its 2016 EPS guidance range of \$1.95 - \$2.05, indicating it could come in at the high end of the range (or beyond). Given the company is in its fiscal 4Q at the moment, its visibility into year end results should be rather strong.
- Adjusting forward estimates. We're making preliminary adjustments only to our forward estimates, choosing to wait for the opportunity to thoroughly go through the company's 10Q filings before making final adjustments to our forecast model. Our estimates for FY3Q16 were significantly below actual results; we'd like to be a bit closer in future reporting periods.
- Summary/Valuation. As the title of our note implies, momentum is clearly building at UGI from an earnings perspective. FY3Q16's outperformance caught us (and the Street) by surprise, particularly in the International segment. More importantly, the momentum is broad-based; it's not just the International segment, it's Amerigas, the Utility and Midstream/Marketing businesses as well. As we've done during the calendar 2Q reporting season thus far, we've raised our P/E multiple assumptions on the Utility and Midstream businesses to 20x, given our view that the current macro interest rate environment will be "lower for longer" driving higher multiples across the sector. That change allowed us to increase our Fair Value on UGI shares from \$44 to \$46, based on our sum-of-the-parts valuation. We see the shares working higher; unfortunately, we don't have the requisite upside necessary to revisit our rating with a favorable bias.

UGI CORP FY18 SUM-OF-THE-PARTS VALUATION			
Segment	EPS	P/E	VALUE
AmeriGas Propane	\$0.35	17	\$5.97
Gas Utility	\$0.63	20	\$12.62
Midstream & Marketing			
Energy Services	\$0.57	20	\$11.37
Electric Generation	\$0.05	17	\$0.89
UGI International			
UGI France	\$0.73	17	\$12.37
Flaga & Other	\$0.18	16	\$2.91
Corporate	(\$0.06)	0	\$0.00
Eliminations	\$0.00	0	\$0.00
<b>Total</b>	<b>\$2.45</b>		<b>\$46.12</b>

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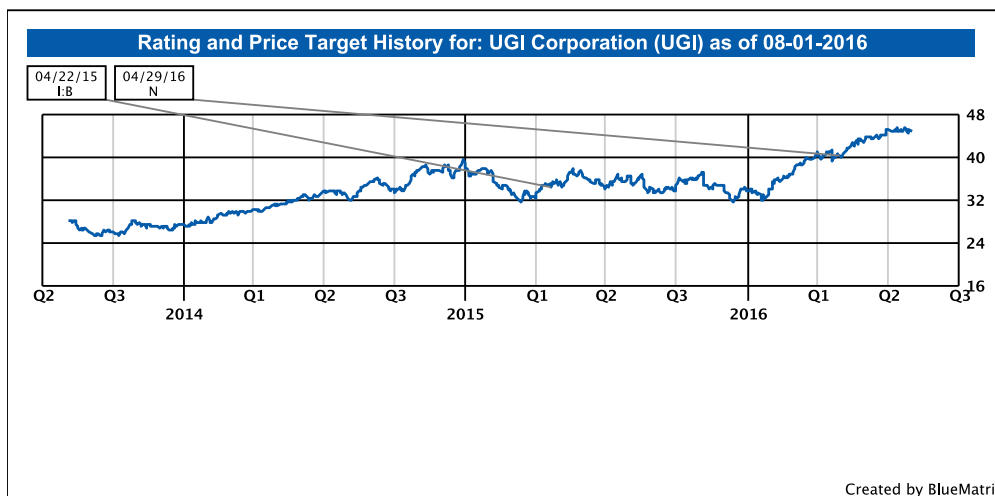
### Definition of Ratings

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**SELL:** Janney expects that the subject company will likely decline in value and will underperform comparable companies within its sector.

### Price Charts



### Janney Montgomery Scott Ratings Distribution as of 06/30/16

Rating	Count	Percent	IB Serv./Past 12 Mos.*	
			Count	Percent
<b>BUY [B]</b>	109	52.15	26	23.85
<b>NEUTRAL [N]</b>	98	46.89	11	11.22
<b>SELL [S]</b>	2	0.95	0	0.00

\*Percentages of each rating category where Janney has performed Investment Banking services over the past 12 months.

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Gas and Electric Utilities

Price:	\$42.31
Fair Value Estimate:	\$47.00
52-Week Range:	\$31.51 - \$48.13
Market Cap (MM):	\$7,328
Shr.O/S-Diluted (mm):	173.2
Average Daily Volume:	699,990
Dividend:	\$0.95
Yield:	2.2%

FYE: Sept	2017E	2018E	2019E
EPS:	\$2.38E	\$2.48E	\$2.78E
Prior EPS:	\$2.37	\$2.45	NC
P/E Ratio:	17.8x	17.1x	15.2x

Quarterly EPS:

	Q1	Q2	Q3	Q4
Q1	\$0.73E	\$0.79E	\$0.92E	
Q2	\$1.40E	\$1.45E	\$1.58E	
Q3	\$0.10E	\$0.15E	\$0.17E	
Q4	\$0.16E	\$0.09E	\$0.12E	

EPS: Adjusted

November 14, 2016

UGI Corporation

(UGI) - BUY

UGI - Upgrading to BUY, Raising Fair Value From \$46 to \$47

PORTFOLIO MANAGER BRIEF

We are upgrading the shares of UGI from Neutral to BUY, and raising our Fair Value from \$46 to \$47, based on the shares trading to a blended P/E level of approximately 19x our FY18 EPS forecast of \$2.48. Our positive investment view is driven by 1) valuation, 2) an improving political environment for midstream projects at the federal level, and 3) an identifiable path of superior earnings growth throughout our published forecasts. We acknowledge that the potential for continued increases in benchmark interest rates could present a headwind to capital appreciation, but we believe UGI's various businesses and strong balance sheet/cash flow generation provide a unique situation for patient investors seeking growth and income.

ANALYST NOTES

- FY4Q16 Results on Target. UGI's \$0.05 loss per share came in a penny above our expectations, and inline with its own guidance. Segment performance mirrored our forecasts, with UGI International's results boosted significantly by the Finagaz acquisition in 2015 (operating income there all but doubled, with FY4Q16's \$206.6MM comparing very favorably against FY4Q15's \$112.8MM). Across the other segments (AmeriGas, UGI Utilities and Midstream & Marketing) YoY results declined primarily due to warmer temperatures versus the year ago period. We note FY4Q16 results are the seasonally weakest for UGI, and typically have no meaningful impact on annual earnings.
- Project Updates: PennEast, Sunbury, Manning. Starting with the PennEast pipeline project, UGI continues to expect the final Environmental Impact Statement (EIS) from the Federal Energy Regulatory Commission (FERC) in February, 2017. The company still expects an in-service date in late 2018. Its Sunbury pipeline is currently under construction, and the completion date is expected to occur in the current fiscal year. Its the same scenario for the Manning LNG liquefaction facility; under construction, and also expected to complete construction in the current fiscal year.
- FY17 Guidance also on Target. UGI expects FY17 EPS in a range of \$2.30 to \$2.45, which assumes normal weather and excludes mark-to-market adjustments on commodity derivative instruments and Finagaz integration expenses.
- Raising FY18 Estimates, Introducing FY19. Given FY4Q16 results were mostly inline with our expectations (we note UGI International did perform slightly better than we'd modeled) we've slightly increased our pre-existing FY17 EPS



of \$2.37 to \$2.38. Our FY18 forecast is increased from \$2.45 to \$2.48, and we're introducing an FY19 EPS estimate of \$2.78. Our FY19 forecast assumes PennEast enters service in late 2018, and should be considered somewhat "soft" and subject to revision, given that PennEast has already experienced regulatory delays and the potential exists for further revisions to a final in-service date. We've introduced FY19 forecasts at this point in time (earlier than we normally would) to highlight what we believe is a base case scenario for EPS growth for investors looking to balance growth & income capital allocation versus the various risk scenarios for yield-sensitive investments.

- Summary/Valuation. UGI posted a clean quarter, a well-received guidance range for FY17 and positive outlook for its reporting segments. Looking forward, the potential for further M&A growth in the International and AmeriGas operations, increased CAPEX in the Utilities and opportunities for new projects in Midstream & Marketing all point to solid earnings growth throughout our published forecasts. The anticipated final EIS from the FERC (2/2017) for the PennEast pipeline project is the near term catalyst on which we are focused; midstream projects in the Northeast U.S. continue to experience delays due to increased organized opposition. PennEast represents a large investment for UGI, and its final approval and construction would provide substantial earnings on a go forward basis. Given the recent outcome of the U.S. presidential election and the positive direction we believe the incoming administration is likely to take regarding fossil fuel development and infrastructure, our view is that projects like PennEast are more likely to receive approvals at the federal level, and we note UGI indicated that it sees strong opportunities (and demand) for new midstream projects both large and small on its FY4Q16 conference call. In terms of valuation, we've assigned a blended P/E of 19x our FY18 EPS estimate of \$2.48. We believe the unique nature of UGI's various businesses and investment opportunities for EPS and dividend growth strikes the right balance for investors seeking growth and income.

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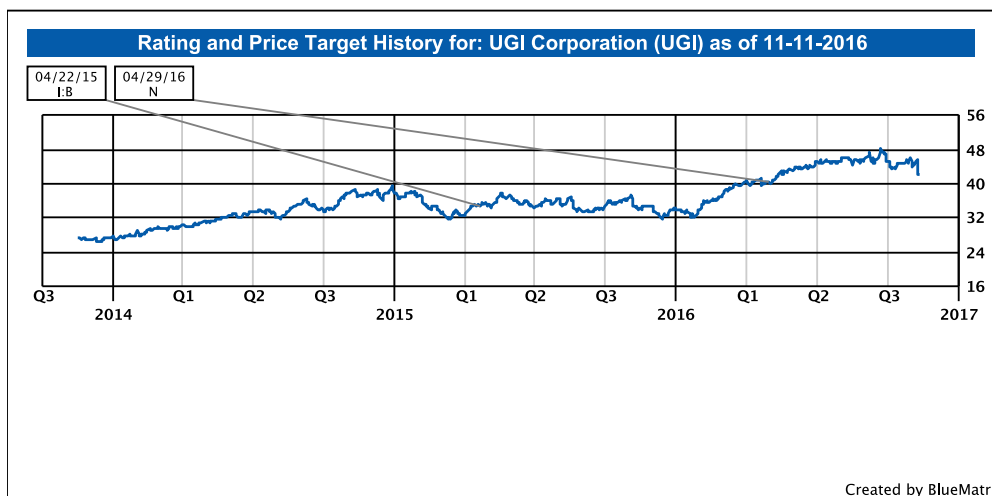
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### Price Charts



### Janney Montgomery Scott Ratings Distribution as of 09/30/16

Rating	Count	Percent	IB Serv./Past 12 Mos.*	
			Count	Percent
<b>BUY [B]</b>	124	52.54	28	22.58
<b>NEUTRAL [N]</b>	109	46.19	11	10.09
<b>SELL [S]</b>	3	1.27	0	0.00

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## FLASH NOTE

Company Update

USA | Energy | Natural Gas

February 4, 2015

# UGI Corporation (UGI)

## Weather hits F1Q, Midstream Remains Strong

### Key Takeaway

**UGI reported adj. F1Q15 EPS of \$0.66 (ex items), well below our \$0.78 forecast & the Street's \$0.75 mean estimate. Segment income at APU, Utilities, and Int. Propane all fell short of our forecasts, but these were marginally offset by a beat at Midstream & Marketing. Despite the early weather-related headwinds, mgmt affirmed its \$1.88-\$1.98 EPS guidance for the year.**

**Warm weather hits distribution operations.** APU EBITDA contracted ~18% y/y due to a ~14% drop in sales volumes on weather that was ~10% warmer than F1Q14. International Propane also faced sharply warmer than normal temps (20.2% at Antargaz, 17.4% at Flaga), which, along with currency exchange, crimped y/y financial results. Finally, the PA Utilities fell short of our expectations and experienced a ~13% y/y decline due in part to weather that was ~7% warmer than the same F2014 period.

**Midstream & Marketing posts another strong quarter.** With non-normal temps, volatile basis differentials, and contributions from recent development projects, M&M EBIT climbed nearly ~25.6% y/y. F1Q marks the continuation of strong trend in M&M margins, which contributed ~20% of F14 operating income and ~55% of F1Q15.

**Guidance maintained.** Despite quarterly results that fell short of Street expectations, mgmt maintained its F15 EPS guidance of \$1.88-\$1.98, indicating confidence in its ability to harness the remaining winter demand. UGI still expects to complete its acquisition of Total's French LPG acquisition in the first calendar quarter of 2015. However, due to a very slow start to F2015, APU lowered its F15 EBITDA guidance to \$635-\$665mm, from an initial range of \$670-\$700mm.

**UGI maintains dividend.** On Jan. 29th, UGI announced a 21.75¢ per share dividend, flat q/q and up ~15.5% y/y. We continue to expect another ~4% dividend increase in April, the historic period of UGI dividend raises.

**Conference call info:** Tomorrow @ 9AM ET. Dial-in: 877.201.0168. Key issues for the call include 1) update on French LPG acquisition, 2) propane market outlook & expectations, & 3) update on FX exposure & sensitivities.

### UGI F1Q15 Results Review:

Recurring Operating Income	Actual F1Q15A	JEFe F1Q15E		Year-over-Year F1Q14A	
Operating Income (\$MM)					
AmeriGas Propane	\$139.7	\$173.0	-19.3%	\$179.7	-22.3%
Utilities	\$71.8	\$79.6	-9.8%	\$82.1	-12.5%
Midstream & Marketing	\$45.5	\$37.5	21.3%	\$36.2	25.7%
International Propane	\$53.5	\$69.0	-22.5%	\$56.9	-5.9%
Corporate & Other	(\$227.2)	\$4.2	NM	\$8.8	NM
<b>Total Operating Income</b>	<b>\$83.3</b>	<b>\$363.3</b>	<b>NM</b>	<b>\$366.3</b>	<b>-77.3%</b>
Income (Loss) from Equity Investees	(\$1.0)	\$0.0	NM	\$0.0	NM
Interest Expense	(\$59.0)	(\$59.0)	0.0%	(\$59.3)	-0.4%
Other Items	\$81.9	\$0.0	NM	\$1.5	NM
Minority Interests	\$33.9	(\$89.9)	NM	(\$95.5)	-135.5%
Income Tax Benefit (Expense)	(\$23.1)	(\$80.4)	NM	(\$86.9)	-73.4%
<b>Recurring Net Income</b>	<b>\$116.0</b>	<b>\$134.0</b>	<b>NM</b>	<b>\$126.1</b>	<b>-8.0%</b>
Diluted Shares Outstanding	175.8	172.6	1.8%	174.7	0.6%
<b>Recurring Earnings Per Share (EPS)</b>	<b>\$0.66</b>	<b>\$0.78</b>	<b>-15.0%</b>	<b>\$0.71</b>	<b>-6.7%</b>
<b>Capital Expenditures</b>	<b>\$124.7</b>	<b>\$131.5</b>	<b>-5.1%</b>	<b>\$133.1</b>	<b>-6.3%</b>
<b>Dividend Per Share</b>	<b>\$0.22</b>	<b>\$0.22</b>	<b>0.0%</b>	<b>\$0.19</b>	<b>15.5%</b>

Source: UGI reports and Jefferies estimates

Note: Recurring results exclude the impact of one-time items

**HOLD**  
Price target \$36.00  
Price \$37.47

EQUITY RESEARCH

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\* Jefferies LLC

## Company Description

UGI Corporation (NYSE: UGI) is a holding company that, through subsidiaries, distributes, stores, transports and markets energy products and services. It is the sole General Partner of AmeriGas Partners, L.P. (NYSE: APU), the largest US propane distributor, in which it also owns an approximate 26% Limited Partner interest. UGI distributes natural gas and electricity to approximately 635,000 customers in eastern PA, operates merchant power and midstream assets in the Mid-Atlantic, and has LPG distribution operations in France and Eastern Europe. The company was founded in 1882, is organized under the laws of the state of Pennsylvania, and is headquartered in King of Prussia, PA.

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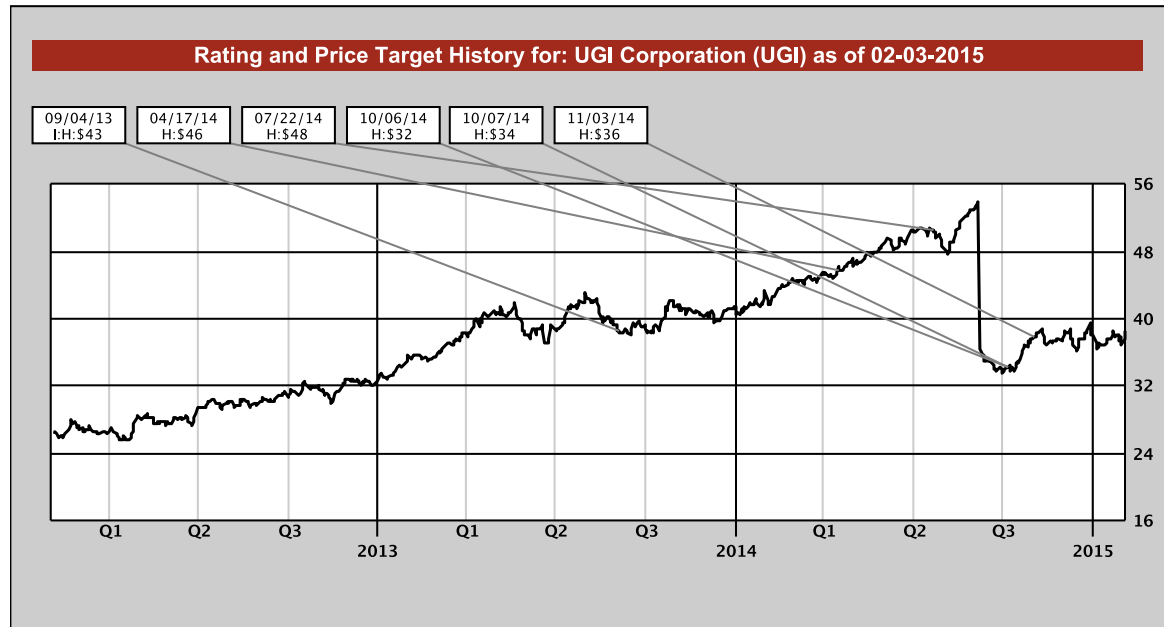
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Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
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HOLD	831	40.64%	151	18.17%
UNDERPERFORM	163	7.97%	6	3.68%

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FLASH NOTE

Company Update

USA | Energy | Natural Gas

May 4, 2015

# UGI Corporation (UGI)

## They Are Who We Thought They Were: F2Q Results In Line

**HOLD**  
Price target \$36.00  
Price \$35.40

EQUITY RESEARCH

### Key Takeaway

**UGI reported adjusted F2Q15 EPS of \$1.26 (ex items), in line with our \$1.25 forecast & above the Street's \$1.20 mean estimate. Operationally, APU, the Utilities, and International Propane collectively matched our forecast; however, Midstream & Marketing again captured outsized margin opportunities to deliver its second highest quarterly results. With F1H under its belt, mgmt raised its F15 EPS guidance to \$2.00-\$2.10, from \$1.88-\$1.98.**

**Distribution operations broadly in line.** While a ~7% y/y decline in F2Q heating degree days caused a ~9% y/y drop in APU sales, disciplined operational focus & a ~60% y/y drop in wholesale propane prices enabled unit-margin expansion and a ~3% y/y rise in EBITDA. International Propane also faced warmer than normal temps (0.6% at Antargaz, 10.9% at Flaga), but colder weather y/y enabled higher volumes & a ~1.4% y/y rise in operating income. Finally, the Utilities were broadly in line with expectations & generated a ~3.6% y/y increase in operating income on weather that was ~2% colder y/y.

**Midstream & Marketing posts another strong quarter.** Though M&M EBIT fell ~16.1% from F2Q14's record performance, it again capitalized on cold mid-Atlantic weather, volatile natural gas basis differentials, and contributions from recent development projects to post its second-highest quarterly results. With the Temple LNG liquefaction expansion now online (a ~50% capacity increase), a persistent regional infrastructure gap, and a proven ability to optimize its assets effectively, we believe M&M may be capable of more consistently delivering higher-margin results. We look to the call for mgmt's latest thoughts on M&M.

**Guidance raised.** With F1H reported, mgmt lifted its F15 EPS guidance to \$2.00-\$2.10, from \$1.88-\$1.98, and reiterated an expectation to close its acquisition of Total's French LPG operations this quarter. APU maintained its F15 EBITDA guidance of \$635-\$665mm.

**UGI raises dividend.** On April 28th, UGI announced a 22.75¢ per share dividend, up 1¢ q/q and up ~15.5% y/y. We continue to expect long-term increases at a rate of ~5% per year, and note that 2015 marks the 28th consecutive year of dividend increases.

**Conference call info:** Tomorrow @ 9AM ET. Dial-in: 877.201.0168. Key issues for the call include 1) update on French LPG acquisition, 2) near-term & long-term outlook on M&M business, 3) propane market outlook, & 4) more detailed rationale for guidance increase.

### UGI F2Q15 Results Review:

Recurring Operating Income	Actual F2Q15A	JEFs F2Q15E		Year-over-Year F2Q14A	
Operating Income (\$MM)					
AmeriGas Propane	\$296.9	\$293.0	1.4%	\$284.9	4.2%
Utilities	\$139.3	\$136.3	2.2%	\$134.5	3.6%
Midstream & Marketing	\$101.9	\$80.5	26.6%	\$121.4	-16.0%
International Propane	\$72.7	\$78.3	-7.2%	\$63.8	13.9%
Corporate & Other	\$48.0	(\$4.2)	NM	(\$16.0)	NM
<b>Total Operating Income</b>	<b>\$658.8</b>	<b>\$583.9</b>	<b>NM</b>	<b>\$591.2</b>	<b>11.4%</b>
Income (Loss) from Equity Investees	(\$0.1)	\$0.0	NM	\$0.0	NM
Interest Expense	(\$58.2)	(\$61.1)	-4.8%	(\$59.5)	-2.3%
Other Items	\$0.0	\$0.0	NM	\$7.7	NM
Minority Interests	(\$235.7)	(\$171.6)	NM	(\$173.4)	35.9%
Income Tax Benefit (Expense)	(\$144.3)	(\$131.7)	NM	(\$141.3)	2.1%
<b>Recurring Net Income</b>	<b>\$220.5</b>	<b>\$219.5</b>	<b>NM</b>	<b>\$224.6</b>	<b>-1.8%</b>
Diluted Shares Outstanding	175.6	175.5	0.1%	175.1	0.3%
<b>Recurring Earnings Per Share (EPS)</b>	<b>\$1.26</b>	<b>\$1.25</b>	<b>0.4%</b>	<b>\$1.27</b>	<b>-1.0%</b>
Capital Expenditures	\$91.0	\$111.5	-18.5%	\$91.3	-0.4%
Dividend Per Share	\$0.22	\$0.22	0.0%	\$0.19	15.5%

Source: UGI reports and Jefferies estimates

Note: Recurring results exclude the impact of one-time items; some figures in the reported column remain JEFs as we will not have full information until the 10Q is filed.

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## Company Description

UGI Corporation (NYSE: UGI) is a holding company that, through subsidiaries, distributes, stores, transports and markets energy products and services. It is the sole General Partner of AmeriGas Partners, L.P. (NYSE: APU), the largest US propane distributor, in which it also owns an approximate 26% Limited Partner interest. UGI distributes natural gas and electricity to approximately 635,000 customers in eastern PA, operates merchant power and midstream assets in the Mid-Atlantic, and has LPG distribution operations in France and Eastern Europe. The company was founded in 1882, is organized under the laws of the state of Pennsylvania, and is headquartered in King of Prussia, PA.

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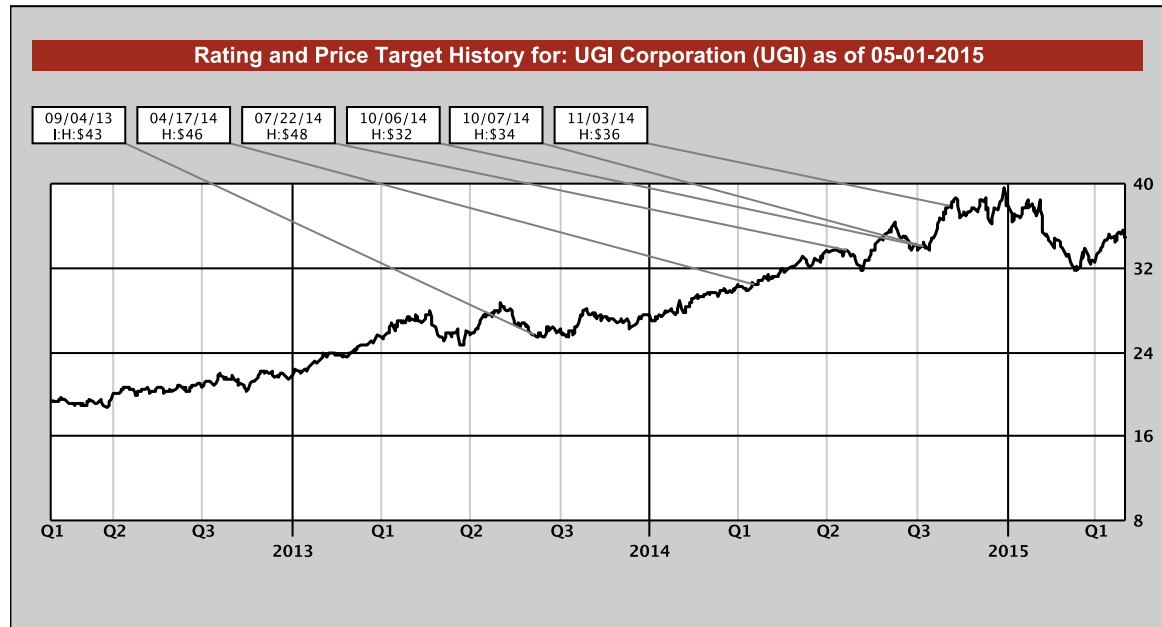
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			Count	Percent
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FLASH NOTE

Company Update

USA | Energy | Natural Gas

August 3, 2015

# UGI Corporation (UGI)

## Broad-based Weakness in F3Q

**HOLD**

Price target \$38.00

Price \$36.64

EQUITY RESEARCH

### Key Takeaway

**UGI reported adjusted F3Q15 EPS of \$0.08 (ex items), below our \$0.15 forecast & the Street's \$0.16 mean estimate. Operationally, each segment missed our projection, however, the largest miss was at APU where above-forecast costs caused a sizable EBIT miss. Mgmt maintained its F15 EPS guidance of \$2.00-\$2.10 (ex. Totalgaz transaction costs), though noted with YTD results it would likely be at the low-end of the range.**

**Distribution operations miss.** Despite a ~10% y/y decline in F3Q heating degree days, APU's \$226.5mm quarterly gross profit matched our \$226.4mm estimate; however, above-forecast operational costs caused APU's \$49mm in EBITDA to fall short of our \$65mm estimate. UGI Int'l also faced warmer than normal temps (24% at Antargaz, 2% at Flaga), which led to ~25% fewer total gallons sold and a segment miss on the quarter (after transaction adjustments). Finally, the Utilities were also below expectations & generated an ~11.7% y/y decrease in operating income on weather that was ~22% warmer than normal.

**Midstream & Marketing results also below expectations.** Though there is a seasonality to the M&M business in which 2H results lag 1H, segment results in F3Q fell shy of expectations and were down ~29% y/y. With the Temple LNG liquefaction expansion now online (a ~50% capacity increase), a persistent regional infrastructure gap, and a proven ability to optimize its assets effectively, we believe M&M may be capable of more consistently delivering higher-margin results, but we look to the call for mgmt's latest thoughts on M&M given reported F3Q results. We also look forward to an update on development projects.

**Guidance maintained.** With F3Q results, mgmt affirmed its F15 EPS guidance of \$2.00-\$2.10, though noted results would likely fall within the low-end of the range. As a reminder, UGI lifted its EPS guidance from an initial range of \$1.88-\$1.98 with F2Q results and mgmt noted that guidance excludes all Totalgaz-related acquisition expenses, which we estimate to be ~10¢ thus far this year.

**Dividend maintained.** UGI maintained its 22.75¢ per share dividend in F3Q, which is flat q/q and up ~4.6% y/y. We continue to expect long-term increases at a rate of ~5% per year, and note that 2015 marks the 28th consecutive year of dividend increases.

**Conference call info:** Tomorrow @ 9AM ET. Dial-in: 877.201.0168.

### UGI F3Q15 Results Review:

Recurring Operating Income	Actual F3Q15A	JEFe F3Q15E		Year-over-Year F3Q14A	
Operating Income (\$MM)					
AmeriGas Propane	\$0.8	\$16.2	-94.9%	\$7.2	-88.6%
Utilities	\$15.1	\$17.9	-15.5%	\$17.1	-11.7%
Midstream & Marketing	\$18.6	\$29.3	-36.4%	\$26.1	-28.7%
International Propane	\$15.0	\$15.8	-5.1%	\$6.8	120.6%
Corporate & Other	\$21.9	\$2.4	NM	\$5.5	NM
<b>Total Operating Income</b>	<b>\$71.5</b>	<b>\$81.5</b>	<b>NM</b>	<b>\$65.3</b>	<b>9.4%</b>
Income (Loss) from Equity Investees	\$0.0	(\$0.1)	NM	(\$0.1)	NM
Interest Expense	(\$67.5)	(\$56.4)	19.7%	(\$60.1)	12.3%
Other Items	(\$4.9)	\$0.0	NM	(\$3.5)	NM
Minority Interests	\$25.5	\$16.5	NM	\$33.3	-23.4%
Income Tax Benefit (Expense)	(\$10.0)	(\$15.6)	NM	(\$15.2)	-34.5%
<b>Recurring Net Income</b>	<b>\$14.6</b>	<b>\$25.9</b>	<b>NM</b>	<b>\$19.7</b>	<b>-25.8%</b>
Diluted Shares Outstanding	175.6	175.3	0.1%	175.6	0.0%
<b>Recurring Earnings Per Share (EPS)</b>	<b>\$0.08</b>	<b>\$0.15</b>	<b>-43.7%</b>	<b>\$0.10</b>	<b>-14.7%</b>
Capital Expenditures	\$113.5	\$153.3	-26.0%	\$101.1	12.3%
Dividend Per Share	\$0.23	\$0.23	0.0%	\$0.20	15.7%

Source: UGI reports and Jefferies estimates

Note: Recurring results exclude the impact of one-time items; some figures in the reported column remain JEFe as we will not have full information until the 10Q is filed.

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## Company Description

UGI Corporation (NYSE: UGI) is a holding company that, through subsidiaries, distributes, stores, transports and markets energy products and services. It is the sole General Partner of AmeriGas Partners, L.P. (NYSE: APU), the largest US propane distributor, in which it also owns an approximate 26% Limited Partner interest. UGI distributes natural gas and electricity to approximately 635,000 customers in eastern PA, operates merchant power and midstream assets in the Mid-Atlantic, and has LPG distribution operations in France and Eastern Europe. The company was founded in 1882, is organized under the laws of the state of Pennsylvania, and is headquartered in King of Prussia, PA.

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Buy - Describes securities that we expect to provide a total return (price appreciation plus yield) of 15% or more within a 12-month period.

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Underperform - Describes securities that we expect to provide a total return (price appreciation plus yield) of minus 10% or less within a 12-month period.

The expected total return (price appreciation plus yield) for Buy rated securities with an average security price consistently below \$10 is 20% or more within a 12-month period as these companies are typically more volatile than the overall stock market. For Hold rated securities with an average security price consistently below \$10, the expected total return (price appreciation plus yield) is plus or minus 20% within a 12-month period. For Underperform rated securities with an average security price consistently below \$10, the expected total return (price appreciation plus yield) is minus 20% or less within a 12-month period.

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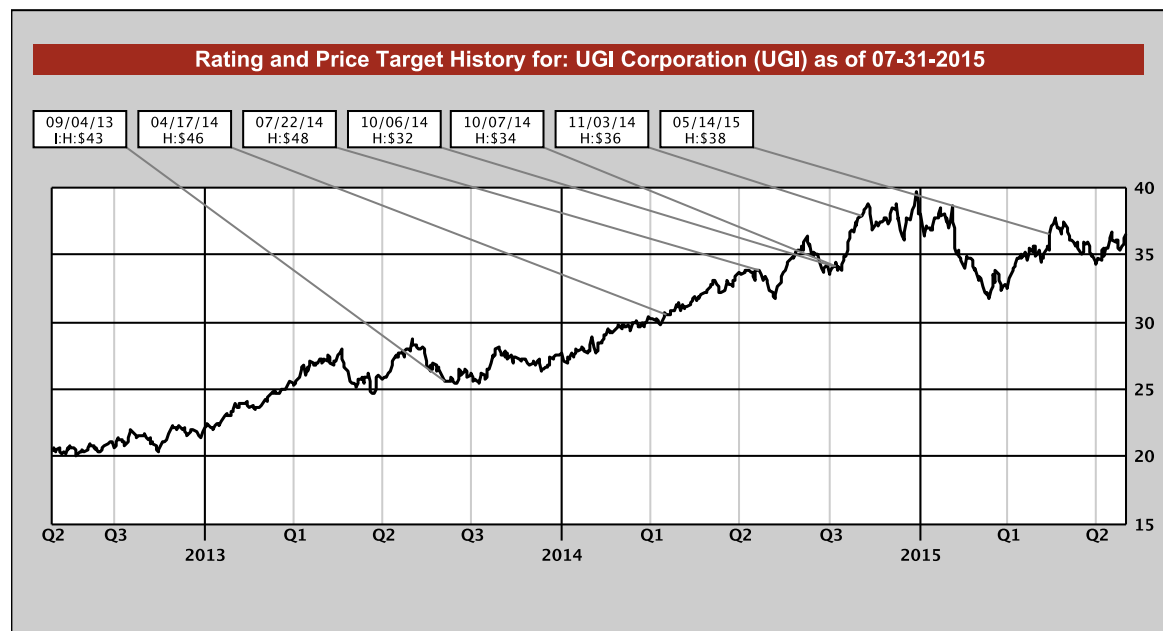
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Jefferies Franchise Picks include stock selections from among the best stock ideas from our equity analysts over a 12 month period. Stock selection is based on fundamental analysis and may take into account other factors such as analyst conviction, differentiated analysis, a favorable risk/reward ratio and investment themes that Jefferies analysts are recommending. Jefferies Franchise Picks will include only Buy rated stocks and the number can vary depending on analyst recommendations for inclusion. Stocks will be added as new opportunities arise and removed when the reason for inclusion changes, the stock has met its desired return, if it is no longer rated Buy and/or if it triggers a stop loss. Stocks having 120 day volatility in the bottom quartile of S&P stocks will continue to have a 15% stop loss, and the remainder will have a 20% stop. Franchise Picks are not intended to represent a recommended portfolio of stocks and is not sector based, but we may note where we believe a Pick falls within an investment style such as growth or value.

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## Distribution of Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY	1101	53.06%	307	27.88%
HOLD	825	39.76%	161	19.52%
UNDERPERFORM	149	7.18%	13	8.72%



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FLASH NOTE

Company Update

USA | Energy | Natural Gas

November 9, 2015

# UGI Corporation (UGI)

## F2016 Guidance In-Line

**HOLD**  
Price target \$38.00  
Price \$34.80

EQUITY RESEARCH

### Key Takeaway

**UGI reported adjusted F4Q EPS of 1¢ (ex items), beating our 6¢ LPS forecast & the Street's 3¢ mean LPS estimate. Operationally, every segment except Int'l Propane missed our expectations with the largest miss coming at APU due to a warm Sept. (+38% y/y) and elevated costs. Despite the segment misses, below-the-line items boosted F4Q results, delivering the bottom-line beat. Mgmt initiated F16 EPS guidance of \$2.15-\$2.30, in-line with \$2.20 JEFs.**

**Domestic distribution operations miss, Int'l beats.** While APU's quarterly gross profit of \$219mm surpassed our \$215mm estimate, elevated operating costs prompted EBITDA of \$40mm to fall short of our \$56mm estimate. Utility results also fell short of expectations as ~54% warmer than normal F4Q weather caused a \$2.2mm y/y drop in operating income. However, UGI International posted \$4.5mm in F4Q operating income, excluding acquisition & transition expenses, above our \$4.7mm loss projection. We look forward to tomorrow's call for more color on operational performance & outlooks.

**Midstream & Marketing results a touch shy of JEF expectations.** Though there is a seasonality to the M&M business in which F2H results typically lag F1H, Op Income of \$18.8mm in F4Q fell a touch below our \$20.6mm expectation but was up ~26% y/y. With the Auburn Loop expansion now online (a 150 KDth/d capacity increase), a persistent regional infrastructure gap, and a proven ability to optimize its assets effectively, we believe M&M may be capable of more consistently delivering higher-margin results, but we look to the call for mgmt's latest outlook. We also look forward to an update on development projects including the PennEast & Sunbury pipelines & Manning LNG facility.

**F16 EPS guidance initiated.** With results, mgmt initiated F16 EPS guidance of \$2.15-\$2.30, noting an expectation for strong contributions from recent midstream expansions, including the Auburn III pipeline & Temple LNG liquefaction build-out, utility infrastructure investments, and the Finagaz acquisition; guidance assumes normal weather. We note that our \$2.20 F16 EPS forecast & the Street's current \$2.15 consensus estimate are both within mgmt's guidance range: El Niño weather conditions may pose a challenge to F16 results.

**Dividend maintained.** UGI maintained its 22.75¢ per share dividend in F4Q, which is flat q/q and up ~4.6% y/y. We continue to expect long-term increases at a rate of ~5% per year, and note that 2015 marks the 28th consecutive year of dividend increases.

**Conference call info:** Tomorrow @ 9AM ET. Dial-in: 877.201.0168.

### UGI F4Q15 Results Review:

Recurring Operating Income	Actual F4Q15A	JEFs F4Q15E	Year-over-Year F4Q14A
<b>Operating Income (\$MM)</b>			
AmeriGas Propane	(\$9.8)	\$6.4 -251.8%	\$0.3 NM
Utilities	\$0.3	\$4.0 -92.6%	\$2.5 -88.0%
Midstream & Marketing	\$18.8	\$20.6 -8.5%	\$14.9 26.2%
International Propane	\$4.5	(\$4.7) 195.2%	(\$10.0) 145.0%
Corporate & Other	(\$10.8)	(\$4.4) -145.2%	(\$17.1) 37.1%
<b>Total Operating Income</b>	<b>\$3.1</b>	<b>\$21.9 -86.1%</b>	<b>(\$6.8) NM</b>
Income (Loss) from Equity Investees	(\$0.1)	\$0.0 NM	\$0.0 NM
Interest Expense	(\$57.2)	(\$59.9) -4.4%	(\$58.7) -2.5%
Other Items	\$7.1	\$0.0 NM	\$6.1 16.4%
Minority Interests	\$43.3	\$22.4 NM	\$40.2 7.7%
Income Tax Benefit (Expense)	\$5.8	\$5.9 NM	\$8.2 -29.3%
<b>Recurring Net Income</b>	<b>\$1.9</b>	<b>(\$9.8) NM</b>	<b>(\$11.1) NM</b>
Diluted Shares Outstanding	173.3	173.0 0.2%	172.9 0.2%
<b>Recurring Earnings Per Share (EPS)</b>	<b>\$0.01</b>	<b>(\$0.06) -119.6%</b>	<b>(\$0.08) -114.0%</b>
<b>Capital Expenditures</b>	<b>\$145.5</b>	<b>\$234.8 -38.0%</b>	<b>\$131.3 10.8%</b>
<b>Dividend Per Share</b>	<b>\$0.23</b>	<b>\$0.23 0.0%</b>	<b>\$0.22 4.6%</b>

Source: UGI reports and Jefferies estimates

Note: Recurring results exclude the impact of one-time items; some figures in the reported column remain JEFs as we will not have full information until the 10-Q is filed.

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## Company Description

UGI Corporation (NYSE: UGI) is a holding company that, through subsidiaries, distributes, stores, transports and markets energy products and services. It is the sole General Partner of AmeriGas Partners, L.P. (NYSE: APU), the largest US propane distributor, in which it also owns an approximate 26% Limited Partner interest. UGI distributes natural gas and electricity to approximately 635,000 customers in eastern PA, operates merchant power and midstream assets in the Mid-Atlantic, and has LPG distribution operations in France and Eastern Europe. The company was founded in 1882, is organized under the laws of the state of Pennsylvania, and is headquartered in King of Prussia, PA.

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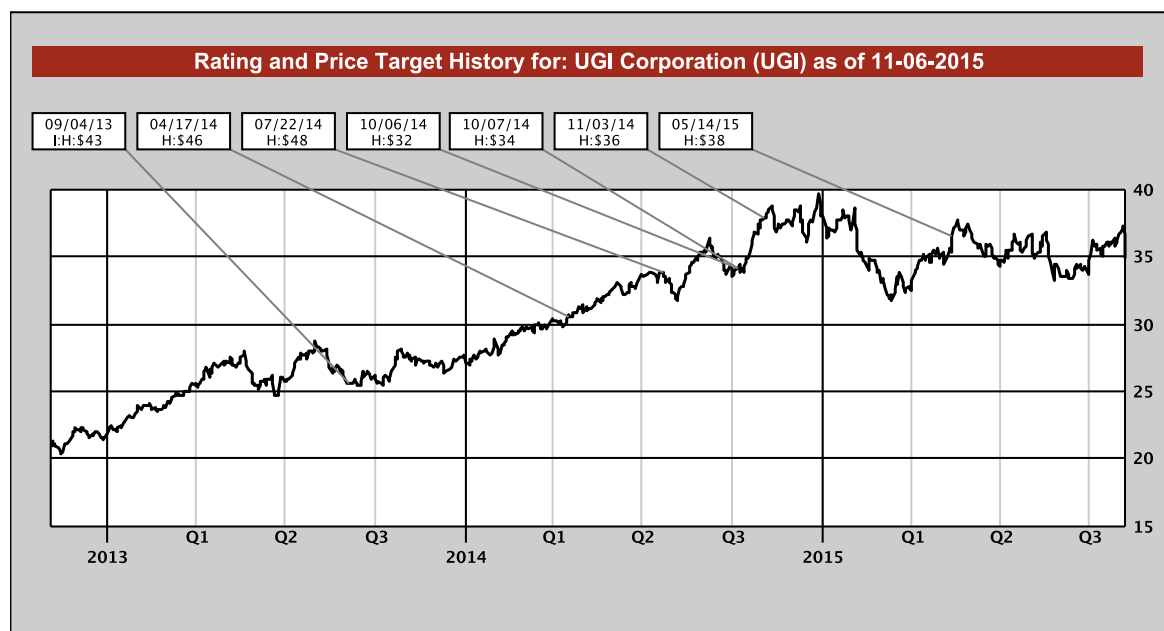
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## Distribution of Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY	1126	53.34%	316	28.06%
HOLD	835	39.55%	165	19.76%
UNDERPERFORM	150	7.11%	17	11.33%

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FLASH NOTE

Company Update

USA | Energy | Natural Gas

November 9, 2015

# UGI Corporation (UGI)

## F2016 Guidance In-Line

**HOLD**  
Price target \$38.00  
Price \$34.80

EQUITY RESEARCH

### Key Takeaway

**UGI reported adjusted F4Q EPS of 1¢ (ex items), beating our 6¢ LPS forecast & the Street's 3¢ mean LPS estimate. Operationally, every segment except Int'l Propane missed our expectations with the largest miss coming at APU due to a warm Sept. (+38% y/y) and elevated costs. Despite the segment misses, below-the-line items boosted F4Q results, delivering the bottom-line beat. Mgmt initiated F16 EPS guidance of \$2.15-\$2.30, in-line with \$2.20 JEFs.**

**Domestic distribution operations miss, Int'l beats.** While APU's quarterly gross profit of \$219mm surpassed our \$215mm estimate, elevated operating costs prompted EBITDA of \$40mm to fall short of our \$56mm estimate. Utility results also fell short of expectations as ~54% warmer than normal F4Q weather caused a \$2.2mm y/y drop in operating income. However, UGI International posted \$4.5mm in F4Q operating income, excluding acquisition & transition expenses, above our \$4.7mm loss projection. We look forward to tomorrow's call for more color on operational performance & outlooks.

**Midstream & Marketing results a touch shy of JEF expectations.** Though there is a seasonality to the M&M business in which F2H results typically lag F1H, Op Income of \$18.8mm in F4Q fell a touch below our \$20.6mm expectation but was up ~26% y/y. With the Auburn Loop expansion now online (a 150 KDth/d capacity increase), a persistent regional infrastructure gap, and a proven ability to optimize its assets effectively, we believe M&M may be capable of more consistently delivering higher-margin results, but we look to the call for mgmt's latest outlook. We also look forward to an update on development projects including the PennEast & Sunbury pipelines & Manning LNG facility.

**F16 EPS guidance initiated.** With results, mgmt initiated F16 EPS guidance of \$2.15-\$2.30, noting an expectation for strong contributions from recent midstream expansions, including the Auburn III pipeline & Temple LNG liquefaction build-out, utility infrastructure investments, and the Finagaz acquisition; guidance assumes normal weather. We note that our \$2.20 F16 EPS forecast & the Street's current \$2.15 consensus estimate are both within mgmt's guidance range: El Niño weather conditions may pose a challenge to F16 results.

**Dividend maintained.** UGI maintained its 22.75¢ per share dividend in F4Q, which is flat q/q and up ~4.6% y/y. We continue to expect long-term increases at a rate of ~5% per year, and note that 2015 marks the 28th consecutive year of dividend increases.

**Conference call info:** Tomorrow @ 9AM ET. Dial-in: 877.201.0168.

### UGI F4Q15 Results Review:

Recurring Operating Income	Actual F4Q15A	JEFs F4Q15E	Year-over-Year F4Q14A
<b>Operating Income (\$MM)</b>			
AmeriGas Propane	(\$9.8)	\$6.4 -251.8%	\$0.3 NM
Utilities	\$0.3	\$4.0 -92.6%	\$2.5 -88.0%
Midstream & Marketing	\$18.8	\$20.6 -8.5%	\$14.9 26.2%
International Propane	\$4.5	(\$4.7) 195.2%	(\$10.0) 145.0%
Corporate & Other	(\$10.8)	(\$4.4) -145.2%	(\$17.1) 37.1%
<b>Total Operating Income</b>	<b>\$3.1</b>	<b>\$21.9 -86.1%</b>	<b>(\$6.8) NM</b>
Income (Loss) from Equity Investees	(\$0.1)	\$0.0 NM	\$0.0 NM
Interest Expense	(\$57.2)	(\$59.9) -4.4%	(\$58.7) -2.5%
Other Items	\$7.1	\$0.0 NM	\$6.1 16.4%
Minority Interests	\$43.3	\$22.4 NM	\$40.2 7.7%
Income Tax Benefit (Expense)	\$5.8	\$5.9 NM	\$8.2 -29.3%
<b>Recurring Net Income</b>	<b>\$1.9</b>	<b>(\$9.8) NM</b>	<b>(\$11.1) NM</b>
Diluted Shares Outstanding	173.3	173.0 0.2%	172.9 0.2%
<b>Recurring Earnings Per Share (EPS)</b>	<b>\$0.01</b>	<b>(\$0.06) -119.6%</b>	<b>(\$0.08) -114.0%</b>
<b>Capital Expenditures</b>	<b>\$145.5</b>	<b>\$234.8 -38.0%</b>	<b>\$131.3 10.6%</b>
<b>Dividend Per Share</b>	<b>\$0.23</b>	<b>\$0.23 0.0%</b>	<b>\$0.22 4.6%</b>

Source: UGI reports and Jefferies estimates

Note: Recurring results exclude the impact of one-time items; some figures in the reported column remain JEFs as we will not have full information until the 10-Q is filed.

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UGI Corporation (NYSE: UGI) is a holding company that, through subsidiaries, distributes, stores, transports and markets energy products and services. It is the sole General Partner of AmeriGas Partners, L.P. (NYSE: APU), the largest US propane distributor, in which it also owns an approximate 26% Limited Partner interest. UGI distributes natural gas and electricity to approximately 635,000 customers in eastern PA, operates merchant power and midstream assets in the Mid-Atlantic, and has LPG distribution operations in France and Eastern Europe. The company was founded in 1882, is organized under the laws of the state of Pennsylvania, and is headquartered in King of Prussia, PA.

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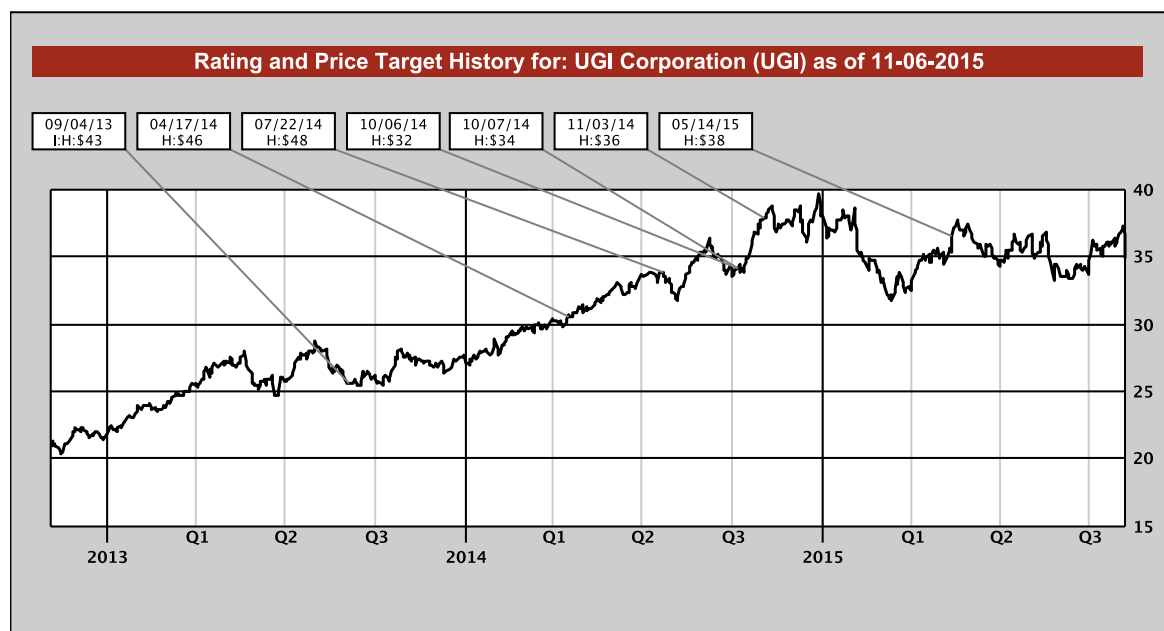
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			Count	Percent
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## FLASH NOTE

Company Update

USA | Energy | Natural Gas

February 1, 2016

# UGI Corporation (UGI)

## F1Q Results Showcase Strength of Business Mix

### Key Takeaway

**UGI reported adjusted F1Q16 EPS of 64¢ (ex items), beating our 58¢ EPS forecast, but falling below the Street's 70¢ mean EPS estimate. Operational performance was mixed as APU and the Utilities fell short of our expectations while Int'l Propane and Midstream & Marketing outperformed our estimates. Total Operating Income of \$305.5mm was ~5% above our estimate.**

**Domestic distribution operations miss, Int'l beats.** While APU's quarterly gross profit of \$351.6mm surpassed our \$319.7mm estimate, elevated operating costs prompted EBITDA of \$177.7mm to fall short of our \$192.0mm estimate. Utility results also fell short of expectations as ~25% warmer than normal F1Q16 weather caused a \$23.5mm y/y drop in operating income. However, UGI International posted \$85.1mm in F1Q operating income, above our \$66.7mm projection. We look forward to tomorrow's call for more color on operational performance & outlooks.

**Midstream & Marketing results strong, despite warmer winter.** Though the M&M business typically benefits from colder and more volatile weather, Op Income of \$42.9mm in F1Q beat our \$32.7mm expectation despite less of a contribution from the capacity management business and fewer retail power revenues. With the Auburn Loop expansion now online (a 150 KDth/d capacity increase), a persistent regional infrastructure gap, and a proven ability to optimize its assets effectively, M&M has showcased itself as being capable of delivering higher, more consistent margins even in depressed-price environments. We also look forward to an update on development projects including the PennEast & Sunbury pipelines and the Manning LNG facility.

**UGI files first rate case in 21 years.** On January 19, UGI case filed its first rate case since 1995, requesting an annual increase to base rates of \$58.6mm to fund system improvements and reliability. UGI has made over \$1.0B in system investments since its last rate case in 1995 and increased the rate base by over 120 percent. If approved as requested, the increase in rates is expected to boost a typical residential heating customer's bill by \$10.20 per month. UGI has requested new rates take effect on March 19th, but has noted the PUC typically suspends the effective date for a general base rate proceeding to allow for investigation & public hearings. We look forward to additional detail on the conference call.

**Conference call & Dividend.** Tuesday @ 9AM ET. Dial-in: 877.201.0168. On January 28th, UGI maintained its 22.75¢ per share dividend in F1Q, flat q/q and up ~4.6% y/y.

### UGI F1Q16 Results Review

Recurring Operating Income	Actual F1Q16A	JEFe F1Q16E	Year-over-Year F1Q15A	
Operating Income (\$MM)				
AmeriGas Propane	\$129.6	\$144.0	-10.0%	\$139.7 -7.2%
Utilities	\$48.3	\$62.9	-23.2%	\$71.8 -32.7%
Midstream & Marketing	\$42.9	\$32.7	31.4%	\$45.5 -5.7%
International Propane	\$85.1	\$66.7	27.6%	\$53.5 -59.1%
Corporate & Other	(\$0.4)	(\$16.5)	97.6%	(\$227.1) NM
<b>Total Operating Income</b>	<b>\$305.5</b>	<b>\$289.7</b>	<b>5.4%</b>	<b>\$85.9</b> NM
Income (Loss) from Equity Investees	(\$0.1)	(\$0.1)	0.0%	(\$1.0) NM
Interest Expense	(\$57.9)	(\$58.5)	-1.0%	(\$59.0) -1.9%
Other Items	(\$2.2)	\$0.0	NM	\$81.9 NM
Minority Interests	(\$53.3)	(\$69.1)	-22.8%	\$33.9 NM
Income Tax Benefit (Expense)	(\$79.6)	(\$60.8)	31.0%	(\$23.1) NM
<b>Recurring Net Income</b>	<b>\$112.4</b>	<b>\$101.3</b>	<b>10.9%</b>	<b>\$118.6</b> -5.3%
Diluted Shares Outstanding	175.2	175.2	0.0%	175.8 -0.3%
<b>Recurring Earnings Per Share (EPS)</b>	<b>\$0.64</b>	<b>\$0.58</b>	<b>10.9%</b>	<b>\$0.66</b> -2.9%
Capital Expenditures	\$134.4	\$206.8	-35.0%	\$132.1 1.7%
Dividend Per Share	\$0.23	\$0.23	0.0%	\$0.22 4.6%

Source: UGI reports and Jefferies estimates

Note: Recurring results exclude the impact of one-time items; some figures in the reported column remain JEFe as we will not have full information until the 10-Q is filed.

**HOLD**  
Bloomberg NYSE: UGI  
Price target \$36.00  
Price \$34.11

EQUITY RESEARCH

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\* Jefferies LLC

## Company Description

UGI Corporation (NYSE: UGI) is a holding company that, through subsidiaries, distributes, stores, transports and markets energy products and services. It is the sole General Partner of AmeriGas Partners, L.P. (NYSE: APU), the largest US propane distributor, in which it also owns an approximate 26% Limited Partner interest. UGI distributes natural gas and electricity to approximately 635,000 customers in eastern PA, operates merchant power and midstream assets in the Mid-Atlantic, and has LPG distribution operations in France and Eastern Europe. The company was founded in 1882, is organized under the laws of the state of Pennsylvania, and is headquartered in King of Prussia, PA.

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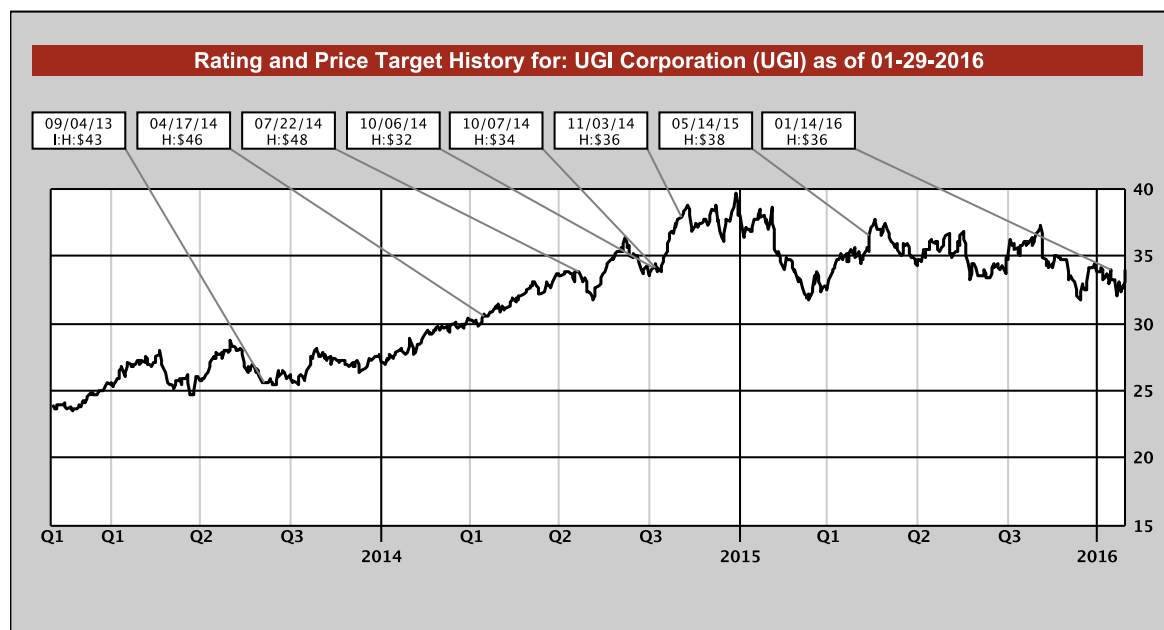
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Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY	1178	54.87%	337	28.61%
HOLD	810	37.73%	163	20.12%
UNDERPERFORM	159	7.41%	18	11.32%



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## FLASH NOTE

Company Update

USA | Energy | Natural Gas

May 2, 2016

# UGI Corporation (UGI)

## F2Q Hits Below the Line

**HOLD**Bloomberg NYSE: UGI  
Price target \$37.00  
Price \$40.09

EQUITY RESEARCH

**Key Takeaway**

**UGI reported adjusted F2Q16 EPS of \$1.24 (ex items), below our \$1.37 forecast, but in-line with the Street's \$1.25 mean estimate. Despite sharply warmer conditions, Op Income only slightly missed our forecast as APU & Midstream shortfalls were largely offset by beats at the Utility, Int'l Propane, and Other. Below the line items largely caused the EPS miss. With F1H completed, mgmt lowered its F2016 EPS guidance to \$1.95-\$2.05, from \$2.15-\$2.30.**

**F2Q offers a mixed bag.** Despite improved gross margins (up 2% y/y), APU EBITDA of \$295mm missed our \$329mm projection on weaker sales (down ~13.4% y/y) as ~13.3% warmer y/y temps crimped demand & prompted unit-cost absorption. Midstream & Marketing also fell short of our forecasts as reduced demand limited margin opportunities. However, reported Op Income (excluding MTM gains) only slightly missed our estimate as above-forecast results from the Utility, International Propane, and Corporate largely offset APU and M&M weakness. We look to the call for a more detailed explanation of the 'Corporate & Other' segment results as F2Q15 & F2Q16 performances are markedly higher than F08-F14 F2Q averages. Given Op Income was within 0.5% of our expectation, the EPS miss was driven by higher than expected Minority Interest & Tax Expenses. We look to the call for more clarity on these items as well.

**F2016 EPS guidance lowered.** With F1H completed, mgmt reduced its F16 EPS guidance to \$1.95-\$2.05, from an initial range of \$2.15-\$2.30, a reduction of ~10% at the midpoint and flat with F14 & F15 EPS. Additionally, APU lowered its F16 EBITDA guidance to \$575-\$600mm, from an initial range of \$660-\$690mm, a reduction of ~13% at the midpoint.

**UGI raises dividend.** On April 28th, UGI announced a 23.75¢ per share dividend, up 1¢ q/q and up ~4.4% y/y. We continue to expect long-term increases at a rate of ~5% per year, and note that 2016 marks UGI's 29th consecutive year of dividend increases.

**Conference call info:** Tomorrow @ 9AM EDT. Dial-in: 877-201-0168. Key issues include 1) F2Q 'Corporate & Other' explanation; 2) Midstream project updates (PennEast, Sunbury, etc.); and 3) general strategy review.

**UGI F2Q16 Results Review:**

Recurring Operating Income	Actual F2Q16A	JEFc F2Q16E	Year-over-Year F2Q15A	
<b>Operating Income (\$MM)</b>				
AmeriGas Propane	\$250.4	\$282.3	-11.3%	\$296.9 -15.7%
Utilities	\$114.5	\$106.6	7.4%	\$139.3 -17.8%
Midstream & Marketing	\$77.8	\$93.9	-17.2%	\$101.9 -23.7%
International Propane	\$120.0	\$116.6	2.9%	\$72.7 65.1%
Corporate & Other	\$38.8	\$5.0	NM	\$68.4 -43.2%
<b>Total Operating Income</b>	<b>\$601.6</b>	<b>\$604.4</b>	<b>-0.5%</b>	<b>\$681.8 -11.8%</b>
Income (Loss) from Equity Investees	\$0.0	(\$0.1)	NM	(\$0.1) NM
Interest Expense	(\$57.3)	(\$59.0)	-2.9%	(\$58.2) -1.5%
Other Items	\$0.0	\$0.0	NM	\$0.0 NM
Minority Interests	(\$174.8)	(\$161.5)	8.2%	(\$235.7) -25.8%
Income Tax Benefit (Expense)	(\$153.3)	(\$143.9)	6.5%	(\$164.4) -6.8%
<b>Recurring Net Income</b>	<b>\$216.2</b>	<b>\$239.9</b>	<b>-9.9%</b>	<b>\$223.4 -3.2%</b>
Diluted Shares Outstanding	174.8	174.8	0.0%	175.6 -0.4%
<b>Recurring Earnings Per Share (EPS)</b>	<b>\$1.24</b>	<b>\$1.37</b>	<b>-9.9%</b>	<b>\$1.26 -1.6%</b>
<b>Capital Expenditures</b>	<b>\$114.5</b>	<b>\$150.3</b>	<b>-23.8%</b>	<b>\$101.4 12.9%</b>
<b>Dividend Per Share</b>	<b>\$0.23</b>	<b>\$0.23</b>	<b>0.0%</b>	<b>\$0.22 4.6%</b>

Source: UGI reports and Jefferies estimates

Note: Recurring results exclude the impact of one-time items; some figures in the reported column remain JEFc as we will not have full information until the 10Q is filed.

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## Valuation Methodology

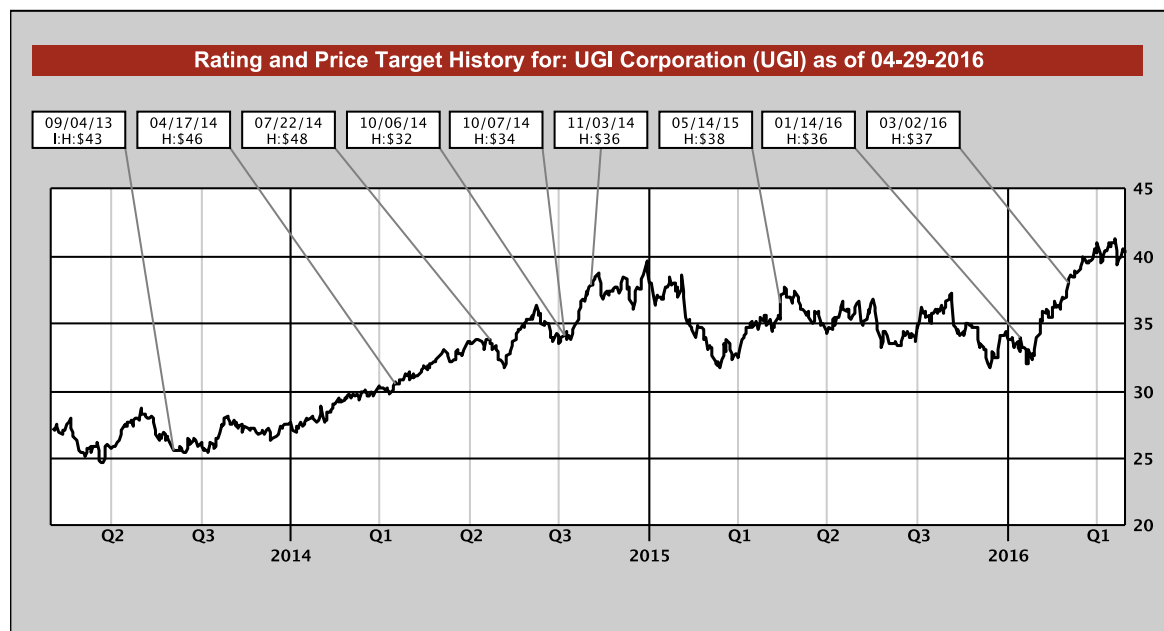
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**Notes:** Each box in the Rating and Price Target History chart above represents actions over the past three years in which an analyst initiated on a company, made a change to a rating or price target of a company or discontinued coverage of a company.

### Legend:

I: Initiating Coverage

D: Dropped Coverage

B: Buy

H: Hold

UP: Underperform

## Distribution of Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
<b>BUY</b>	1173	53.88%	325	27.71%
<b>HOLD</b>	841	38.63%	162	19.26%
<b>UNDERPERFORM</b>	163	7.49%	19	11.66%

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**FLASH NOTE**

Company Update

USA | Energy | Natural Gas

August 1, 2016

**Jefferies**

# UGI Corporation (UGI)

## International Beat of Mystery - Yeah Baby!

**HOLD**

Bloomberg NYSE: UGI  
Price target \$40.00  
Price \$45.04^

^Prior trading day's closing price unless otherwise noted.

EQUITY RESEARCH

**Key Takeaway**

**UGI reported adjusted F3Q EPS of 23¢ (ex items), well above our 6¢ forecast, and the 7¢ Street mean est. The EPS beat was principally fueled by strong performances at Utilities & UGI International, which benefited from favorable y/y temps, lower costs, and improved margins; 'Other' also exceed JEFe & we look for an explanation on the call. Mgmt affirmed its F16 EPS guidance of \$1.95-\$2.05, but noted an expectation to be at/above the top-end of the range.**

**International, Utilities, Corp. & Other post strong results.** Despite volumes that were slightly lower than expectations, APU EBITDA of \$64.6mm beat our \$57.4mm projection on better gross unit margins, which were up ~5.1% y/y. UGI Utilities & International Propane also beat our expectations on substantial cost improvements at both segments y/y. International Propane unit margins of \$1.27/gal were materially above our \$0.90/gal estimate, and management noted in the release that it has exited the lower-margin autogas business in Poland. Degree Days in the utility jurisdictions were 11.9% colder than normal, which prompted a 13.0% increase in system throughput y/y. In addition, for the second quarter in a row the Corporate & Other segment posted substantial results, though no further clarity as to the driver of this segment has been provided. We look to the call for a more detailed explanation of this segment's results as F3Q15 & F3Q16 performances are markedly higher than F08-F14 F3Q averages. Midstream & Marketing again fell short of our forecasts as reduced demand limited margin opportunities.

**Mgmt now expects to be at/above top-end of its F16 EPS range.** With results, mgmt affirmed its F16 EPS guidance of \$1.95-\$2.05, but noted it is likely to be at the upper-end, or slightly above, the forecast range. Additionally, APU affirmed its F16 EBITDA guidance of \$575-\$600mm. Of note, the initial UGI F16 EPS range was \$2.15-\$2.30 & initial APU F16 EBITDA guidance was \$660-\$690mm.

**Dividend declared.** On July 26th, UGI announced a dividend of 23.75¢/share, flat q/q and up ~4.4% y/y. We continue to expect long-term increases at a rate of ~5% per year, and note that 2016 marks UGI's 29th consecutive year of dividend increases.

**Conference call info:** Tomorrow @ 9AM EDT. Dial-in: 877-201-0168. Key issues include 1) F3Q 'Corporate & Other' explanation; 2) International segment margin outlook; & 3) Midstream project updates (PennEast, Sunbury, etc.).

**UGI F3Q16 Results Review:**

Recurring Operating Income	Actual F3Q16A	JEFe F3Q16E	Year-over-Year F3Q15A
<b>Operating Income (\$MM)</b>			
AmeriGas Propane	\$18.4	\$10.0	83.3%
Utilities	\$29.8	\$17.6	69.4%
Midstream & Marketing	\$11.3	\$18.6	-39.2%
International Propane	\$38.0	\$4.4	760.8%
Corporate & Other	\$34.9	\$1.3	NM
<b>Total Operating Income</b>	<b>\$132.4</b>	<b>\$51.9</b>	<b>155.1%</b>
Income (Loss) from Equity Investees	\$0.0	\$0.0	NM
Interest Expense	(\$56.4)	(\$55.7)	1.3%
Other Items	\$0.0	\$0.0	NM
Minority Interests	\$32.1	\$20.6	55.8%
Income Tax Benefit (Expense)	(\$68.1)	(\$6.3)	982.9%
<b>Recurring Net Income</b>	<b>\$40.0</b>	<b>\$10.5</b>	<b>281.6%</b>
Diluted Shares Outstanding	176.0	174.5	0.9%
<b>Recurring Earnings Per Share (EPS)</b>	<b>\$0.23</b>	<b>\$0.06</b>	<b>278.3%</b>
<b>Capital Expenditures</b>	<b>\$137.4</b>	<b>\$114.5</b>	<b>20.0%</b>
<b>Dividend Per Share</b>	<b>\$0.24</b>	<b>\$0.24</b>	<b>0.0%</b>

Source: UGI reports and Jefferies estimates

Note: Recurring results exclude the impact of one-time items; some figures in the reported column remain JEFe as we will not have full information until the 10Q is filed.

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## Company Description

UGI Corporation (NYSE: UGI) is a holding company that, through subsidiaries, distributes, stores, transports and markets energy products and services. It is the sole General Partner of AmeriGas Partners, L.P. (NYSE: APU), the largest US propane distributor, in which it also owns an approximate 26% Limited Partner interest. UGI distributes natural gas and electricity to approximately 635,000 customers in eastern PA, operates merchant power and midstream assets in the Mid-Atlantic, and has LPG distribution operations in France and Eastern Europe. The company was founded in 1882, is organized under the laws of the state of Pennsylvania, and is headquartered in King of Prussia, PA.

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### (Article 3(1)e and Article 7 of MAR)

Recommendation Published , 22:56 ET. August 1, 2016  
Recommendation Distributed , 22:56 ET. August 1, 2016

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Buy - Describes securities that we expect to provide a total return (price appreciation plus yield) of 15% or more within a 12-month period.

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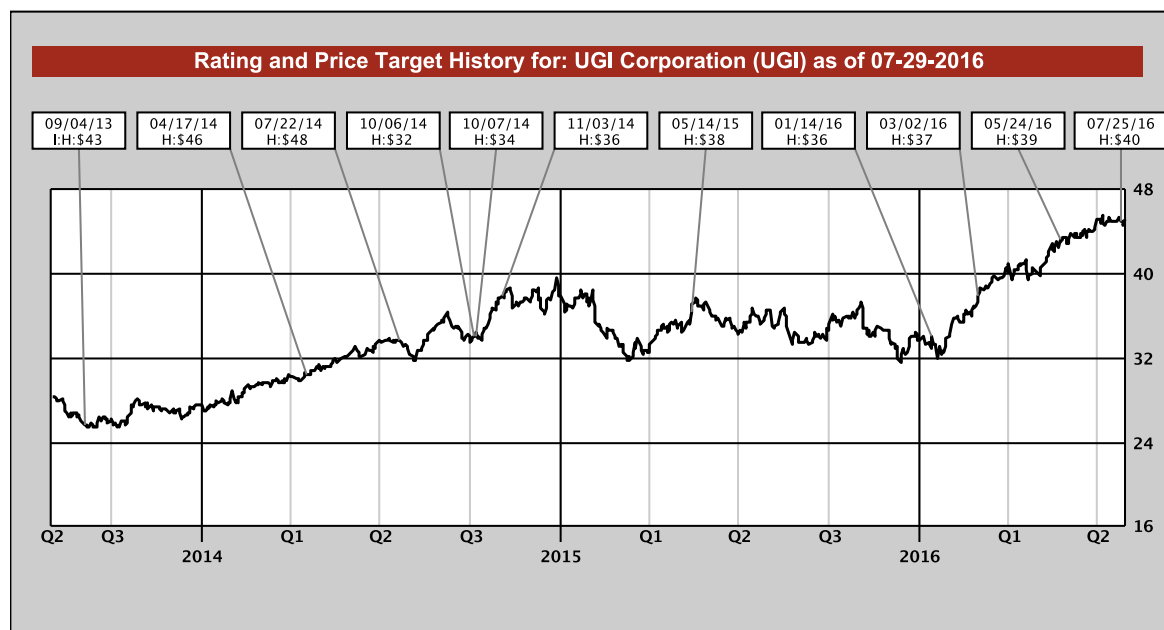
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**Legend:**

I: Initiating Coverage

D: Dropped Coverage

B: Buy

H: Hold

UP: Underperform

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Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY	1124	51.92%	317	28.20%
HOLD	863	39.86%	174	20.16%
UNDERPERFORM	178	8.22%	19	10.67%

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**FLASH NOTE**

Company Update

USA | Energy | Natural Gas

November 9, 2016

**Jefferies**

# UGI Corporation (UGI)

## Focus Turns to F2017

**HOLD**

Bloomberg NYSE: UGI  
Price target \$41.00  
Price \$45.27^

^Prior trading day's closing price unless otherwise noted.

EQUITY RESEARCH

### Key Takeaway

**UGI reported adj. F4Q LPS of 5¢ (ex items), below our 3¢ LPS forecast & the 1¢ EPS Street mean est; however, F4Q includes \$30mm in APU litigation & liability reserves which we had excluded from our estimate. Aside from this difference in this reserve treatment, weaker than expected temperatures & propane gross margins modestly crimped results. With F4Q, mgmt affirmed its F17 EPS guidance of \$2.30-\$2.45 which was initiated last month.**

**Propane operations fall modestly short of JEFe.** Despite stronger than anticipated Utility op. income (\$8.3mm vs \$0.2mm JEFe), APU & International Propane meaningfully underperformed our forecasts, prompting the wider than expected LPS. While APU posted gross profit weakness & formally recorded F4Q adj. EBITDA of just ~\$5.3mm, reported results include ~\$30mm of litigation & general liability reserve additions. Importantly, APU did not adjust its F4Q results for these reserve additions, nor mention them in its release this evening, but its Oct. 12th guidance update noted a late-Sept. decision by the FL 2nd District Court of Appeals affirming an \$18mm judgement against the partnership in a class action proceeding which commenced in Nov. 2005; we do not view the reserve additions stemming from this case as indicative of the partnership's recurring performance and, if excluded, would imply a F4Q adj. EBITDA of ~\$35.6mm. Separately, International Propane missed our expectations as a direct result of lower sales volumes (151mm vs 175mm gal JEFe), modestly offset my marginally higher per-gallon gross profit realizations. According to mgmt, International weather was ~28.5% warmer than normal during the quarter.

**Guidance affirmed.** With results, UGI affirmed its F17 EPS guidance of \$2.30-\$2.45 & APU affirmed its F17 EBITDA est. of \$660-\$700mm, both initiated last month. Of note, mgmt's F17 EPS guidance implies 6.7% y/y growth relative to its initial F16 EPS guidance of \$2.15-\$2.30. We await the Dec. 8th Investor Day for more detail on multi-year outlooks.

**Dividend declared.** On July 26th, UGI announced a dividend of 23.75¢/share, flat q/q and up ~4.4% y/y. We continue to expect long-term increases at a rate of ~5% per year, and note that 2016 marks UGI's 29th consecutive year of dividend increases.

**Conference call info:** Tomorrow @ 9AM EST. Dial-in: 877-201-0168. Key issues include 1) additional color on the APU litigation expense; 2) International segment margin outlook; & 3) Midstream project updates (PennEast, Sunbury, etc.).

### UGI F4Q16 Results Review:

Recurring Operating Income	Actual F4Q16A	JEFe F4Q16E	Year-over-Year F4Q15A	
<b>Operating Income (\$MM)</b>				
AmeriGas Propane	(\$42.0)	(\$14.0)	NM	(\$9.9) NM
Utilities	\$8.3	\$0.2	NM	\$0.3 NM
Midstream & Marketing	\$14.7	\$18.5	NM	\$18.8 NM
International Propane	(\$11.0)	\$9.2	NM	\$4.5 NM
Corporate & Other	(\$10.4)	(\$2.4)	NM	\$1.1 NM
<b>Total Operating Income</b>	<b>(\$40.4)</b>	<b>\$11.5</b>	<b>NM</b>	<b>\$17.4</b> <b>NM</b>
Income (Loss) from Equity Investees	(\$0.1)	\$0.0	NM	(\$0.1) NM
Interest Expense	(\$57.3)	(\$56.3)	1.9%	(\$57.2) 0.3%
Other Items	\$0.0	\$0.0	NM	\$0.0 NM
Minority Interests	\$71.9	\$36.4	97.6%	\$43.3 66.1%
Income Tax Benefit (Expense)	\$17.3	\$3.1	NM	\$2.6 NM
<b>Recurring Net Income</b>	<b>(\$8.6)</b>	<b>(\$5.2)</b>	<b>NM</b>	<b>\$6.0</b> <b>NM</b>
Diluted Shares Outstanding	173.7	173.1	0.3%	175.7 -1.1%
<b>Recurring Earnings Per Share (EPS)</b>	<b>(\$0.05)</b>	<b>(\$0.03)</b>	<b>NM</b>	<b>\$0.02</b> <b>NM</b>
<b>Capital Expenditures</b>	<b>\$233.9</b>	<b>\$338.2</b>	<b>-30.8%</b>	<b>\$160.2</b> <b>46.0%</b>
<b>Dividend Per Share</b>	<b>\$0.24</b>	<b>\$0.24</b>	<b>0.0%</b>	<b>\$0.23</b> <b>4.4%</b>

Source: UGI reports and Jefferies estimates

Note: Recurring results exclude the impact of one-time items; some figures in the reported column remain JEFe as we will not have full information until the 10Q is filed.

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Recommendation Published , 23:03 ET. November 9, 2016  
Recommendation Distributed , 23:03 ET. November 9, 2016

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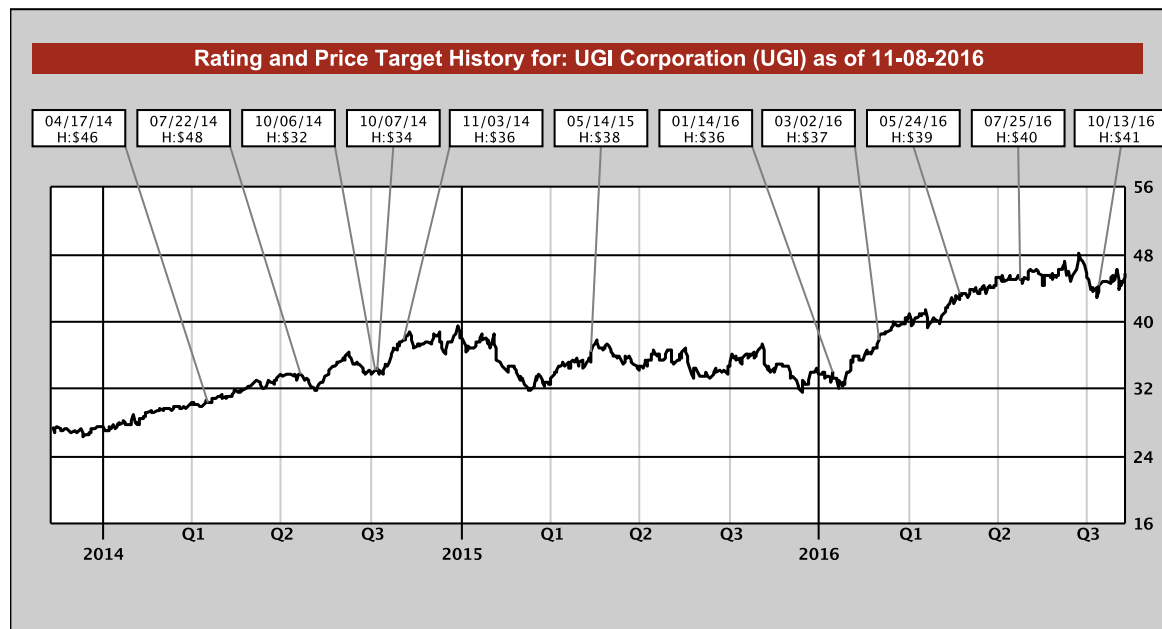
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			Count	Percent
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